



**The 19th KIMEP International Research Conference
8-9 April 2022**

**“30 Years of KIMEP University: Local and Global
Impact”**

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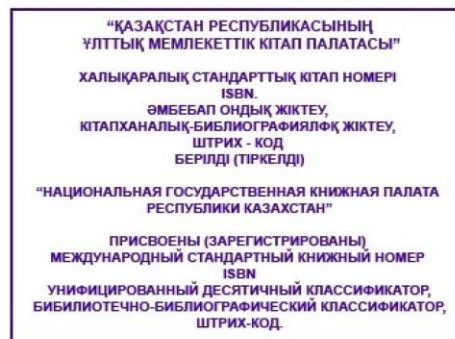
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The impact of HRM practices and policies in Kazakhstani companies on personnel stress management.

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Abstract

The purpose of research paper is to determine the impact of HRM practices and policies on employee stress and to develop practical recommendations to minimize it. Four practices and policies were used to investigate this issue: organizational change, KPI, training and development, and onboarding program in a mining company located in Nur-Sultan. Quantitative and qualitative methods are taken for analysis with 40 participants. The results show that organizational changes and KPI have a negative effect on work stress by increasing it. Staff training and adaptation program have benefits in minimizing occupational stress. The limitations of this study include the sample of participants, the age and tenure of the workers. The study can be used to further investigation of HRM practices and policies in the mining industry in Kazakhstan.

Keywords: Kazakhstan, work stress, organizational change, KPIs, training and development, onboarding program.

Intoduction.

In today's reality, in order to remain competitive and economically sustainable companies should invest primarily in their employees. It is crucial to use practices and policies that fit the company's structure, only then workers can use knowledge and skills properly, be engaged and highly productive towards the company. When the HR department is able to establish this process, the rates of turnover will diminish, whereas productivity and effectiveness will be enhanced.

However, the practices and policies used in Kazakhstani organizations cannot fully have a positive effect on employees; as a result the HR department very often faces the problem of work-related stress of personnel.

According to WHO (2020) work-related stress is a response that results from a worker's knowledge and capacity not matching the job requirements and pressure from the company. As claimed by HSE n CIPD (2021), more than 17.9 million working days were missed due to stress or depression in 2019-2020 years.

Often in Kazakhstani companies, it requires more resources and time from employees than they have. Stress-related burnout, decreased interest in working, and increased staff turnover are consequences of that. The situation can be exacerbated if staff do not feel mutual support by each other or by the heads of companies or managers.

There are many different practices in human resource management, and each of them has a specific role in personnel stress management, some of them cause stress, others compensate for that stress. For example KPI, organizational changes, or requirements that exceed employees' abilities, as previously stated, cause stress and resistance. While bonuses, open communication, onboarding programs and training reduce stress and promote job satisfaction.

An exploration company based in Nur-Sultan with 204 employees was taken to investigate this research problem in more detail. In the case of this company, the following practices such as onboarding program, organizational restructuring of staff, training, KPI, and company policies

including employee value, high quality service delivery and innovation will be reviewed and explored in depth. Through these policies and practices, the researcher will explore the degree of stress in an exploration company.

The aim and objectives of the study.

The aim of the thesis research is to develop practical recommendations for the management of certain practices and policies affecting stress management in the exploration company “AMG” in Nur-Sultan city, Republic of Kazakhstan.

The purpose of the investigation involves next objectives:

- To examine certain practices and policies used in “AMG” company;
- identify the impact of certain policies and practices used in “AMG” company on stress management;
- to diagnose the practices used to develop recommendations;
- to develop practical recommendations for the management of practices and policies influencing stress management at “AMG” company in Nur-Sultan, in the Republic of Kazakhstan.

The object of the study is the policies and practices implemented in the “AMG” geological exploration company with 204 employees.

The main issues put forward in the study:

1. What are the HRM practices of LLP “AMG” that exacerbate staff stress?
2. What practices and policies increase job satisfaction and reduce work related stress?
3. What practical recommendations are needed to minimize stress from practices that increase it?

Key hypotheses that can be defended:

1. KPI and organizational change intensify workplace stress and promote turnover.
2. Onboarding programs and staff developments minimize stress and increase job satisfaction.

Literature review.

Stress and its impact on employees and organization.

In most cases the word stress is associated with negativity, causing unpleasant feelings such as irritation and anxiety; it is a consequence of impairment of health and life in general.

Each researcher interprets stress differently, for example, Jain, Giga, and Cooper (2013) studied that stress was conceptualized as a stimulus or reaction in response to a specific action. Hungarian scientist Hans Selye first used the term stress in the experiment in the 1960s when biological stress induced homeostatic disorder by causing disease in experimental animals (Jackson, 2014). Thereafter, Sellier began to study general adaptation syndrome which was transferred to the theory of stress and its impact on the human body, describing the immediate response of the organism under stressors (Becker, 2013).

Starcke and Brand (2016) distinguish two types of stressors: acute and chronic. Acute stressors cause short irritation stimuli and are not periodic, in contrast to chronic stressors, which are constant in a person's life and do not allow them to relax. It is noted that acute stressors lead to cortisol increasing, which is produced in the adrenal cortex and protects individuals from stress. However, if a person is under extended stress, the production of cortisol starts to exceed the permissible rate which is released into the blood, resulting in insomnia, disruption of the brain, persistent irritability and chronic fatigue.

According to Poryadin (2009) stress causes mental, cardiovascular and endocrine diseases. There are three stages of stress compensation, the compensatory and the sub compensatory stages are less traumatic in comparison with the third stage – decompensation (Poryadin, 2009, p.13). The latter is the

most dangerous stage and is often referred to as distress, causing a breakdown of compensatory reactions and homeostasis disruption (Poryadin, 2009, p.14).

Starcke and Brand (2016), Poryadin (2009) demonstrate that stress is the reason for mental and physical deterioration, for an exhaustion of the body, and if an employee is in this state he would not feel satisfied with work and therefore would not fully contribute to the company's success.

Kellow et al. (2012) noted that company executives in the European Union and researchers have highlighted workplace stress as one of the major challenges of the 21st century.

There are a lot of sources for work related stress and there are classifications put forward by researchers on the issue. For example, the classification by Karasek et al. (1998), identifies five types of sources of occupational stress: lack of decision-making, lack of social support, physical demands, job insecurity and psychological demands. Whereas ASSET (Faragher et al., 2004) concentrates on 7 types of sources by pointing on work-life imbalances, lack of corporate relationships, overload, job security, control, resources, pay and benefits. Comparing these classifications, it can be concluded that they complement each other, for instance the category of lack of social support identified by Karasek et al. (1998) is complemented by the category of lack of corporate relationship from the ASSET classification (Faragher et al., 2004). During analyzing each category, it can be seen that the sources of occupational stress are detrimental to employees' performance and well-being, which was also investigated in a study of stress over 40 years by various researchers (Billing et al., 2014).

According to Wolever et al. (2012) employees with normal levels of stress cost organization less than employees with high levels. For the reason that people, who are vulnerable to stress are less productive and have a greater prognosis for disorders such as diabetes mellitus, hypertension, urinary disorders, obesity, cancer, psychological disorders, and musculoskeletal disorders.

The psychological consequences of occupational stress include cognitive factors such as lack of interest in work, job dissatisfaction; emotional disturbances such as apathy, anxiety, and depression. (Karasek, Kasl cited in Baker, 1985). As a result, studies have demonstrated the relationship between the mental state outcomes and work related stress. Behavioral consequences of workplace stress include disturbed sleep, impaired appetite, making work mistakes, reduced productivity; self-destructive behaviors consist of using alcohol, cigarettes, and sometimes psychoactive substances (Baker, 1985).

Hyvonen et al. (2011) found that workers with high work capacity and high effort are more susceptible to illness, and this process is comparable to the Effort-Reward-Imbalance Model. Earlier it was argued that occupational stress has a negative impact on the physical and mental well-being of the staff. In leading companies, which occupy a niche position in the world, mental health well-being should be viewed as a strategic asset, as stated by van Scheppingen et al.(2013), because employees with a healthy mental state are at the core of innovation and creativity. Very often, work-related psychological stress leads to low staff morale, absenteeism, high turnover, decreased productivity and presenteeism (Limm et al., 2011). The last term is a problem for companies, all countries of the world, including Kazakhstan. In Kazakhstan, the presenteeism of employees is a term of going to work in a sick state, and it is a frequent phenomenon. It happens because lower wages will be paid during sick leave, which is not enough to cover basic needs.

A company which was taken as the subject of exploring the impact of policies and practices on stress of workers belongs to the mining industry. This industry has an increased prevalence of stress, as there are health and life risks associated with underground work. Street et al. (2018) investigated research about stress of mining workers in Australia, and discovered that among 897 employees more than 40.7% have very high work-related stress. It happens due to high workloads, imbalance between

personal life and work, lack of corporate relationships. The result is 31.4% non-attendance of employees, 28.3% of presenteeism in the mining industry in Australia, that lead to reduced productivity and profit. According to Street et al. (2018) absenteeism as an outcome of work-related stress and costs \$153.8 million for mining companies in Australia, representing more than 8% of profits.

Stress assessment and stress management.

Various tools are used to assess occupational stress of employees and take actions to deal with it. Many methodological recommendations pointed out that in order to adequately assess work-related stress it is necessary to do a self-analysis and understand how dangerous a given stressor is, how it will affect the mental and psychological state of an individual. Akanji (2015), Johnstone & Feeney cited in Subramaniam (2017) defined that there are two categories of people during assessing occupational stress, the first is people assessing stress by the occurred problem and the second is people focusing on emotion. The first category includes people for whom the problem that caused stress is the main attribute of the stressor, and the level of stress depends on how solvable the problem is. The second category includes people who, regardless of the problem, perceive it emotionally.

The next theory is that, in the same company people could react differently to occupational stress, where the main role is played by three factors: 1. Personality 2. Control over the problem 3. Support (Spector cited in Subramaniam, 2017). Support plays a significant role, e.g. studies by Conner et al. cited in Subramaniam (2017) on the effect of support during workplace stress showed high variability between supervisor support and stress reduction during challenges.

It should be noted that reactions to occupational stress differ between men and women. Women are emotionally labile and tend to resort to help, men deny the existence of stress by drinking alcohol and cigarettes when stress occurs. (Sandmark et al. cited in Subramaniam, 2017)

Analyzing the research data, the occurrence of stress depends on individual perception, factors like support, assessment of the situation; and gender.

In the next chapter, the researcher will conduct a literature review and analysis on certain practices and policies used in the “AMG” mining company in Nur-Sultan city. Foreign sources with the following practices and policies will be researched: organizational change, KPI, onboarding programme and staff training.

HRM practices and policies and stress.

1. Organizational change.

Globalization is a process that contributes to the integration of the economic, political, and cultural system around the world. Clayton, Sheppard et al, Simbula et al cited in Foy (2015) emphasized that globalization generates organizational change in all companies in the world, in order to stay afloat, be competitive and economically stable.

However, organizational change is not always successful and the reason for this may be the damage to employees due to new interventions (Fugate et al. 2012).

While changes should promote collaboration and cohesion among staff, the opposite effect is often found (Bordia et al; Cartwright and Schoenberg; Jimmieson et al; Oreg, in Wisse and Sleebos 2016). And one of these effects is occupational stress. Johnson et al. (2006) found that after staff is informed about the organizational change, the mental and physical state of some employees deteriorates; fear,

insecurity, and anxiety arise. This state is caused by the thought that the change will cause negative consequences, such as learning additional processes, increased responsibility, or not guaranteeing the safety of the work. The latter is a threat to employees because there is uncertainty about job retention. (Greenhalgh & Rosenblatt, 1984) However, the forecasts are not always true, and employees often misjudge the situation and make wrong conclusions.

Johnson et al. (2006) found that after workers are informed of an organizational change, blood pressure increases, which is a predictor of stress. Furthermore, Dahl, Greubel and Kecklund cited in Wisse and Sleenbos (2016) in correlational studies of stress and medication dependence demonstrated that the high risk of taking medication is associated with organizational change.

Smollan (2012) divided organizational change into three phases 'before change', in the 'process of change' and 'after change' to define which phase causes occupational stress. It was found that the "process of change" stage was the most stressful, since at this stage there is a change in such factors as workload, work speed, nature of work and role uncertainty.(Smollan, 2012). Organizational change always captures these factors to increase employee productivity, and in the end mental stress and emotional exhaustion are occurred (Karasek, 2004). Armstrong-Stassen's (2005) study about organizational change of middle and lower-level managers in the public sector found that over 73% of employees experienced a negative consequence e.g. increased cigarette use as a result of increased workload during the transition phase.

Following Smollan (2012) organizational change caused several uncertainties, employees did not know what to expect in the future, whether they would remain in their previous job, whether they could cope with the new conditions, whether they would maintain good relationships with their colleagues, whether they would lose their role and status at work. All of these questions caused uncertainty, fear and stress. Furthermore, poor communication during organizational change played a role in causing stress. Misreporting and exclusion from decision-making processes caused a storm of aggression and dissatisfaction among workers. (Pick et al, 2012).

The next reason for stress due to organizational change is lack of support. Insufficient support of the staff as a result of the change caused an upset feeling, aggression, accusations towards management about incompetence and cynicism (Smollan, 2012). These feelings reduce job satisfaction, the employee's sense of worth and need by leading to depression and stress.

It follows that employees are afraid to work under new realities, under situations that are not clear to them. And if management does not take action in time to reduce the factors highlighted by Smollan (2012) and other above-mentioned researchers, occupational stress is unavoidable, which means that the organizational changes have failed during implementation.

2. KPI, employee evaluation, and stress.

KPI or Key Performance Indicator is an indicator used to measure the success of a company. "AMG" Company implemented KPI 1 year ago in order to present the professionalism and transparency of the company in achieving its plans. Moreover, the practice was introduced to demonstrate the high quality of services provided to clients. According to Mallow (2017), KPI is the key to attracting potential customers, because it provides necessary information about the company's performance and achievements. Without the KPI, it is possible to indicate the quality of services, but with it, the company is in a winning position.

Mallow (2017) argued if the company has fulfilled the planned KPI, it is an enhancement of the company's reputation and success. However, if the organization has failed in accomplishing planned KPI it is the reverse of favorable outcomes. As a result, the achievement of KPI depends on staff, more precisely on how responsibly they complete the task. Organization will require the personnel to achieve the planned purposes of the corresponding KPI. Depending on how realistic the objectives are,

the employee's emotional and physical well-being is affected. With an unrealistic set of KPI, employees try to achieve them with all possible efforts, postponing family, rest and health, which results in subsequent professional stress. Mallow (2017) observed that 8 out of 10 employees become anxious and frustrated when KPI are not achieved. Wisse and Sleebos (2016) stated that work demands have a negative impact on employee health or a positive impact on stress. For example, JD-R; Demerouti et al; Bakker cited in Wisse and Sleebos (2016) investigated that a highly targeted KPI with limited resources reduces employee productivity, increases pressure from management, causes disruption in work schedule and subsequently irritability and emotional exhaustion, which are signs of occupational stress. Furthermore, Mallow (2017) argued that employees with families in pursuit of achieving highly laid down KPI were in imbalance between family and work, and this led to conflict between personal responsibilities at home and functional demands at work. Consequently, stress arises or is exacerbated by pressure from external factors to which one does not have sufficient resources, as defined by WHO (2020).

However, predicting that KPI only exacerbates occupational stress is not possible, as companies try to set tasks that are achievable for employees, and they are often aimed at increasing productivity. For example, a study by Clarke A. (2017) on the implementation of wellbeing into KPI showed that after the experiment, participants became more calm, relaxed and achieved their goals without aggression and anxiety.

In many companies, KPI is not only a performance improvement, as Mallow (2017) pointed out, but it is also a measure of employee performance. Hussain and Naja (2016) argued that performance appraisal of workers consists of several indicators and the most important one is employee performance, however, when productivity is reduced and there is an unsatisfied evaluation as a result, the employee feels upset. Salary, career progression, rewards, and reputation are at stake and if the appraisal is unsatisfactory then the worker would become depressed which is a sign of stress.

To sum up, if KPI consists of unrealistic demands, there are all the predictors for stress, which is detrimental to the productivity and effectiveness of the employee and the company. However, if KPI is realistic and in line with employee capabilities and knowledge, then the employee's psycho-emotional state will be healthy, balance will be maintained, organizational results will be better, and the employee's work efficiency will be higher.

3. Onboarding program and its impact on stress.

Maurer (2019) argued that employee onboarding is a process that allows a newcomer to be integrated into the company, into the corporate culture, in order to maximize his productivity.

The impact of the onboarding program on stress is understudied, but by drawing parallels between performance after undergoing the onboarding program and subsequent job performance, the link between the employee and stress can be identified, given literature review conducted on occupational stress earlier.

According to the Harvard Business Review cited in Chen (2020), employee onboarding has two aspects, the first is learning how the work process is done and all the necessary information used on a daily basis, and the second is the importance of learning the language of your workplace. So it was noted in the research that the more new employees do not understand the acronyms relating to work, the more they feel like an outsider. This leads to anxiety, worry and fear of not fitting in and not finding a common language with colleagues, which causes occupational stress. This finding is confirmed by Bridges cited in Chen (2020) when a new employee enters a new work environment, the first thing that worries him or her is not the job change itself, but the psychological transition, accompanied by uncertainty, disorientation and feelings of fear. And the onboarding program, or

organizational socialization, is a process that reduces stress (uncertainty, fear) and increases the newcomer's ability to contribute to the new work environment.

Consequently, Gallup (2017) noted that 88% of employees who were not provided with an onboarding program experienced occupational stress in the workplace, which was represented by the uncertainty associated with new tasks, roles and corporate relationships. Allison (2018) confirmed that as a result of the lack of an onboarding program, newcomers were unable to build relationships with co-workers and could not fully understand what was required of them. However, according to Glasdor (2018), it is noted that not all companies have a successful new worker onboarding program. According to a survey by Careerbuilder and Silkroad Technology, it was observed that 9% of new employees quit because of a poorly aligned onboarding program, in addition, over 30% of employees said that their managers were not involved in supporting them during the onboarding process. These results lead to the fact that people need an adaptation program and it should be properly structured with support from a mentor (manager) for the successful completion of tasks, for socialization in a new workplace, for minimizing professional stress, and avoiding redundancy.

If companies get this process right, employee retention will increase by 83 % and productivity by 70 % (Glasdor, 2018). Onboarding program in over 60 % of respondents in the Allison (2018) study, caused satisfaction, a sense of job readiness, gave a sense of value as well as a sense of acceptance by colleagues. In a 90-day analysis of the impact of the newcomer onboarding program on Twitter, it was found that 100 percent of new employees were satisfied with the onboarding program and felt comfortable from the first day. 86% of employees reported that their manager helped them during the onboarding program, which reduced their anxiety and increased their feeling of security (Chen, 2020). Therefore, an effective onboarding program has a positive effect on the newcomer, by minimizing fear and anxiety and increasing job satisfaction. Beer, Caldwell and Floyd cited in Chen (2020) showed that employees who established rapport with newcomers, supported newcomers during the onboarding program, and provided advice, created an organizational culture in which newcomers showed innovative and creative approaches to work, and improved company revenue by 6 %.

To summarize this section, onboarding programs minimize job stress if they are correctly structured and if the new employee feels comfortable and confident in his/her work environment from the first day. These feelings are in opposition to work stress, which causes consequences in the form of frustration, dismissal, and a diminished reputation for the company.

4. Training and stress.

Training is the process of improving knowledge, acquiring new skills in order to achieve the organization's target and KPI. Several researchers have found that it is necessary to provide employees with continuous learning and development as it mediates work stress. (Liao, 2011). According to Sesen & Ertan (2021) there is a relationship between lack of training, workload, and high levels of stress. This assertion is proved through Bandura's (2012) concept of self-efficacy in a study by Sesen & Ertan (2021) where it is noted that an individual's beliefs about mobilizing motivation, necessary resources and knowledge leads to the achievement of tasks. And if people have low self-efficacy as a result of insufficient knowledge and work overload, it will not be possible to achieve the desired results, and negative stress symptoms will follow.

Research by Jehanzeb & Bashir (2013) indicates that staff training and development programs are a complex process, but have a positive impact on both employees and the organization. Some researchers have found that after training, workers have increased resources that contribute to a better quality of work, proper organization and work planning, improved teamwork and communication skills, increased employee commitment, and reduced time spent on certain processes. (Jehanzeb &

Bashir, 2013; Sesen & Ertan, 2021) For a company, all of the above can increase productivity, efficiency and revenue.

Training is necessary, following Nassazi cited in Rodriguez & Walters (2017), as 72 % of employees who participated in seminars and training were able to improve their abilities to achieve organizational goals and improve their KPI. In the section on the effect of KPI on stress, it was observed that insufficient resources with high KPI lead to decreased employee performance, emotional burnout and irritability, which are signs of occupational stress. According to Asim cited in Sesen & Ertan (2021) when tasks are not performed properly because of lack of necessary skills and the final results do not exceed expectations, the individual loses motivation to continue working, which is characterized by frustration. However, if, as Jehanzeb and Bashir (2013) pointed out, companies provide opportunities to gain new knowledge and skills, then employee morale, confidence, a sense of security and job satisfaction would increase, and employee motivation and engagement would rise. The latter two values contribute to lower employee turnover, increasing staff productivity and company output.

When a company invests in its employees, they feel valued and accountable to the company, and this has a positive effect on the organizational result. Moreover, investing leads to Improving production processes, creating innovative technologies, and maintaining competitiveness. According to Jehanzeb and Bashir (2013), the American Society for Training and Development found a correlation between investment in staff and higher profits. According to Rodriguez and Walters (2017), organizations that financed more than \$1,500 per employee in training generated more than 24 % of the gross profit.

In summary, training as a practice in HRM is an essential resource that positively affects the worker by minimizing occupational stress. Because new knowledge helps to unlock new talents, find more pragmatic solutions, and when personnel have the necessary tools to solve complex problems, they have no worries and disappointments. The direct link between training and job satisfaction also contributes to minimal work stress. In addition, a supportive environment where there is continuous development leads to successful task performance (KPI), increased productivity and staff effectiveness.

Methodology.

The researcher used two types of research methods, quantitative and qualitative. The quantitative method was used to analyze the attitudes of mining employees towards the practices and policies in the company and to assess their impact on occupational stress. A questionnaire consisting of 20 questions was used for the study. A qualitative research method, namely the in-depth interview was used to allow participants to provide their own view on the issue. Qualitative and quantitative types of research come from different paradigms, quantitative methods, have a limited set of questions and answers, while qualitative research is interpretive in nature (Arnold & Lane cited in Subramaniam, 2017)

The design of qualitative research is empirical, where the main method is a semi-structured interview consisting of 5 open-ended questions. This type of interview provides opportunities for the interviewer to ask additional questions and gives participants more opportunity to reveal their point of view. The questions are prepared in such a way that they do not create leading questions using a particular interviewer's opinion.

The design of the quantitative method is a questionnaire consisting of questions in several categories. With quantitative research it is possible to find answers to a question through the analysis of quantitative data, i.e. data presented in numbers and figures (Taylor, 1998). In addition, with a questionnaire, it is possible to collect data from a large number of participants in a short period of time.

The purpose of this study is to determine the validity of the hypotheses proposed by the author of the study, to determine the current situation of the company under study and create a comprehensive image to improve the working atmosphere and minimize stress in the current environment.

Sample size of the study.

For this study, a non-probability sample was used, namely convenience type. The population was categorized by the mining company “AMG”. This company has been in Kazakhstan for over 5 years, positioning itself as an international exploration company using new innovations in subsoil use. To achieve the objectives of the quantitative research 43 questionnaires were distributed to the management and engineering units. The engineering and technical division consists of three units: geologists, geophysicists and drillers. Forty questionnaires were returned in response.

The questionnaire was designed on a five-point Likert scale (1=strongly disagree, 2=disagree, 3=neutral, 4=agree and 5=strongly agree). The response rate was 93%. Practices and policies affecting staff stress were investigated as part of the questionnaire.

Each category was analyzed by averaging the responses.

In order to achieve the qualitative research objectives, 6 respondents of the company participated in the interview. The respondents were from different departments, 3 respondents were from geophysical, drilling and geological departments, 1 respondent from accounting department and 1 respondent from HR department. Participants have different work experience in this company, the longest being more than 3 years. The number of questions in the interview was 5, these questions were prepared in advance, but for clarification and more detailed analysis additional questions were used. The duration of the interview ranged from 30 to 50 minutes.

It should be noted that the survey was conducted anonymously, in order to preserve the privacy and security of each participant, as in providing data interviews will be used other names/values to preserve confidentiality of staff.

Results.

The required information was collected using a questionnaire. The questionnaire was used to collect objective data and present information in a numerical format.

Description.

Table 1.

Categories	Questions	Values			Average of values	
Assessment of the employee's current status, whether they are under stress	1, 2, 3	92,5%	97,5%	50%	80 % - feel satisfied in the workplace	17% - feel insecure
		5%	2,5%	42,5%	3% - undecided	
Organizational change increases stress in the workplace	4, 6, 7	50%	55%	45%	50% - inclined to this statement	35% - not inclined to this statement
		45%	22,5%	37,5%	15% - undecided	

KPIs increase stress in the workplace	12, 13, 15	35%	57,5%	57,5%	50% - inclined to this statement	45% - not inclined to this statement
		60%	40%	37,5%	5 % - undecided	
Employee appraisal increases stress in the workplace	14	45%	45%	45%	45% - inclined to this statement	45%- not inclined to this statement
		10%			10% - undecided	
An adaptation program minimizes stress in the workplace	8, 10, 11	85%	92.5%	95%	91% - inclined to this statement	1 % - not inclined to this statement
		2.5%	-	-	8%- undecided	
Staff training and development helps to minimize stress	16, 17, 18	92.5%	95%	82,5%	90% - inclined to this statement	2,5% - not inclined to this statement
		5%	-	2,5%	7,5% - undecided	

A sense of the employee's value to the company	19	67,5 % - agree with this statement	7,5% - don't agree with this statement
		25% - undecided	
The company is committed to innovation	20	92,5 % - agree with this statement	7,5 % - undecided

Quantitative research.

As previously written, the questionnaire was carried out in the "AMG" mining company of Kazakhstan . This company has been on the Kazakhstani market for over 5 years, in the first three years the company had a small staff of no more than 70 people and now it has grown to over 200 people. The company is young and striving to implement international standards. The main mission of the company is to always look to the future and develop. One of the company's strategies is to enter the international arena and compete with major mining companies in the world.

Turning directly to the questionnaire, 40 employees of “AMG” mining company participated in the survey, the rest were not available as they were in other cities and did not have access to the internet.

Of the 40 participants surveyed, 28 were male and 12 employees were female, representing 70% and 30% respectively. The age of the employees was divided into four categories: 20-25 years old, 25-30 years old, 30-35 years old, 35 years old and over. In the following illustration the percentage can be seen and an analysis can be made that the younger generation is present in the company.

Figure 1.

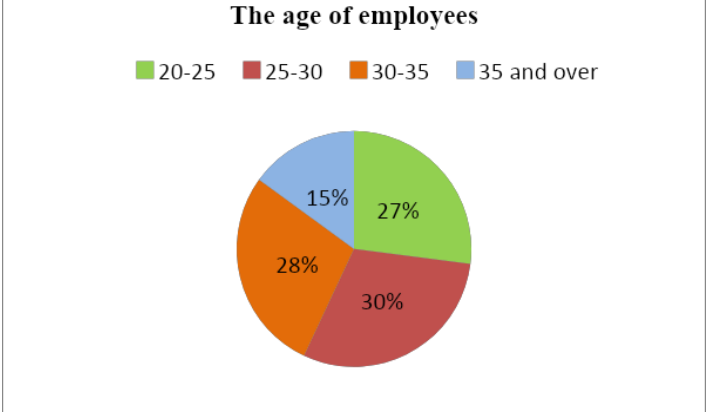


Figure 2.

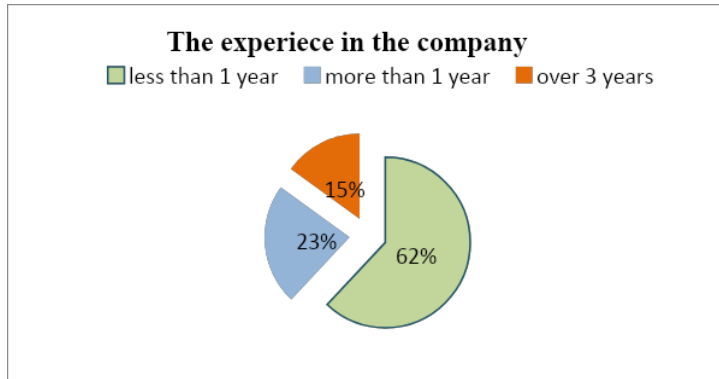


Figure 2 illustrates the work experience of employees in a mining company. The figure shows that the percentage of employees with less than 1 year of experience is the highest compared to employees with more than 3 years of experience at “AMG”. Analyzing this fact, it comes to 2 conclusions:

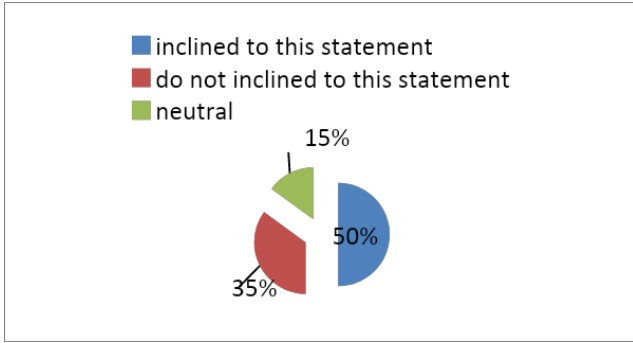
1. Conclusion: The company had just started to expand and hire more staff;
2. Conclusion: There is staff turnover in the company.

The following survey questions focus on the main categories of research.

Category 1 questions are provided to determine the current status of employees. Table 1 shows that 80% of employees feel satisfied and fully concentrated on their job, which means the absence of work stress. While 17% do not agree with the expression that “the work is enjoyable”, “they can easily concentrate on work”, but agree with the expression that “they change work activities or distractions to overcome the feeling of fatigue”. It can be assumed that 17% of employees feel tired, which according to Karasek, Kasl cited in Baker (1985) is a cause of stress.

The next category of questions describes employees' attitudes towards organizational change. Questions 4, 6 and 7 are structured to confirm or deny the hypothesis posed by the researcher that organizational change affects stress by increasing it. These questions are veiled by the researcher in order to allow employees to answer them objectively. Question 4, with the following expression "I feel insecure when working conditions change" from Table 1 showed that 50% of employees agreed with this expression. Following studies by Johnson et al. (2006) and Smollan (2012) uncertainty, anxiety are the consequences of informing workers about organizational change and these conditions are the causes of stress. It follows that half of the survey participants are exposed to work stress as a result of organizational change. In question 7, the analysis shows that 45% of participants report a lack of support in the organizational research process. This phenomenon, according to a study by Smollan (2012), increases uncertainty, anxiety and restlessness, which leads to work stress. However, it should be noted that 35% of employees in Figure 3 disagree with the statement that organizational change increases stress and believe that this factor has no effect on stress.

Figure 3. Organizational changes affect staff stress, increasing it.



Questions 8, 10, 11 belong to the third category of questions aimed at studying the practice of adaptation of employees.

Diagram 4. Employee Onboarding Program Reduces Occupational Stress.

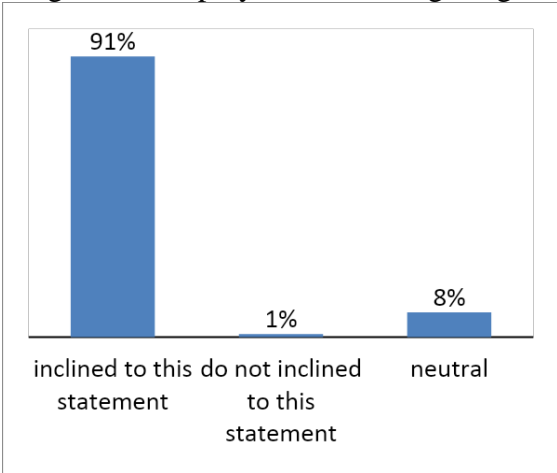


Figure 4 demonstrates that most of the staff agree with this statement. Furthermore, examining questions 10 and 11, we can conclude that the company has a favorable environment for newcomers; during the probationary period, colleagues support them and help them to complete their tasks. In addition, Table 1 shows that 92.5% of employees said that the management supported them during their probationary period, which is not unimportant for a newcomer. The analysis is supported by the findings of Conner et al. (2013), where there was a strong correlation between management support and reduced work stress.

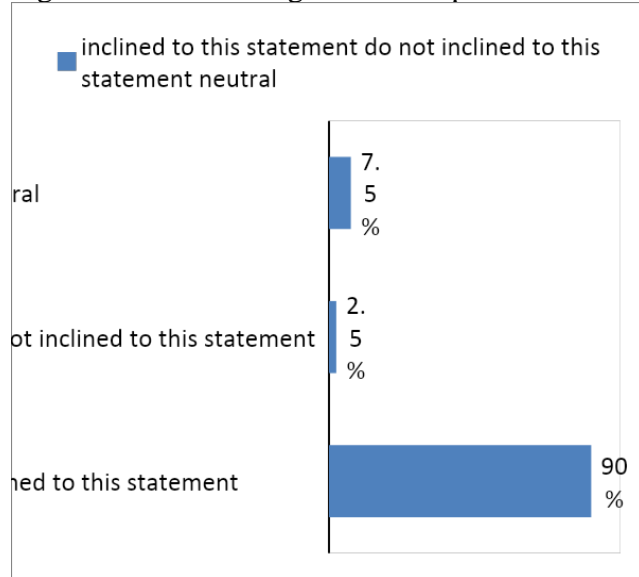
4 Question categories 12, 13, 14, 15 refer to the statement that achieving a given KPI and employee appraisal subsequently increases stress. During comparing the data in Table 1, we can see that the employees' answers do not vary significantly in terms of percentage, i.e. there are employees who agree with these expressions 50% and those who do not agree 45%. The results described above are confirmed by Mallow's (2017) research, where it was noted that a high KPI leads to fatigue, emotional burnout, and an imbalance between personal life and work, all of which cause work stress. As a result, it can be assumed that 50% of employees are more stressed at work because their KPIs are misplaced and insufficient resources. These results partly support the hypothesis posited by the researcher.

The percentage of employees in relation to the expression 'employee appraisal increases stress' is not possible for a definite choice of one party, given the fact that 45% of employees both agree and disagree with the statement.

Category 5 questions 15, 16, 17 refer to the expression that staff training and development minimize occupational stress. Figure 5 shows that 90% of employees agree with this statement. For question 17, the results showed that 82% of respondents agreed with the statement that the company uses this

practice and that management encourages training. These results confirm the findings of Jehanzeb and Bashir (2013) that training contributes to the reduction of work stress, which results in job satisfaction. Considering these results, it can also be concluded that the practice of training and staff development in a mining company is present, and this is beneficial for a company seeking to enter the international arena and for competitiveness, because training is the acquisition of new knowledge, which means new ideas and innovative approaches.

Figure 5. Staff training and development minimizes professional stress.



In an exploration company, two policies were taken under investigation, the employee value policy and innovation. According to Table 1, it can be seen that the value policy of employees does not have the values that were assumed by the researcher, only 67.5% of employees agreed that they feel their value in the company, 25% found it difficult to answer. We can assume that 25% of employees did not understand the question, or do not know how valuable they are to the company, although the company provides training and development opportunities for employees and invests in them. 7.5% of employees disagreed with the statement. This phenomenon is possible, taking into account various factors affecting employees. Question 20, about the company's willingness to innovate, confirmed the researcher's expectations. 92.5% of employees agreed with the statement, which confirms the exploration company's strategy.

Qualitative research.

As previously mentioned in the methodology, the researcher conducted qualitative research, semi-structured interviews were conducted with 6 employees. All the interviewees were from different departments and their work experience ranged from 1 to 3 years.

Main interview questions.

Table 2.

	What do you understand by workplace stress and how does it manifest itself?
2	How do you think organizational change affects employees in your company?
3	How do you think KPI affects employees?

4	How do you think training affects employees in your company?
5	How do you think the onboarding program affects the new employee at your company?

To question 1 the answers of employees varied, 2 employees agreed that stress in the workplace can be understood as prolonged fatigue, irritability. 3 employees said that workplace stress is constant anxiety, irritability, and reduced concentration in performing assigned tasks. 1 employee stated that the imbalance between work and personal life, chronic fatigue and pressure caused by work is occupational stress. Analyzing these answers, we can conclude that under different interpretations of occupational stress, all employees agreed that occupational stress is characterized by negative states.

Question 2 was about investigating the impact of stress on organizational change. Respondents in the interview indicated that organizational change happens in the company, however, often the form of providing this change suffers in the change. 2 respondents mentioned that once a year there are financial problems, given the fact that in this industry there is a seasonality of work. And once, when the company was faced with a pay problem, there was a decision to reduce working hours, employees were notified at the last minute. And, as respondents noted, most employees were anxious and unsure about the short-term nature of these changes. Also, some employees were surprised that the decision was made unilaterally, without discussion. After managers explained the situation, employees calmed down.

4 employees said that organizational changes do not affect them in any way, and if they do, they are comfortable with them and believe that organizational changes only improve the work environment and challenge them to be resilient and determined. They also noted that in today's world this is an important attribute for development and maintaining a place in a competitive environment. Hence, the majority of respondents disagreed with the researcher's hypothesis that organizational change increases work stress. In summary, the organizational changes that are implemented in the company suffer from inappropriate communication, which confirms the conclusions drawn by Pick et al. (2012) that inappropriate communication causes increased work stress.

A question about employees' attitudes towards given KPI yielded the following data. 5 out of 6 employees reported that sometimes KPI are too high and impossible to achieve due to insufficient information and short deadlines. Sometimes more time is needed than required. "Stress arises when deadlines are tight, we start spending more time at work, sometimes staying late and getting tired. This proves the fact that KPI causes work stress and an imbalance between personal life and work. 1 employee said that KPI causes anxiety about losing bonuses, but they become disciplined and allocate time correctly. Having analyzed the above, a mining company needs to revise its employees' KPI to reduce their workload and prevent emotional burnout. Also, results show that an incorrectly assigned KPI increases work stress.

Personnel training and development, and employee adaptation program.

As in the questionnaire, in interviews, respondents spoke positively about the training and adaptation program. Training in the company is encouraged, it was noted that the company pays for training courses in all areas, when good results are achieved, the company provides bonuses by cash. All respondents noted that the advantage of this company is the training and development of personnel, which increases the productivity and efficiency of employees.

The adaptation program helped 4 respondents to join the company, to establish good relationships with colleagues. The interviewees noted that when new employees arrive, there is a mandatory procedure for introducing the employee. The HR department introduces the company; introduces the employee to

each department; explains the functional responsibilities, goals, mission and strategy of the company. In addition, during the probationary period, one mentor is assigned to each new employee in order to help the employee complete tasks or establish good relationships with colleagues. This helped to minimize fear, anxiety, and occupational stress. 2 respondents noted that this practice was introduced recently and they were not able to experience these procedures, and noted that at first it was difficult for them to cope with the tasks. It follows that an onboarding program is necessary, and its implementation in an exploration company shows how much more atmospheric the acclimatization of new employees is and how this contributes to their rapid integration into the new working system. The results confirm the conclusions made by the researchers regarding training, adaptation programs and show how positively they affect the corporate spirit of the company, minimizing work stress caused by other factors.

Limitations.

A limitation of this study is that the survey was carried out on the basis of one mining company in Nur-Sultan, and the results cannot be fully representative of the attitudes of employees in the mining sector in Kazakhstan. In addition, the limitations of this survey are the sample of participants - 40 out of 204 employees took part, and this percentage of respondents does not reflect the attitudes of all employees to these topics. The age and tenure of workers is not sufficient to study work stress and longer periods of work are needed. Additional research is needed to explore the practices and policies highlighted in this study in more detail. In addition, there was a limit to the secondary source used as a result of some practices being understudied. It should also be taken into account that the results identified were based on self-reports using a single questionnaire and an interview, which may result in insufficient information being used.

Conclusion and recommendations.

In this study, the objectives were to examine the practices and policies used in “AMG” mining company and determine their impact on staff stress. The researcher sought to understand what role they play in relation to increasing/minimizing work stress. As a result of this analysis, the researcher came to the following conclusion.

The practices and policies used in a mining company maintain a balance between stress enhancers and stress suppressors. However, if the two stress-boosting categories of organizational change and KPI were tweaked, the work stress caused by these practices would be eliminated.

Through qualitative and quantitative research analysis, it was found that organizational change influences work stress through lack of support and inadequate informing of changes. The HR department needs to take control of these gaps and correct them. For example it is possible to use Kotter's 8 step model where any organizational change takes place in consecutive steps and includes a discussion step, which is important to employees. The discussion may lead to different solutions and the contribution made by the employee will generate an insider's feeling that he or she is part of the process. This in turn not only increases job satisfaction, but also has a positive psychological impact. It was also noted that during changes, there is a lack of support from managers; this problem needs to be addressed by the HR department through coaching training or seminars where all employees will participate, starting from managers up to employees of engineering departments.

The next stressor is KPI, based on the results of the questionnaire and interviews, it was found that in the mining company, there are two factors that increase stress - lack of information and high KPI, causing workload. The HR department needs to review and revise the KPI criteria with amendments; and all information needs to be provided in order to achieve the necessary results. It is possible to

provide the necessary information by holding meetings with discussion within each department once a week. This practice will help each employee to have sufficient access to information for further use in achieving goals.

The onboarding program and staff training and development practices at the exploration company are well established, given the results of the quantitative and qualitative research, however, the HR department needs not to overdo it with staff training and development practices. Due to the fact that new knowledge must be useful, it must be put into practice, and an assessment of the knowledge gained is necessary. In this way, each employee will be held accountable and aware of the importance of training.

In summary, the aim and objectives of the study have been achieved. It was determined that organizational change and KPI as a stressor increases work stress if not presented correctly. However, employee training and onboarding programs cause minimization of stress, which was determined by analysis and secondary sources. Theoretically, this study contributed to the study of the impact of practices and policies on employee stress in a Kazakhstan company. These results will be useful for further and more detailed study of human resource management issues.

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Appendix

Questionnaire

Gender			
Male		Female	
Age			
20-25	25-30	30-35	35 and over
How long have you been working here?			
Less than 1 year		More than 1 year	More than 3 year
Please indicate how much you agree with this statement.			
I enjoy with my work		1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree	
I can easily concentrate on my work		1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree	
I try to change activities or distract myself to overcome feelings of tiredness		1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree	
I feel insecure when working conditions change		1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree	
It is not difficult for me to independently make any decision regarding the performance of my work.		1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree	

Any changes in the company improve the working environment	<ol style="list-style-type: none"> 1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
Our managers support us during every change in the company	<ol style="list-style-type: none"> 1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
The Onboarding Program reduces stress at work	<ol style="list-style-type: none"> 1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
I handle tasks myself, without asking co-workers for help	<ol style="list-style-type: none"> 1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
During my probationary period, my superiors have supported me and helped me	<ol style="list-style-type: none"> 1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
My colleagues have helped me during my probationary period.	<ol style="list-style-type: none"> 1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
The tasks assigned to my position are achievable	<ol style="list-style-type: none"> 1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
I have all the information and tools I need, to successfully complete the assigned tasks	<ol style="list-style-type: none"> 1. Strongly disagree 2. Disagree 3. Undecided

	4. Agree 5. Strongly agree
I find the appraisal policy to be stressful	1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
I do not have the necessary resources or knowledge to achieve the goals defined by supervisors	1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
I agree that training can boost employees' motivation and performance	1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
I believe that training helps employees cope with their tasks more effectively	1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
Our CEO encourage training	1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
I know my value in the company is important	1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree
Our company is always striving to innovate	1. Strongly disagree 2. Disagree 3. Undecided 4. Agree 5. Strongly agree

Interview questions.

	What do you understand by workplace stress and how does it manifest itself?
2.	How do you think organizational change affects employees in your company?
3.	How do you think KPI affects employees?
4.	How do you think training affects employees in your company?
5.	How do you think the onboarding program affects the new employee at your company?

Factors Influencing Consumers Intention to Use QR Code Mobile Payment in Kazakhstan

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Introduction

The use of QR code payment services emerged recently and have been growing rapidly in Kazakhstan. The adoption of mobile payment has been mostly driven by young and tech savvy millennials. Since QR-codes were launched in 2017 in Kazakhstan, local consumers have been gradually choosing mobile payments over traditional cash and card payments. However, the penetration of QR payments is relatively low in comparison with other countries. As millennials represent a substantive segment for the market of QR code payment services (Wei, Luh, Huang & Chang, 2021), the main purpose of this study is to explore the factors affecting the usage of QR code payments by millennials in Kazakhstan.

Based on the review of existing literature, the Technology Acceptance Model (TAM) was chosen for this study to examine factors affecting usage of QR payments by millennials in Kazakhstan. This model was widely used as a theoretical framework to study adoption of mobile and contactless payments (e.g. Chakraborty, 2020; Yan, et al., 2021). TAM model was modified for this study with additional variables, specifically perceived security of using mobile payments, trust, attractiveness of alternative payments, and perceived cost (Rabaai & Zhu, 2021).

Based on this framework and research objectives, six hypotheses were specified for this study:

- H1: Perceived usefulness is positively related to intention to use QR code payment.
- H2: Perceived ease of use is positively related to intention to use QR code payment.
- H3: Perceived trust is positively related to intention to use QR code payment.
- H4: Perceived security is positively related to intention to use QR code payment.
- H5: Attractiveness of alternatives is negatively related to intention to use QR code payment.
- H6: Perceived cost is negatively related intention to use QR code payment.

Methods

Quantitative survey method was applied in the present study to analyze factors affecting usage of QR code payments by youth in Kazakhstan. The scales for the study were adapted from previous research (Davis, 1989; Khalilzadeh et al., 2017; Rabaai & Zhu, 2021; Slade et al., 2014, 2015; Venkatesh et al., 2012). The scale items were double translated and then adapted and modified after a pilot test. The recommendations for international research (Craig & Douglas, 2006) were implemented in the process of translation and modification of the items. Seven point likert-type scales were used to measure the study constructs. The questionnaire consisted of items measuring Perceived Usefulness (PU), Perceived Ease of Use (PEU), Perceived Trust (PT), Perceived Security (PS), Attractiveness of

Alternatives (AA), Perceived Cost (PC), Behavioral Intention (BI) and a section with demographic questions. Online contact method and snowball sampling technique were applied to collect data because of coronavirus pandemic restrictions. The final sample consisted of 351 completed questionnaires.

Results

Principal Component Factor analysis with varimax rotation was applied, as suggested in the literature (Kline, 2011), to confirm the factors and estimate the fit of the measures. All items produced high loadings (more than 0.5) and were used for the analysis where seven factors accounting for 74.4% of the total variance were extracted. With the KMO measure of sampling adequacy of 0.92 (higher than the threshold level of 0.5), the present sample can be applied for factor analysis. The Cronbach's Alpha was applied to check reliability of the scales. For all scales, the values of Cronbach's Alpha were higher than the threshold level of 0.7 (DeVellis, 2011). Additionally, Composite Reliability (CR) and Average Variance Estimate (AVE) were used to estimate validity. CR ranged from 0.82 to 0.91, that is higher than the recommended level of 0.8 and AVE values for all constructs were higher than the threshold level of 0.5 (Netemeyer, Bearden & Sharma, 2003).

To test the hypothesized relationship, a regression model with Perceived Usefulness (PU), Perceived Ease of Use (PEU), Perceived Trust (PT), Perceived Security (PS), Attractiveness of Alternatives (AA), Perceived Cost (PC) as independent variables and Behavioral Intention (BI) as dependent variable was applied. The adjusted R square of 0.424 produced good model fit. The regression analysis results are demonstrated in Table 1. The results of the regression analysis demonstrate that, of the six factors proposed in the present study, only four factors produced statistically significant relationship with Behavioral Intention to use QR payments. Perceived Usefulness has statistically significant relationship ($p < 0.001$) with Behavioral Intention to use QR payment services. Thus Hypothesis 1 is supported. The mean of PU of 4.93 (highest among all variables) indicates that respondents evaluate quite high usefulness of QR payment methods. Perceived Ease of Use (PEU) is significantly positively related ($p < 0.001$) to Behavioral Intention to use QR payments that supports Hypothesis 2. Perceived Trust (PT) and Perceived Security (PS) are also significantly related to Behavioral Intention ($p = 0.025$ and $p = 0.004$ respectively) that provides support to Hypotheses 3 and 4. However, Attractiveness of Alternatives (AoA) and Perceived Cost (PC) were not proved to be significantly related to Behavioral Intention to use QR payments ($p = 0.587$ and $p = 0.113$ respectively). Therefore, Hypotheses 5 and 6 were not supported.

Table 1. Results of Hypotheses Testing

Hypotheses	Linkage	Est (p-value)	Result
H1:	PU→BI	0.362 (<0.001)*	Supported
H2:	PEU→BI	0.300 (<0.001)*	Supported
H2:	PT→BI	0.111 (0.025)*	Supported
H4:	PS→BI	0.155 (0.004)*	Supported
H5:	AoA→BI	0.029 (0.587)	Not Supported
H6:	PC→BI	-0.073 (0.113)	Not Supported

* significant at $p < 0.05$

Conclusions

The goal of the present study is to examine factors that affect behavioral intention to use QR code payments in Kazakhstan. The analysis indicates that perceived usefulness, perceived ease of use, perceived security, and perceived trust are significant predictors of QR code payment usage among millennials. These results are in line with prior research on mobile payment adoption in other countries and contexts. The results of the current research have practical value for understanding factors influencing adoption and usage of mobile payments in designing marketing communications to penetrate the market of existing mobile payment services and for launching new technologies. The present study has some limitations. Data were collected during COVID-19 pandemic that can possibly influenced the outcomes of this research. Only four additional variables were used to modify TAM framework. The future research can modify Technology Acceptance Model framework by incorporating additional variables to capture specific effects.

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Impact of HEXACO Personality Traits and Occupational Engagement on Career Calling of Emerging Adults: Evidence from Central Asia

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Literature review and research objectives:

Job is not only a source of money, but also a source of identity, development of new skills and enduring attachments (Sutin et al., 2009). All of these make an occupational choice an important, intriguing, and challenging process for many emerging adults. Occupational choice refers to the process that leads to occupational engagement as a result of intrinsic and extrinsic influences (Brennan and Gallagher, 2017). Researchers, however, have traditionally examined career-related attitudes and behaviors mainly through a prism of self-efficacy and social cognitive theory (which implies that individuals are anticipative, purposive and proactive regulators of their lives), often disregarding other probable antecedents, such as inspiration or career calling (Kaminsky and Behrend, 2015). Moreover, the impact of other personality traits on occupational engagement and career calling has not been studied so far, as well as the impact of occupational engagement on career calling. To close this research gap, the purpose of this research paper is to examine the relations between HEXACO personality traits, career calling, and occupational engagement.

H1: Individual HEXACO personality traits relate to career calling dimensions for emerging adults.

H2: Individual HEXACO personality traits relate to student's occupational engagement.

H3: Occupational engagement relates to career calling for emerging adults.

Methodology:

Students in a business college of a university located in the biggest city of Kazakhstan were invited to participate in the survey on voluntary basis. They were asked to fill in one copy of the questionnaire by themselves and distribute additional four among their acquaintances. The only requirement was that their acquaintances had also to be university students in Kazakhstan.

Career calling was measured using Praskova's et al. (2015) 15-item Career Calling Scale for Emerging Adults. Sample items include: 'It is my calling to benefit others in my future chosen career' and 'I have chosen a career path that will give a real purpose to my life'. Occupational engagement was measured using Cox's et al. (2015) 9-item Occupational Engagement Scale – Student. Sample items include: 'I have contact with people working in fields I find interesting' and 'I visit places I'm interested in working so I can learn more about them'. Personality was measured using de Vries's (2013) 24-item Brief HEXACO Inventory (BHI). Sample items include: 'I work very precisely' and 'I can easily overcome difficulties on my own'. Respondents were asked to indicate the extent of their agreement with the statements using 6-point Likert-type scale ranging from 1 = strongly disagree to 6 = strongly agree.

Summary of key results:

Correlation analysis

Hypothesis 1 states that individual HEXACO personality traits relate to career calling. Correlation analysis shows that honesty-humility and Emotionality do not significantly correlate with career calling. extraversion, conscientiousness, and openness to experience significantly positively correlate with all career calling dimensions. Agreeableness significantly positively correlates with career calling dimension of other-oriented meaning. Hypothesis 2 states that individual HEXACO personality traits relate to student's occupational engagement. Correlation analysis shows that among all HEXACO personality traits, only Extraversion, Conscientiousness, and Openness to experience significantly positively correlate with Occupational Engagement. Hypothesis 3 states that occupational engagement relates to career calling. Correlation analysis shows that all three dimensions of occupational engagement significantly positively correlate with career calling.

Multiple regression analysis

Regression analysis was conducted to get additional insight into the relations between investigated constructs. Hypothesis 1 states that individual HEXACO personality traits relate to career calling. The results of regression analysis partially confirm the results of correlation analysis. Regression analysis revealed the following: All HEXACO personality traits except for honesty-humility are significantly positively related to other-oriented meaning dimension of career calling, when other-oriented meaning is regressed on demographic variables and HEXACO only. When other-oriented meaning is regressed on demographic variables, HEXACO, and occupational engagement, only extraversion, agreeableness, and openness to experience are significantly positively related to other-oriented meaning. F-statistics shows that both models are statistically significant. However, the model that includes occupational engagement along with demographic variables and HEXACO as dependent variables explains 15.9% more variations in other-oriented meaning than the model that includes only demographic variables and HEXACO as dependent variables. Extraversion and conscientiousness significantly positively relate to personal meaning dimension of career calling, when personal meaning is regressed on demographic variables and HEXACO only. When personal meaning is regressed not only on demographic variables and HEXACO, but occupational engagement as well extraversion, conscientiousness, and honesty-humility are significantly positively related to personal meaning. F-statistics shows that both models are statistically significant. However, the model that includes occupational engagement along with demographic variables and HEXACO as dependent variables explains 6.5% more variations in personal meaning. Extraversion conscientiousness, and openness to experience significantly positively relate to active engagement dimension of career calling, when active engagement is regressed on demographic variables and HEXACO only. When active engagement is regressed on demographic variables, HEXACO, and active engagement, only extraversion and conscientiousness are significantly positively related to active engagement. The model that includes occupational engagement as dependent variables together with demographic variables and HEXACO explains 21.4% more variations in active engagement. Hypothesis 2 states individual HEXACO personality traits relate to occupational engagement. The results of regression analysis partially confirm the results of correlation analysis. Regression analysis revealed that honesty-humility, extraversion, conscientiousness, and openness to experience significantly positively relate to occupational engagement, when occupational engagement is regressed on demographic variables and HEXACO only. Hypothesis 3 states that occupational engagement relates to career calling. The results

of regression analysis support the results of correlation analysis. When career calling dimensions are regressed on occupational engagement and demographic variables, the results confirm that occupational engagement is significantly positively related to other-oriented meaning, personal meaning, and active engagement dimensions of career calling. When career calling dimensions are regressed on occupational engagement, demographic variables, and HEXACO, the results again confirm that occupational engagement is significantly positively related to other-oriented meaning, personal meaning, and active engagement dimensions. Even though all models are statistically significant, regression models that contain HEXACO together with demographic variables and occupational engagement as independent variables explain more variations in career calling dimensions than those models that include only demographic variables and occupational engagement (but not HEXACO) as independent variables.

Conclusions:

This research study examined the relations between HEXACO personality traits, career calling, and occupational engagement of emerging adults in Central Asian context. The results revealed that among all HEXACO personality traits, extraversion, conscientiousness, and openness to experience are the strongest antecedents of occupational engagement and career calling. However, extraversion and conscientiousness relate to other-oriented meaning dimension of career calling through occupational engagement.

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Socioeconomic Status and Difference in Willingness of Population to Support the Drug Insurance Programs

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Abstract

By the beginning of the 1990s, a negative appraisal of the health care system was shaped in Soviet society. Both citizens and healthcare providers were dissatisfied with the poor quality and efficiency of medical industry. These issues required fundamental changes in the health care financing system. Desire to expand sources of funding was the main factor of choosing insurance medicine as a direction for changing the healthcare financing system as insurance schemes have been shown to be powerful tools for securing the access to medical care by population and serving as a source of reliable income for health care providers. In this regard, the process of the transition to the compulsory health insurance model in Kazakhstan is not only relevant, but also has great social significance. Moreover, the willingness of population to support and accept the insurance program might help to accelerate the process of this transition. The development of measures to assess the readiness of the population to support insurance programs, the preparation of effective recommendations for governing bodies for policy in the health sector is an urgent task for any state.

The purpose of the research is to assess the possibilities of introducing additional drug insurance system in Kazakhstan. Based on the results of survey conducted across all regions in Kazakhstan in 2021, we propose a quantitative methodology for assessing the relationship between socio-economic status of the population and its willingness to support the drug insurance program. This drug insurance program would help reimbursing costs for the health care sector and prevents people from facing high drug costs.

Our results show that the socioeconomic status of an individual is a significant factor in Willingness to join (WTJ) the drug insurance program. We show that age, living standards, health self-assessment, medical expenses, and presence of chronic diseases play a vital role in the behavior of population towards the acceptance of the drug insurance program. If the patients' charges are introduced, the lower paying capacity and willingness to pay of vulnerable groups should be addressed through well-developed exemption criteria and by linking co-payment rates to income.

Title: Economic Aspects of Blockchain Applications

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Abstract

Throughout the most recent decade, blockchain technology has come to the fore of the general public's attention due to its versatile nature and a large variety of potential applications enabling it to pave the way for the fourth industrial revolution. Backed up by previous inventions as well as remarkable improvements of existing technologies and making the most of present IT infrastructure, blockchain technologies have now vast potential to exert influence on a wide range of human activities ranging from keeping records of firms internal operations and external transactions through controlling both centralized and decentralized currencies' transactions as well as validating public votes and elections. Solving problems of incompleteness and asymmetry of information as well as reducing transaction and networking costs, blockchain technology is capable of both creating new markets and increasing efficiency of existing ones. This paper intends to a) systematically review the most recent literature on blockchain's potential influence on diverse economic areas and b) assess potential changes to be caused by adoption of blockchain-based technologies in a wide array of diverse sectors.

Key words: blockchain

JEL code: O30

Happiness in Kazakhstan

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Abstract

Using the concept of happiness is a trend in public policy that has been for the last three decades. Scholars and politicians apply this concept to measure social progress and as an additional criterion for public policy design and evaluation. Moreover, happiness is declared as the government's goal, i.e., governments are created to make their people happy. Therefore, in many countries, particular public happiness policies are being developed to increase the level of happiness of the population (Lee, 2022). Having this background, it is interesting that, according to Gallup International surveys, Kazakhstan has been in the top five happiest countries in the world over the past three years. This paper reviews the literature about happiness in Kazakhstan and the ranking of World Happiness Indexes where Kazakhstan is mentioned after gaining independence. Notably, the researchers find out that not only the level of happiness of Kazakhstanis is growing year by year, but the main factors influencing it also change. Based on this review, I identify questions for further research: What factors influenced the phenomenon that Kazakhstan has been at the top of the happiest countries in the world since 2017; and How the high levels of happiness of Kazakhstanis can affect the country's public policy and further development.

Introduction

The use of the concept of happiness is a trend in public policy that has been for the last three decades. Scholars and politicians apply this concept to measure social progress and as an additional criterion for public policy design and evaluation. Moreover, happiness is declared as the government's goal, i.e., governments are created to make their people happy. Therefore, in many countries, particular public happiness policies are being developed to increase the level of happiness of the population (Lee, 2022). Having this background, it is interesting that, according to Gallup International surveys, Kazakhstan has been in the top five happiest countries in the world over the past three years. In my research, I would like to explore this phenomenon from different angles and answer the question, "Why did Kazakhstan appear on the top of the happiest countries in the world in the period 2017-2021?".

Generally, happiness is the degree to which an individual assesses the overall quality of their life as-a-whole subjectively (Veenhoven, 2009). Happiness is a synonym for subjective well-being, and that is why it does not apply to children and animals. The primary assumption of the researchers in the field is that if adult individuals say that they are happy, it means that they are really happy (Veenhoven, 2009). The feeling of happiness is determined by the frequency and extensity of happy moments. An individual feels happier if the frequency of happy moments is more than unhappy ones when they feel joy rather than pain and when they are satisfied with their life. The term was developed by positive psychology and widely integrated with sociology, economics, and public policy studies

(subjective well-being, life satisfaction). Happiness started to be measured in addition to objective economic criteria because they cannot reflect the whole picture of the country's development and citizens' lives (Layard, 2005).

For example, inflation, unemployment, natural amenities, knowledge, health, and human capital cannot be observed through the GDP. By measuring happiness, scholars can evaluate different public policies which are hard to assess through monetary terms (e.g., prices). Commonly they combine the results of the happiness survey with other quantitative data about public policy for its analysis (World Happiness Report, 2013).

Easterlin paradox

In 1974 Richard Easterlin published his article "Does Economic Growth Improve the Human Lot? Some Empirical Evidence". It was fundamental research for the happiness concept to become a significant part of economics and public policy studies. It was always assumed that rich people are usually happier than poor people in any given country. Paradoxically, Easterlin found out that happiness was on the same level in both rich and developing countries. Moreover, he explored that the level of happiness in the US was flat for 40 years during economic growth in the country. These findings are a core of the well-known "Easterlin paradox" (Easterlin, 1974). Further, he analyzed the association between the level of happiness and economic growth in developed, transition, and developing countries. In 2013, he confirmed that "Economic growth in itself does not raise happiness" (Easterlin, 2013).

In 2014 two independent studies by Veenhoven and Beja rejected the "Easterlin paradox". Veenhoven's sample of countries was broader and covered 60 years. During this time, happiness and GDP increased in many countries (Veenhoven, 2014). As a result, Veenhoven found out that in 60 years, if economic growth has been rising by 5 % annually, the level of happiness would increase by 1 point. Beja (2014) had the same results: a positive correlation between income growth and happiness in the long term.

Further, scholars specified that happiness depends on the income gap more than an absolute income level. It means that people are happier if their income is more than their neighbors', and vice versa (Okulicz-Kozaryn and Mazelis, 2016). Moreover, Layard (2006) claims that income is not as significant in determining the level of happiness as people usually think. He said that only 1-2% of people identified the dependence of their happiness on income. He supposed that other factors should be considered to identify the reasons for happiness. These discussions raised a massive number of new happiness studies where scholars developed various methods of happiness measurements and multidimensional indexes of happiness.

Happiness surveys and measurement in public policy

The number of happiness studies worldwide is growing steadily, so scholars have created a database to collect them in one place. In the World Database of Happiness, there are 1200 variants of Happiness measurements. Usually, data about the happiness of people are collected through a survey. It might be a face-to-face interview, online, or computer-assisted telephone interview. Respondents are usually asked to evaluate their feelings of happiness on a scale from 1 to 10, where ten means the

happiest and one is extremely unhappy (Wiking, 2014). The mean of individual answers identifies the happiness level of the whole population.

Another widely used method of happiness measurement is the following: respondents are asked whether they consider themselves "very happy," "happy," "not happy but not unhappy," "unhappy," or "very unhappy." Happiness level is calculated as the difference between the shares of respondents who chose the options "very happy" and "happy" and those who chose the options "not happy" and "very unhappy."

Additionally, these questionnaires usually consist of several dozens of questions. For example, the OECD survey of subjective well-being contains 50 questions and is recommended to national statistics agencies (OECD, 2013). The most famous and widely used subjective well-being survey is regularly conducted by the International Independent Research Agency Gallup from 2007. In each country, the sample size is around 1,000 people.

Scholars recognized two main problems of conducting a happiness survey related to the subjectivity of answers. The first is habituation. Intensive emotions such as extreme happiness or extreme unhappiness cannot last long. Usually, people return to their initial level of happiness. For example, such events as winning a lottery or getting a disability reflect on feelings for no more than several months (Levinson, 2013).

The second problem is projection bias. It means that respondents can evaluate their overall happiness unconsciously under the influence of the current moment. For example, on a rainy day, respondents assess their overall happiness lower than on a sunny day (Levinson, 2013). The sequence of questions may also distort the self-evaluation of happiness. People usually associate their feelings of happiness with something that has just been said before (Kanheman, 2011). For example, if the previous questions were about income, respondents associate their happiness level with income. Scholars note that differences (cultural, economic, geographical, and other) complicate the comparison between samples (Wouter den Haan, 2017; Stone and Mackie, 2013).

Another set of problems in happiness studies is connected to political issues. Bruno Frey and Jana Gallus (2012) criticize using the index of happiness as a political instrument for national governments. According to them, governments can manipulate the happiness survey in the data collection and analysis stages. There are many more opportunities to falsify the results of subjective criteria than the results of objective criteria. In countries with authoritarian or dictatorship regimes, falsification is more likely. Even in democratic countries, there is room for manipulation by politicians and individuals. For instance, individuals who do not like the governing party can underestimate their happiness in questionnaires and vice-versa.

Because of that, Frey and Gallus (2012) claim that the national index of happiness is inadequate. They suggest supporting the development of independent happiness indexes and comparing them with the national ones. It helps improve the quality of the happiness surveys and data analysis.

Happiness surveys in Kazakhstan.

Gallup International agency conducts a happiness survey every end of the year, in approximately 50 countries. In Kazakhstan, for the first time, the survey was conducted in 2014 by «BISAM Central Asia», the center of social and marketing research. In 2017 since the center became

the representative of Gallup International in Kazakhstan, it started doing this survey annually. If in 2014, Kazakhstan was in 24th place among the happiest countries in the world with a result of 60%, then in 2017 it appeared in sixth place (74%). Year by year, the country's position is getting higher: in 2019, 2020 in fifth place (with results of 83% and 78%, respectively), and 2021 in second place (76%).

It is interesting to know the level of happiness of Kazakhstanis in previous years before 2014. A few similar studies are appropriate for comparison: Kalyuzhnova & Kambhampati (2008), Abbott & Wallace (2012), and the World Value Survey in 2011, 2018. According to Abbott & Wallace (2012), if in 2001 the level of happiness in Kazakhstan was 5.71 (mean), then nine years later, it significantly increased to the level of 6.78. In 2010 Kazakhstan overtook all the former Soviet Union countries and former communist European countries (current members of EU). Kalyuzhnova & Kambhampati in 2006 got a result of their survey as 88.6%, and the result of the World Value Survey in 2011 was 7.23.

It is necessary to take into account that researchers used different methodologies. Still, for this analysis, it is enough to see that the level of happiness in Kazakhstan has increased overall in absolute terms in the past 20 years. In fact, in its happiness advancement, Kazakhstan is not the exception. According to the World Value Survey in the period from 1981 to 2007, 45 out of 52 countries also showed increasing happiness due to social and economic development and the processes of democratization.

Another indirect confirmation that more people in Kazakhstan say they are happy is a range of surveys conducted by the "System solutions" social agency. The head of the agency Sandugash Akkazynova noted in an interview that the agency included a question about happiness in all their surveys starting from 2011. Since then, ten studies have been conducted among industrial employees with a sample size of 35-40 thousand people per year throughout the Republic of Kazakhstan. Akkazynova claims that happiness scores in all of their studies never dropped below 80%.

Kazakhstan in the Happiness index ranks

International development agencies, governments, NGOs, and individual researchers design the various happiness indexes. Most of them use data from two surveys: Gallup International and World Value Survey. In this paper, I review the position of Kazakhstan in two happiness indexes: the World Happiness Report and the Happy Planets Index.

UN World Happiness Index was developed by a group of scholars, John F. Helliwell, Richard Layard, Jeffrey D. Sachs, and Jan-Emmanuel De Neve. Annually, the UN publishes the index results in World Happiness Report. They use data from Gallup International and add to the index six more characteristics of countries: levels of GDP, life expectancy, generosity, social support, freedom, and corruption. Considering these six factors, Kazakhstan is in the 40th place among 146 countries in 2022. It is the highest place since 2013. Figure 1 shows the changes in the Kazakhstan Happiness Index ranking.

Figure 1

Kazakhstan – World Happiness Index rank, 2013-2022



The New Economics Foundation designed another happiness index - The happy Planet Index (HPI). HPI is measured to identify and compare how governments create conditions for a happy life for people in the present and future. This index differs from other happiness indexes, including indicators that reflect sustainability. In other words, "It calculates the number of Happy Life Years (life expectancy adjusted for experienced well-being) achieved per unit of resource use" (HAPPY PLANET INDEX). The authors claim it is a new way to measure progress and confirm the paradoxical situation that people in countries with low and high-income levels are equally unhappy. HPI is calculated using the following indicators: mean life expectancy, mean experienced well-being, and Ecological Footprint. Overall, the HPI in Kazakhstan increases from 2012 to 2020 steadily. As a result, Kazakhstan's position is also getting higher. Table 1 illustrates the HPI results and the country's ranking among more than 100 countries.

Table 1

Kazakhstan – Happy Planet Index, 2012-2020

Year	HPI	HPI rank
2012	34,7	119
2013	33	124
2014	36	111
2015	35,6	116
2016	34,2	125
2017	35,7	128
2018	36,7	122
2019	38,6	118
2020	38,8	79

Another interesting source of information about worldwide happiness is the so-called "price-of-happiness-by-country". The methodology for calculating the point of "income satiation" (or "price of happiness") was developed by Andrew T. Jebb, Louis Tay, Ed Diener, and Shigehiro Oishi (2018). Using this methodology, a certain amount of individual income can be found, which turns someone from feeling unhappy in each country. However, after this point, a person probably may not become happier. Thus, for example, the authors note that worldwide life satisfaction averaged at the level of

\$95,000 per year (Andrew T. Jebb et al., 2018). According to the source, the average price of happiness for Kazakhstanis was more than four times lower and amounted to \$14,607 per year.

Obviously, the factors from which the indexes are constructed in Kazakhstan are not the best compared to other countries. As a result, they underestimate the position of Kazakhstan in the rankings of happiness indexes. However, it can be observed that every year the position of Kazakhstan moves up at a fairly fast pace.

The factors of Happiness in Kazakhstan.

Interestingly researchers noted that not only the level of happiness of Kazakhstanis grew year by year but the main factors influencing it changed. (Abbott & Wallace (2012) and Kalyuzhnova & Kambhampati (2008)).

Thus, Kalyuzhnova & Kambhampati recovered that the main determinants of happiness in Kazakhstan in three periods, 1996, 2001, and 2006, were the size of dwelling (which can be characterized by individual household income) and unemployment, at the same time, inflation and wages were indifferent to the results. Interestingly, the authors found that ethnic Kazakh people are happier than ethnic Russian people (Kalyuzhnova, Y., & Kambhampati, U., 2008). Abbott & Wallace found that in both 2001 and 2010, the satisfaction of Kazakhstanis is growing due to economic recovery and conditions of empowerment. However, in 2010, social cohesion, social inclusion, and education began to play a more substantial role (Abbott & Wallace, 2012). The significant impact of social capital, particularly of civiness and social participation, on subjective well-being, is also confirmed in the article by Kudebayeva and co-authors. They used data from the 2011 World Value Survey for their analysis (Kudebayeva A t al., 2021).

Practitioners who conduct social surveys also have their own suggestions about the causes of Kazakhstan's high level of happiness. Leonid Gurevich, the president of "BISAM Central Asia" considers high results quite natural for several reasons:

- At the top of the rating, there are only developing countries during the survey years.
- Compared to other neighboring countries, the quality of life and economic development, and income levels of Kazakhstanis are higher.

Gurevich claims: "We should not forget that Kazakhstan, unlike most post-Soviet countries, had an atmosphere of peace and conciliation for 30 years. Kazakhstanis have always considered this as the most significant achievement and, one may say, happiness".

Gurevich believes that the 2022 January events did not have a broad social base and mental roots. He cited the "formula of happiness," where the numerator is achievements and the denominator is aspirations. In his opinion, Kazakhstanis highly appreciate their country's achievements, but their aspirations are not as great as in developed countries. Therefore, they are unlikely to change the key features of Kazakhstanis' perception substantially. However, more research is needed.

Sociologist Sandugash Akkazynova, who annually conducts surveys among tens of thousands of working Kazakhstanis, believes that the secret of happiness in Kazakhstan lies in culture and religion. Due to their religious beliefs, Kazakhstanis are afraid to complain and declare their dissatisfaction with their lives. At the same time, they often do not identify themselves with their problems and believe that any problems are temporary.

In sum, even though there are not many studies on happiness in Kazakhstan, scholars and practitioners find and propose a variety of factors influencing it. In any case, it goes without saying that these studies are neither enough to compare the situation in Kazakhstan with other countries nor even actually to understand this phenomenon.

Based on a short review of various studies outlined above, I plan to scrutinize two issues comprehensively:

— What factors influenced the phenomenon that Kazakhstan has been at the top of the happiest countries in the world since 2017;

— How the high levels of happiness of Kazakhstanis can affect the country's public policy and further development.

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The political economy of knowledge creation for (un)sustainable development: Neoliberalisation of knowledge and its production in Kazakhstan

Kuat Akizhanov

Extended abstract

Research objectives/questions

The project's main purpose is to develop an understanding of how (socioeconomic) knowledge is formed and its effect in the post-Soviet Central Asian countries over the thirty-year period. In particular, the neoliberal turn of these post-socialist countries produces specific pro-market educational knowledge. The latter has become one of the most important vehicles for the dominance of neoliberal socio-economic agenda after 1991 and the neo-colonization of the mind.

The project's central argument is that the proliferation and proselytisation of neoliberal philosophy by universities, think-tanks, academia, and research centers represent preparatory work for its dominance. Drawing on Gramsci's (2005[1971]) view that intellectuals provide dominant classes with direction and guidance during crisis and mediate social transformations, the research will analyse the continuous reproduction of neoliberal ideas and ideational change by and through Kazakh universities' curriculums and syllabi as well as the production and dissemination of specific pro-market ideas in educational knowledge. Specifically, this project examines the way in which the mainstream neoclassical economics concepts are taught in universities in the absence of alternative critical educational and research programs. Over the last thirty years several generations of Kazakh graduates trained at the local universities have replenished political and socioeconomic cadres in state apparatus, media and academia thus sustaining the neoliberal ecology. From the political economy perspective, many post-Soviet countries have become a space for the expansion of global capital where neoliberal socioeconomic agenda has been promoted through advocating such neoliberal ideas as 'green capitalism' and 'sustainable development' projects and teaching neoclassical economics concepts with inherently depoliticized epistemological logic.

The specific objective of this study is to explore what and how 'ideational changes' (Blyth, 2002) have taken place in the post-Soviet Kazakh epistemic community and in what ways local universities' syllabi and curriculums have contributed to the entrenchment of neoliberal mode of governance in the country. 'Ideational change' implies that in almost all post-Soviet and many post-socialist countries after 1991 rentier capitalism (Sanghera and Satybaldieva, 2021) has been embedded by the fully fledged ideological assault of the Washington consensus and adherence to free-market principles while alternative universities' syllabi with non-orthodox thinking has been absent. Ideas and ideals that had dominated in the former Soviet republics and many social-democratic regimes of the West such as solidarity economy, collective property, welfare state, Keynesian-demand management were replaced by free market dogmas such as laissez-faire liberal economic order, monetarism, regressive income redistribution and neoclassical economics doctrines. The latter are taught as a part of the compulsory curriculum for economics graduates in the local universities. At the same time, students and local epistemic community are deprived of heterodox alternatives that could have contributed to critical

understanding of the mainstream right-wing economics and the nature of the contemporary capitalism and current political regime of this Central Asian economy.

This research aims to investigate and explain how the dominant economics education offering a set of apolitical, ahistorical and asocial economic principles has contributed to the employment of neoliberal policies by local technocrats in Kazakhstan. Neoclassical economics has been inadequate and has failed to contribute to the understanding of, for instance, income inequality or the 2008 economic crisis (Blaug, 1998; Davis, 2006). The grounds of this inadequacy are traced to neoclassical economics' deep-rooted foundations in positivist orthodoxy (Lawson, 1994). Mainstream economics reduces complex social relations into mathematical formalism and exchange value calculus that is unable to offer a transformative and emancipating educational knowledge projects. For instance, the mainstream discourse in the Kazakh academia tends to advance scholarships on 'business leadership' and how to cope with 'financial illiteracy' rather than teaching political economy and trying to shed a light on the root-causes of heavy indebtedness of the local households. Existing research recognises the critical role played by 'decolonisation of knowledge' (Cummings, Munthali and Shapland, 2021). Most of these studies, however, have either focused on the 'epistemological malady' (Oommen, 2017) of economics as a discipline per se, or have offered partial or highly abstract explanations of its impact on reproduction of the neoliberal order in post-Soviet republics. They tend to neglect the role of local epistemic communities in legitimizing and reproducing current status quo of rentier capitalism in Central Asian countries. Moreover, they lack concrete-complex analysis of the institutional and historical transformation of how specific knowledge being prioritized over other knowledge (Heleta, 2018).

The generalisability of much research is also problematic because it largely explores advanced capitalist countries without comparing them with post-Soviet countries. The proposed project seeks to address these limitations in the literature. Methodology The project is interdisciplinary, avoiding the usual disciplinary constraints to rigorous analysis of knowledge formation. The project will draw on a range of disciplines, including economics, sociology, political science and ethics, to offer an understanding of causal mechanisms and explanations.

This research employs the philosophy of critical realism, which questions mainstream economics essential approaches to social reality at the level of method and advocates pluralist and interdisciplinary approach (Lawson, 1994, 2009). In critical realism, retrodution seeks to explain observed regularities and events in specific contexts by postulating material and discursive causal mechanisms and conditions (Sayer, 2000). The research is based on a view of social reality as having a causal-processual nature rather than a deductively closed system with stochastic and stationary socioeconomic processes. A critical realist standpoint involves abstracting significant attributes and relationships from multi-dimensional concrete social phenomena. Fittingly, heterodox-based methods provide an alternative means of investigating and conceptualising the complex causal relationships of knowledge formation. This mode of theorising aims not only to explain tendencies and outcomes of neoliberalisation of knowledge in Kazakhstan, but illuminate similar processes and struggles elsewhere in the Global South and the West. The project examines key aspects of neoliberalisation of knowledge and its production, including:

- local economics and other social sciences departments' syllabi and their conformity with the ideas of radical political economics (Kim, 2018) and the pluralist agenda in economics education (Garnett, 2009);

- whether economics taught at the local universities as a discipline reflects one particular socio-political position (neoliberalism) and set of knowledge, i.e. neoclassical mainstream economics project;

Summary of key results and/or conclusions

The project will contribute towards an in-depth understanding of how ‘ideational changes’ are formed through knowledge formations in the post-Soviet Kazakh epistemic community. In the extant literature, there is very little critical analysis on the effects of the post-socialist knowledge formations on the entrenchment of neoliberal mode of governance in these countries. The project aims to promote this fruitful line of inquiry, and advance the research into the topic from non- orthodox perspective combining historical and interdisciplinary approach.

This study aims to offer new explanation of how neoliberal capitalist economy that has been built in the post-Soviet Kazakhstan is now maintained through epistemic community trained in the mainstream neoclassical economics curricula. The latter exhibits limited if any pluralism and ignores complex social issues. Mainstream economics ignores the inherently political nature of socioeconomic relations, power and politics and thus does not provide necessary epistemological knowledge to challenge current status quo. In this research, neoliberalisation of knowledge is considered as an epistemological continuation of the ‘coloniality of knowledge’

(Mignolo, 1995).

The principle goal of ‘economic’ explanations in the context of ‘neoliberalisation of knowledge’ is to serve as ideological tool legitimizing current status quo and removing the political factor from the subject matter, thus presenting, for instance, economic disparity as a ‘natural’ and ‘unavoidable’ characteristic of an ‘efficient’ economy.

For thirty years generations of local epistemic communities represented by policy makers in state apparatus, intellectuals, journalist and academics have mostly translated and transmitted this kind of socioeconomic message based on the mainstream neoclassical economics. The latter, however, is inherently flawed in understanding and explaining vital socioeconomic problems (Oommen, 2017). The ‘invisible hand’ doctrine combined with other metaphors like ‘the trickle- down effect’ have become especially popular in the neoliberal narratives of conceptualising an economy guided by forces of supply and demand. Thus, knowledge creation and its dissemination is an important dimension that can explain reproduction of the neoliberal mode of governance in this Central Asian country

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Issues in Administrative Discretion: Evidence from Kazakhstan

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Abstract

The aim of the on-going research is to draw attention to one of the least developed instruments in Kazakh administrative law – administrative discretion – and to explore its role in the present stage of the development of the administrative justice system in Kazakhstan and public administration system in general.

Introduction

It is only in the past five years or so that Kazakhstan has begun the process of conducting a comprehensive reform of administrative law that conforms to international standards (Podoprigora 2021). The reform measures underscore the importance of determining the extent to which rights and interests of citizens are ensured by public administration bodies in Kazakhstan and the extent to which public officials are able if at all to balance the interests of individuals against the interests of the state. More specifically, it is critical to understand and assess important yet underestimated administrative tool such as administrative discretion that administrative officials employ (or not) in the course of execution of their daily responsibilities. For the analysis, it is imperative to identify relevant cases in order to understand the way administrative discretion was approached in the past and how it is expected to be applied as a result of changes introduced in the future.

The rationale of administrative law in general is to balance between two goals: protecting the rights of citizens (persons) and ensuring effective state administration. For a considerable time since achieving independence Kazakhstan's focus had been primarily on the internal structure, functional organization and maintenance of the executive arm of the state including the administration, relationships among administrative agencies and various levels of the administrative system (Osanova and Smanova 2018; Uvarov and Uvarova 2014). Another focus has been on establishing responsibilities and control, defined by so-called policing objectives used as an instrument of state coercion. As experts argue, there was lack of interest in “legal and administrative circles” in development of administrative law and persistent “resistance ... to the idea of even getting to know the new approaches” and redefining the field (Porokhov 2010, p. 175; Depper and Pudelka 2014, 2). Developing a proper procedural framework for authorities to follow in the course of adoption of administrative acts and actions (inactions) and for persons to rely on as safeguards against administrative abuse was not a primary focus of administrative law in Kazakhstan.

The basic requirement for a good administrative decision is that it is based on proper understanding of the law and the facts (Mullen 2016). The consequences of poor decision-making not only undermines confidence in public administration and its officials but also may lead to higher rates of complaints and demands for reconsideration of adopted acts. Therefore, for citizens it is important “that decisions

are right the first time, since not only would it mean better results for individuals, it would also speed up decision-making and reduce costs“ (Nelson 2015, 48).

However, the legality is only one element of a good decision. “Not only should the decision be lawful, it should be the best possible decision in the circumstances. Apart from generic objectives of economy and efficiency, the sound decision is also consistent, transparent and respectful for human rights” (Mullen 2016, 72). There should be a proper administrative procedure which is about following “sound” rules that should bring “a fair decision” (Flood and Sossin 2013, 29).

The Kazakh administrative law approach in principle has treated administrative acts as necessarily implemented according to specific legal guidelines. Discretion, although it may occur in practice and even appear in legislation, was not regulated in Kazakhstan (neither by the Law on Legal Acts nor by the Law on Administrative Procedure). It thus lacked a unified standardized approach for administrators to rely on – and consequently created a legal void. The regulation of administrative discretion become possible only with the adoption of the Code on Administrative Procedures and Legal Proceedings (the Code) that came into force in summer 2021.

The Code defines administrative discretion as the right of public officials to adopt one possible decision in a given individual situation. The administrative official (or administrative body) must use administrative discretion within the limits of the law. Use of administrative discretion in the course of adoption of the administrative act, or administrative action (or inaction) must be appropriate for furthering the governmental goal (it must be suitable); the means adopted must be those that least infringe on the right of the individual (it must be necessary), and the loss to the individual person resulting from the infringement of the right must be proportional to the governmental gain in terms of furthering the governmental goal (it must be proportional).

Methodology

The study is based on a review of laws, government reports and policy documents, and analytical expert positions. Analysis of court cases related to disputes between citizens and public officials is also a major element of this study.

Results

Protection and implementation of rights and lawful interest of citizens and persons in their relationship with state administration became finally and formally the public interest and a contemporary objective of administrative law in Kazakhstan only recently. Although the Code contains several provisions regulating administrative discretion, it is too early to discuss the success of its implementation. There is still a long way to go to create a system to ensure that administrative discretion is exercised in a way that protects the rights and interests of citizens (persons) in Kazakhstan. Because of the sensitivity and complexity of this relatively new institution, administrative discretion remains one of the most controversial and least settled administrative instruments. Even the current law requires further clarification and study in order to avoid its misinterpretation in future application.

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Formation of students' lexical skills through Content and Language Integrated Learning (CLIL) at primary school

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Abstract

The given article deals with the implementation of Content and Language Integrated Learning (CLIL) approach which aims to construct and develop lexical skills and background of primary school students in the realia of Kazakhstani comprehensive schools. A teacher, who is considered as a mediator of learning process, tends to seek for certain methods and techniques to foster the efficiency of the lesson which will encourage students' communicative skills in a foreign language (English). Implementation of Content Integrated Learning approach not only facilitate the learning process but also increase students' motivation during the lesson. The article highlights the realization of Content and Language Integrated Learning approach in the textbooks of the updated curriculum at primary comprehensive schools. Moreover, the given article has studied different subject areas where English language could be integrated as well as challenges which are connected with the difficulties in activation of passive vocabulary of primary school students. According to the analysis of Information and communications technology (ICT) teaching methodology for the 3rd grade, some lexical units, which are presented in three languages (Russian, Kazakh, Russian) for active lexical background, are not revised and used in the following units. This tendency promotes passive vocabulary rather than active one which negatively influences on learning process. In the light of this fact, authors have considered and worked out the set of effective teaching techniques and means through implementation of CLIL approach during the lesson in order to revise prior vocabulary with integration of new lexical units for young learners.

Key words: Content and Language Integrated Learning (CLIL) approach, primary school, lexical units, updated curriculum, communicative skill, mediator, students' motivation.

“Utilization of Case Study Method in Legal Research: Prevalence, Sources and Barriers”

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Abstract

Research plays a very important role in recommending solutions to the existing problems of our society or in solving the already solved problems in a better way. It also helps to discover or invent new ideas and technologies. Observations, interviews, mailed questionnaire, surveys, case studies, project, content analysis, and cause and effect analysis methods are used to carry out researches. Research is an ongoing and continuous process. For pure science, experimental methods are more useful than other methods. For social science, behavioral research, observation and in-depth study methods are mostly used. Selection of methodology for a particular research depends upon the objectives and purposes of the research such as impact analysis, theory building and testing, or behavioral analysis. Research methods are of qualitative and quantitative natures. In qualitative research, information is collected in descriptive forms whereas in quantitative method information or data are obtained in numerical forms. Social research is a qualitative research. In-depth information is obtained by using various tools and techniques and are analyzed through comparative analysis and pattern analysis methods. Very simple mathematical tools and techniques may also be applied. Case study research is a direct method of collecting data as it attempts to derive data directly rather than through the reports of the individuals involved. Case study has particular importance in the situations that are inherently complex, such as a study of democracy in action as represented by the resolution of a social issue through discussion. Case study research technique would be indicated in investigations and observations of the behavior of society, criminals, Judges, Public Prosecutors and Police, inanimate objects and many other phenomena, which can be investigated only through case study, no matter how imprecise such investigation may be.

Keywords: Qualitative and Quantitative Research, Case Study Method, Data Collection, Legal Research, Advanced Techniques

Introduction

Research plays a very important role in recommending solutions to the existing problems of our society or in solving the already solved problems in a better way. It also helps to discover or invent new ideas and technologies. Observations, interviews, mailed questionnaire, surveys, case studies, project, content analysis, and cause and effect analysis methods are used to carry out researches. Research is an ongoing and continuous process. For pure science, experimental methods are more useful than other methods. For social science, behavioral research, observation and in-depth study

methods are mostly used. Selection of methodology for a particular research depends upon the objectives and purposes of the research such as impact analysis, theory building and testing, or behavioral analysis. Research methods are of qualitative and quantitative natures. In qualitative research, information is collected in descriptive forms whereas in quantitative method information or data are obtained in numerical forms. Social research is a qualitative research. In-depth information is obtained by using various tools and techniques and are analyzed through comparative analysis and pattern analysis methods. Very simple mathematical tools and techniques may also be applied. Case study research is a direct method of collecting data as it attempts to derive data directly rather than through the reports of the individuals involved. Case study has particular importance in the situations that are inherently complex, such as a study of democracy in action as represented by the resolution of a social issue through discussion. Case study research technique would be indicated in investigations and observations of the behavior of society, criminals, Judges, Public Prosecutors and Police, inanimate objects and many other phenomena, which can be investigated only through case study, no matter how imprecise such investigation may be.

Case study is both method and tool for research. It leads to very novel idea and no longer limited to the particular individual. Case study methodological is not longitudinal study but it depends on the methods of information about the individual as far as possible. Therefore, case study is conducted only for specific cases. It requires personal observation, by or objective method.

The case study approach to research is the most peculiar and popular method for gaining insight into why an individual act in a certain way and how is he likely to act in future. It carries with it some of the features of the historical approach. Case study research excels at bringing us to an understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case studies emphasize detailed contextual analysis of a limited number of events or conditions and their relationships. Researchers have used the case study research method for many years across a variety of disciplines.

The case study method is a very popular form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even the entire community. It is a method of study in depth rather than the breadth. The case study places more emphasis on the full analysis of a limited number of events or conditions and their interrelations. The case study deals with the processes that take place and their interrelationship. Thus, case study is essentially an intensive investigation of the particular unit under consideration. The concept of case study research was shaped by sociology and anthropology and the case study research has also drawn from a number of other areas like, the clinical methods of doctors, the casework technique developed by social workers and the methods of historians and anthropologists. Education, especially management education, has embraced the case study method (using the fruits of case study research) for instructional use.

Thus, case study refers to

- Close study of an unit,
- Deep study,
- Cumulative study, and
- Clinical study.

The case study is mostly done in police inquiry to investigate the case. The purpose is to find out the facts about the case so that true culprit would be punished. In research case study has entirely different purpose. The main purpose of the case study is the development of case on the basis diagnosis which is done on the post records of the case. It establishes the cause and effect of relationship.

Meaning and Definition of Case Study Method

The term case study refers to a rather intensive examination of some single unit. The unit, however, is not always restricted to one person. Sometimes, the case study label is used even when two or three “representative” units or instances are selected and are subjected to an unusually detailed description. A case study is a research method common in social science. For the scientific socio-legal research, case study method is being used. Case study method is more suitable for the study of fewer persons and to find out the root cause for a particular problem. Case study is the oldest method. Fredric Le Play introduced this method in social scientific investigation. Herbert Spencer used this method in his comparative studies of different cultures. William Healy, a psychiatrist adopted this method in his work with juvenile delinquents. Clifford R. Shaw also made his famous studies of juvenile delinquents by using this method. He observed that his “initial task in the study was accumulation of a mass of raw material in the form of cases, described in concrete and specific detail, including the use of medical, psychological and psychiatric data as well as the cultural background of the family and the life history and social relationship of the individual.”

The term case study has been defined by eminent persons. The term ‘case’ means a unit of study. According to Pauline V. Young, “Case study is a method of exploring and analysing of life of social unit, be that a person, a family, an institution, cultural group or even entire community.” According to Goode and Hatt, “Case study is a way of organizing social data so as to preserve the utility character of the social object being studied. Expressed somewhat differently it is an approach which views any social unit as a whole.” Schramm defined case studies as inquiries that try to illuminate a decision or set of decisions: why they were taken, how they were implemented and with results.

Similarly according to H. Odum, “The case study method is a technique by which individual factor whether it be an institution or just an episode in the life of an individual or a group is analysed in its relationship to any other in the group” In brief, we can say that case study method is a form of qualitative analysis where in careful and complete observation of an individual or a situation or an institution is done and efforts are made to study each and every aspect of the concerning unit in minute details and the from case data generalization and inferences are drawn.

Purpose of the Case Study Method

Case studies can be used when it is not possible to adopt a sampling approach that seeks to generalize conclusions as if conditions were identical in other organisations, i.e., not possible to generalize from a case study but possible to generalize, or test, a theory. For example, you could test the theory that senior manager involvement leads to increased job satisfaction and productivity amongst lower grades of staff. Often the purpose is to replicate or to compare the organization you are studying with others in a systematic way and to explore different stances to the issues you are examining of different levels of the variables involved.

Several types of data gathering techniques have been used to get case study material. For example, take depth interview in which the behavior interviewer starts with general questions and gradually focuses on the areas of interest, narrowing the questions to obtain more and more specific information. In case study method the investigator tries to find out how cumulating experiences at different stages of life have influenced the individual life. Therefore, here the data is collected in chronological order. The respondent is asked to review his life from the past to present or from present to past. Like in the other method of data collection, in the case study method also, the investigator has to selectively collect pertinent information according to the problem under investigation.

Characteristics of Case Study Method

The important characteristics of the case study method are as under:

1. Unit of Study- The case may be an individual, an episode in a person's life, a group of persons such as a family, or a class of persons such as the habitual offenders or professional demonstrators, a concrete set of relationship like the labour management relations, a specific process like rehabilitation of the displaced or community, an institution, or even entire culture.
2. Cover Wide Cycle of Time- Case study covers a sufficiently wide cycle of time. According to P.V. Young, 'Case study data may be definite exhaustively on the entire life cycle or on a definite section of the cycle of a unit but always with a view of ascertaining the nature, history of the social unit and its relationship to the social factors and faces involved in its environment.
3. Reliability- Essentially, reliability means replicability the extent to which another researcher can reach the same conclusions by following the same researcher processes. However, it must be admitted that a later researcher using a case study approach for investigating the same phenomena as an earlier researcher will be essentially studying a different case, if only because she or he comes later in time and contexts change over time.
4. Development of Hypothesis- Case study leads not only to well 'established' conclusions but also to the development of empirical hypothesis. This is because it is based upon one or a few example, which may vary in a number of ways from other units. The case study alone can never be considered as adequate evidence for some particular generalization in a well-developed and highly structured situation except in those instances in which contingencies are sufficiently controlled to guarantee generalizability of the results, or where the sole concern is with the particular instance at hand.
5. Increase of Knowledge- Like the historical method, the traditional case study method also serves a dual purpose. While intensive investigation of a single case is made for the purpose of increasing our general knowledge in the area, it may also be used for ultimate purpose of making a practical improvement in the specific instance examined.
6. Intensive Study Possible- Here the selected unit is studied intensively i.e., it is studied in minute details. Generally, the study extends over a long period of time to ascertain the natural history of the unit so as to obtain enough information for drawing correct inferences.
7. Qualitative in Character- Under this method the approach happens to be qualitative and not quantitative. Mere quantitative information is not collected. Every possible effort is made to collect information concerning all aspects of life. As such, case factors that forced him to commit crimes

when we are making a case study of a man as a criminal. The objective of the study may be to suggest ways to reform the criminal.

8. Continuity, Completeness and Validity- The essential characteristics of a case study include continuity, completeness of data, validity of data, confidential recording and scientific syntheses.

Basic Assumptions of Case Study Method

Case study is based upon the following basic assumptions:

1. A unit is indivisible whole and cannot be studied in its wholeness.
2. A particular unit has its uniqueness and nothing exactly like it is to be found elsewhere but it is not different from other units in all respects.
3. Socio-legal phenomena is not only a total whole, it is very complex also.
4. Socio-legal phenomena are influenced by time also.
5. In gathering case data, the identity of human nature persists.
6. The assumption of studying the natural history of the unit concerned.

Specific Steps in Case Study Approach

Steps involved in the case study method are as follow:

1. Determining Present Status- The first step, is to gather descriptive information which will determine, as precisely as possible, the present status of the unit under investigation. Here the investigator after knowing the problem tries to find out, nature and extent of the problem.
2. Gathering Background Information- Once the researcher is able to achieve an accurate description of the present situation he collects background data. Here the researcher collects information about and examines the circumstances leading to the current status. At this stage the investigator compiles a reasonable list of the possible causes of the present situation. He formulates the hypotheses about the true nature of the situation by making use of symptoms which appear in the data by using the researcher's past experiences with similar situations and by using the knowledge of the principles of human behavior.
3. Testing Suggested Hypothesis- At this step the researcher gathers specific evidences in relation to each of the hypotheses suggested from the background information just gathered. The individual's behaviour is usually determined by several factors. The researcher tries to locate the factors which are influential and therefore are important.
4. Analysis- Each case is complex whole and unique. A case is non-comparable and yields non-quantitative data. Efforts should be made to ascertain the reliability of data through examining the internal consistency of the material. Generalization should be made basing on logic and deductive analysis.

Applications of Case Study

Case study procedures have been extensively followed in the following fields as law and juvenile delinquency, medicine, psychiatry, psychology, education, counselling and guidance, anthropology, sociology, social work, economics, business administration political science and journalism. Previously it was limited to only the problems of maladjustment, such as truancy or failure in school a broken or poverty-stricken home or an under privileged or malfunctioning community. But

now this approach is also extended to the investigation of normal or bright children, successful institutions and agencies and well organised communities or effectively functioning cultural groups. The usefulness of the children and case approach may be illustrated by the field of clinical psychology in general and more specifically by counseling psychology and personality study. Clinical psychologists perform a variety of services in many settings dealing with a wide range of human problems. Psychologists first try to achieve understanding based on the hypothesis and techniques of their professional field of knowledge. Then they apply understanding so as to help the people to help themselves with such activities frequently evaluated “diagnosis” and “therapy.” In many instances case study is supplementary to or related to other investigational procedures. The life history of an individual of an institution or of a community resembles historical research in sources and techniques. Case investigation uses many of the data gathering instruments as used in descriptive survey studies. Case investigations of an individual have common interests in growth and development, although ordinarily the direction of movement in case study is backward whereas its genetic research the movement in forward as growth takes place.

Sources of Case Data

The following are the diverse sources of case study method:

1. Personal Documents- Public figure, generally, keep diaries, write their autobiographies or memories. These documents contain the description of the events and his reaction towards them direct involvement or as a witness of a distant spectator. They reveal direct information regarding the structure, dynamics and nature of problem.
2. Life History Documents- Life history is the study of various events of respondents’ life together with attempt to find their social significance. Life history differs from pure historical narrative facts. While pure narrative aims at narrating the facts only, life history aims at revealing the meaning and significance of the events in the context if motivating factor of social life. Various other methods may be adopted to gather correct information such as periodical conferences, impromptu conversations, dramatic productions, observation and post-experimental interviews, to more complicated processes like experimental studies, a wide range of tests including hypnotic tests, tests of ability, tests of aesthetic appreciation, emotional conditioning, social reaction to frustration and psychological insight, etc.

Major Phases Involved in Case Study Method

Major phases involved in case study are as follow:

1. Recognition and determination of the status of phenomenon to be investigated or the unit of attention.
2. Collection of data, examination and history of the given phenomenon.
3. Diagnosis and identification of casual factors as a basis for remedial or developmental treatment.
4. Application of remedial measures i.e., treatment and therapy.
5. Follow-up programme to determine effectiveness of the treatment applied.

Advantages or Importance of Case Study Method

There are several advantages of the case study method.

1. Case studies help to secure a wealth of details about the unit of study which may provide clues and ideas for further improvement. The function of case study is to describe the case in terms of peculiarities that are observable. This involves the intensive examination of specific factors implicated in the case.
2. Case study adds to our knowledge. It is a tremendous producer of ideas, suggestions and hypotheses about behavior. Case studies are flexible enough. Any qualitative method is flexible, like observation, and in observation also it is more flexible in case of participant observation. The flexibility of a case study extends to virtually any dimension of the topic studied. Case studies can be conducted in any kind of social setting. It is also, like other method of data collection, have been used for testing theories.
3. The researcher can use one or more of the several research methods under the case study method depending upon the prevalent circumstances. The use of different methods such as depth interview, questionnaires, documents, study reports of individuals, letters, and the like is possible under case study method.
4. Case study method has proved beneficial in determining the nature of units to be studied along with the nature of universe. This is the reason why at times the case study method is alternatively known as “mode of organizing data.” This method is means to well understand the past of a social unit because of its emphasis of historical analysis. Besides, it is also a technique to suggest measures for improvement in the context of the present environment of the concerned social units.
5. Case data are the means by which we are able to arrive at the actual human experience and attitudes which constitute the full and actual social reality and case study is a suitable method when the problem under study forms a process rather than one incident, e.g., courtship process, clique formation, etc. It is the actual scientific method as the study is made on the basis of facts and evidences.
6. This method makes possible the study of social changes. On account of the minute study of the different facets of a social unit, the researcher can well understand the social changes then and now. This also facilitates the drawing of inferences and helps in maintaining the continuity of the research process. In fact, it may be considered the gateway to and at the same time the final destination of abstract knowledge.
7. Case study techniques are indispensable for therapeutic and administrative purposes are also of immense value in taking decisions regarding several management problems. Case data are quite useful for diagnosis, therapy and other practical case problems.

Barriers of Case Study Method

Important barriers of the case study method may as well be highlighted:

1. As the researcher studies each unit in its complete dimensions, he feels as if he knows everything and that overconfidence which leads to false sense of confidence which is detrimental to any scientific outlook. Generalizations are drawn from too few cases and we cannot universalize outlook.
2. The method is quite loose and unsystematic and there is enough scope for errors due to inaccurate observation and faulty inference. This time and money needed for case study is greater than in other methods.
3. Read Bain does not consider the case data as significant scientific data since they do not provide knowledge of the “impersonal, universal, non-ethical, non-practical, repetitive aspects

of phenomena.” Real information is often not collected because the subjectivity of the researcher does enter in the collection of information in a case study.

4. In those case studies that depends on retrospective data, there is a real possibility of that the subject may either forget important details or may purposefully falsify them. Such distortion may not be disadvantages if the investigator assumes that is remembered is affecting present behavior and is therefore, important for the researcher to know about, regardless of whether it is incorrect from an objective point of view. The problem of forgotten details can be overcome, partially at least, by interviewing more than one person in the development of a case.
5. The case study often assumes that all past experience of the individual or past happenings in the situation have contributed to the final result. The consequences of this assumption is that much data are gathered which later on turn out to represent more or less chance happenings with no real pertinence to the specific aspects of the situation under investigation.
6. Response of the investigator is an important limitation of the case study method. He often thinks that he has full knowledge of the unit and can himself answer about it. In case the same is not true, then consequences follow. In fact, this is more the fault of the researcher rather than that of the case method.

Conclusion

However, these dangers can be eliminated by developing an adequate sampling design. Further, a theoretical framework can be designed at the inception of the research, so that speculations made on the spot to fit the peculiarities of each case may be avoided. Besides, case studies, in modern times, can be conducted in such a manner that the data are amenable to quantification and statistical treatment. Possibly, this is also the reason why case studies are becoming popular day by day.

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From Constitutional Council to Constitutional Court: European perspective on Kazakhstan's constitutional reform

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In March 2022, the President of the Republic of Kazakhstan announced a wide-ranging constitutional and administrative reform, which includes the establishment of a Constitutional Court, to replace the Constitutional Council. As Kazakhstan prepares for this momentous change, it seems appropriate to discuss the experiences of France, which was the first to introduce a Constitutional Council, and of countries such as Germany and Spain, which champion the model of constitutional review centered on a Constitutional Court. A historical overview on different models of constitutional review will prompt some reflections on Kazakhstan's reform and its possible outcomes. France introduced the Constitutional Council as an essential part of the political system known as the Fifth Republic, which reversed the traditional balance of power between the legislative and the executive branches by assigning a clear preeminence to the executive. The Constitutional Council was limited both in the scope of its jurisdiction and in the number of subjects, who could activate it. Over time, however, changes in the interpretation of the Constitution, and eventually a constitutional reform, narrowed the gap between the French Constitutional Council and the model of constitutional review centered on a Constitutional Court; which certainly led also to a rearrangement of the Constitutional Council's role within France's political system. France's experience might foreshadow some of the political consequences of introducing a Constitutional Court in Kazakhstan. The opportunity of discussing other models of constitutional review is offered by the proposal, put forward by the President of Kazakhstan, of allowing the citizens to directly appeal to the new Constitutional Court. This is a typical feature of the German and the Spanish systems of constitutional review, which is not present in otherwise similar systems, and represents a radical departure from the current Kazakhstani system. The meaning and the implications of this feature will be discussed, along with some possible challenges.

Narrations of the State in miniature: Philatelic representations of independent Kazakhstan's first 25 years of transition

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Abstract: The use of postage stamps has waned greatly since the advent of social media, electronic communications, and online financial transactions. The much-reduced importance of stamps is reflected in the fact that many residents of Kazakhstan, for example, have never used (and in fact may never have even *seen*) a Kazakhstani postage stamp. Yet today Kazakhstan and other political entities around the world continue to produce postage stamps for reasons that transcend the traditional function of being affixed to a parcel as proof of postage paid. These reasons are likely to include, to some extent, the source of revenue from global philatelists. More importantly for the research presented here, however, is another postage stamp function – that of purveyor of official, state-sanctioned messaging and narrative. Postage stamps are official primary source documents produced by states, allowing political elites and government officials the opportunity to tell the state's story as they choose and as they see fit. As visual artifacts, postage stamps can be read and analyzed in ways that elucidate the official state narrative, that which the State wishes to project to both international and domestic audiences.

The research presented here first synthesizes postage stamp iconographic content across Kazakhstan's first 25 years (1991-2016) of independence from the USSR. All visually distinct postage stamps issued by Kazakhstan through 2016 were included in this sample, for a total of 860 postage stamps. Iconographic information is categorized via visual content analysis in a manner used in other similar postage stamp research. To address the way Kazakhstan's transition has been depicted on its stamps, an analysis of how the Soviet era is portrayed is provided. Here, space achievements, Soviet-era personalities with ties to Kazakhstan, and Great Patriotic War heroics provides much of the focus. While such topics as the Aral Sea crisis, nuclear weapons testing, and Stalin-era repressions receive tepid stamp representation, other Soviet-era events are completely absent from Kazakhstan's postage stamps. These absent topics include the 1986 *Alma-ata* events, forced collectivization and famine of the 1930s, and the *Oralman* issue. Controversial topics vis-à-vis the Soviet era remain sensitive for Kazakhstani elites, likely reflecting their political/educational origins (the Soviet system) and Kazakhstan's close relations with the Soviet hegemon (Russia). Continuing, ongoing research examining in more detail how the Kazakhstani state is represented on its postage stamps will be discussed.

Keywords: Kazakhstan, postage stamp iconography, banal nationalism, Soviet heritage.

Al-Farabi and his doctrine of logic

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Abstract

The article discusses the philosophical interpretation of the category of logic in the philosophy of Al-Farabi. The essence and interrelation of philosophy and logic are defined.

Key words: logic, thinking, syllogism, deductive reasoning.

Introduction

Al-Farabi considered logic as one of the theoretical sciences that study the laws and rules of thinking. Logic should teach you to prove, to give the necessary arguments in favor of your statements in any sciences. Logic is a science and an art. Its subject is proof, al-Farabi believes in full agreement with Aristotle, who also believed that logic is a proving science [1].

Al-Farabi emphasizes that logic is a science that directs and corrects a person's thoughts, it has a name derived from the Greek word speech. Everything "that is aimed at the correctness of speech, in every sense, is most worthy of bearing this name"[2]. Al-Farabi claimed that logic, "being the science of thinking, finds its expression in speech-written or oral"[3]. The problems of logic, its subject, purpose, sections of logic are thoroughly considered by al-Farabi in his works: "Introduction to Logic", "Introductory treatise to Logic", "Word on the classification of Sciences", "Introductory sections on logic", "On the origin of Sciences", "Eysagogue, or introduction", in comments on Aristotle's Organon.

Methodology

Logic, according to al-Farabi, splits into two sections depending on the attitude to reality. The first section contains the theory of concepts and definitions, and the second-the theory of judgments, conclusions and proofs. The purpose of logic is to study proofs, since proof leads to the need for knowledge. Al-Farabi considered grammar, logic and poetics to be the theory of evidence. The science of language gives names to things, that is, substances and accidents. Grammar teaches how to arrange the names given to things. How to compose speeches and sayings [4].

"The third science is logic -it teaches how to arrange narrative sentences according to logical figures in order to draw conclusions from them, thanks to which we learn the unknown and judge what is true and what is false.

The fourth science is poetics-it teaches how to arrange speeches according to their dignity and sequence, that is, according to their proportions and stop times ..." [5].

Al-Farabi considered the relationship between philosophy and logic. It is known that ancient Greek philosophers argued about the relationship between philosophy and logic. The Stoics believed that logic was a part of philosophy, the peripatetics argued that it was only an instrument of philosophy. According to Plato and his followers, logic is equally a part and an instrument of philosophy. Al-Farabi considered logic an independent science and believed that the rules and laws of logic find application in all sections of philosophy. "The art of logic," he wrote in the Introductory Treatise on Logic, "applied in various parts of philosophy, is an instrument through which a reliable

title is obtained for everything that theoretical and practical arts cover. There is no way to the true authenticity of the knowledge we need of anything, outside of the art of logic [6].

Al-Farabi considered logic to be an independent, concrete, theoretical science, akin to mathematics, grammar. Logic is the science of the necessary conclusions from the necessary foundations and principles. Al-Farabi believed that logical proofs are justified and learned with the help of geometry. He shared the point of view of Aristotle, according to which, the theory of proof has certain similarities with the construction in geometry of Euclid. "First, it is necessary to choose from geometric science a certain amount of what is needed for the exercise in geometric proofs, and only after that they practice logic" [7].

Logic, according to al-Farabi, falls into two sections depending on the attitude to reality. The first section contains the theory of concepts and definitions, and the second-the theory of judgments, conclusions and proofs. The purpose of logic is to study proofs, since proof leads to the need for knowledge. Al-Farabi considered the theory of evidence to be the methodology of the sciences, which shows the sciences the right path to the truth. Al-Farabi saw the main purpose and essence of the science of logic in revealing the nature and methods of syllogism formation, i.e. deductive reasoning.

In the Introductory Treatise on Logic, al-Farabi identifies five syllogistic arts: philosophy, the art of dialectics, the art of sophistry, the art of rhetoric and the art of poetry. Al-Farabi writes about syllogism and types of syllogism in this treatise: "Syllogism is used either when reasoning with each other, or when someone deduces something in the mind. It is characteristic of philosophy that it uses a syllogism in both of these cases, philosophical reasoning is called evidential (leading arguments), and it is aimed at studying the truth, revealing it in things that are such that they give reliable knowledge. Through dialectical debates, they achieve victories over the interlocutor in the field of widely known things. In sophistic debates, the goal is to achieve an imaginary victory over the interlocutor in the field of things that are considered known, although they are not. This aims to mislead the interlocutor and listeners, the purpose of deception and deception, to inspire the interlocutor to think of himself as the owner of wisdom and knowledge, instead of being such in practice. Therefore, the name of this science comes from "false wisdom", meaning wisdom that is not such... The rhetorical appeal is aimed at satisfying the listener by pacifying his soul without achieving authenticity. Through poetic interviews, the aim is to imitate a thing and express (it) through speech ..." [8].

From this reasoning of al-Farabi, it follows that evidential reasoning is reliable, dialectical-presumptive, related to art, dispute; sophistic-misleading; rhetorical-convincing; poetic-imaginary.

Conclusion

Thus, logic provides each of the syllogistic arts with special rules by which the formation of each of them takes place.

All these five arts, says al-Farabi, are varieties of syllogistic art, but the true science of logic relies on one of them, i.e., on the method of proof. Al-Farabi characterizes apodictic or evidential reasoning as absolutely true, dialectical as mostly true, sophistic as mostly false, rhetorical as equally true and false, and poetic as imaginary[9].

If Aristotle divided judgments into evidential (apodictic), dialectical and sophistic (heuristic), then al-Farabi expands the number of methods of judgment to five, including rhetorical and poetic ones.

According to al-Farabi, the art of logic is the first art, therefore, of all branches of science, one should start with it. In the treatise "Pointing the way to happiness" al-Farabi wrote: "Since the art of logic is the first thing from which one begins, following (the path of studying) the arts, it is necessary

that the foundations from which one begins should be known, which a person has previously learned, and no one can do without knowledge" [10].

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Soviet Union project as a case of regionalism

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Abstract

Collapse of the Soviet Union in 1991 and its immediate consequences had driven most scholars to focus on the nation and state-building processes in post-Soviet space

e. Meanwhile the role of the Soviet Union as one of the greatest integrational project in context of its huge territory and multinational population was underestimated and even ignored. The foundation of the Custom Union and later Eurasian Union raised some acute questions focused on the Russian role in present day integrational processes in post-Soviet space. The present paper is an attempt to explain how Soviet type of integration is affecting construction of the common market by members of the organization. Concepts of “regionalization: and “regionalism” were used as main theoretical tools to analyze how external pressure, non-recognition of the environment, and sanctions had forced newly founded Soviet republics states to transform the old methods of *political and economic* problems solving.

Introduction

Can we say that Soviet Union was founded as integrational project? Soviet as well as foreign researches portrait its foundation as a history of state though unique one where can be seen features of empire, postcolonial societies, realization of nationalistic projects, etc.

Opposite attempt to study history of the USSR as the regional integrational project seems to have scanty support in history and political sciences while being embedded into the concept of “developmental regionalism” is seeing, - “as a response to changes in the economic and political context in which states operate” (Doidge 2007). Doidge points out that economic growth was a center of development process that led finally to “modernization’ effect decade after World War II. However decades before the Soviet leadership implemented into political agenda the idea of national equality between representatives of different republics that had to be transformed into the idea of economic equality of all Soviet republics (Karr 1990: 299).

The USSR foundation and functioning as regional project can’t be studies without excursus into early Soviet power history. Comparing certain stages and steps of political establishment in 1920s and 2000s we can highlight some commonalities and differences in the approaches to form regional organization or union state.

One of the first attempts to start with unification of the resources was made in 1919, June 1 when the Soviet government in Moscow issued a decree on “formation of the *military* union between Soviet governments of Russia, Ukraine, Latvia, Lithuania and Belorussia”. This Union was supposed to promote 1) joint military organizations and joint command, 2) joint Ministry of Economic Affairs, 3) joint management of railway transportation, 4) finance, and 5) Labor Ministry (Komissariat) (Karr 1990: 302). In June 1919 Red Army joint command was formed represented by Revolutionary Military Council of RSFSR and High Commander of Red Army.

Later during 1920-22 all Soviet republics signed series of agreements with Russian republic on common defense system, economic activity and diplomacy. In January 1922 to participate at Genoa economic conference Minister of Foreign Affairs Chicherin suggested to act jointly as “united front” (Formation of the USSR 1922).

Thus finally by 1922 most Soviet republics were ready to conclude military and financial economic union.¹ For the first period collaboration between Russian Federation (RSFSR) and other Soviet republics was realized through VSNH – all-Union Council of National Economy (Zevelev and Ustinov 1967) but year later clashes of republics’ and union economic and financial institutions, particularly Ukraine’s and Russian, forced Soviet leaders to search for new methods of management (Boffa History of the Soviet Union:180).

The 1922 in many ways was a remarkable year. It marks a new stage of Soviet statehood within which we can notice tendencies of fragile integrational project led by Russia. Formation of the formal institution such VSNH immediately raised a question of the nature of new organization and basic principles of its foundation. Fawcett views foundation of organization at the regional level as a formal evidence of move towards emergence of regionalism (Fawcett 1995:11).

Thus the period of 1920-22 can be identified as a first try of soviet republics to form regional organization. Western research literature has never considered Soviet leadership politics in early 1920s as case of regional integrational project. Though Sideri indicates that we might see three waves of regionalism rooted in 1930s such as case of Germany led Central and Eastern Europe, Japan (Greater Asia Co-Prosperity Sphere) and British Commonwealth (Sideri 2000) western scholars did not include Soviet Union formation into the first wave.

Methodology

Collapse of the Soviet Union in 1991 and its immediate consequences had driven most scholars to focus on the nation and state-building processes in post-Soviet space. Meanwhile the role of the Soviet Union as one of the greatest integrational project concerning its huge territory and population was underestimated and even ignored. Foundation of the Custom Union and later Eurasian Union (2015) raised some acute questions focused on the Russian role in present day integrational processes while without thorough studies of the Soviet experience evaluation of the Russia’s role would be difficult. Theoretical approaches used for analysis is embedded into concepts of “Regionalization” and “Regionalism”. The “new regionalist approach” assumes the important role of politics in globalized and interdependent world. In most IR schools regional integration is seen as economy driven institute which based on state relations (Choi and Caporaso, 2000). In the International Political Economy “regionalism” refers to a tendency and a political commitment to organize the world in terms of regions, while “regionalization” concerns more complex processes of forming regions (Hettne, 2005; Bailes and Dunay, 2007). The first approach focuses on politics and the second one on economic integration (Breslin and Higgott, 2000). As Krapohl and Fink (2013) argue regional integration projects usually follow three different paths when they analyzed the cases of EU, ASEAN and SADC. However, Soviet integration project was not limited by any existed political theories (concepts) and opposite was a product of practical application of new emerged state’s needs. Moscow was free to combine “regionalism” and “regionalization” approaches when needed. With the end of the USSR when nation-state building had become a focus of political agenda in every post-Soviet country (Hottne and Soderbaum, 2000) the regional integration disappeared to be revived later in 2000. The author argues that opposite to clearly defined western developmental paths the case of Soviet Union was mainly modernization project aiming to change the existed pre-Soviet economies.

Two main indicators of ‘developmental regionalism’ in case of the Soviet Union could be modernization and economic growth.

Region and “Old Regionalism”

To start the discussion we should discuss a definition of the region. The following definition can be accepted for convenience, “a region is a group of countries which 1) created a legal framework of cooperation, 2) covers an extensive economic relationship 3) has the intention that it will be of indefinite duration, and 4) has the possibility foreseen that the region will evolve or change (Page 2001: 5). Page points out that regions emerge voluntarily are facing such challenges as damage to other states interests as well as international community concerns. The puzzle is explained by the fact that region that consists of states under common rules to provide mutual benefits could affect the interests of the other countries. However this group of states needs legitimization by international community. International community has to realize possible damage and should agree to accept it (Page 2001).

Probably the whole history of the Soviet Union is defined by fundamental disagreement of western powers and newborn Soviet state over possible and real damages produced by socialist system.

Regionalism, namely “old regionalism’ is rooted in European concerns associated with development. Development consequently was seen as economic growth, achieving through modernization with accent on industrialization. Industrial modernization led to higher productivity and thus to growth of welfare. This approach is certainly applicable for industrialized First world countries while other states with limited abilities of commodity export were blocked to accumulate foreign exchange (source of economic growth) (Doidge 2007) 2.

Inability of developing countries to follow western model has produced other approaches such as dependency school focuses on inequality based on unjust exchange of raw materials and finished goods. Soviet Union in 1920-30s due to political and economic reasons was unable to copy precisely western model of modernization and later USSR with socialist camp were referred to belong to Second World or semi-periphery of the global community.

Here we should focus on problems of Soviet industrial modernization – who, when and how was to realize this plan. Within the “old regionalism” framework formation of economically effective region led by Soviet Russia was impossible without Ukraine and Belorussia though Ukraine had some doubts over needs to join Russian economic project (Karr, 1990:). However, Ukraine was a key actor to participate in further industrial modernization on the territory of former Russian empire. A split of Ukraine communist leadership concerning union with Soviet Russia was demonstrated, for instance, at the IV congress of Communist Party of Ukraine held in 1920, March. One group of Ukraine communist led by Dashkovskiy insisted that republic should move to the union state with Russia due to “99% of peasants were indifferent to Ukraine government” while others under Lapchinskyi guidance appealed to break up with RSFSR and work on foundation of real sovereign Soviet Ukraine state (Grosul 2012).

A first serious attempt of the Soviet leaders to integrate independent republics on the ground of “autonomization” was made by Stalin and his group in August 1922. At the end of the month Stalin suggested to the Caucasus republics namely Trans-Caucasus Regional Party Committee to delegate their authority to Russian Sovnarkom, Council of Defence and VZIK 3. In continuation of this line later he suggested resolution on “Relations between RSFSR and Independent Republics” to include Ukraine, Belorussia, Azerbaijan, Armenia and Georgia as autonomic republics of RSFSR while relations with Bukhara and Khorasm Peoples’ Soviet Republics and Far Eastern Republics were supposed to limit by signing Custom Union, liberalization of trade, coordination of foreign and military policy (Baibakov, 1997).

The only possibility to move forward economic development of the country was integration of all independent republics officially recognized by RSFSR. Lenin was very careful when tried to reach agreements with other Soviet republics to cooperate in military sphere (during civil war 1918-1929), economic and foreign trade. Autonomic republics were led by the same aspirations. Threats of the civil war, troubles of nation-state building, economic hardships and needs to trade dictated them to cooperate and even unite with Russian Federation. (Boffa, History of the Soviet Union). In all autonomic republics were abolished armies, ministries of foreign affairs and foreign trade (Basalay 1998:137).

All these measures had approved by Soviet leaders in Moscow led to a strong consolidation of all autonomic units of Russian Federation. Around 20 autonomic units finally decided to enter Russia Federation because Bolshevik leaders were ready to discuss their nation and state building problems. Focused on problems of survival and military defence these units strangely enough got some benefits due to loss of these competences. They were more concentrated on issues of nation building seeing as problems of vital importance. Bolshevik leaders were ready to accept national governments, national education and system of administration to promote issues which were of paramount importance for them – economic equality of all national republics (Karr, 1990:290).

No doubts before the revolutions of 1917 Bolshevik leaders were thinking in a way of western political philosophy: national equality was transformed into freedom of nations' sovereignty meaning preferably right for self-determination. Immediately after the October 1917 revolution Lenin tried to focus exclusively on problems of Soviet Russia while national regions populated mainly by Moslem population were left for its own. 4 Everywhere we see the national republics declaring their independence and separation from the Soviet Russia (Boffa: 172-181). However the lessons of civil war (1918-1920) clearly demonstrated that Russia was in strong need of coal from Donbass, wheat from Ukraine, cotton from Middle Asia, etc.

The national problems had been quickly integrated into the program of Bolshevik led state building. It was impossible to found economically successful state trapped in the borders of European part of Russia without others.

With reasonable safety, we might suggest that national problems had become the main obstacle on a way of such integrational project to fit “old regionalism” templates of 1930-s (Germany, Japan, Britain).

Two tendencies defined in general nation- and state-building process in USSR. The *first one* was eager to overcome mutual mistrust between Russian center (Moscow) and national peripheries. Colonial and postcolonial context better explained what driving forces counteracted within these moves. The most problematic part of USSR construction was solving the problems of national republics which were mainly interested in forming their nations and national states within the Soviet integrational project. The *second* tendency was primarily focusing on realization of the development program based on economic growth. Combination of both processes produced such a confusing picture that limited scope of research to study Soviet history.

Lenin and Stalin: “autonomization” problems in context of regionalism (instead of results)

Due to fact that all Soviet independent republics and autonomic republics were at different levels of economic development Moscow had to find a solution to satisfy all participants of the Soviet Union project (Boffa, 2015:178). Lenin and Stalin suggested opposite projects to fulfil the task of forming effective union. In 1922 Politburou approved the forming of special commission to set the basic principles for all republics cooperation (Boffa, 2015:181).

Stalin insisted on further centralization and thus including all independent republics into new Soviet Union (Grosul, 2007). He wanted them to transform into autonomic republics to sacrifice recently got independence and opportunity to construct their own future without profound involvement into Soviet Russian project. By Stalin's plan new republics had to become integrated parts of single economic entity headquartered in Moscow. In September 1922 this plan was approved by commission (Boffa, 2015:181). Since this move of Stalin's group quickly reached Lenin and his reaction was negative a split of both leaders over forming union became more visible.

Soviet historian Baibakov argues that widely spread critics of Stalin's "autonomization project" in Soviet historiography was inspired by dominated views of party elite. Most Soviet historians were convinced that damage of "autonomization" could lead to the revival of worst nationalistic sentiments and hostility to Russia (Baibakov, 1997). The latter was unacceptable scenario for political and economic development of the country. Lenin immediately opposed "autonomization" plan because he realized how dangerous for the Soviet policy could be mistrust and hostility from the side of national republics.

Stalin's vision of regional integration was defined by strong needs of close cooperation while he was ready to destroy significant part of national republics independence. No doubts, his project was dictated by certain economic program where national interests of national republics were subordinated to supranational bodies.

The initial need to raise the problems of integration was still existed military threats from the side of western powers. Soviet Russia pretended to act as sovereign state at the international arena and Bolsheviks bold moves led to military intervention of Entente to republic's territory in 1918-1920s. Stalin was driven by the idea of revolution's greatest achievements defense while RSFSR was surrounded by hostile states. In light of this concept Stalin's stiff position can be explained as best strategy for quick economic growth while neglecting significance of national problems particularly self-determination right. In 1920, October 9 he published a noteworthy article in "Pravda" newspaper. Stalin saw for the "new independent republics" two ways only: either it means collaboration with Soviet Russia or becoming the client-states of Entente. To Stalin "so called independence of so called independent Georgia, Armenia, Poland, Finland, etc. is a deceptive visibility due to their complete dependence of imperialist states" (cit. in Carr, 1990: 304).

Stalin and his supporters had a preferred destination plan: Russia as a hegemon should drive the process of forming region subordinating near situated republics. As Eichengreen and Frankel argue that such countries as Germany when reasserted at the international arena in 1920-30s tried to construct a region led by hegemon (Germany). The main goal of this regionalism was to minimize dependence from alleged or real enemies to reach self-reliance position (Eichengreen and Frankel, 1995: 97). Thus this type of regionalism was led mainly by geopolitical concerns.

It looks like Stalin and his environment wanted to reach this status a decade before 8. When Lenin stopped to participate actively in party leadership discussions concerning Russian Federation future the tone of elite had become more inclining towards self-reliance variant. Stalin's group insisted on "industrialization to distance from global (western economy)" (Boffa, 2015:268) to isolate the country from dangers of global economy. As Doidge point out dependency theorists suggested to de-link developing countries from the international economy to keep self-reliance status and some leaders of Third World countries as Nehru in India and Nkrumah in Ghana used this approach. (Doidge, 2007:4).

In context of dependency theory Stalin looked as leader of greatest Third World country not the Second one. And probably here we can trace some features of combined approach used by him to solve the most acute problems of Russian Federation. Self-reliance was a logical consequence of wider

economic processes that have occurred in world economy since the outbreak of World War I. Growth of “autarky” phenomenon during the WWI continued to exist due to calamities and hardships of post-war (WWI) period. Credits and debts also added further impetus to segregation of global economy when emerged certain states and groups of states led by their own economic interests (Luke, 1993).

First Stalin expressed the idea of separate economic program for Russian Federation development (it was called ‘socialist construction’) in 1924 when he was involved in bitter controversy with other elite groups concerning future of the country (Boffa : 267). Opposite to Trotskyi and other leaders Stalin was convinced that industrial modernization could be realized in separate country using internal resources. Though on the surface the leaders were discussing whether Russia needed to be constituent part of European and global social revolution in reality they defined the future trajectory of Russian state development. In other words if Soviet Russia continued to act as part of global economic system it would be logically compounded by subordinate relations between USSR and First World.

Conclusion

NEP or New Economic Policy officially declared by Soviet government in 1921 was positively accepted by West. It seemed for a short time that Russia after years of calamities is coming back to previous orbit to restore its place in the global international and economic system. Trotskyi and his group were convinced that the trajectories of future realization of this project were focused on the following directions: 1) quick industrialization led to free flows of labor form rural to urban centers, 2) promotion of Russification because modernization and industrialization particularly needs standardized language 6, 3) erasing of economic inequality between republics realized through quick modernization of all parts of the Soviet Union. The last point was extremely important for the Soviet leadership to attract to this project new independent republics. The process evident in the 1930s may, however, be distinguished from the post-World War II integration arrangements, justifying its exclusion from the following analysis. In contrast to the post-1945 situation with regionalism premised upon the sovereign equality of states, inter-war initiatives were hegemonially driven. As Eichengreen and Frankel (1995, p.97) state, “[o]nce Germany reasserted itself in foreign affairs, it sought to build a self-contained regional bloc composed of the Reich and the countries to its east in order to minimize dependence on potential enemies and to achieve geopolitical aims. This encouraged France and Britain to pursue bloc-oriented initiatives of their own”. The result was a system defined by competitive regions designed to achieve the independence and self-reliance of the hegemonial master, rather than the collective development of all bloc members.

Footnotes

1 By 1922 the following republics – RSFSR (Russian Soviet Federative Socialist Republic), Ukrainian and Belorussian Soviet Socialist Republics, three Caucasus republics (Armenia, Azerbaijan, and Georgia), Far Eastern republic (situated in Russian Far East, capital – Chita) and two Peoples’ Soviet republics- Khoresm and Bukhara were discussing the USSR project. Russian federation included nearly twenty autonomic republics and units as Kazakh Autonomic Republic, Turkestan republic, Caucasus and other Moslem and non-Moslem populated territories.

2 Foreign exchange is used to get new technologies, equipment, etc. and hire foreign specialists to realize successfully modernization project, namely industrial modernization.

3 Sovnarkom – Council of Peoples’ Commissars (Russian Federation government), Council of Defence (a special commission under government of Soviet Russia to coordinate all economic and military activity during the civil war and after), VZIK (legislative and control body of Russian Soviet republic).

4 Here we discuss those republics which later joined the Soviet Union. Finland, Poland and Baltic states are omitted deliberately.

5 Most part of 1922 V.I. Lenin due to serious health problems didn’t participate in work of government and party commissions.

6 This argument can be supported by Gellner’s understanding of modernization processes. State’s policy of implementation of standartized language was one of the requirements to quick economic development of the country.

7 The history of Brest-Litovsk Peace Treaty (1918, March) can be considered to a first try of the Soviet government to act as sovereign state while interests of western allies (Entente) were ignored. Exactly this political decision of the Soviet leadership became the reason for enmity of western block countries.

8 Political rhetoric of Bolshevik leaders since the end of the civil war was focusing on possibility of new military clashes or military conflicts with western powers. Thus military mobilization could be a perfect ground to promote industrial modernization.

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Пути повышения эффективности управления стратегическими организационными и инновационными изменениями в предприятиях

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Резюме

В статье поставлена проблема повышения эффективности управления стратегическими и инновационными изменениями на предприятиях. Автор подошел к этому вопросу как с теоретического, так и с практического ракурса, изучив влияние стратегических изменений на эффективное управление на предприятиях на производство и степень рентабельности. Для повышения эффективности управления стратегическими изменениями на предприятиях в статье выделены два блока: стратегический и инновационный. В соответствии с этим разделением в статье выделено и выделено несколько факторов. Этими факторами являются: организационно-управленческий, инновационно - технологический, деятельностно-финансовый, персонально-производительный, кадровый-стимулирующий. Отсюда можно сделать вывод, что важно ускорить вопрос реорганизации на предприятии. После этого поддержка инновационных инноваций и повышение мотивации персонала должны быть расширены. Однако возможны и факторы, негативно влияющие на процесс. Так, объективные задержки и остановки, психологическое сопротивление, возникновение конфликтов возможно возникновение дефицитов в финансовом планировании. Существуют различные концепции реорганизации предприятий: организационная концепция, инновационная концепция, инвестиционная концепция, концепция деятельности, концепция зависимости от ресурсов. В статье подробно описаны этапы повышения эффективности стратегических изменений с помощью графиков. В статье также отмечается ответственность руководителей предприятий за стратегические изменения.

Ключевые слова: система управления, конкурентоспособность, стратегические изменения, инновации, эффективность, концепция деятельности, реорганизация, изменения на предприятиях

Введение

Основными факторами эффективности предприятий обрабатывающей промышленности в современных условиях выступают: реформирование системы управления, реализация резерва научно-технического потенциала, подъем конкурентоспособности местных товаров, повсеместное совершенствование производственной, социальной инфраструктуры промышленности. В Государственной Программе социально-экономического развития регионов страны на 2014-2018 гг., утвержденной Президентом Азербайджанской Республики И.Г.Алиевым, отражены основные направления промышленной политики страны, приняты соответствующие меры для их практического осуществления (1). Следует также отметить, что данная проблема рассматривается не только в рамках производства, но и как сложную многоцелевую систему, выполняющую большой спектр экономических функций, включая

экономическую, социальную, правовую и другие, что, в конечном счете, обеспечат успех предприятий обрабатывающей промышленности как микроэкономической системы на длительную перспективу.

Управление стратегическими организационными и инновационными изменениями на предприятиях в современных условиях

В условиях мирового финансового кризиса, вопросы комплексного изучения и исследования проблем управления стратегическими изменениями, что выявляется обособленностью и сложностью управления предприятиями обрабатывающей промышленности. Для выявления основных путей повышения эффективности управления стратегическими изменениями в предприятиях, нами были выделены в отдельные блоки – организационное и инновационное изменения, по той причине, что они являются решающими в общей системе управления стратегическими изменениями.

Рассмотрим данный подход более подробно, опираясь на теоретические и практические выкладки. В организационных и инновационных изменениях следует выделить следующие моменты:

➤ в организационной структуре – структура управления предприятия, правовая структура, производственно-коммерческая структура, производственно-коммерческие процессы и расчеты; в целях выпуска новых товаров и набор оказываемых услуг, завоевание новых рынков, взаимоотношение поставщиков и покупателей;

➤ в инновационности-новая техника и технологии, процессы и др.; в управленческой деятельности – внутрифирменное управление, оптимизация управленческих решений, ИКТ;

➤ в организационном поведении – ценности, мотивация, стимулирование, стиль управления;

➤ персональная деятельность – управление персоналом, квалификация и профессионализм, эффективность работы персонала;

➤ в эффективной деятельности – финансовые, экономические и другие показатели для оценки связи организации с окружающей средой и т.д.

В практической деятельности предприятия обрабатывающей промышленности для эффективного управления организационными и инновационными изменениями разрабатывают специальные правовые нормативы и методы ведения производственно-коммерческой деятельности: согласованность методов и процессов изменений действующей деятельностью предприятия и ее внутрифирменное управление; менеджеры должны выявить, в каких направлениях они могут принимать участие в принятии в совместных управленческих решениях; следует согласовать основные этапы реструктуризации предприятия; управления изменениями-процесс многоаспектный, сложный, требующий применение системного подхода; вести систематическую борьбу с различными сопротивлениями, с учетом кризисных ситуаций. Важной целью стратегических организационных и инновационных изменений заключается в участии радикальных перемен предприятия, к которым относятся: конкуренция – конкуренция во многих сферах означает, что потребители получают качественное обслуживание, лучшее качество и более широкий ассортимент товаров; конкуренция происходит на глобальном уровне, и покупатели могут покупать любые товары на внешнем рынке; современная информационная технология существенно воздействует на то, как производятся товары, как протекает внутрифирменное управление в логистической системе; инновационность также оказывает существенное влияние на формирование новых товаров и их место на новых рынках и др. Как видно, вышеперечисленные факторы подтверждают о том,

что многие предприятия находятся в состоянии непрерывного организационного, инновационного изменения.

Организационные и инновационные изменения

Организационные и инновационные изменения в зависимости от их масштабности и характера колеблются от незначительной до полной реорганизации предприятия, когда происходит ее окончательное изменение. К основным предпосылкам организационных и инновационных изменений в предприятиях можно отнести: идеологической предпосылкой изменения является внедрение в создание персонала предприятия осознания того, что этот процесс – нормальное явление эволюционного направления, к которым необходимо быть постоянно готовым; формирование и в дальнейшем рационализация новой системы ценностей, составляющих одну из основ устойчивости предприятия; важной организационной и инновационной предпосылкой изменения является наличие четких целей и стратегий в кризисных ситуациях и условиях риска; к информационным предпосылкам организационных и инновационных изменений можно включить: оптимальные каналы коммуникации, позволяющих своевременно получать достоверные данные о состоянии внутренней и внешней среды предприятия, результатах процессе изменений и т.д. Основные предпосылки организационных и инновационных изменений связаны с человеческим фактором: вовлечение в этот процесс всего управленческого и рядового состава предприятия, правильный подбор и расстановка кадров, их своевременная переподготовка и повышение квалификации. Отсюда можно прийти к заключению, что основными позитивами организационных и инновационных изменений можно отнести: полная реорганизация всего предприятия; повышенный уровень мотивации и стимулирования труда; повышение степени удовлетворенностью работы и качеством труда; совместная и коллективная управленческая деятельность; современное достижение целей по переменным изменениям; устойчивая кадровая политика и др. В тоже время следует выделить и ряд негативов организационных и инновационных изменений: значительные временные издержки и затраты; дополнительность срока окупаемости процесса изменениями; сопротивление психологической направленности; усиление конфликтных ситуаций; непредсказуемость и неопределенность отдельных компонентов изменения; сложность прогнозной оценки по окончательным результатам. Организационные и инновационные изменения осуществляются при наличии довлеющих факторов развития среднесрочной перспективы. Исходными пунктами для организационного и инновационного проектирования являются цели бизнес-единиц и их проблемы. Основываясь на существующие внутренние возможности бизнес-единиц, принимая во внимание рыночные тенденции, формируется план перехода к перспективному состоянию. Основываясь на концепции формирования организационных структур, и в частности, концепции структурирования предприятия следует отметить основные, к которым относятся:

- концепция организационной структуры;
- инновационная концепция;
- концепция ресурсной зависимости;
- инвестиционная концепция;
- концепция организационного поведения.

Разделение функций между подразделениями происходит в первую очередь за счет департаментализации с помощью назначенных им специфических объектных функций.

Можно выделить два вида деятельности в предприятиях: на основе продукта и на основе результата. Разделение организационных функций предполагает распределение формальных

полномочий. Пределы управляемости связаны с количеством иерархических уровней в организации: чем ниже норма управляемости, тем выше число иерархических уровней, и наоборот. Рассмотрим взаимосвязь стратегических целей и организационной структуры управления, можно заметить, что основная проблема объединения организационной формы с определенными целями состоит в адекватном внешнему окружению установлении этих целей и их иерархизации. Кроме того, следует установить главенствующую стратегию, которая лежит в основе внутренних процедур коопераций сотрудников предприятия. Достижение соответствия между системой целей и организационной структурой управления не может быть однозначным и представляет собой постоянный взаимосвязанный процесс. При формировании организационной структуры управления необходимо учитывать, помимо стратегии, следующие факторы: объем, масштаб, размер предприятия; технология и инновация; формы управления предприятием. В этом направлении следует выделить фундаментальные исследования А.А.Харченко [4], который обобщив теоретические и методологические основы организационного проектирования определил следующие направления предпроектного анализа:

- диагностика поля сил предприятия;
- диагностика организационно-регламентирующего обеспечения системы менеджмента;
- диагностика эффективности системы целеполагания предприятия;
- диагностика внешней эффективности;
- диагностика внутренней эффективности организации;
- диагностика соответствия организационной структуры управления производственной структуре;
- определение степени рациональности распределения задач, прав и ответственности между различными структурными звеньями;
- определение негативов структуры связей и способов их реализации.

Базовые исследования соответствуют специфике процесса организационного проектирования, и состоит из комплекса количественных, и качественных методов и инструментария анализа внешней и внутренней среды, оценки конкурентной позиции организации, формирования ее стратегических целей, диагностики соответствия организационной структуры выбранной стратегии, формирование вариантов организационной формы управления и ее методического обеспечения. Одним из путей повышения эффективности управления стратегическими организационными и инновационными изменениями в предприятиях обрабатывающей промышленности является процесс формирования организационной культуры. По мнению А.П.Марьяченко (3), в настоящее время организационной культуре уделяется внимание по следующим причинам: организационная культура оперирует символами, часто не имеющими материального или денежного воплощения, такими, как моральные ценности, идеология, ожидания, коллективная память и т.д.; организационная культура часто формируется стихийно и постепенно, что приводит менеджеров к убеждению в наличии культуры как некой данности, не требующей сознательного вмешательства; культура в целом многослойна, поэтому каждый человек является носителем целого спектра культурных слоев и образований. Организационная культура включает такое содержание предприятия, как стабильность, перспективность и упорядоченность действий, единство целей и низкая конфликтность. Организационная культура имеет ряд носителей, с помощью которых она классифицируется, проявляет себя в реальности. Что касается средств оценки организационной культуры в системе управления

стратегическими и инновационными изменениями на предприятиях, то она включает следующие моменты: особенности ориентированности предприятия - предприятие специфична по своим особенностям; предприятие динамичная и пронизана предпринимательством; предприятие ориентирована на результат; предприятие структурирована и строго контролируется. Действия персонала определяются формальными процедурами; общий стиль лидерства предприятий – стиль лидерства предприятий, представляет собой пример мониторинга, стремление помочь; стиль лидерства предприятия включает: предпринимательство, новаторство и склонность к риску; стиль лидерства предприятий включает: деловитость, агрессивность, ориентацию на результаты; стиль лидерства в предприятии включает: координацию, четкость организации; управление наемным персоналом – стиль управления в предприятии: единодушие и участие в принятии решений; стиль управления в предприятии: поощрение индивидуального риска и новаторства; стиль управления предприятия характеризуется высокой требовательностью, с жестким стремлением к конкурентоспособности и поощрением достижений; стиль управления предприятия характеризуется гарантией занятости, требованием подчинения, предсказуемости и стабильности в отношениях; связующая сущность предприятия – предприятий связывает воедино преданность делу и взаимное доверие. Обязательность организации находится на высоком уровне; предприятий связывает в единую цепь к новаторству и совершенствованию; предприятий связывает в единую цепь цели и выполнении задачи; предприятий связывает воедино формальные правила и официальная политика; стратегические цели – предприятие заостряет внимание на гуманном развитии; предприятие акцентирует внимание на обретении новых проблем; предприятие акцентирует внимание на конкурентных действиях и достижениях; предприятие акцентирует внимание на неизменности и стабильности; критерии успеха – предприятие определяет успех на базе развития человеческих ресурсов, увлеченности наемных работников делом и заботой о людях; предприятие определяет успех на базе обладания уникальной или новейшей продукцией; предприятие определяет успех на базе обладания на рынке и опережения конкурентов; предприятие определяет успех на базе рентабельности.

Одним из путей повышения эффективности управления стратегическими организационными и инновационными изменениями в предприятиях обрабатывающей промышленности является совершенствование действующей организационной структуры управления. Проведенные исследования по многим предприятиям обрабатывающей промышленности показали, что в основе организационной структуры лежит традиционная линейно-функциональная структура с ярко выраженными вертикальными связями. В них очень слабо развиты горизонтальные связи, что приводит к ослаблению принятия как стратегических организационных, так и инновационных решений. По нашему мнению, для усиления горизонтальных связей в крупных современных предприятиях обрабатывающей промышленности предлагаются ввести структурные подразделения матричного типа в области стратегии и инновации.

Таким образом, проведенные исследования позволили выработать основные пути повышения эффективности управления стратегическими организационными и инновационными изменениями в предприятиях обрабатывающей промышленности, к которым можно отнести:

- полученные коэффициенты, характеризующие способность системы управления достигать инновационные стратегические цели в предприятиях обрабатывающей

промышленности достаточно высоки (предприятия пищевой промышленности – 0,862; предприятия химической промышленности – 2,980);

- полученные коэффициенты, характеризующие скорость подготовки к началу процесса и оперативности передачи управленческого инновационного решения в предприятиях обрабатывающей промышленности достаточно положительные (предприятия пищевой промышленности – 1,064-1,675; предприятия химической промышленности – 1,007-1,262);

- результативность управленческих инноваций в предприятиях обрабатывающей промышленности положительная (в предприятиях обрабатывающей промышленности – 8,458; в предприятиях химической промышленности – 1,730; в предприятиях по производству машин и оборудования – 0,659);

- для повышения эффективности управления стратегическими изменениями предложена внедрить в оргструктуру предприятий обрабатывающей промышленности новое структурное подразделение «Отдел стратегических изменений и инноваций».

В итоге, проведённый анализ существующего положения данной проблемы подводит нас к мысли о том, что решающими составляющими частями системы управления стратегическими изменениями в предприятиях обрабатывающей промышленности являются организационные и инновационные изменения.

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Niftaliyev N.F.

The waus of strategic organizational change and innovative enterprises

Summary

The problem of efficiency increase of the enterprises' strategic and innovative changes management is being considered in the article. The author researched profitability degree and strategic enterprises' effective management's influence on the production from both theoretical and practical perspectives. For the purpose of the increase of the enterprises' strategic changes management in the article there is a division into two blocks: strategic and innovative. According to this division, several factors were chosen and distinguished in the article. These factors: organizationally administrative, technologically innovative, financial activity, personal production, personnel incentive. Here we can come to a conclusion that organization subject in enterprises should be reaccelerated. Afterwards, the innovations should be supported and the personnel motivation increase must be expanded. Despite all these, there can also be negative factors. So, objective delays and standstills, psychological opposition, conflicts can cause the occur of the deficit in the financial planning. There are different conceptions of enterprises'reorganization: organization concept, innovative concept, investment concept, activity concept, resource dependence concept. In the article the strategic changes efficiency increase was widely explained with tables. The responsibilities of the heads of enterprises related to the strategic changes were also mentioned in the article. There are different conceptions of enterprises'reorganization: organization concept, innovative concept, investment concept, recourse dependence concept. In the article the strategic changes efficiency increase was widely explained with tables and stages. The enterprises' heads' responsibility related to the strategic changes was also noted in the article.

Key words: *Control system, competitive strategic changes, innovation, efficiency, operating concept, reorganization, changes in enterprises*

TOP MANAGEMENT CHARACTERISTICS IMPACT ON FIRM INNOVATIVE PERFORMANCE: EVIDENCE FROM KAZAKHSTAN

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Abstract

This paper is based on the assumptions of the upper echelons theory that firms' performance is partially predicted by the managerial background characteristics. For instance, as proposed by Donald C. Hambrick and Phyllis A. Mason in 1984 'more experienced top managers tend to focus on the new product development'. Although the study on top management characteristics on organizational outcomes is a mature field of research, there is still the lack of similar studies in this part of the world. Moreover, these types of studies could build a good ground for policy makers and business decision-makers in Kazakhstan in an effort to recruit and develop managerial personnel.

This paper aims to predict that more top management industry experience lead to higher degree of firm's innovative performance (i.e. number of new products introduced by the firm within the past three years). The research reveals that top management industry experience doesn't have significantly positive relations with the firm's innovative performance in Kazakhstan. However, the top management industry experience has significantly positive impact on the firm's intention to have internationally recognized quality certifications.

Keywords: *top management, innovation performance, firm-level research.*

DOES CORRUPTION IMPACT FIRM INNOVATIVE PERFORMANCE: EVIDENCE FROM KAZAKHSTAN

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Abstract

The corruption impact studies in the economies in transition have become relatively popular since the collapse of the Soviet Bloc in 1990s. After more than seventy years of autocratic and totalitarian regime of the Soviet Union, Kazakhstan has received its independence in 1991. The country had to go through major institutional transitions from the planned to market economy. After the collapse of the USSR, the public sector reforms in Kazakhstan have been carried out by public officials coming from the old, soviet school of public administration. In result, the government effort to improve public service quality has failed to implement in-depth changes.

Although, the existing literature on corruption stresses the importance of strong institutions to support innovation development, as well as corruption practices as one of the factors hampering innovations growth, there is still unclear evidence on relations between corruption and innovative performance. Theoretical discussion states two approaches to corruption impact. First approach states that corruption “sands the wheel of the business” by creating additional costs hampering the business (such as reduction of resources used for R&D, limiting innovative activities). On the other hand, the corruption can “grease the wheel of the business” by the means of bribes to public officials reducing the barriers to functioning (such as easier to obtain licenses for innovative product/services, secure contracts, etc.).

Although the existing literature provide conflicting results regarding corruption's impact on innovations in the countries in transition due to the weak institutional framework, there is still a need to shed the light on the issue to provide more consistent recommendations to public decision-makers and companies' management.

In comparison with cross-country level studies, the firm-level research on the corruption effects still remain understudied due to the lack of data on the firms' experience. There is a gap in research on firm-level innovation in Kazakhstan as well as the impact of corruption on firm-level innovation.

This research aims at analyzing the impact of corruption on firm's innovative performance using the Kazakhstan data of 1314 observations from the World Bank Enterprise Survey conducted in 2019. The research reveals the significant positive relations of corruption on the firm innovative performance. The study contributes to the existing literature on the economies in transition and sheds more light on the firm-level innovative performance determinants.

Keywords: *corruption, innovation performance, firm-level research.*

Business Model of Retail Clothing Stores in Kazakhstan: Challenges and Opportunities

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Abstract: The Republic of Kazakhstan is a young and prosperous country that makes its steps to develop its economy and join developed countries. At the dawn of its independence, it was decided to build a market economy to achieve goals. It is well known that the basis of the market economy is small and medium-sized businesses (SMEs), and the government strongly support this field of business. One of the most popular dimensions of SMEs in Kazakhstan is retail clothing. Entrepreneurs follow different business rules and create business models and strategies to succeed and stand out from competitors. Stan Abraham's masterclass, "Will business model innovation replace strategic analysis?" provided a clear definition of the business model: "Business models explain who your customers are and how you plan to make money by providing them with value; strategy identifies how you'll beat competitors by being different," the book states. Moreover, nine main dimensions are highlighted in the book. They are customer segments, value propositions, channels, customer relationships, revenue streams, essential resources, key activities, key partnerships, and cost structure. My research aims to understand how these nine dimensions are applied to the Kazakhstani market, what challenges entrepreneurs face, and what solutions can be offered.

Introduction:

The Republic of Kazakhstan is one of the well-known countries nowadays; however, 30 years ago, everything was different. After the collapse of the USSR, countries-participants were in need to create whole new countries. The government started a new journey of reforms, accepting new budgeting, banking, tax, and customs house systems to create a new economic environment. 2000 – 2010th was a rising period for Kazakhstan's economy, as can be seen on the graph below is shown in Picture

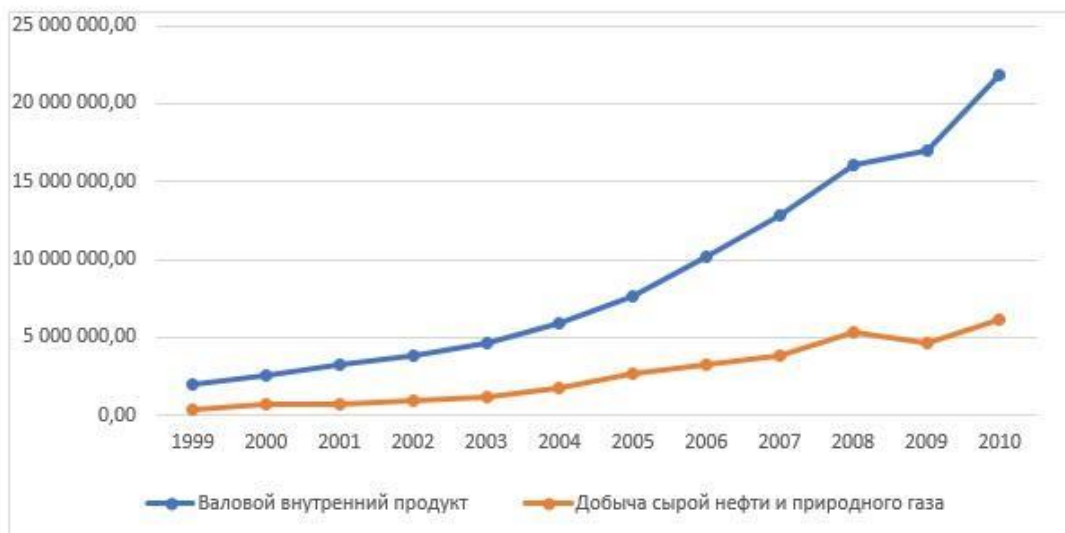


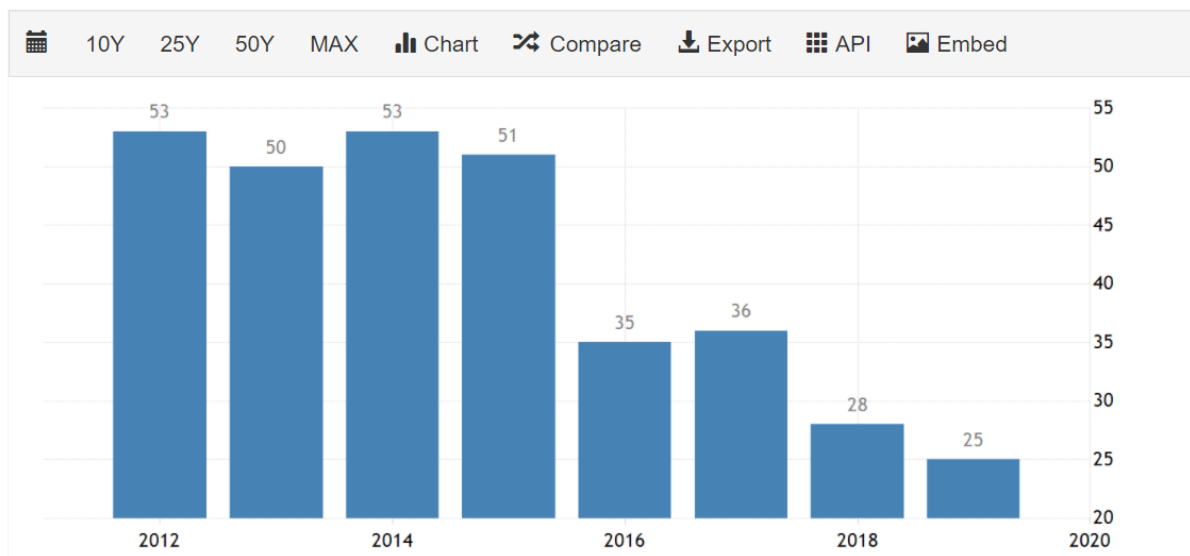
Рис.1 Динамика ВВП РК и объемов добычи нефти и газа в период 2000-2010 гг., млн.тг.

1

To switch to the market economy, the government started privatization in the early 90th and had four stages, which last nowadays. Senior researcher of the Institute of State History of the CS MES RK candidate of historical science, associate professor T. M. Aminov in his interview for the independent portal "Qazaqstan Tarihy," said that each of these stages of privatization had its impact. However, the third and fourth were the most significant. The third one (1996-1998) was transiting to sectorial programs. Privatization began in oil and gas sectors, electric and social spheres, such as education, health care, science, and culture. The third decade of independence covers 2010 – 2020th, which are very ambiguous years in the country's economic development.

During the thirty years of Kazakhstan's creation of its economy from scratch to today's results, the government has never left one of the main components of a market economy - business - aside. Because without business development, no market economy can exist. As the first president of the Republic of Kazakhstan, N. A. Nazarbayev, said, "The development of entrepreneurship, which is the basis of the national market economy, is a strategic priority of Kazakhstan." Business plays one of the critical roles in the country's economy, so small and middle-sized companies take 28% of GDP. Slyamzhar Akhmetzharov (Senior Researcher at the Department of Socio-Political Research of the KazISS under the President of the Republic of Kazakhstan) dedicated an article to the 30th anniversary of the independence of the Republic of Kazakhstan, stating that within these years, Kazakhstan was able to create a comfortable environment for business. Also, the expert mentioned that Kazakhstan has participated in World Bank's "Doing Business" ranking since 2009 and, within ten years (from 2009 to 2019), made a breakthrough from 70th place to 25th.

Kazakhstan is ranked 25 among 190 economies in the ease of doing business, according to the latest World Bank annual ratings. The rank of Kazakhstan improved to 25 in 2019 from 28 in 2018. source: World Bank



Moreover, to create such an environment for development, the government also shows support through programs like the "DAMU" fund, "Business Roadmap-2020", and others. Since the worldwide pandemic came to reality in 2019, it has brought many difficulties for entrepreneurs in running their businesses — President of the country K-Zh. K. Tokayev gave several instructions to support business owners, as he notes that effective small and medium-sized businesses are a solid foundation for the development of cities and villages, which plays an essential role in the socio-economic and political life of the country (27.12.2021). There are instructions such as providing tax exemptions for three years, providing new loans under special rates, and others. After all, to achieve the main goal of the strategy of "Kazakhstan-2050" - to enter the top 30 developed countries of the world, the share of SMEs in the country's GDP should be at least 50%. SMEs consist of different types of businesses, and one of the popular directions is a retail business. According to the official definition provided in "Collins's dictionary," retail business – is the business sector in which goods are sold individually or in small quantities to consumers. Retail goods can be sold online and offline and provide plenty of goods types; famous examples are grocery, clothing, machinery, and electronics.

Literature Review:

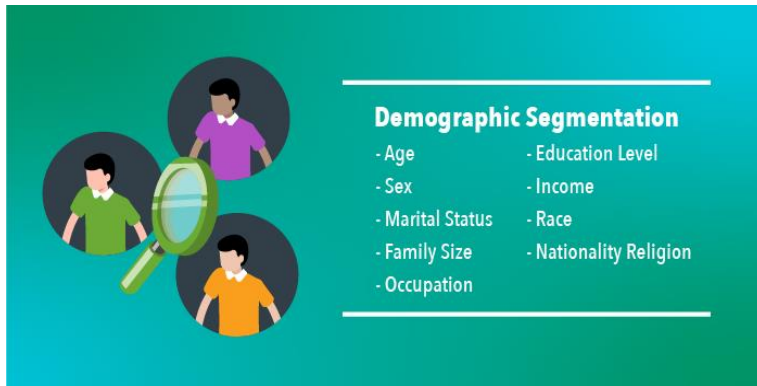
The retail clothing business – is one of the most popular business dimensions in Kazakhstan. Due to high demand, there are plenty of offline and online shops, shopping malls, and boutiques. Based on data provided by Omega System company, in 2018, retail clothing business turnover in the Kazakhstani market was 9% of the country's total retail trade. Due to affordable prices and suitable models, Kazakhstani entrepreneurs prefer to import apparel from Turkey, Kyrgyzstan, Russia, Italy, and others. However, own production and domestic brands still take a small share of the market since production is costly for entrepreneurs.

To succeed and stand out from competitors, business people should understand that business is a whole science. Business starts from creating business models and strategies and following them to receive profit, expand, and keep developing. Stan Abraham's master class, "Will business model innovation replace strategic analysis?" provided a clear definition of the business model: "Business

models explain who your customers are and how you plan to make money by providing them with value; strategy identifies how you'll beat competitors by being different," the book states. Moreover, nine main dimensions are highlighted in the book. They are customer segments, value propositions, channels, customer relationships, revenue streams, essential resources, key activities, key partnerships, and cost structure. My research aims to understand how these nine dimensions are applied to the Kazakhstani market, what challenges entrepreneurs face, and what solutions can be offered.

To understand how the business model of the retail clothing business works in the Kazakhstani market, each dimension should be identified according to Business Model Canvas and considered separately:

Customer segments – define the different groups of people or organizations a company aims to reach and serve. By segmentation, the company understands their target audience, how they better do them, and what points they should pay attention to



Types of Market Segmentation:

- Demographic Segmentation
 - Behavioral Segmentation
 - Geographic Segmentation
 - Psychographic Segmentation
-



Psychographic Segmentation is similar to demographic segmentation, but it deals with characteristics that are more mental and emotional.



Geographic Segmentation, splitting up your market based on their location, is a basic but highly useful segmentation strategy



Companies can segment customers by common four demographic, behavioral, geographic, and psychographic groups worldwide. Retail clothing is an excellent example of differentiating consumers according to their income under the demographic segment. The fashion industry varies from the mass market with fast fashion collections such as ZARA, H&M, Pull&Bear to luxury brands with two major groups for a year. So, brands such as Dior, Bulgari, and Louis Vuitton are worldwide known for their high quality and costs are under luxury ones. However, both mass-market and luxury brands separate consumers by geographic features and can provide different types of models in their collections.

Value propositions – describes the bundle of products and services that create value for a specific customer segment. It simply shows how a company or brand stand out from competitors. For example, ZARA provides trendy clothes at an affordable price, while Gucci provides high-quality, Italian, and unique models with their attention to detail. Moreover, many various boutiques do not represent a single brand but give a variety of brands from the same country's fashion designers. For instance, a boutique, "Milan", located in Almaty, is run by a business lady who works with Italian fabric brands and provides more than five ones in her boutique. There are such brands as Le Fate, Bluekey, Rinascimento, Lolita and others. These brands are from different demographic segments (for people with varying income levels), and the principal value proposition is presented to customers in various clothing types. When a woman enters a boutique, she will be able to find any apparel she wants, starting from dress to coat or shoes.

Channels – describes how a company communicates with and reaches its customer segments to deliver a value proposition. Companies use retailers, wholesalers, distributors, and online shopping to make products come to customers. Manufacturers can open shops directly or with the help of distributors by selling an opportunity to be only representative of the brand on a specific market as ZARA or Dior did. For example, these brands open their stores in each city on their own or by subdivision according to the region. For example, Michael Kors divides the world into divisions and stores presented on the Kazakhstani market are in the division for CIS countries. However, the Le Fate brand does not have its stores, and they cooperate with boutiques that sell Italian brands, while they also have limits. They choose only a few boutiques in one city, and they should not be near each other to avoid oversupply.

Customer relationships – describes the types of relationships a company establishes with specific customer segments. Different types of relationships could be created with customers, from personal assistance to self-service, for luxury brands or small boutiques more applicable for individual aid. If in luxury boutiques, high-quality service is provided due to quality and prices, whereas in small shops flow of consumers is small due to the size of the business; the main common point is that number of consumers is not as much as in mass-market shops, which means that it is possible to provide more detailed assistance to each customer. While in mass-market shops, the flow of consumers is high, which makes it difficult with personal help, and it is more applicable to create self-service or at least automated; for instance, consumers fill out forms with primary personal data such as date of birth, size, email and phone number to provide a discount for a birthday or make an announcement about the new collection.

Revenue streams – represents the cash a company generates from each customer segment – how, how much, and in what proportion? There are different ways of generating income from customers; however, the main course for retail clothing shops is selling assets, which means selling goods and generating profit. While other types of business can also generate profit by providing usage or subscription fees, leasing or others.

Essential resources – describes the most important assets required to make a business model work – what necessary resources do our value propositions need? So, according to the definition of this

dimension in the business model, there are four primary vital resources in each type of business. As can be seen in the diagram below, they are:

From the diagram, it can be seen that not only does money build the business, but it is one of the critical factors. For clothing stores, it is crucial to have proper human resources because, first of all, selling is about communicating with people. If the store works offline, the staff is needed to serve; if it is an online shop, people are required to check out an order and promote via social media, and then there is in need for an administrator, who is a human as well.

Key activities – describes the most important things a company must do to make its business model work. For each type of business, key activities as key resources will be different for giants who provide brands independently, such as ZARA, Pull&Bear, etc. Designers must create new collections, and factories will sew everything on time. Logistic companies need to work effectively and deliver all items on time. Moreover, it is crucial for staff in local shops to operate correctly according to the company's standards. When for small retail clothing stores are more important to make an order on time and deliver items via logistic companies. Turnover in mass-market and boutiques will differ due to customer flow, affecting several activities staff do at each shop.

Key partnerships – describes the network of suppliers and partners that make the business model work. For retail shop owners, it is essential how producing brand works with boutiques. Mostly, brands prefer to work with several representatives in the local market. When they have their representative mono-brand store, most likely, they will refuse to provide their models to small local shops. For retail stores is essential to have trusted logistic companies as partners because all goods are imported to be sure that goods are safe and will arrive on time.

Cost structure – describes all costs incurred (resources and activities) to operate a business model. Mostly any retail shop has the only source of earning – selling product and selling price should be included in all costs inquired. For example, if a boutique imports goods and resales on the local market, the item's price should consist of the original worth, logistics, salary of the salesman, cost of rent, and margin of the owner and others. Commonly, business owners use the formula of three prices not to lose. While resale for three fees includes: first price – cost price, the second one – all expenses including salary, logistic costs and rent price, third comes as revenue. For a simple retail clothing store that is importing goods, these calculations are recommended by all manufacturing brands.

Methodology:

To understand the current situation in the market, secondary data available in the open resources and interviews with business people are conducted. Several questions were asked to save respondents time, and answers were analyzed individually.

Interview questions for entrepreneurs:

1. Please tell about yourself and what is your business?
2. Do you have a business background?
3. If no, how did you decide to start a business and what business rules do you follow?
4. If yes, do you apply your theoretical knowledge in practice?
5. Do you know about the business model and strategy?
6. Do you know about business model dimensions?
7. Do you apply them?
8. What are the main difficulties you face in running your business?

By conducting interviews and analyzing responses, I will find common problems and try to find solutions, which can be presented to entrepreneurs and followed.

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3. Pic. 3: Types of Market Segmentation: <https://www.lotame.com/what-is-market-segmentation/>
4. Pic. 4: Essential / Key resources and their factors

Research on Grain Competitiveness of China and Countries along “The Belt and Road”

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Abstract

By analyzing the grain trade data between China and the countries along the Belt and Road, we can compare the advantage index of grain trade between China and the countries along the Belt and Road. The analysis of grain competitiveness between China and the countries along the Belt and Road from 2012 to 2017 is helpful to understand the foreign grain trade environment of China and the countries along the Belt and Road, and to improve the competitiveness of China and the countries along the Belt and Road. "The analysis is helpful to understand the foreign grain trade environment of China and the countries along the Belt and Road, and to improve the competitiveness of foreign grain trade of China and the countries along the Belt and Road.

"The countries along the Belt and Road, including Kazakhstan, are the world's main export markets for wheat and rice, and in recent years, the production and demand for grain have shown a significant surplus, with great export potential.

In studying this topic, we believe that the following questions need to be asked:

1. What is the competitive advantage of China in rice trade with the countries along the Belt and Road? Is the competitive advantage obvious?
2. What is the competitive advantage of China in wheat trade with countries along the Belt and Road? Is the competitive advantage obvious?
3. What is the competitive advantage of China in the trade of corn with countries along the Belt and Road? Is the competitive advantage obvious?
4. What is China's competitive advantage in soybean trade with countries along the "Belt and Road"? Is the competitive advantage obvious?
5. What is the overall grain competitiveness of China and the countries along the Belt and Road?

This paper examines the competitive advantage of grain trade between China and 28 countries along the Belt and Road that have a high degree of trade integration with China in grain trade.

Key words: food trade; food imports; food exports; "One Belt, One Road"; competitiveness

1. Introduction

The countries along the "Belt and Road" are located in Central Asia, Central and Eastern Europe, Northeast Asia, South Asia, West Asia and North Africa, Southeast Asia, because of the geographic location, ecological environment, etc. are very different, so the "Belt and Road" countries along the food production and import and export situation are very different. The countries along the "Belt and Road" are very different in terms of food production and import and export. I selected 28 countries with high trade integration with China or frequent trade with China, and analyzed the regional competitive advantages of rice, wheat, corn and soybean trade.

These 28 countries are: Southeast Asia: Myanmar, Cambodia, Laos, Philippines, Vietnam, Thailand, Indonesia, Singapore, Timor-Leste, Malaysia; Northeast Asia: Mongolia, Russia; West Asia and North Africa: Israel, Kuwait, Qatar, Saudi Arabia, UAE, Turkey, Iran; South Asia: India,

Pakistan, Sri Lanka, Bangladesh, Nepal; Central Asia: Kazakhstan Central and Eastern Europe: Hungary, Ukraine, Bulgaria.

2. Literature Review

Background of "One Belt, One Road" Strategic Initiative.

In 2013, President Xi Jinping proposed the strategic concept of building the Silk Road Economic Belt and the 21st Century Maritime Silk Road during his visits to Kazakhstan and Indonesia, which received wide attention from the international community, especially neighboring countries. (Zhu and Xia , 2015)

"Most countries along the Belt and Road are developing countries that depend on agriculture, and their agricultural value added, cereal production, and per capita arable land are among the highest in the world (Li , Dong and Yuan Lina, 2016).

" one of the key points of cooperation with countries along the route. In recent years, with the rapid increase of China's international influence, agriculture has increasingly become an important element of national diplomacy and international cooperation (Han and Yijun, 2017).

The construction of the "Belt and Road" will provide support for China's agricultural global strategy and serve China's overall strategy of ensuring food security and supply of important agricultural products. (Cheng, 2015)

Since Chinese President Xi Jinping proposed the "One Belt and One Road" strategic initiative in 2013 and the release of the "Vision and Action for Promoting the Construction of the Silk Road Economic Belt and the 21st Century Maritime Silk Road" in 2015, trade cooperation among countries along the "One Belt and One Road" has become the focus of attention. (Yang and Liu , 2019)

Agriculture has been a major area of cooperation along the Silk Road since ancient times. In recent years, the trend of internationalization of agricultural trade cooperation has become more and more obvious. (Fu, Z., 2015)

Since the 1990s, the process of economic globalization has continued to advance. The world food trade environment has been greatly improved, and the growth rate of world food trade volume is much higher than the growth rate of food production. Countries with surplus food production exported food for economic gain, while countries with shortage imported food to ensure their own food security, and the regulation and balancing role of the international food trade market has become increasingly prominent. However, due to the essential nature of food crops, food trade has become an important means of mutual cooperation and checks and balances among countries, making food trade more political in nature. (Wei and Su-Hao , 2018)

Grain Trade scale and Structure

In terms of the scale of food trade, the countries along the Belt and Road have become an important part of the world food trade. In 2017, the total amount of global food trade was US\$310.912 billion, the total amount of food trade of countries along the Belt and Road was US\$79.844 billion, and the total amount of food trade of China was US\$46.8 billion.

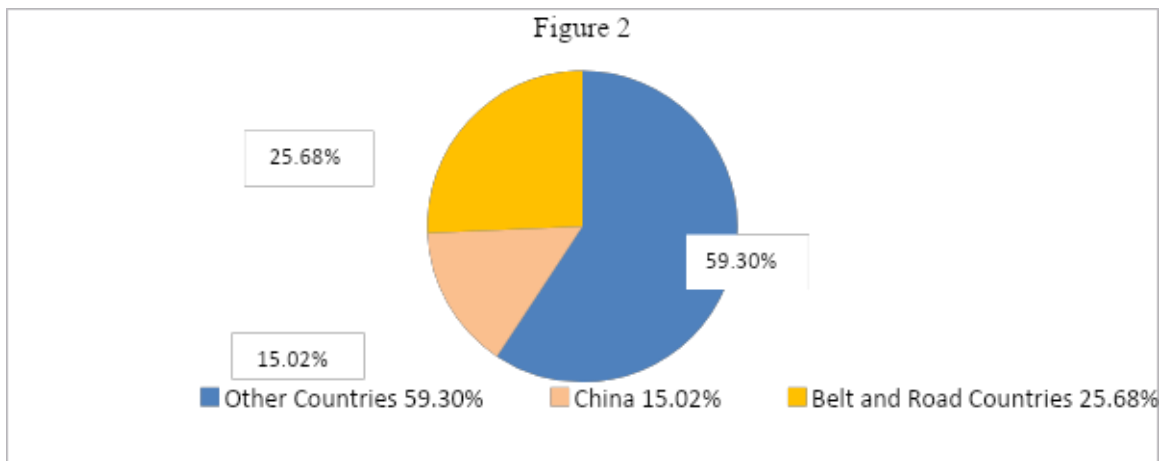
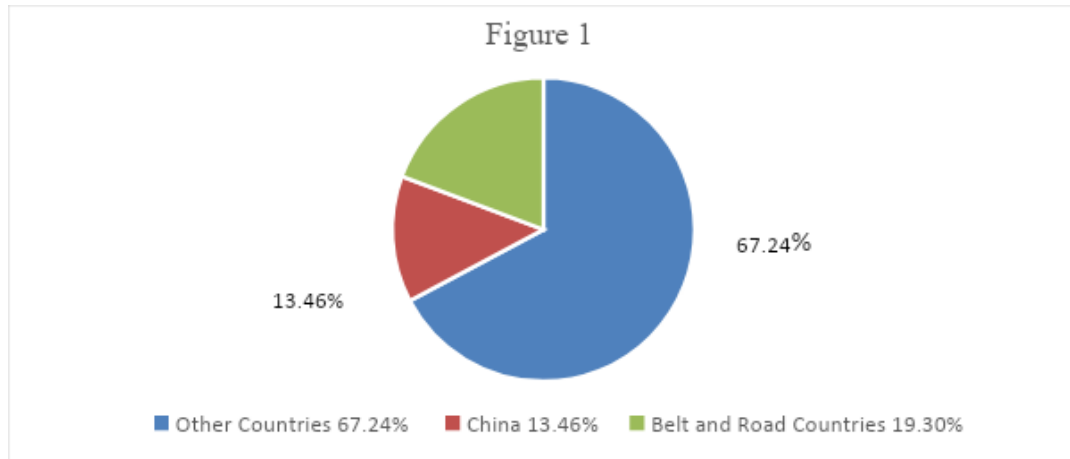


Figure 2 China And Along The Belt And Road In 2017 Proportion Of National Grain Trade In Global Grain Trade

Data sources: UN Commodity Trade Statistics Database

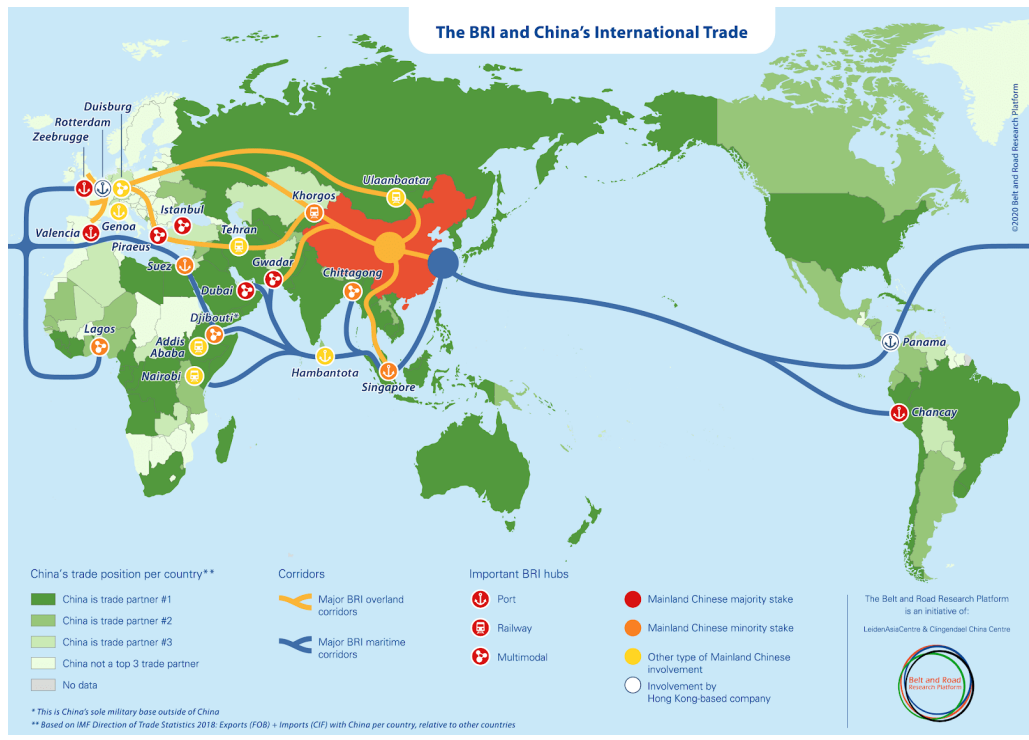
As shown in Figures 1 and 2, the proportion of grain trade of countries along the Belt and Road to the total global grain trade in 2016 was 19.30%, and the proportion of China's grain trade to the total global grain trade was 13.46%; the proportion of grain trade of countries along the Belt and Road to the total global grain trade in 2017 was 25.68%, and the proportion of China's grain trade to the total global grain trade was 15.02%. In 2017, the proportion of food trade of countries along the Belt and Road to the total global food trade was 25.68%, and the proportion of China's food trade to the total global food trade was 15.05%; in 2016, the total food trade of China and countries along the Belt and Road accounted for 32.76% of the total global food trade, and the proportion of China's food trade to the total global food trade was 15.05%. The proportion of China's food trade to the total global food trade in 2016 was 32.76%, and the proportion of China's food trade to the total global food trade in 2017 was 40.73%.

Through the above data, we can know that the scale of food trade between countries along the Belt and Road and China is gradually expanding, accounting for more than 40% of the total global food trade and showing a rising trend. This indicates that with the promotion of the "Belt and Road" initiative, the importance of China and the countries along the "Belt and Road" in the global food trade is increasing.

Current situation of grain trade cooperation between China and the countries along the Belt and Road

China is a major grain producing country and a major grain consuming country. In recent years, China's grain production has increased significantly, but at present, China's grain supply and demand are still in "tight balance" and there is still a huge demand gap. (Zhuand Xia, 2015)

Moreover, China's population peak has not yet arrived, the agricultural labor force is aging, and grain production is constrained by resources and the environment. Therefore, it is necessary to import to fill the gap in China's food demand. Western countries such as the United States and Canada are important sources of grain imports for China. However, with the ongoing trade friction between China and the United States and the uncertainty of economic and trade relations, China needs to expand its sources of food imports and maintain its food security. The "One Belt, One Road" initiative provides new ideas and directions for China to expand its sources of grain imports. (Xue Xuedeng, 2013)



<https://www.beltroadresearch.com/the-bri-and-chinas-international-trade-map/>

At present, Chinese enterprises are actively participating in the international market competition, and some countries along the Belt and Road have huge demand for grain import

and export, which provides a basis for Chinese grain enterprises to participate in the international market.

In 2017, China carried out grain import trade with 26 countries along the Belt and Road, with a total trade amount of US\$2.653 billion, and grain export trade with 55 countries, with a total trade amount of US\$110 million. Among them, the import value of grains and soybeans was US\$2.477 billion and US\$176 million respectively, and the export value was US\$108 million and US\$02 million respectively. (Zhao Yixin, 2016)

In 2017, China's total grain imports amounted to US\$46.039 billion and total exports amounted to US\$761 million. Among them, the import value of grains and soybeans was US\$6,401 million and US\$39,638 million, respectively, and the export value was US\$670 million and US\$91 million, respectively. (Zhao Yixin, 2016)

The proportion of China's grain imports from countries along the "Belt and Road" to China's total grain imports is 5.76%, of which the proportion of grain imports is 38.70% and the proportion of soybean imports is nearly zero; the proportion of grain exports to

Countries along the "Belt and Road" to China's total grain exports is 5.76%. The proportion of grain exports to countries along the Belt and Road to China's total grain exports is 14.45%, of which 16.12% is grain exports and 2.20% is soybean exports. (Sun Zhilu and Li Xiande, 2017)

The above information shows that the countries along the Belt and Road are already important grain trading partners with China, and the countries along the Belt and Road are important grain importing countries and exporting regions for China. As China's grain trade continues to deepen, and the "Belt and Road" initiative continues to promote, the grain trade between China and the countries along the "Belt and Road" will become closer.

3. Research Methodology

Using Secondary Data and Analysis.

Measures for research : Research was measured by a quantitative method.

3.1 Hypothesis And Research Question

1. China's competitive advantage in rice trade with the countries along the Belt and Road is obvious.
2. China's competitive advantage in wheat trade with countries along the Belt and Road is not obvious.
3. China's competitive advantage in corn trade with countries along the Belt and Road is obvious.
4. China's competitive advantage in soybean trade with countries along the Belt and Road is not obvious.

Research Question

1. What is the competitive advantage of China in rice trade with countries along the Belt and Road? Is the competitive advantage obvious?

2. What is China's competitive advantage in wheat trade with countries along the Belt and Road? Is the competitive advantage obvious?
3. What is China's competitive advantage in maize trade with countries along the Belt and Road? Is the competitive advantage obvious?
4. What is the competitive advantage of China in soybean trade with countries along the Belt and Road? Is the competitive advantage obvious?
5. What is the overall grain competitiveness between China and the Belt and Road countries?

4. Research Designing And Implementation

4.1 Analysis of regional competitiveness of China's grain trade

In this section, firstly, I will collect the data of regional display comparative advantage index. Then, I will analyze the regional revealed comparative advantage index and use the regional revealed comparative advantage index as a quantitative analysis index of the competitive advantage of grain trade. The calculation formula is:

$$RRCA = \frac{X_{mni}}{X_w} \cdot \frac{X_{wi}}{X_{mn}}$$

$$RRTA = \frac{X_{nmi}}{X_{mi}} \cdot \frac{M_w}{M_{nw}}$$

In this formula, X_{mni} denotes the export value of country m to country n of i food items in food export trade, the total export value of world food items is denoted by X_w , and the total export value of world i food items is denoted by X_{wi} .

Next, in Table 3, when the $RRCA_{mi}$ index is greater than 1, it indicates that the share of country m 's exports of food i to country n is greater than the share of world exports of food i , and indicates that country m 's exports of product i to country n have a competitive advantage in the international market. We need to know that the higher the value of $RRTA_{mi}$ in the table, the more significant the competitive advantage.

X_{nmi} denotes country m 's imports of food i from country n , and X_{nm} denotes the total imports of food i in the world. M_{wi} is the import value of food imported by country m from country n , and M_w is the total import value of food in the world. When the index is less than 1, it means that the share of country m 's food imports from country n is less than the share of world food imports from country i , and it indicates that country m has a competitive advantage in the international market by importing products from country n . The larger the value of $RRTA_{mi}$, the smaller the competitive advantage.

Table 3 Index of **Rice** competitive advantage between China and countries along the belt and Road

		2010		2012		2014		2016		2017	
Region	Countries	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A
Northeast Asia	Mongolia	5.70		6.92		6.77		6.61		4.88	
	Russia	6.07		6.95	0.04	6.49	0.06	5.74	0.07	3.97	0.04
Southeast Asia	Myanmar	6.10	1.33	7.17	2.10		1.76		5.64		0.45
	In Cambodia		13.95		7.69		8.08	6.81	8.68		7.93
	Laos		2.17		2.29		1.25		3.53		3.33
	The Philippines	5.88	0.55	6.17		6.66	5.45	6.76	6.47	4.86	2.26
	Vietnam	4.84	13.95	7.08	7.69	6.50	8.08	6.11	8.68	4.91	7.93
	Thailand		13.84		7.40		6.66	0.00	8.68		7.93
	Indonesia	5.55		4.83		3.32		4.57		4.50	
	Singapore	1.59		0.01		0.78		2.29		4.61	
	East timor	6.10		3.75		3.95					
	Malaysia	0.12		0.05				0.56	0.18		
South Asia	India	6.10				6.77	0.12	6.81		1.37	4.71
	Pakistan	6.02		7.13	7.69	6.57	2.99	6.81	8.68	4.98	7.93
	Sri Lanka	0.25						6.81		4.99	
	Bangladesh	6.10				6.62		6.74		4.98	
	Nepal	6.10		7.17		6.77		6.81		4.30	
West Asia and northAfrica	Saudi Arabia					5.48		3.85		3.81	
	The united Arab emirates	0.59						6.62		4.86	
	Turkey					6.77		6.64		4.96	
	Iran			0.04		6.77		6.02			
Central	Kazakhs	6.10		5.51							

Asia	tan										
Central and eastern Europe	In Hungary										
	Ukraine	6.16		7.17							
	Bulgaria	6.10									

1. when analyze the competitive advantage of rice in Table 3, the results are obtained. As seen from the **RCCA** index in Table 3, the **RCCA** index of China to Mongolia between 2010-2017 is 5.70, 6.92, 6.77, 6.61, and 4.88. and in terms of export competition, such as China and Russia in Table 3 is 6.07, 6.95, 0.04, 6.49, 0.06, 5.74, 0.07, 3.97, 0.04. we can see in the table that the **RRCami** index is greater than 1, which indicates that the share of China's rice exports to Russia is greater than the share of worldwide exports of This can indicate that China's export of rice products to Russia is competitive in the international market

This can indicate that Chinese rice exports to Russia are competitive in the international market. Through the same analysis we can find that the rice trade of some Southeast Asian countries (Myanmar, Philippines, Vietnam, Thailand) has a competitive export advantage, and China's rice trade with South Asian countries (India, Pakistan, Nepal) shows a more obvious competitive export advantage, but the regional comparative advantage index decreased more in 2017 compared with 2016.

China's rice trade with countries in the West Asia and North Africa region (Israel, Kuwait, Qatar, Saudi Arabia, UAE, Turkey, Iran) has shown a more pronounced competitive advantage since 2014.

China's rice exports with Central Asia (Kazakhstan) and Central and Eastern European countries (Hungary, Ukraine, Bulgaria) have a less pronounced competitive advantage.

As seen from the **RRTA** index, China's rice trade with Russia has a more obvious competitive advantage for export, while its rice import trade with other countries along the Belt and Road has a less obvious competitive advantage.

The above data show that China has certain export competitive advantages in international trade of rice to Northeast Asia, Southeast Asia and West Asia and North Africa.

By analyzing the data in the table, China has an obvious competitive advantage in rice export. China has obvious competitive advantage in rice export trade with countries along the "Belt and Road".

Table 4 **Wheat** competitive advantage index between China and countries along the belt and Road

		2010		2012		2014		2016		2017	
Region	Countries	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A

Northeast Asia	Russia						0.05				0.12
	Vietnam									0.21	
	Indonesia			0.00							
	Singapore							0.00			
Southeast Asia	Pakistan								0.00		
	Sri Lanka	0.03									
	Bangladesh					0.00		0.00			
	Israel						3.11		1.72		
	Turkey										4.36
West Asia North Africa	Kazakhstan		7.54		3.74	3.75	3.80	0.03	4.18	0.64	4.15
	In Hungary						3.80		3.85	2.60	4.36

2. when analyze the competitive advantage of wheat in table 4 and analyze the **RRCA** and **RRTA** indexes in table 4, I find that China has no significant competitive advantage in international wheat trade.

Among the 28 countries along the Belt and Road that have close trade relations, except for Kazakhstan, which shows a competitive advantage in wheat trade for export, and Hungary in 2017, which shows a competitive advantage in wheat trade for import in 2014 and 2017, and which shows a competitive advantage in wheat trade for import.

Kazakhstan shows a competitive advantage in wheat trade for export, to In Hungary wheat trade shows a competitive advantage for import, there is no any obvious competitive advantage in wheat trade to the other 25 countries. So we can conclude that China has no significant competitive advantage in the international wheat trade.

Table 5 **Corn** Competitive Advantage index between China and countries along the belt and Road

		2010		2012		2014		2016		2017	
Region	Countries	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A	RRC A	RRT A
Northeast Asia	Mongolia	0.34								0.12	
	Russia				0.13	0.05	0.84	0.16	0.33	0.03	0.01
Southeast	Burma		5.12	4.82	3.39	5.40	3.93	4.90	1.72		1.04

Asia	Laos		7.38		2.84	5.40	4.17	4.90	2.87	5.48	3.05
	Thailand		9.99		4.67		1.67		1.24	0.09	3.76
	Philippines					0.12		0.42		0.51	
SouthAsia	Singapore		0.08		0.17		0.90		0.00		0.00
	India				0.01						5.26
	Pakistan					3.80					
	Bangladesh		10.40		4.13		4.74		4.89		2.13
West Asia north Africa	Israel	0.07		0.02		0.00	0.01	0.00		0.00	
	Turkey			4.82		0.01		0.00			
Central Asia	Kazakhstan						0.93		2.88		
Central and eastern Europe	Hungary		10.41			0.00	5.13	0.00			
	Ukraine						4.55		4.35		3.69
	Bulgaria						5.13		4.89		5.26

3. when analyze the competitive advantage of maize in Table 5. After analyzing the **RRCA** index in Table 5, I found that China maintained a more significant competitive advantage in importing in China's corn trade with Thailand from 2010-2017. From 2012 onwards, after analyzing the data, I found that South Asia's maize trade with Bangladesh, and China's maize trade with Southeast Asia's Myanmar showed a competitive export advantage. However, China's competitive export advantage in maize is not sustained, and it only has a competitive advantage in maize export trade to Singapore in 2017. The data from Table 5 reflects that China shows competitive import advantage and export competitive advantage in international maize trade only to individual countries and does not have a regional competitive advantage position.

Table 6 **Soybean** competitive advantage index between China and countries along the belt and Road

		2010		2012		2014		2016		2017	
Region	Countries	RRCA	RRTA	RRCA	RRTA	RRCA	RRTA	RRCA	RRTA	RRCA	RRTA
	Russia	0.00	3.23	0.09	3.20	0.09	2.05	0.33	2.56	1.55	2.73
	Indonesia	0.01		0.02		0.46		0.77			
	Singapore	1.54		1.44		0.27		1.44		3.89	
	East timor			1.58		1.27		2.79		7.96	
	Malaysia	2.06		1.75		2.50		2.16		7.02	
	India									4.11	
	Pakistan					0.09				0.01	
	Sri Lanka	0.05									
	Bangladesh			0.00			2.05				
West Asia and north Africa	Israel			0.65		1.69					
	Kuwait	3.12		0.11		0.04					
	Qatar			0.64		0.44				7.49	
	Saudi Arabia	0.10						1.21		1.88	
	The united Arab emirates	0.49						0.08			
	Iran							0.32			
Central Asia	Kazakhstan			0.76				2.77		5.23	0.13
Central and eastern Europe	Ukraine		1.30						0.01		0.05

4. When analyze the competitive advantage of soybeans in Table 6, the statistics in Table 6 show that China's soybeans are mainly exported to Russia and Ukraine. Chinese soybeans are exported to many countries along the Belt and Road, and the main sources of imports are Russia and Ukraine.

In Table 6, Chinese soybeans show a relatively stable competitive export advantage to Singapore, Timor-Leste and Malaysia. This can be seen in the **RRCA** index. Starting from 2016, China's competitive advantage in soybean exports to Qatar, Saudi Arabia, and Kazakhstan has increased faster.

By analyzing the data in the table, China has a clear competitive advantage in soybean exports. The competitive advantage of soybean export trade between China and the countries along the Belt and Road is obvious.

5. Research Results

The results of the analysis of the competitive advantage of rice in Table 3 are presented. From the RRCA index in Table 3, it can be seen that

The share of Chinese rice exports to Russia is greater than the share of worldwide rice exports, which can indicate that China's rice exports to Russia have a competitive advantage in the international market.

From the RRTA index, it can be seen that China's rice trade with Russia has a more obvious export competitive advantage, while its rice import trade with other countries along the Belt and Road has a less obvious competitive advantage.

By analyzing the data in the table, China has a clear competitive advantage in rice exports. China has obvious competitive advantage in rice export trade with countries along the Belt and Road.

After analyzing the competitive advantage of wheat in Table 4, and analyzing the RRCA and RRTA indices in Table 4, China's competitive advantage in international wheat trade is not obvious.

After analyzing the competitive advantage of maize in Table 5. After analyzing the RRCA index in Table 5, the data from Table 5 reflects that China shows competitive advantage in international trade of corn only for individual countries in terms of import and export, and does not have a regional competitive advantage position.

After analyzing the data in Table 6, it is clear that China has a competitive advantage in soybean exports. China has a clear competitive advantage in soybean export trade with countries along the "Belt and Road".

Main findings

Some of the more important findings in the study are that although the grain trade between China and the countries along the Belt and Road has been very good in the past few years and the grain trade turnover has been growing rapidly, there are still some problems in the grain trade between China and the countries along the Belt and Road. However, there are still some problems in the grain trade between China and the countries along the Belt and Road.

However, there are still some problems in China's grain trade with countries along the Belt and Road.

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From the analysis of soybean trade, wheat trade and rice trade, it is found that a few countries along the Belt and Road only show competitive advantage in importing or exporting individual grain varieties to China, and do not have a regional competitive advantage. In other words, China does not show an overall competitive advantage over the countries along the Belt and Road. The above problems indicate that China's international competitiveness in foreign grain trade is not strong and the

potential of grain trade between countries along the Belt and Road and China has not been fully explored.

6. Conclusions

The "Belt and Road" initiative is a new era strategy that combines the development of China and the countries along the Belt and Road. Inheriting and addressing the food needs of the Belt and Road countries and China in the current complex international trade context of constant trade frictions. Comparing the competitiveness of grain trade between China and the countries along the Belt and Road will help to understand the current conditions of grain trade between China and the countries along the Belt and Road and expand the sources of imports.

In the analysis of grain trade between countries along the Belt and Road and China's grain trade profile, the competitiveness of grain trade between China and countries along the Belt and Road was analyzed quantitatively and found that: First, the grain production capacity of countries along the Belt and Road "Firstly, there are large differences in grain production capacity among countries along the Belt and Road, and the importance of regional grain trade in the international grain trade market has been increasing under the Belt and Road Initiative.

Second, after research and analysis, it is found that China currently has close grain trade relations with a few countries along the Belt and Road, and has close trade with some countries in West Asia and North Africa in grain export trade relations. In grain import trade relations, China has closer trade relations with some countries in Southeast Asia, but the overall regional grain trade cooperation is not high.

Among the countries along the "Belt and Road", China's soybeans, wheat, corn and rice show competitive advantages only for some countries. China has comparative advantages in rice import trade with Russia and soybean import trade with Ukraine, but does not have overall regional competitiveness.

6.1 Recommendations

First of all, China should optimize the import structure of grain trade with the countries along the Belt and Road. Although China's import trade relations with the countries along the Belt and Road have increased in recent years, only Thailand, Myanmar, Ukraine and Pakistan have imported grain. "The Belt and Road countries, as well as China, should deepen food trade cooperation with more countries with high grain export volumes to help ensure national food security.

Strengthen the infrastructure development between China and the countries along the belt and road. Improving transportation facilities between China and countries along the Belt and Road will help reduce transportation costs, improve trade efficiency, and enhance trade cooperation among countries along the Belt and Road.

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WOMEN ENTREPRENEURS IN SMALL AND MEDIUM ENTERPRISES (SMES) IN KAZAKHSTAN

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Abstract

According to Dzisi, between 15 percent to more than 35 percent of business owners are women. Female entrepreneurs make big contributions to economic growth around the world. However, the number of women entrepreneurs has a high rating in developed countries. In the USA, companies owned by women are growing at more than double contributing around \$3 trillion to the economy and are directly responsible for 23 million positions (The World Bank). On the other hand, the number of female entrepreneurs in developing countries is increasing from about 8 million to 10 million concentrated on small and medium enterprises (SMEs) with at least one female owner. Kazakhstan is one such developing country, where women are engaged in diverse productive ventures mostly concentrated in Small and Medium Enterprises (SMEs). The percentage of SMEs that are owned by Kazakhstan women is 43%.

The thesis aims to analyze female entrepreneurship in a developing country context. Specifically, it examines and describes the nature and construction of entrepreneurship by Kazakhstan women in the socio-economic, political, and cultural environment of Kazakhstan, which shapes these women's entrepreneurial life.

Being a female entrepreneur, myself located in the west side of Kazakhstan- Atyrau city, I found that there are not many studies that describe and analyze the entrepreneur ecosystem of Kazakhstan, especially when it comes to females. As the result, I have the experience which was gained during my start as a female entrepreneur, the challenges it caused, the pros and cons when it comes to the Kazakhstan market. I feel the importance to discuss this topic and bring up-to-date information, as the SMEs owners experienced huge challenges because of a terrorist attack when many stores were robbed, also the currency problem, the COVID. Those and other factors significantly affected business owners in Kazakhstan.

As this is one of the first studies on Kazakhstan women entrepreneurs in SMEs, a multidisciplinary method was adopted to investigate and explore many factors to provide an understanding of Kazakhstan women's entrepreneurship in a whole of life context. The research process of the thesis conducts a historical analysis, comparative research of existing practices of macroeconomic development, social and political problems in the context of female entrepreneurship formation and development. The aim of the research is to examine the concept of female entrepreneurship development, the advantages, and disadvantages, possible barriers, and discover the ways and directions of enhancing the current situation of women entrepreneurship in Kazakhstan with further managerial suggestions provided. Moreover, the research implements problematic analyses, systematic vision, pros and cons, expert examination, interviewing, and a comprehensive online survey. The

research consists of both primary and secondary data analysis. Especially, the concentrating on key issues that female owners face, potential solutions, and suggestions on how to improve the current social and economic situation to open up the women entrepreneurship potential of Kazakhstan are proposed. A combined quantitative and qualitative approach planning to be used and the data will be collected and interpreted for the study. As regards the survey, the questionnaire going to be distributed to 100 women entrepreneurs in SMEs in Kazakhstan. Further, 5 of these women planning to be selected for face-to-face or online interviews.

Furthermore, the research shows a SWOT analysis causes, consequences, expert review, challenges, and systematic concept. The research establishes an analysis of the most well-known and significant global and domestic scientific and academic resources dedicated to the formation and development of female entrepreneurship, as well as on the analysis of the annual state statistical reports. The thesis adds value in that it is contemporary, using primary research conducted amongst Kazakhstan female entrepreneurs through segmented survey data.

The analysis contributes significantly to knowledge about female entrepreneurship in a developing economy. Moreover, it helps to crystallize our understanding of the female entrepreneurship phenomenon and the field of entrepreneurship generally and has practical implications for researchers and policymakers.

Research question:

1. How female entrepreneurs are developing in SMEs area in Kazakhstan?
2. What are the challenges Kazakhstan female entrepreneurs face in the industry?
3. How the entrepreneurial ecosystem of Kazakhstan is developing especially when it comes to women entrepreneurs?
4. What support does the government provide for women entrepreneurs, especially with situations happening in Kazakhstan and in neighboring countries like Russia (terrorism, war, currency, and COVID-19)

Learning Organization in Kazakhstan: Challenges and Opportunities

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Abstract.

Introduction and Research Objectives:

In today's world, it is no longer enough for companies to simply engage in their immediate activities in order to generate revenue or keep up with their competitors in order to be competitive. All this was relevant yesterday, but not today. Today, in order to be successful in our fast-paced world and rapidly changing marketplace, it is no longer enough for companies to plan their operations for tomorrow; they must forecast their operations for several years ahead. However, how can a company forecast for such a long time when most employees, including executives, use knowledge from yesterday that can hardly be called relevant today? In order for companies to continue to be competitive and to be able to continue their operations tomorrow and in the following years, the level of knowledge of employees should also improve and evolve over time. That is why the world's leading companies use the "learning organization" model.

As it was already written before, our world is developing very rapidly and Kazakhstan cannot stay aside from this development. For thirty years of independence, our republic has made a very big leap in development in many areas and company management is no an exception. However, this does not mean that we can already compete with international companies in this respect. On the contrary, we are only at the beginning of our way. With independence, our country became very popular for many foreign companies, because it has many natural resources. That is why almost all the largest and most attractive in terms of employment companies are foreign. It is difficult for local companies to compete with them, not only in terms of operations, but also in terms of attracting qualified specialists. If even private commercial structures cannot compete on an equal footing with international giants and attract the most qualified specialists to create more effective company management models, then what can be said about public sector companies, which are inferior to private ones not only in financial indicators but also in terms of prestigiousness? That is why in my research I am going to study:

- What organizations do to become learning organization?

- What are challenges and opportunities learning organization face?
- What impact does the learning organization have on public and private companies in Kazakhstan?

Literature Review:

A learning organization is one that helps to enhance organizational learning by creating structures, strategic fittings and strategic crafting.

Organizations need to constantly learn so that they will be able to cope with the future challenges that are brought about by dynamic technological changes. At the same time, it must continuously unlearn certain old assumptions that are no longer valuable and in tune. Once a learning organization is developed, management must ensure that the tempo of learning must not be allowed to stop. In fact, the tempo must be increased on a continuous basis. Most times, when organizations achieve initial success, they tend to stop learning because they feel they have arrived, and that is the main reason why most companies fail after achieving initial success.

When organizations are young, they tend to be fluid, flexible and be willing to learn, but as they achieve initial success and grow, flexibility gives way to rigidity and there is loss of vigor and willingness to learn. That initial success brought failure to them because they feel they have arrived and therefore, they see nothing new to learn. The people in the organization relax and enjoy their fortune. They have lost environmental sensibilities and this has made them to be blind to new opportunities in the business environment. Before they realize what is happening, their competitors have already overtaken them and that marks their downfall.

Learning should be engrained as part of their organization philosophy and core organizational value and culture. It is only by so doing that organization will be able to face tomorrow when it actually comes. Furthermore, for effective double loop learning to occur at the organizational level, there is a need for organizational leaders to appreciate the value of learning as a panacea for organizational sustainability.

Methodology:

Qualitative survey method was applied in the research. Fifteen employees of different companies of public and private and with different working backgrounds were interviewed.

During interviews, respondents were asked the following questions:

1. Do you think the organization you work for is a learning organization?
2. Do you think the learning organization is a positive or negative phenomenon? And why?
3. What impact do you think the learning organization has on its operations and on the operations of its employees?
4. What type of organization should be developed in Kazakhstan learning or trivial (which has no employee training)? And why?
5. What challenges may Kazakhstani companies face during implementing learning organization model in their companies?
6. What opportunities will Kazakhstani companies get if they implement the learning organization model?

There have been many different studies on learning organizations and their impact. However, so far there has been no research showing the correlation between the learning organization and private and public sector companies. Moreover, there was not yet a research touching on this topic on the example of the Republic of Kazakhstan.

I believe that in today's harsh realities the importance of development of management of private and public sector companies in Kazakhstan has increased as never before. In our unstable world in every sense, we should no longer rely on foreign-international companies. We should be able to build our own model of effective management of our companies taking into account all the best that has already been developed and implemented.

Digitalization and Human Resources Management in Kazakhstan

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Introduction

1.1 Importance of digitalization in HRM

Interest in digitalization has been high among all managers and stakeholders throughout the past decades. It increased rapidly in 2020 due to the Covid-19 Pandemic when businesses had to adapt to the new reality and carry out most of the processes online.

According to Gartner, digitalization is the use of digital technologies to change a business model or provide new revenue or value-producing opportunities.

So, when we talk about Human Resources Management, the opportunities given by digitalization are as follows.

- **Applicant Tracking System.**

A digital automatic system that allows tracking the process of recruiting from the very beginning. The implementation of such system allows investigating through what channels and sources (company's website, recruitment websites, social media, etc.) the possible employees tend to find the employer and what sources are therefore worth investing in.

- **Automatized process of recruitment.**

In this aspect, digitalization does not only cover the process of finding and selecting the candidates but also the internal paperwork circulation, the evaluation of the personnel loyalty and involvement, the Human Resources analytics and monitoring of the overall HR brand of the company.

- **Optimization of all the processes.**

This involves the absence management (application for vacation and sick leaves online), online education for personnel, online job interviews, etc.

- **Involving Social Media into the recruitment process.**

In this aspect, we mean such channels as LinkedIn and Facebook, the corresponding Telegram chats, and posting the vacancies in the company's profiles on social networks.

So, we can see that digitalization in Human Resources Management allows managers and recruiters to optimize their activities from various aspects including the recruitment process and the monitoring, evaluating and analysis processes, and therefore tends to make their work more efficient.

In overall, digitalization in the modern reality means development, and development is a progress.

1.2 Research Objectives and Research Questions

The aim of this investigation is to analyze the level of digitalization in Human Resources Management in Kazakhstan and to evaluate whether the digitalization of the HR processes helps to improve the efficiency and performance of the company.

First of all, we will refer to the past and analyze what was the recruitment process like in the beginning of 2000's. Secondly, we will evaluate the digital development in the HR sector in Kazakhstan throughout the last two decades and see whether the opportunities given by digitalization are used to their highest extent.

Finally, we will carry out a two-step research in order to investigate whether digitalization actually helps companies to perform more effectively in terms of Human Resources Management.

The main research questions are:

- Does digitalization make the recruitment process easier, less time-consuming and more effective for both the employer and the employee?
- Does digitalization affect the internal HR processes in the company, and if yes, in what way?

1.3 Possible Contribution of the Research

This research may be helpful for small and medium-sized businesses in Kazakhstan in terms of analyzing their performance in Human Resources Management and possibly find ways where they can use the opportunities given by global digitalization to improve their performance and the efficiency of HRM.

Supply and demand in retailing: Marketing strategy in crisis

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Abstract

The main objective of the study is to determine how businesses have changed their marketing strategies to remain viable during the crisis, and how retail companies adapt their marketing strategies to changing consumer purchasing behavior during the financial crisis. An interview and survey were conducted to understand how the crisis affected retail companies and consumers, and how, in turn, they react to it. Two groups were interviewed - consumers and businesses. The consumer sample consisted of 100 adults aged 18 and older. The second survey was conducted among 20 retail companies. Comparisons were made of the consequences and adjustments in different crises, namely the COVID-19 pandemic and the Russian-Ukrainian crisis of 2022. Comparisons between crises will provide research information on the various consequences of crises. All companies have seen some changes in the behavior and preferences of their customers, so they have implemented some marketing strategies during the crisis. The study is useful for companies that find themselves in a similar situation to understand how to improve their anti-crisis marketing strategy.

Key words: *Marketing strategies, covid-19, consumer behavior, crisis, retail.*

1.Introduction

For Kazakhstan, the first deepest economic crisis occurred in 1991, the crisis was caused by the collapse of the USSR and the rupture of economic ties between the republics. According to Statistical Committee of the CIS (2006) Kazakhstan's GDP in 1992-1995 decreased by an average of 18.7% compared to 1991. The decline in production affected all sectors of the country's economy. Agricultural production decreased by 28.8%, the decline in the industrial sector amounted to 32%, coal production and mining in the country also decreased, this was caused largely due to the economic downturn in Russia and other former Soviet countries, as well as the transition to mutual settlements in foreign currency, which the countries lacked.

In 2000, the country's population was 1.5 million people less than in 1991, all this was due to the beginning of migration due to the collapse of the USSR. At the same time, the share of the poor population has sharply increased. In 1998, 39% of the population had incomes below the subsistence minimum. In 1996, the first positive changes began to manifest themselves, such as positive GDP growth and the beginning of an increase in industrial production. This crisis gave an impetus to the emergence of retail in Kazakhstan, in 1999 the first retail chain of SMALL grocery stores appeared. Thus, the crisis of the collapse of the USSR gave impetus to the development and opening of a wide range of enterprises in Kazakhstan. During a crisis, consumers cope with the crisis by tightening their belts, while enterprises, on the contrary, use different strategies to activate and increase the demand for their product or service among consumers (Cundiff, 1975). This discrepancy in strategies, which is

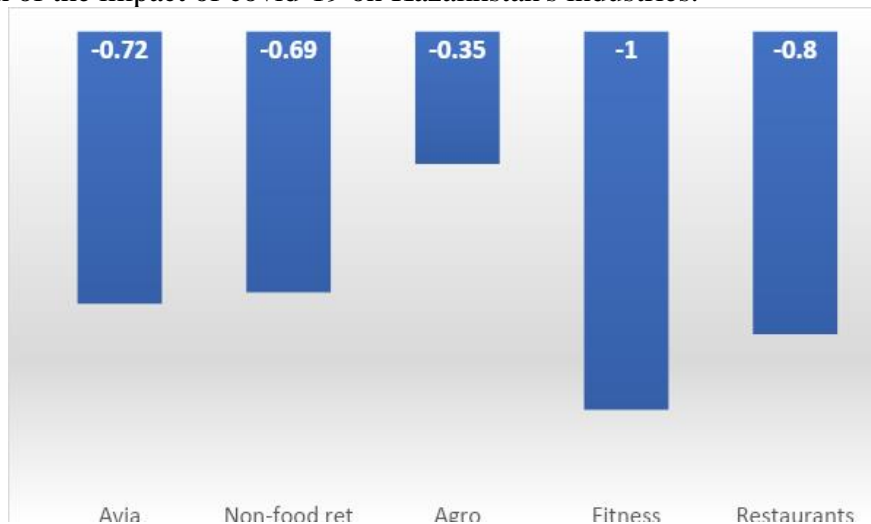
used by consumers as savings on consumption and by companies as an increase and stimulation of demand, is an interesting analysis of the impact of the recession on the economy.

Then, at the end of 2019, there was a global crisis caused by the discovery of a new virus called Covid-19. Of course, it can be noted that the Covid-19 pandemic has had a huge impact on the world economy, and the economy of Kazakhstan has not been spared. We are now living in a time of globalization and an interconnected economy. When all countries closed their borders and stopped air and land communication, it became an unprecedented destruction of the entire system of most economies, which led to disruption of the supply chain and trade at all levels, regardless of the development of the economy of a particular country. Since the beginning of 2020, more and more countries around the world have begun to close borders and restrict internal movement within and outside the country in response to the Covid-19 coronavirus outbreak.

Retailers of Kazakhstan report that the losses of retail chains since the introduction of the state of emergency from mid-March to mid-April 2020 amounted to 120 billion tenge. Before the introduction of the state of emergency in the country, the share of the trade sector in Kazakhstan was 17% of GDP. More than 1.4 million people were employed in this area. In Almaty, retail sales fell by 12.2% to 241.3 billion tenge in March 2020, in the capital - by 21.9% to 79.8 billion tenge.

(<https://kursiv.kz/news/kursiv-guide/2020-05/sudba-industrii-zavisit-ot-potrebiteley-kak-karantin-izmenil>) As a result of prolonged stagnation, entire industries were on the verge of collapse. According to an analysis conducted by KPMG, the company decided to analyze how COVID-19 had the greatest impact on the revenue of companies in sectors such as aviation, agriculture, restaurant business and non-food retail, as well as many other activities.

Table 1: Graph of the impact of covid-19 on Kazakhstan's industries.



Source: <https://assets.kpmg/content/dam/kpmg/kz/pdf/2020/05/covid-rk-economy-sectors.pdf>

As can be seen from the graph, such industries as fitness, restaurant business and aviation suffered the greatest losses. However, retailers in Kazakhstan suffered no less losses from the Covid-19 pandemic, according to the analysis, the agricultural sector had the least impact, this was due to the fact that restaurants and banquet halls were closed, and demand for wholesale products fell.

Over the past month, we have been watching the situation in Ukraine with bated breath and hope for a peaceful settlement of the crisis as soon as possible. However, it is worth noting that the Kazakhstan economy has not been spared by the Russian-Ukrainian crisis, as well as many other countries. Since, taking into account the political and economic partnership between Kazakhstan and Russia, Russia is also the main trading partner of Kazakhstan. Thus, the consequences for Kazakhstan can be very

noticeable, especially in economic terms. First of all, this crisis has already begun to affect the tenge exchange rate, so over the past few weeks, the tenge exchange rate has lost ground against the dollar.

2.Literature review

This section of the study will help you get more familiar with previous studies and is a critical review of the literature related to marketing strategies. In these studies, an attempt was made to show and explain how companies identified, understood and made significant and appropriate changes to their marketing strategies during the crisis. These studies show that all companies, without exception, have been seriously affected by economic downturns and are forced to cope with the crisis by changing their strategies. These articles examine the impact of the economic crisis on business and consumer behavior, and discuss and analyze the changes they have made to their companies when faced with a new economic reality.

According to Kotler and Keller (2006), successful marketing requires businesses to understand the importance of consumers, create the importance of consumers, ensure the importance of consumers, fix the importance of consumers and maintain the value of consumers. Changing the environment is the first step in developing a marketing strategy. When developing their strategies, enterprises must find the right combination of marketing strategies. As you may know, the marketing combination is 4Ps, which means product, price, location and promotion. (Wang, 2006) While some studies in the literature emphasize the company's general measures taken during the economic crisis and the importance of strategies to increase sales efficiency, there is a clear lack of research on changes in marketing strategy. The economic downturn requires some changes in general marketing strategies, especially in the four main components of the marketing mix: product, price, location and promotion. In terms of overall strategy, companies should withdraw from markets where they are not the dominant player and focus their resources on those where they are strong (Ang et al., 2000). The most common methods include cost reduction, production reduction, investment reduction, entry into foreign markets, efficiency improvement, debt restructuring and sales growth (Zehir, 2005; Laitinen, 2000; Beaver and Ross, 1999; Pierce and Michael, 1997). Entering lucrative international markets is an important strategic choice, especially for enterprises severely affected by the domestic downturn (Rao et al., 1988).

According to an analysis of the PIMS database (Roberts, 2003), firms that increased marketing costs did not become significantly less profitable during the crisis. Moreover, their revenues grew much faster after the recovery began, unlike businesses that reduced their marketing expenses, whose profitability actually declined despite the recovery. Moreover, during the recession, firms that increased their marketing spending gained market share three times faster than those that reduced them. As a result, the general consensus is that organizations should plan their marketing spending for the long term, while maintaining short-term investments in order to survive difficult times and remain successful in the future.

As a result of the above-mentioned events, the business must adjust its successful tactics and adapt it to the current conditions.

According to Nielsen (1995) and Ferrell and Hartline (2002), the external environment is constantly changing, and it is extremely important that the marketing service recognizes these changes and knows how to respond to them. In addition, in order to compete in a rapidly changing industry, enterprises must take proactive measures (Nielsen, 1995). They should not react to other people's events, but rather create them. According to Ferrell and Hartline (2002), "if firms want to achieve their goals, they must develop a strategy or roadmap for how to do it." Nielsen (1995) distinguishes between organizations that are market leaders and those that challenge established brands when it comes to strategizing in a changing environment. Leading firms should go with the flow and gradually adapt to the new scenario,

but struggling enterprises should use their opportunities for rapid transition to strengthen their positions in the market. Companies must change their strategy and marketing mix in order to maintain or acquire market share in changing situations, such as a crisis. With fewer product lines and a high contribution, enterprises can offer cheaper and more useful products (Schafter & Roper, 1985). According to Ang, Leong and Kotler (2000), the adjustments that need to be made in the context of the financial crisis should focus on the necessities of cheaper brands, lower prices and the use of information marketing, rather than image promotion.

In this case, companies that react quickly can win a lot of money. Companies that adapt quickly enough have the opportunity to increase their market positions and possibly become market leaders, which will last long after the crisis (Srinivasan et al., 2005). According to Srinivasan et al. (2008), strategic marketing can even help a business turn difficulties into an advantage during a recession. Firms that view a recession as an opportunity recognize that they have power over both the environment and the outcome, and therefore continue to invest. On the other hand, organizations that view the recession as a danger are unable to cope with the situation and its consequences and, therefore, ultimately save resources. In addition, according to Huli et al. (2008), a marketing strategy should ensure an effective response to changing market conditions by identifying market groups and developing and positioning product offerings for these target audiences.

3.The importance of research

The purpose of the study is to determine how the crises of recent years affect changes in marketing strategies in the retail trade of Almaty, as well as to find out how the attitude of customers has changed during the crisis and whether their shopping preferences have changed.

Thus, the importance of this study is to consider changes in the marketing strategy of various types of retail trade during the crisis. Because, according to the data studied, such analyses have not been carried out before using extensive information collection. A similar study was conducted in the neighboring state of Russia, but there is no information about our country. Thus, it is assumed that this study will be useful to society and companies engaged in retail trade. To consider how you can change your company's strategies when faced with a crisis, using the example of companies that changed strategies during the recession. Also, this study will be useful for analytical companies to see changes in purchasing behavior during the crisis.

Secondly, the study will be able to encourage other students to conduct research in the field of marketing of the Kazakh market in the future, since there are quite a few such studies. Thus, these studies will help in the development of Kazakhstani business, as entrepreneurs will be able to provide certain factors that will help in starting a business in Kazakhstan. Summing up, this study will help shed light on the picture of how crises affect retail trade in Almaty, and how companies are changing their strategies to overcome the downturns of recent years.

4.Research questions and Hypotheses

The purpose of this study is to study how retail companies in Almaty change their marketing strategies to meet the needs of customers who change their buying behavior during financial crises. Against this background, the study presented here addresses the following research questions:

RQ1. What are the consequences of the crisis for retail trade in Kazakhstan, and how did companies cope with them?

RQ2. How did changes in marketing strategy affect the company's efficiency during the economic crisis?

RQ3. How do changes in consumer behavior during the crisis affect the introduction of new marketing strategies?

The following hypotheses can be presented in order to draw conclusions about the impact of changes in marketing strategies on the performance of retail companies during the economic crisis. Based on the results of the main part of previous studies, the following hypotheses were developed:

H1: Any economic crisis has a positive impact on retail trade in Kazakhstan.

H2: Retail companies in Almaty did not change their marketing strategies during the crisis.

H3: The change in customer behavior during Covid-19 forced companies to change their marketing strategies.

5.Methodology

This study uses a quantitative and qualitative method of collecting information to test the research hypotheses outlined above. The analysis will be carried out in order to identify and collect information, choices and reasons. Both secondary and primary sources will be used to collect information, all this will be necessary to study and identify how crises affect changes in the marketing strategies of retail companies, as well as how the crisis affects changes in consumer behavior. For this purpose, a survey questionnaire is used, covering, according to my assumption, 100 adults aged 18 years and older, the target audience was selected from Almaty residents, since the study is conducted in Almaty. As for the interviews of representatives of 20 retail companies, they were selected from 4 retail segments, such as groceries, clothing, cosmetics and household appliances. Due to the restrictions related to Covid-19, which are still in effect in the country, the survey among buyers was conducted using a Google form. Also, in order to study changes in purchasing behavior during the pandemic, a meeting with a focus group will be held, in which, according to preliminary data, about 10 people will take part, who will be representatives of different age groups and different social classes, for a more detailed and diverse study. Thus, all the above research methods help to answer the research questions posed and also confirm or refute the hypotheses of the study.

5.1.Questionnaire

A survey was created for consumer respondents based on their opinion about the COVID–19 pandemic and the Russian–Ukrainian crisis of 2022 and how these crises affected their purchasing behavior. The questionnaire was divided into two parts of questions. The first part of the survey consisted of demographic questions, such as determining the gender, age and activity of respondents. The second part of the survey consisted of questions about changing consumer behavior before and after the crisis, for this purpose, questions were created in the Likert style with a measurement scale of seven ratings. The questionnaire consisted of 15 questions. The first 5 questions were from demographic characteristics, and the remaining 10 questions concerned the impact of the crisis on their consumer behavior. It was possible to answer the questions thanks to a seven-point scale, in which (1) meant categorical disagreement, and (7) meant complete agreement. The questions were: "As a buyer, I have changed my habits and preferences" and "As a buyer, I have become more economical than before the crises." Respondents were also asked about their overall changes in consumer behavior, as well as changes in their behavior during the crisis, which explains the differences in behavior before and after the crisis. They were asked the following questions: "As a buyer, I have become more than before to consult with my spouse when making a purchase decision," and "As a buyer, I have become more than before to buy more durable durable goods." The higher the score, the more consumers agree with these questions and statements, thereby showing us what changes have occurred in their behavior.

As for the survey of representatives of the retail segment, both face-to-face and online interviews were conducted with them in order to find out how the current economic conditions affected their companies during the crisis. They were asked at least 10 questions related to finding out how the crisis affected their companies and how their marketing strategies changed during the crisis. The questions were: "Has your company changed something in the operation of the enterprise or in the provision of services in order to protect your company from COVID-19? What were the changes?", and "How do you think retail in Kazakhstan has changed during the crisis caused by Covid-19?"

5.2.Data analysis

Using the data obtained, the process of analyzing all the answers and the data obtained begins by processing all the results collected during the interview and survey. All the answers received will be analyzed and grouped according to the answers. Having received the data using the quantitative method, they will be analyzed by combining the data using statistical analysis, which will reveal the regularity and similarity of the data. In the course of this study, an analysis using a mixed method will be carried out. This method of analysis allows you to provide detailed research results combining detailed studies and numerical measurements.

6.Result and discussion

At this stage, this study is in the active phase of data collection and analysis, so now only part of the preliminary results can be considered.

The table below describes brief information from interviews with representatives of retail companies.

Table 2. Overview of interview findings

Company names	Types of retail	Methodology	Result
<i>Company 1</i>	Grocery retail	Interview	The company confirmed that the covid-19 crisis has significantly affected their company, and that the economic crisis and changing conditions have influenced the change of their strategies, not only marketing but also management.
<i>Company 2</i>	Unproductive retail	Interview	The second company is engaged in the retail trade of cosmetics, the company confirmed that the crises have changed consumer behavior, and that their clients during covid - 19, began to buy more facial and body care products, the company suggests that this was due to the fact that customers spent more time in self-isolation and remote work.
<i>Company 3</i>	Online retail	Interview	The third company is also engaged in online trade of cosmetic products, the company also confirmed that during the crisis they have increased the sale of face and body care products, the company also noticed that they have increased the number of online consultations on the selection of care. The company indicated that during covid-19 they increased promotions on instagram.

Company 4	Grocery retail	Interview	The fourth company is engaged in online trade of eco-friendly goods and ecological food products, the company noticed that covid-19 changed their marketing strategies and forced them to increase the number of publications and stories on instagram, as the company's number of online orders increased.
Company 5	Online retail	Interview	The fifth company is an online supermarket of food and other goods, the company noticed that the covid-19 crisis had a positive impact on the development of their company, as the number of their customers only increased during the pandemic, and the number of customers does not leave their service, as the company is constantly improving its service for its consumers.
Company 6	Unproductive retail	Interview	The sixth company is engaged in the retail of glasses, the company noticed that the covid-19 crisis increased sales in their online store, the company also noticed that the company held all kinds of monthly promotions to stimulate sales. The company also noticed that the Russian-Ukrainian crisis is still unknown how it will affect their company, but already now the company had to suspend their monthly promotions.
Company 7	Unproductive retail	Interview	The seventh company is engaged in clothing retail, the company also noticed that covid-19 affected the increase in their online orders, not only in the city of Almaty, but also in other regions of Kazakhstan. However, the company stated that they were forced to increase the number of special promotions and discounts, as sales during self-isolation fell significantly.

Representatives of 2 grocery retail companies stated that the crisis affected the change of their strategies, not only marketing, but also management. One of the companies said they need to focus on more advertising on Instagram. As for unproductive retail representatives, there were 3 companies. All three companies said that the crisis caused by covid-19 had contributed to their online sales, however, two companies had to increase the number of promotions due to a temporary decline in sales to stimulate it. The remaining two representatives of online retail companies also stated that their companies increased the number of orders during the pandemic, and to this day the number of customers has not decreased, because the company offers high-quality services.

As for the survey of consumers about changes in their behavior during the crisis, the results show that the majority of respondents changed their purchasing habits during the crisis, that they began to save more and prefer more durable goods than before. More detailed results of the study will be provided after full data collection. At the moment, 48 respondents have completed the survey, and by the end of the study, the number of respondents is expected to increase to more than 100 people.

At this stage of the study, it can be assumed that the first hypothesis will be confirmed, since already now, according to interviews with representatives of companies, it is clear that the crisis has positively affected their enterprises and increased their sales. Perhaps this contributed to the fact that during the first outbreak of covid-19, all shopping malls were closed, and stores launched online sales of their goods in order to continue to stay afloat. As for the remaining two hypotheses, it is necessary to complete all the interviews in order to draw clear conclusions. Since at this point in the study, only 7 interviews out of the expected 20 were collected.

7.Limitations

One of the limitations encountered in the course of the study was a survey of representatives of companies engaged in retail trade. All this was recognized as a difficulty in establishing contact and conducting interviews, since many companies did not want to provide their data, referring to the fact that no changes had taken place in the company and there was nothing more to tell. In addition, most retail stores in areas such as clothing have head offices in other countries, and it is necessary to obtain permission to conduct interviews directly from them, but no response to the letters was received.

7.1.Further research

One of the ideas for further research is to conduct a more extensive study using interviews with global brands of stores providing their services in Kazakhstan to consider how the crisis affected the change in marketing strategies in Kazakhstan. Thus, the analysis can be carried out not only in Almaty, but also in other cities of Kazakhstan. Based on the data obtained, it will be possible to determine in which region of Kazakhstan retail companies are heavily affected by the crisis and what strategies these companies use to minimize them.

7.2.Conclusions and recommendations

In conclusion, it should be noted that only 7 interviews with representatives of retail firms were done at this stage of the study. In terms of the buyer survey, 48 people have completed it as of now. At the time, it is worth noting that the study's findings correlate to the gathered literature reviews. At the moment, the study's results show a lot of interesting details and information, which should lead to suggestive conclusions at the end of the study.

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The impact of the “transition happiness gap” on the marketing campaigns: cases of Kazakhstan, Georgia, Ukraine, and Belarus.

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Extended Abstract

Primary motivation for this research is to explore what impact does the transition happiness gap, and hence the level of life satisfaction, have on choice of marketing strategies and communication messages in marketing / advertising campaigns in transition countries by the case of Kazakhstan, Ukraine, Georgia and Belarus.

As any transition period is characterized by huge economic or social upheaval, resulting new generational cohorts emerged (Abramson & Inglehart, 1992), for analyzed countries in this research not only the collapse of the Soviet Union was a massive upheaval, but also some recent events changed the socio-economic environment and as a result a cultural framework and consumer behavior of the citizens.

Even though there has been a significant divergence of transition trajectories, specifically between Baltic countries and other Soviet republics, academics have identified one common feature shared by all post-communist countries: the so-called “transition happiness gap” that was formed during first years of transition period (Guriev & Melnikov, 2017). “Transition happiness gap” is generally characterized by lower life satisfaction of citizens of former Soviet countries compared to the life satisfaction level of residents, who have similar income level, of the countries that did not undergo transition. Economist have also identified following factors contributing to the “transition happiness gap” such as dissatisfaction with the government, poor legal system, depreciation of pre-transition human capital, traumatic experience of macroeconomic instability in the early period of transition, shortage of goods, as well as increased income inequality (Skoglund, 2017).

However, according to the latest research of happiness in transitional economies the “transition happiness gap” is completely or almost completely closed, i.e. the residents of post-Soviet countries are no longer less satisfied with their life than their non-transitional counterparts (Guriev & Melnikov, 2017).

Skoglund (2017) also agreed that the convergence between transition and non-transition countries is or almost finished. One important thing that distinguishes her study is that she does not observe the impact of economic development from sociopolitical development on the happiness level, i.e. the increase of sociopolitical well-being in society, for example, to what extent a person feels heard, seen by the government and feels he/she can make a change in society, has opportunities to fulfill his/her potential plays the same big role as the increase of personal income.

However, Skoglund (2017) was not the first one who found out that the direct correlation between income level and happiness does not always work. In 1974 Richard Easterlin, then professor of economics at the University of Pennsylvania, and the first economist to study happiness data, formulated the Easterlin Paradox. The Paradox states that at a point in time happiness varies directly with income, both among and within nations, but over time the long-term growth rates of happiness and income are not significantly related (Easterlin & O’Connor, 2020). In simple terms, the Paradox exposes that happiness level does not always depend on the economic development and following GDP and income level. At some point, money stops bringing happiness. There should be something more to be happy, some other aspects of life should be fulfilled to be happy.

Happiness and related definitions of subjective well-being, and life satisfaction are difficult to measure. There are a lot of debates around what variables to use for the measurement. Subjective well-being appears to be influenced by income, professional life, social mobility, and relative deprivation, as well as, more broadly, by comparisons with others, and by social and emotional relationships.

In the context of marketing, happiness is not new. Brands know that being associated with happiness leads to greater loyalty and profitable relationships. After all, the reason consumers buy products and services is that they want to satisfy their needs and ultimately enhance well-being. Happiness has long been used as a marketing strategy and it works, whether on a local or global level. In the first years of transition people were focused on fulfilling their economic needs, and by delivering their happiness marketers used economic aspect as a trigger, stimulus and key messages to attract consumer and develop effective marketing campaign. However, nowadays there appears to a shift in how happiness is now being sold to consumers.

Transition period varies from one country to another and the main focus of transition studies was on the macroeconomic and political reforms (such as trade and foreign investment policy or fiscal regulation) whereas microeconomic issues, such as marketing, marketing strategies that are supposed to bring superior value to the consumers, have studied relatively less (Money & Colton, 2000). But due to the rapid changes in transition period I find especially important to try to understand who are the major new consumers, what is their culture (language and communication systems, material culture, values and beliefs systems), what they want and what makes them happy, as this youth cultural of new consumers is a representative example of cultural changes and is the major driver of global brands in developing economies.

Key words: *developing countries, transition countries, consumer behavior, happiness, marketing.*

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The paradox of continuous reformation in higher education as a reaction to social challenges: case of Kazakhstan

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Abstract

Kazakhstan announced major structural reforms in education policy after January protests in 2022, such as technical orientation of the future youth, setting up campuses of foreign universities, enhancing quality standards with digitalization. Significance of this case is the reactionary nature of the announced reforms. The burden of the research is, firstly, to find whether major reforms are used as the reaction to the social challenge; secondly, to explain the paradox of instability within the educational policy. Hypothetic explanation of the paradox lies within the governance's approach to solve the wicked social problems by applying continuous reforms to the education policy.

Literature Review

The conceptual framework has the source from the classical studies: Rittel and Webber's (1973) "Dilemma's in a General Theory of Planning", Albert Hirschman's "The Rhetoric of Reaction" (1991), Lester Thurow's "Education and Economic Equality" (1972). Additional ideas are taken in the works of Joseph Stiglitz's (2005) "The Ethical Economist", Milton Friedman's (1962) "Capitalism and Freedom", Amartya Sen's "Development as Freedom", and Arturo Escobar "Encountering Development: the Making and Unmaking of the Third World" (1995).

Introduction

After mass-protests and gun violence occurred in January 2022, the President of Kazakhstan Kassym-Jomart Tokayev has announced several economic reforms (Akorda, 2022). The educational policies - one of the central issues in the package of reforms – include:

- the strategic direction towards bringing up technical specialists for the future economy;
- attracting foreign universities to establish affiliate campuses;
- enhancing quality standards for primary, secondary, and tertiary education;
- other initiatives (NUR.KZ, 2022).

The research question of this paper is:

How to explain the paradox of the education policy being used as a reaction to the social challenges arised, yet the education policy being continuously reformed?

There are two parts in the paradox to deep in: the question of whether the education is indeed used as a reaction to the social challenge; and the reformation is really reformed in the

continuous way. In the Discussion section, one shows the evidences of these two matters.

The historical context is crucial for the further analysis. Throughout the short 30-year history, Kazakhstan had been developing in the different political and economic stages that were divided in the 3 parts in this paper: the 90s, the 00s, and the 2010s.

The 90s are known for the gaining independence after the Dissolution of the USSR in 1991. Overwhelming economic status had forced authority to ensure development. As a reaction to political and economic instability, Bolashak program had been proposed. The 00s are known for huge oil-revenues, but the structural problems in the education still existed. Although one couldn't name all of issues there, the indicator of these problem is PISA 2009 results: Kazakhstan were the 59th out of 69 in the ranking. The same year, Nazarbayev Intellectual School was established. Next year, the former President Nazarbayev states NIS and NU to be 'flagmans of Kazakhstan education'. However, it didn't mean problems are resolved: the events in 2022 January protests are the indicator of the complex set of societal problems, including education.

Further discussion involves the argument development that education is continuously reformed and creates space for future studies in evaluating mentioned education programs.

Methodology

This paper is done by desk-review method including the analysis of presidential messages and ministerial strategic documents. For the presidential messages, one collected all of the mentions about the education through semantic analysis. The presidential messages are collected through official governmental website, Akorda. Strategic plans of Ministry of Education and Science of the Republic of Kazakhstan are analyzed for correspondence to the presidential messages. The critical review of the strategic plans are done through semantic analysis.

Results and discussion

The continuous reformation of the education is presented in the “Analysis of stability (instability) of the Law of the Republic of Kazakhstan "On Education" by Zhadauova (2022) from Department of Legislation Effectiveness Analysis of the Institute of Legislation and Legal Information of the Republic of Kazakhstan.

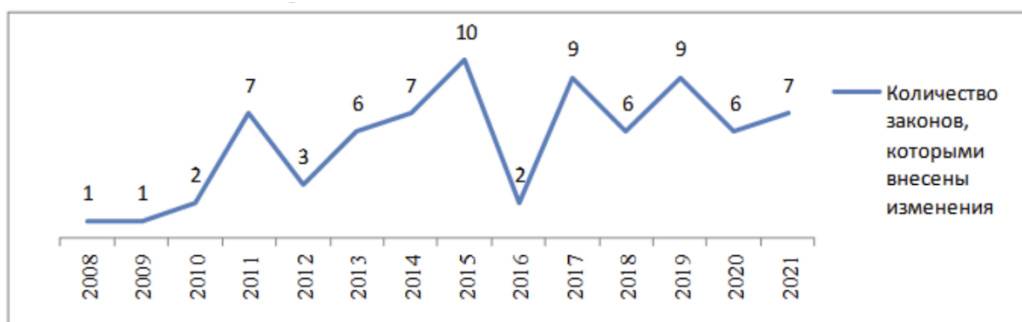


Диаграмма 1

Figure 1. The Quantity of the laws edited.

By the results of the analysis, she concludes that the Law on Education is unstable with average stability value of 2.2.

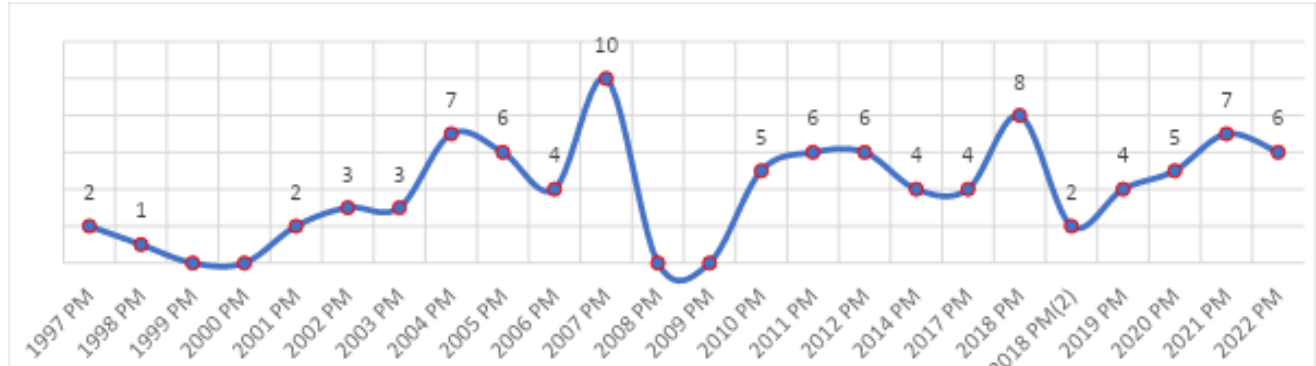


Figure 2. Number of mentions of education in Presidential Messages

Figure 2 shows how often the education is mentioned in Presidential Messages. Figure 3 shows the top matters to be mentioned in Presidential Messages.

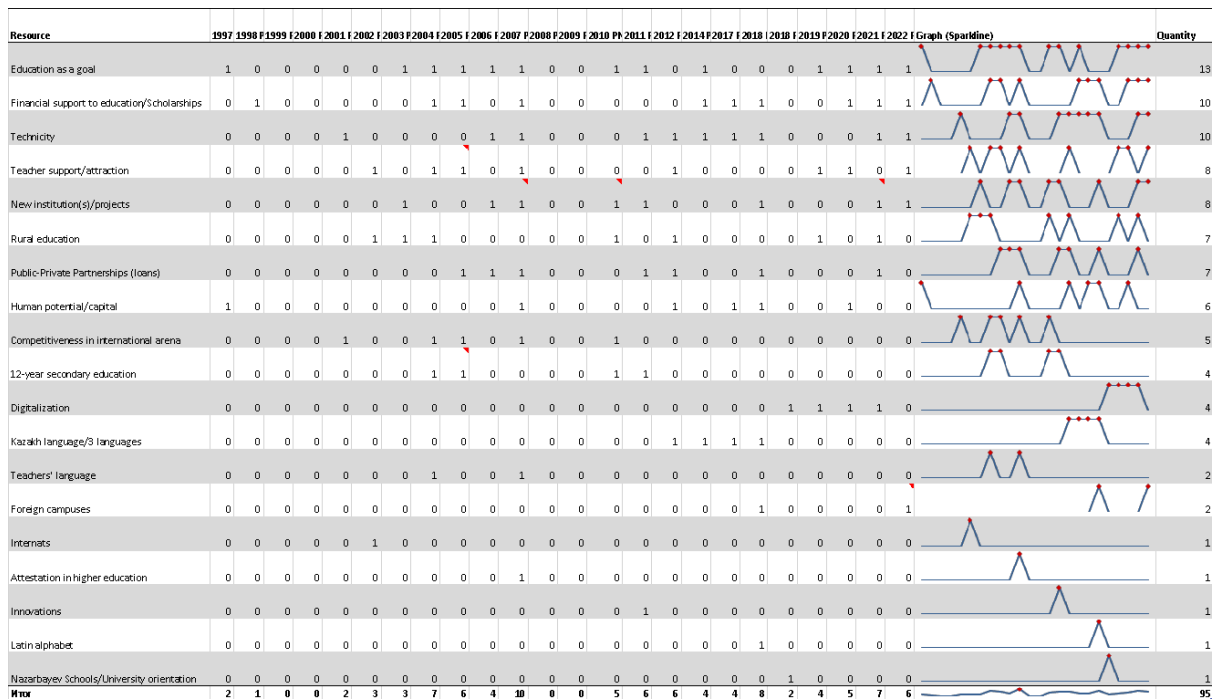


Figure 3. Top topics to be mentioned in Presidential Messages

After having reviewed the strategic research plans, one mentions the copy-paste in Strategic Plans too.

The results of the study raise the discussion of the vision of the problems in education. Education is used as a reaction and tool for development; however, the outcome is not yet present. OECD (2017) mentions the most prominent problems in the higher education: (A) poor funding of the education, (b) inconvenient and sometimes non-existent data gathering, (c)

issues of trust and transparency as a result of centralized management of the education. Whereas none of these problems are put into the strategic plans of MESRK either Presidential Message.

Conclusion

The burden of the research is to find whether major reforms are used as the reaction to the major event. This paper has shown January protests are not the first time when a problematic situation caused authorities to reform the education. To provide evidences for that, one ought to look up the most invested state of budget in MESRK - NU & NIS and Bolashak program. Voracious states of budget are the cause of the most prominent reforms in the history of education in Kazakhstan. Although the evaluation of the definite programs is the matter of further investigation, we can conclude that the tendency to reform both majorly and minorly is present. This tendency corresponds to the cause-led approach in reforming education. Yet the paradox is that education is always reformed.

The possible explanation of the paradox is one tries to resolve the wicked problems by the ultimate solution, whereas there is no ultimate solution to that. Practically put, government tries to increase the quality in secondary education by only spending to Nazarbayev institutions, whereas there should be holistic approach to the complex problem. Government wants to enhance the opportunities of youth by setting-up foreign campuses, whereas there should be holistic approach. Because the government fails in resolving wicked problems (as they require complex approach for resolving them), the government turns out to be continuously reforming the education while not achieving expected outcomes and impact. Holistic approach includes (but not limited to) enhancing governance and decentralization, economic diversification, and transparency.

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The Effect of Non-Performing Loans on Profitability of Commercial Banks in Russia and Kazakhstan

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Abstract:

All financial institutions around the world are witnessing significant risks from non-performing loans, which has resulted in a decrease in non-performing loan portfolio quality. Nonperforming loans do not affect any one institution or economy, but they do affect both developed and emerging economies. The purpose of this study is to establish the effects of non-performing loans on the financial performance and compare the performance of commercial banks in Kazakhstan and Russia.

The research includes the dynamics of behavior of the loan portfolios of both countries for economic and political fluctuations. The data was collected during a ten-year period, from 2001 to 2021 (8 months of financial period). There are 25 commercial banks in Kazakhstan and 338 commercial banks in Russia in the sample. The dependent variables are demonstrated by financial performance of commercial banks in Kazakhstan and Russia while the independent variables are demonstrated by non-performing loans ratios. To determine the correlation between the independent and dependent variables, the regression analysis was applied in this research paper. The findings reveal that important macroeconomic parameters like GDP and inflation rate, as well as bank-specific factors like ROA, ROE, Bank size and financial performance, can explain the majority of the NPLs rate in second-tier banks for Russian and Kazakhstani banking sector.

The research paper also explain on the received empirical results the failures in the banking sector during the 2014 crisis, the so-called "currency crisis for the CIS countries", and the 2020 crisis during the COVID-19 pandemic. The difference between the operating activities of the commercial banks of Russia and Kazakhstan is presented in the comparative dynamics of the indicators of the financial activity of second-tier banks of the two countries.

Keywords: *NPL (non-performing loans), second-tier banks, regression analysis, GDP, inflation rate, ROA, ROE, Bank size, financial performance, COVID-19, crisis.*

1. Introduction

The importance of financial institutions is increasingly high for both developed and developing economies (Fulford, 2014). Banks both commercial and central play an important role in the economic development and stability of a country. Different liquidity preferences exist among borrowers and lenders. Banks issue loans and as the results provide liquidity to the economy (Viswanadham N., 2015).

Every year the demand and supply of lending money increases, as the result the volume of problem loans in the bank portfolios also increases (European Central Bank, 2018). This demands the formation of a bigger volume of reserves, which has a negative impact on bank profitability. The problem of overdue loans become especially urgent during periods of financial instability in different countries.

The growth in lending leads to an increase in production, thereby having a positive impact on the entire economy of the countries. In turn, economic growth has a positive effect on the activities of the commercial banks. Unfortunately, there is also a negative impact on the financial sector when borrowers are not able to repay the debt to the bank within a certain period. The high share of Non-performing Loans in most industries reflects the lack of reliable borrowers in the market, which is causing the economy to stop funding. A large number of bad debts are associated with poor quality of asset management, including, loan portfolio management and the failure of banks to manage credit policy (Hada T., 2020). When Banks experience financial stress, governments of different countries offer emergency recovery programs to rescue liquidity of Banks (Arliccia G.D., 2004).

This situation is exacerbated by the unstable financial and economic position of borrowers in an uncertainly changing macroeconomic environment. Macroeconomic reasons include: leaps and bounds in inflation and exchange rates; absence of appropriate legislation (including tax legislation) that protects the interests of both banks and industrial businesses and promotes their progressive development; general output slowdown during times of crisis, etc. (Messai, 2013).

The growth of problem debts to banks is currently one of the most discussed issues in the banking community. The relevance of this issue in the near future will grow and will remain one of the most important banking topics for at least several more years.

Unfortunately, the optimal mechanism for solving the problem of overdue debts to banks has not yet been developed; there is no answer to many questions related to the management of problem assets. Each bank chooses for itself the ways of working with problem debts independently in accordance with its structure, the practice of interaction of bank services, the volume and specifics of the loan portfolios, the degree of its problematization.

The increase in provisions for the loan portfolio leads to a decrease in the profit of the entire banking system (Duvan O., 2004). The benchmark for banking should be to maximize profits from operations while minimizing losses. The financial stability of the bank depends on the results of its activities (Bouvatier, 2012).

Banks are striving to increase the profitability of their loan portfolio in a highly competitive environment. After analyzing the results after crises, financial institutions began to pay special attention to building a system for managing the quality of the loan portfolio and effective management of NPLs both in Russia and in Kazakhstan.

The pandemic has shown not only the weaknesses of major players, but also increased the requirements for Banks. In Russia, the share of local banks in assets and lending to the economy has more than halved during the decade, and large market players have begun to build their ecosystems. On the contrary, the Kazakhstan's financial sector reduces the number of second-tier banks and improves performance by learning from experience. It is important for the government to prevent large-scale macroeconomic destabilization and to maintain a forward movement towards capitalization by hedging financial risks.

2. Background of the Study

The crisis of 2014 and 2020 and its impact on the economies of Russia and Kazakhstan

Financial markets of countries are experiencing recessions and falls every year, falls are especially evident during periods of crises. The specificity of the 2014-2015 crisis is that it developed only in Russia (Karpia M, 2015). European countries showed little economic growth, and the United States was in the prime of its investment attractiveness.

The main reason for the emergence of the financial crisis was not global trends, but local anti-Russian sanctions, which had a negative impact on Russian corporate debt and caused a significant capital outflow. The deterioration of the situation in Russia in 2014 was largely caused by geopolitical changes, mainly the conflict in Ukraine, the entry of Crimea into Russia, the ensuing Western sanctions and the complication of relations with foreign business and political partners (Liefert W.M., 2019).

The second, already traditional, reason for Russia as a country whose currency value directly depended on the prices of natural resources was the decline in oil prices (Viktorov I., 2020). By the end of December 2014, the oil price dropped from 110\$-115\$ to 56.5\$ per barrel, with a subsequent decline to 45.13\$ (Moscow Stock Exchange).

The aggravation of sanctions against Russia and the escalation of geopolitical conflicts between the federation with Europe and the United States did not pass Kazakhstan by. Inflation rose from 4.8% in 2013 to 13.6% in 2015. Sending tenge to free floating became significant in this period (National Bank of Republic of Kazakhstan).

The National Bank, headed by Kairat Kelimbetov (The Head of National Banks of Kazakhstan in 2013-2015), decided to refuse to support the tenge in February 2014. This caused the third devaluation in Kazakhstan. Then the exchange rate rose to 179.19 tenge per one dollar. In 2015, former Prime Minister of Kazakhstan Karim Massimov announced that the National Bank and the government of Kazakhstan had decided to cancel the currency corridor and move to a 'free-floating exchange rate'. On August 20, 2015, the tenge on the Kazakhstan Stock Exchange fell from 188 tenge to 255.26 tenge per one dollar (National Bank of Republic of Kazakhstan).

Because of the COVID-19 epidemic, the international community closed the borders by force. 'Under these unprecedented circumstances, central banks and governments enacted a wide range of policy interventions. While some measures were aimed to reduce the sharp tightening of financial conditions in the short term, others sought to support the flow of credit to firms, either by direct intervention of credit markets' (World Bank Group Research on COVID-19). The shock generated by the COVID-19 pandemic was most visible in the form of credit risk, which resulted from a considerable worsening in the creditworthiness of people and businesses in nearly all sectors of the economy, leading to an increase in credit risk charges in accordance with IFRS-9 (Kozak S., 2021).

In order to neutralize the effects of the pandemic on anti-crisis measures in Kazakhstan, about 6 trillion tenge was allocated, which is 9% of GDP (National Bank of Republic of Kazakhstan).

Research problem

This article demonstrates the dynamics of Non-performing Loans for Commercial banks of Russia and Kazakhstan and its impact on financial profitability during the crisis and regular times. The problem of non-performing loans (NPLs) is frequently mentioned as one of the potential threats to economic and financial stability for developed as well as for developing countries. Advanced risk management approaches and the economic stability of countries, support from governments is not always a guarantee of a good quality loan portfolio of second-tier banks.

Research Objectives

Research objectives of the article should be stated and identified as:

- to examine and find empirical evidence of impact of NPL on the economic stability of commercial banks comparing Russian commercial Banks with Kazakhstani Banks using macroeconomics and specific Banking ratios (both for Russia and Kazakhstan): **GDP, Inflation, Profitability Ratios as Return on assets (ROA) and Return on Equity (ROE), Net Income Margin (NIM)**;

- to examine and find empirical evidence of impact of Currency crisis (2014-2015) and the effect of COVID-19 (2020-2021) on NPL in Commercial Banks comparing Russian Federation and Kazakhstan; comparing the performance of banks during the crises and regular period;
- to examine and find empirical evidence on correlation of Commercial Banks' NPL both for Russian and Kazakhstani banking sector during the crises and regular periods; comparing the findings of Russian and Kazakhstani commercial banks.

3. Literature Review

The basis for this article was the ideas, views and principles of domestic and foreign scientists in the field of finance, management, banking and management of various kinds of risks and articles by modern authors devoted to the problems of managing banks and banking risks, regulation of banking activities. There were many researches on the demonstration the correlation between significant operational elements of Banks' financial activities with their NPL rates.

The number of researches and articles that were analyzed is 8:

Study 1 – Curak M., Pepur S., Poposki K., (2013) investigated the determinants of NPL from European banking system.

Study 2 - Gnawali A. (2018) investigated the impact of NPLs on profitability of Nepalese commercial banks.

Study 3 - Ahmed S., Majeed E.M., Thalassinos E., Thalassinos Y. (2021) studied macroeconomic and bank-specific factors of nonperforming loans (NPLs) for commercial banks from 2008 to 2018 in Pakistan.

Study 4 - Dao O.K., Nguyen Y.T., Hussain S., Nguyen C.V. (2020) also studied the correlation between NPL of commercial banks and credit growth in Vietnam.

Study 5 - Jovovic J., Radivojevic N. (2017) used a cross-county analysis of a sample of 25 rising countries to investigate the factors of the NPL ratio in Serbia.

Study 6 - Rachman A.R., Kadarusman B.Y., Anggriono K., Setiadi R. (2018) attempted to provide insight on bank-specific factors that influence loan default difficulties in developing nations with significant banking sectors.

Study 7 - Oyanaka N.N. (2019) studied factors affecting NPLs in commercial banking sector; in public and private banks of Ethiopia and Dashen Bank District in Southern Region of Ethiopia.

Study 8 - Long M.V., Yen T.N., Long D.P. (2020) observed 200 commercial banks using a fixed-effects model comparing to a random-effects model.

According to the findings that were discussed in articles above the Table 1 was constructed on the results.

Determinants to NPL	Study 1	Study 2	Study 3	Study 4	Study 5	Study 6	Study 7	Study 8
GDP	Positive	-	Positive	Negative	Negative	-	-	-
ROA	Negative	Negative	Negative	Negative	Negative	Negative	Negative	Negative
Bank size	Negative	Negative	Negative	Positive	Positive	Negative	Positive	Negative

Table 1. Literature review summary.

According to the results that authors received during researches in the period of 2008-2021 there is clearly seen that the financial market fluctuated due to changes in the market, the time frame and level of development of the studied countries.

4. Methodology

In empirical study of the determinants causing loan losses, I used a sample of 25 banks from Kazakhstan's banking sector and 338 commercial banks from Russia's banking sector from 2011 to 2021. The eight operating months were taken for 2021 year. Data availability, especially for bank-specific characteristics, determines the variables to be used, the number of banks to be used, and the time period to be used. In research paper, the **multiple regression analysis approach and comparative analysis applied.**

Research methodology

The main goal of this article is to find out the impacts of selected variables on the NPL's rate for Russian and Kazakhstani banks. In addition, I was interested in the impact of financial development of Banks during the Crisis periods for economies of both countries. Quantitative research method will be conducted based on two datasets. The first dataset collected for Russian Banks, the data will be obtained from databases of the World Bank and the Central Bank of Russian Federation. The second dataset collected for Kazakhstani Banks, the data will be obtained from databases of the World Bank and the National Bank of Kazakhstan. The sources of first level banks for both countries are credible, because the information always collected from STBs for important statistical reports to show the overall countries' performances. The taken reports have economic and political significance.

The datasets for Russia as for 1 of August, 2021, was presented by 338 operating commercial banks, and Kazakhstan's banking sector was presented by 25 second-tier banks in the period from 2011 to 2021 (8 months of 2021). Data availability, especially for bank-specific characteristics, determines the variables to be used, the number of banks to be used, and the time period to be used.

As the result, I used multiple regression analysis that could better demonstrate the research findings. The database of financial performances of commercial banks represented in Appendix 1 and 2. The GDP and Inflation indexes reflected in Appendix 3.

To compare two financial markets of Russian and Kazakhstani banking sectors during the 2011 – 2020 periods the comparative analysis was used. Comparative analysis (comparison analysis) is the basis for evaluating a company's performance. The indicators of the current year are compared with the previous period, the actual values are compared with the planned or standard values, and the data of a particular enterprise are compared with the industry average values.

5. Findings of the Study

The multiple regression analysis and descriptive analysis were calculated in order to make empirical equations on the selected data. The results in Tables and Figures confirm that the six bank-specific factors are joint determinants of the NPL ratio indicated by a highly adjusted R2 for both Russian and Kazakhstani banking performance. **Nevertheless, only Bank size and Net profit are found to be significant. These indicators have an impact on the NPL ratio in Banks.**

6. General Discussion

According to correlation and regression analysis models based on the six specific banking indicators that were selected as variables that impact on the Non-payable ratios of Banks for both Russian and Kazakhstani markets it is clearly seen that all selected variables have indirect impact.

Nevertheless, for Kazakhstan banking sector the significant effect on the NPL ratio have the economic stability of the country, as well as Bank size. From the comparative analysis of variables the sharp fluctuations were demonstrated during the crises in 2014 and 2015, and in epidemic 2020. Moreover, there are only 25 second-tier banks on the territory of Kazakhstan and TOP 5 Banks have obvious superiority that are demonstrated in sum of total assets, credit portfolios and financial performance during the years.

For Russian banking sector the main criteria that impact on the NPL ratio is Net Profit Margin and Bank Size. The Russian market dropped as well as Kazakh market in 2014-2015 during the ‘currency’ crisis that was directly connected with political position of Russia on Ukraine circumstances and devaluation of currency. Moreover, the Russian banking sector also is represented by the biggest Bank PJSC Sberbank of Russia, that cover over 70% of the market. All main assets and loan portfolio are concentrated on this commercial Bank. Russia has more diversified financial market with various credit institutions that are obey to different types of legislation, making control, monitoring and data consolidation more difficult.

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Determinants of bank profitability in Kazakhstan

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Abstract

The purpose of this study is to investigate the effect of internal and external variables on the profitability of banks operating in Kazakhstan for the period 2012-2020. As the methodology, FGLS method was used to conduct empirical analysis. Other macroeconomic variables, as well as various proxies for concentration and competition, can be added to the list of determinants and the range of determinants used can be expanded. Investigating the effectiveness of Kazakhstan banks, which is a related problem, can provide further information about the Kazakhstan financial system. The study contributes to the literature since no systematic research has been done studying macro and micro profitability determinants of banking industry in Kazakhstan.

Key words: profitability, banks, Kazakhstan, panel regression,

1. Introduction

Banks play a vital role in all economies because they act as an intermediary between borrowers and lenders. On the one hand, savers may be able to earn interest on their extra funds. On the other hand, banks' creation of money function allows not just investors to obtain the funds they require for their company operations, but also consumers to spend their future earnings. In other terms, banks contribute to a country's investment and consumption levels. Besides the aforementioned advantages, the banking sector contributes to the reduction of unemployment in a country by hiring a large number of people in their branches (Yuksel et al. 2015).

Banks may earn high profits by keeping a country's savings in deposit accounts and making additional loans through the process of money creation. Banks, on the other hand, had to manage a variety of risks, including currency risk, interest rate risk, liquidity risk, and credit risk, particularly after globalization. Many banking crises have occurred around the world in the last 20 years as a result of these risks not being appropriately addressed. The economies that were affected by these crises suffered huge losses. Many people have lost their employment as a result of these problems, and many businesses have gone bankrupt. As a result, in order to be profitable and for economies to remain stable, banks must effectively manage their risks and assets (Dincer et al. 2016). Research on bank profitability is critical for recognizing difficulties and averting economic risks in terms of banking-related economic problems.

The difference between the revenue generated by assets and the expense generated by liabilities is referred to as bank profitability. Bank profitability is described as a function of both micro and macro

factors. The internal processes of the banks are micro variables and therefore called "bank-specific variables." Macro variables, on the other hand, have little to do with a bank's internal operations yet have a substantial impact on profitability. According to Yuksel et al, micro variables are commonly defined as size, capital, risk management, expense management, marketable securities, and non-performing loans. The macro factors that are employed are inflation, interest rate, GDP growth, and tax rate.

As a result of the collapse of the former Soviet Union in 1991, Kazakhstan became an independent sovereign state. It has changed dramatically since then, transitioning from a single-party political system and a centrally controlled command economy to a market-oriented, more democratic model. Kazakhstan has a two-tiered banking system. The National Bank of Kazakhstan (NBK), which reports to the president, is the first tier and the commercial banks comprising the second tier. The National Bank also serves as a financial regulator in addition to its monetary policy responsibilities. The NBK is in charge of overseeing the banking sector, insurance, the pension system, the stock market, microcredit groups, debt collection agencies, and credit bureaus in this capacity (Shyngysov et al., 2014). According to Yermekbayeva, there is no systematic research studying the profitability determinants of banking industry in Kazakhstan. This topic is analysed qualitatively rather than quantitatively in all known studies. Notwithstanding the banking sector's role in Kazakhstan's overall financial system, this area is relatively understudied. As a result, conducting extensive quantitative analysis to generate econometrically based results is critical. Moreover, regulatory authorities will be able to more precisely set policies and forecast the implications of new requirements and regulations by analysing the effects of various factors on profitability.

The purpose of the study is to undertake detailed analysis of determinants of banks' profitability in Kazakhstan by considering internal and external factors. Panel data regression analysis will be used to conduct the empirical analysis.

The paper is structured as follows: Section 2 reviews the relevant literature on banking profitability. Section 3 outlines the data and methodology. Section 4 presents the conclusion.

2. Literature review

This section reviews the relevant literature on the determinants of banking profitability. The bank profitability determinants are categorized as internal and external factors. Return on assets (ROA), return on equity (ROE), and net interest margin (NIM) are all dependent variables in various studies, with the bank's internal and external factors acting as independent variables. I have chosen a selection of papers from a large body of work in this field, which will be illustrated below.

Rahman et al. (2015) employed the pooled regression estimation approach and used ROA, ROE, and NIM as proxies for bank profitability. In addition to macroeconomic factors like GDP growth and inflation, they looked at credit risk, capital strength, ownership structure, non-interest income, bank size, cost efficiency, off-balance sheet operations, and liquidity as potential bank-specific determinants. Between 2006 and 2013, a total of 25 Bangladeshi commercial banks were included in the sample. The findings revealed that cost efficiency and off-balance sheet operations had a significant but negative impact, while capital strength and loan intensity had a considerable positive influence on profitability. NIM is found to be influenced by non-interest income, credit risk, and GDP growth. The size of a company has a beneficial impact on ROA; however, inflation has a negative and considerable impact on ROA and ROE.

Determinants that can be controlled by management decisions and known as micro or bank-specific determinants of profitability are called internal determinants. These variables can be derived from bank financial statements. External factors are those that aren't under management's control and represent the legal and economic context in which banks operate. This has an impact on the banks' operations and, as a result, their overall performance. These variables do not depend to bank management, although they do represent the economic and legal environment that has an impact on financial institutions' operations and performance (Abel, 2016).

Bank specific variables.

Several studies have identified bank size as an internal factor influencing performance. The outcome is unclear. On the one hand, larger banks are better able to take benefits of economies of scale in transactions as a result of their size, resulting in bigger profits. On the other hand, the studies provide mixed and ambiguous results — the negative size-profitability relationship is explained by diseconomies of scale, which are prevalent in larger institutions, particularly following times of rapid growth (Kořak & Āok, 2008).

Banks with a high capital ratio are seen to be less likely to fail, to have easier access to low-cost financing, to be more flexible in exploring business opportunities, and to be able to absorb any unexpected losses. As a result, increased profitability can be projected for these banks, as evidenced by numerous studies. However, given that well-capitalized banks are deemed safer since they take less risk, and so, according to financial theory, offer lower returns, a negative link between profitability and the high capital ratio might be anticipated (Saona, 2016). Another study done by Buchory (2015), shows a negative relationship of capital adequacy on the profitability of banks since having more capital entails giving customers less credit.

Liquidity risk refers to a bank's potential inability to satisfy its obligations, which could result in the bank's insolvency. Liquidity risk is typically quantified as a ratio of loans to deposits (Kosmidou, 2008). To lessen the risk of failure, banks keep more liquid assets (lower loan-to-deposit ratio) that can be easily converted to cash. Liquid assets, on the other hand, typically have lower rates of return. As a result, higher liquidity (lower loan-to-deposit ratio) equates to decreased profitability.

Macroeconomic variables.

There is a positive correlation between interest rates and bank profitability, based on a substantial amount of literature. However, an increase in interest rates discourages businesses and individuals from borrowing, causing a fall in bank revenues over time. The findings of Staikouras and Wood (2003), Noman et al. (2015), and Islam and Nishiyama (2016) support this claim.

Another macroeconomic determinant of bank profitability is GDP, which measures a country's total economic activity whereas GDP growth shows its annual change. According to the research of Athanasoglou, Brissimis & Delis (2008), on the relationship between economic growth and financial sector profitability, GDP growth is projected to have a beneficial impact on bank profitability. However, in unfavourable macroeconomic conditions, such as those experienced during the crisis, banks may face an increase in nonperforming loans and, as a result, a decline in earnings.

3. Research methodology and data collection tool.

3.1 Data.

The data for all the banks was taken from the Kazakhstan Stock Exchange (KASE) and from World Bank database between the period 2012-2020. The following criteria were used to choose banks for the sample: the bank is listed on the KASE, the bank has a complete data set with annual financial statements from 2012-2020.

The analysis is based on panel data by using Stata. Why is the panel data used? Panel data helps us to analyse many companies and number of years. The key advantage of using panel data, according to Saona (2011), is that it allows for the avoidance of unobservable, constant, and heterogeneous properties of each bank included in the study.

Symbol	Variables	Proxy
NIM	Net interest margin	Net interest margin/total assets
ROA	Return on assets	Net income/total assets
ROE	Return on equity	Net income/shareholder's equity
Size	Bank Size	Logarithm of Total Assets (log)
TETA	Capital Adequacy	Equity / Total Assets
NPL	Credit risk	Impaired Loans(NPLs)/ Gross Loans
lrisk	Liquidity Risk	Loans/ Customer Deposits
GDP	Economic Growth	GDP per capita growth (annual %)
r	Interest rate	Deposit interest rate

Table 1
Variables description

3.2 Methodology

The purpose of the research is to undertake detailed analysis of determinants of banks' profitability in Kazakhstan by considering internal and external factors. Regarding estimation I use feasible generalized least squares panel estimator. The reason for choosing FGLS estimator is: First of all, the generalized least squares estimator (GLS) is the method, which directly accounts for heteroskedasticity, cross-sectional, and serial correlations in the estimation. Moreover, GLS is widely acknowledged to be more efficient than OLS. The underlying covariance matrix for panel models has a large number of parameters. It's critical to get GLS up and running. Therefore, we consider feasible generalized least squares (FGLS) (Bai et al., 2020).

The estimated model is formed from the following model:

$$Y = \beta_0 + \beta_1 \text{size} + \beta_2 \text{TETA} + \beta_3 \text{NPL} + \beta_4 \text{lrisk} + \beta_5 \text{GDP} + \beta_6 r + \varepsilon$$

where

- Y stands for the dependent variables NIM, ROA, ROE
- β is the he coefficients
- β_0 is the constant term
- ε is the error term

Using dependent variables particularly NIM, ROA and ROE our regression model will look as follows:

$$\text{NIM} = \beta_0 + \beta_1 \text{size} + \beta_2 \text{TETA} + \beta_3 \text{NPL} + \beta_4 \text{risk} + \beta_5 \text{GDP} + \beta_6 r + \varepsilon$$

$$\text{ROA} = \beta_0 + \beta_1 \text{size} + \beta_2 \text{TETA} + \beta_3 \text{NPL} + \beta_4 \text{risk} + \beta_5 \text{GDP} + \beta_6 r + \varepsilon$$

$$\text{ROE} = \beta_0 + \beta_1 \text{size} + \beta_2 \text{TETA} + \beta_3 \text{NPL} + \beta_4 \text{risk} + \beta_5 \text{GDP} + \beta_6 r + \varepsilon$$

After analysing the literature from different studies conducted, I decided to use 6 independent variables, of which 4 bank specific variables (size, capital adequacy, credit risk, liquidity risk) and 2 macroeconomic variables (GDP and interest rate). Moreover, 3 dependent variables as NIM, ROA, ROE was used during the research.

4. Conclusion.

The impact of internal and external factors on bank profitability in the Kazakhstan banking sector from 2012-2020 is investigated in this study. Kazakhstan's banking system has seen a number of significant changes in recent years. As a result, the study aims to investigate the relationships between bank profitability and a variety of determinants in order to gain a better knowledge of the factors that drive bank profits.

The research is crucial since it will draw policymakers' and bank management's attention to the importance of pursuing policies that will have long-term positive effects on Kazakhstan's banking sector. The study adds to academics' and the general public's understanding of the factors that influence bank profitability in Kazakhstan. Some internal (bank-specific) factors including capital, size, and credit risks have been shown to be consistent in affecting bank profitability across different economies around the world in the literature described above. External (macroeconomic) factors such as GDP and the interest rate have also played a role in determining bank profitability. As a result of the review, the most prevalent criteria used as indicators of profitability by most academics are return on assets (ROA) and return on equity (ROE) and net interest margin (NIM).

As a recommendation, other macroeconomic variables, as well as various proxies for concentration and competition, can be added to the list of determinants. Investigating the effectiveness of Kazakhstan banks, which is a related problem, can provide further information about the Kazakhstan financial system.

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Penetration of financial sector in Kazakhstan through the analysis of banking industry and economic growth

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Abstract

For the past decade the banking industry of Kazakhstan was rapidly developing and today it is one of the most dynamic sectors of the economy. At the same time, the business sector experiences significant challenges while trying to receive a loan or a letter of credit. That could be seen from loan receiving conditions for the business sector: it is collateralized and offers comparatively high interest rates. Kazakhstan experiences the fairly high inflation of 8.7% what leads to the increase in prices for goods and services for households and raw materials for businesses. Considering the market conditions being stable, corporates can suffer from decrease in profits and difficulties in serving their debts. Thus, this research is aimed to identify the chain of theoretical relationships between macroeconomic conditions in Kazakhstan and its economic growth through the size of commercial banks loan portfolio and its quality. The research is built on the theoretical model constructed on a set of hypotheses derived from the basic economic theory. The key hypothesis of this research is that an economic growth depends on the size of banks' loan portfolio taking into account NPLs dynamics which is concurrently influenced by the inflation rate. In order to check the hypothesis a two-stage regression analysis is used. The theoretical model was partially proved still providing important conclusions.

Introduction

For the past decade the banking industry of Kazakhstan was rapidly developing and today it is one of the most dynamic sectors of the economy. For instance, according to the official statistics of the National Bank of Kazakhstan (2021), the total assets of commercial banks operating in the country grew up by 83.5% provided that several defaults and numerous acquisitions in the sector took place during this period. In addition, with the expansion of capital markets, financial institutions such as commercial banks started actively applying all the benefits from fixed-income securities as well as money market operations.

At the same time, the business sector experiences significant challenges while trying to receive a loan or a letter of credit. That could be seen from loan receiving conditions for the business sector: it is collateralized and offers comparatively high interest rates. Therefore, it becomes more and more difficult for companies to receive a loan or expansion for capital investments.

In addition to the previously stated, Kazakhstan experiences the fairly high inflation of 8.7% what leads to the increase in prices for goods and services for households and raw materials for businesses. Considering the market conditions being stable, corporates can suffer from decrease in profits and difficulties in serving their debts.

Thus, this research is aimed to identify the chain of theoretical relationships between macroeconomic conditions in Kazakhstan and its economic growth through the size of commercial banks loan portfolio and its quality. The research includes data for the period of 2013-2021. The statistical model used is the two-stage least square model since the test consist of two connected

equations. After that the conclusions are made and the final decision on whether the model can take place in studies or not is proposed. Furthermore, this topic attracts the attention of independent and institutional researchers from all over the world. There were numerical studies made for economies similar to Kazakhstan such as India, Indonesia, or Egypt, but very few about Kazakhstan. That would provide an additional support for the theory construction and testing.

Literature review

Today, the rapid development of commercial banking sector attracts views of many researchers across the world. They examine both internal performance as risks and capitalization, and effect on external environment such as macroeconomic conditions. A bank loan portfolio composition and quality are among the most common topics in the field since the banking sector has the primary relation to supply the chain cycle of businesses (Glen and Mondragon-Velez, 2011). The increase of interest to this topic is being detected after the financial world crisis during 2007-2008 when the collapse of banking system caused the global recession, and financial institutions became the first to be responsible (Glen and Mondragon-Velez, 2011). Often, literature examines the causes of a financial crisis from the banks' structure and management decisions points of view (Lu and Whidbee, 2013) or a balance sheet perspective through the analysis of assets and loans composition (Acharya and Richardson, 2009). The latter are close to the nature of this research since these particular studies provide the overview of how a bank loan portfolio composition can penetrate the economic and financial system.

The term "financial stability" is clearly defined by Schinasi (2004). According to the author, the financial stability is a broad term that covers both internal operations of a legal entity and its activities in correlation with external macroeconomic conditions. Moreover, Schinasi (2004, p.6) states that it is important to evaluate financial stability not as "the absence of actual financial crises but also to the ability of the financial system to limit, contain, and deal with the emergence of imbalances before they constitute a threat to itself or economic processes". Therefore, the position is considered being stable when a company, or a bank in this case, within its controlled internal operations has the synergy with external environment but still robust against macroeconomic shocks. The theory suggests, that in order to hedge potential risks and reduce the exposure, commercial banks have to diversify their loan portfolios by investing in different sectors of economy (Diamond, 1984). However, this implies only in the situation of full market efficiency and according to Diamond (1984), the diversification can reduce the negative influence of information asymmetry. Loans are bank's assets and deposits are its obligations (Acharya and Richardson, 2009), so that the composition of assets plays the primary role in the creation of the bank's income. Banks earn from interests on a provided fund, until a loan becomes non-performing. "A non-performing loan (NPL) is a loan in which the borrower is default and hasn't made any scheduled payments of principal or interest for some time" (Segal, 2021). This type of loans grabbed a government and regulator's attention due to the direct association with system's failure (Ghosh, 2015 as cited in Khan, Siddique, and Sarwar, 2020). Authors also state that an exceeding NPL can crucially affect the banking sector in economic systems what are primary relates to the capital from banks. Khan, Siddique, and Sarwar (2020) examined the dependence of the NPL amount on different bank specific measures and variables: return on assets (ROA), capital, degree of income diversification, and operating efficiency. The methodology applied is the regression analysis on the basis of panel data. The model showed that efficiency and degree of diversification had the most significant effect on the amount of NPLs on bank's account. In other words, the amount of NPLs increases in case of decreasing the operating efficiency and low

diversification of sources of income. That proves the theory of Diamond (1984) but also provides the basis for selecting control variables in the test statistics used in this research.

On the contrary, Tabak, Fazio, and Cajueiro (2010, p.17) examined the financial system of Brazil and found out that a “loan portfolio concentration seemed to improve the performance of Brazilian banks in both return and risk of default”. Authors used the GMM model for valuation of returns in the form of Return on Assets (ROA) and Return on Equity (ROE) during a period of time. By applying several techniques for concentration measuring, researchers found out that the higher concentration of a loan portfolio the higher returns of a bank in general and the lower risks of default in terms of NPL. This results in the conclusion that for the banks in developing economies the concentration of the loan portfolio is more efficient than diversification.

Concurrently, there is literature that states that a banks’ financial position and stability are mostly vulnerable to the macroeconomic conditions than internal management and regulations. The key point here is those works described farther are based on the assumption that management decisions are formed with regards to the economic situation in a particular country. Therefore, a bank loan portfolio structure and quality can be analyzed directly through the economic environment.

Thus, Louzis, Vouldis, and Metaxas (2010) examined the Greece economy and went farther in analyzing NPLs with regards not only to internal controls, but to overall economy. Authors used the GMM model as well as Tabak, Fazio, and Cajueiro (2010), where the dependent variable was the NPL ratio and independent variables were the growth of real GDP, unemployment rate change, and changes in lending rates. The most interesting figure is GDP as one of the major macroeconomic variables, since it represents the production levels of industry and expenditures (Cross, 2016). By the results of GMM model, Louzis, Vouldis, and Metaxas (2010) discovered that banks tended to struggle against an economic slowdown, or in other words, the decrease of country’s GDP caused the increase of NPL amount. Moreover, authors stated that a falling GDP negatively affected a business loans portion rather than a public one. As a result of this statistical test, it becomes more difficult for businesses to repay debts during an economic crisis than for households. It is important to mention that despite the mortgage part of a loan portfolio also significantly depends on the GDP growth, it results in comparatively small deviations. This paper is the closest one to the topic of this study. However, the other factors should also be taken into account.

A similar study was done by Love and Ariss (2013). Authors performed a panel VAR (PVAR) analysis of the Egypt banking sector and its dependence on macroeconomic shocks. The applied model was chosen by the critique of regular VAR approach with the eye on previous studies that could accurately evaluate the link between macro and financial variables. The research covered the period of 18 years (1993- 2010), but Claessens and Laeven (2005) stated that the period of less than 20 years should be considered as insignificant and has to be avoided. One of the key conclusions done by authors was that while banks were increasing their interest rates on loans, the overall loan portfolio quality declined. Love and Ariss (2013, p. 36) proved, that “macroeconomic shocks in Egypt were transmitted to the banking sector through the credit channel”. Such conclusion gives a ground to connect the chain of logical assumptions later in the model.

Another important connection point was provided by Mwangi (2014) who studied the Kenyan banking industry and the loan portfolio quality through the assessment of NPL amounts and their correlation with credit and deposit interest rates. The conclusions made by the researcher served as valuable key chains in the hypotheses model. On the basis of T-test statistics and ANOVA model, the researcher has found that wider spread between loan and deposit rates led to slowdown of “expansion

and development of financial intermediation” because it “discouraged potential savers due to low returns on deposits and thus limited financing for potential borrowers” (Mwangi, 2014, p. 47). Geng, Grivoyannis, and Zhang (2016) also studied this topic but for the Chinese economy and bank loan rates comparing them with the total banks’ income. Moreover, authors took the NPL amount as an income decreasing factor. According to this study, the results proved the founding of Mwangi (2014) despite being studied in a different country. In addition to the similar conclusion made, Geng, Grivoyannis, and Zhang (2016, p. 6) discovered that in line with interest rates, banks were tended to experience rising risks in case of higher assets because “banks with a larger size had a stronger motivation to engage in risky activities, leading to the greater risk” while the larger capital adequacy led to the decrease in risks. Such conclusions give the common ground for establishing an own set of control variables in the test statistics.

On the contrary, the previous works which were focused on the identification of driving forces of banks’ operations, Claessens and Laeven (2005) argued that the primary reason for a banks’ high or low performance was the competition between them. Moreover, the researches stated that there was no a consistent model for measuring the degree of competition. Nevertheless, Claessens and Laeven (2005) counted the study of Rajan and Zingales (1998) as highly valuable in the field of studying the banking sector since the latter examined the economy through different sectors separating them by levels of financial development. According to former authors, it was essential to divide an economy by sectors, whenever the correlation between the economic growth and other industries was studied. The primary statistical test applied by Claessens and Laeven (2005) was the H-test and the applied model was the Ordinary-Least-Square (OLS) or the traditional linear regression. The most important is, the researchers found out that banks tended to develop faster in industries with a higher rate of competition. However, it brought milestone in the way of assessing the degree of competition. It is suggested by authors to evaluate the competitiveness assessing external funds amounts. Finally, Claessens and Laeven (2005) concluded that financially dependent on external funds banks were least likely to robust against the market power of competitors. This study gives an additional viewpoint on the industry in general and serves as a value-added assumption for a deriving model.

The analysis of existing literature represents the wide interest of researchers in the banking sector as the central part of economic environment. There is still no a certain answer what factor mostly affects the banking sector or how banks influence on an economy. Therefore, it provides an opportunity to combine the ideas and discoveries of several researchers and construct a broader model that would cover the entire macroeconomy-banking system cycle.

Research methodology

The research is built on the theoretical model presented in the Figure 1. The model is constructed on a set of hypotheses derived from the basic economic theory. Thus, the theory suggests that the inflation reduces the purchasing power of suppliers due to rising prices for raw materials (Floyd, 2021). The latter are tent to increase due to diminishing of cash value. In such situation, businesses have two ways for overcoming high inflation: adjust prices for their goods and services towards the increase or compromise with new operating costs (Munjaj and Sharma, 2012, as cited in Jaffar and Sharaaz, 2016). In both cases, businesses would suffer the decrease in earnings before interest and tax (EBIT). EBIT is derived from sales less operating expenses, so that, according to the microeconomic theory, an increase in prices for particular products mitigates the demand causing the sales to go down (Kramer, 2021). With less money left on EBIT account from which corporates

generally repay on debts taken from banks, the latter experience delays in payments and accrue them as non-performing loans (NPLs). Taken banks' ability to provide funds as being limited, corporates cannot receive new loans for their capital or operational purposes and stuck in a business cycle development. As a result, businesses either do not produce new goods and services or produce less causing a supply shortage on the market what leads to the slowdown of the economy.

Figure 1

Scheme of the research theoretical model

Thus, by taking into account the Figure 1, the key hypothesis of this research is the following:

An economic growth depends on the size of banks' loan portfolio taking into account NPLs dynamics which is concurrently influenced by the inflation rate.

In order to check the hypothesis a two-stage regression analysis is used (2SLS). This model allows identifying the level of each variable significance with respect to the dependent one and investigate whether the linear relation between those two exists (Burton, 2020). At the same time, the model performs two analyses simultaneously. That allows to investigate how the independent variable changes with respect to some other conditions and whether there is an indirect correlation with them and major dependent variable.

The hypothesis could be understood by using two parallel conditions. The first case includes the analysis based on the investigation of relationship between banks' loan portfolio and the economic growth in the form of GDP. The theory standing behind this test is the more loans are provided by banks the more money is in the use, so that businesses can produce more, consumption increases and GDP rises as a result. The second part is a sub-theory for the first case and it is aimed to derive the factors that affect the loan portfolio quality. This step is essential since it would explain whether the quality of loan portfolio correlates with business activities under particular macroeconomic conditions. Thus, loan portfolio would be tested through the correlation between the NPLs first and several other control variables. The Table 1 summarizes variables used for both stages of test statistics.

Table 1

Dependent and Independent variables used for the regression analysis

Dependent variables

lnGDP	Natural logarithm of Gross Domestic Product	Zhixin and Xin (2011) studied the relationship of economic growth through GDP and energy sector. The GDP in the study was applied in the form of natural logarithm (lnGDP) providing that an argument was a measure in non-stationary.
NPL	Non-performing loans share in total loan portfolio	Shingjerdji and Hyseni (2015) examined banks' profitability in the form of ROE and dependence on several bank specific variables including NPL amounts. NPLs were illustrating the banks' risk.

Independent variables

LP	Loan portfolio	The LP structure was studied in details by Vasicek (2002). The author explained how the profitability and default risk affected the LP composition.
Inf	Inflation rate	The inflation rate is a common topic in economic studies. Billi and Kahn (2008) in their studies followed the idea to investigate the optimal rate of inflation that should be targeted in different economies.
Sprd	Interest rate spread between loans and deposits	Collins and Wanjau (2011) categorized NPLs as non-performing assets and investigated how the spread between loans and deposits in commercial banks of Kenia affected the way banks perform.
BR	Base rate of the National Bank of Kazakhstan	The central bank base rate is a way of communication of the primary financial regulator with the market. It insures that by using the instrument, such as the base rate, the market operates within efficient liquidity conditions (Moessner and Nelson, 2008).
A	Size of bank assets	The size of bank's assets is the common measure in studies devoted to banks' profitability; thus, for instance, Gul, Irshad, and Zaman (2011) concluded that bank's assets in line with external factors significantly influenced on the profit of a financial institution.
NIM	Net Interest margin	The effect of banks' policies on a net interest margin was studied by Busch and Memmel (2015). According to the authors, every change by 100 bps in interest rates caused the NIM to vary by 7 bps with positive correlation.
EM	Equity Multiplier	The Equity multiplier is a part of DuPont identity and as it is stated by Lotto (2016), a higher EM led to better returns on equity but rather due to decrease in equity than in rise in income.

In the first stage of the analysis the dependent variable is a loan portfolio of each separate bank. The percentage of NPLs of the total loan portfolio is taken as one of the key independent variables. The second major measure is an inflation rate (Inf) and for the control variables on the first level stands the spread between interest rates for loans and deposits (Sprd) and on the second is the base rate (BR) of the National Bank of Kazakhstan (NBK), the Equity multiplier (EM). The base rate is one of the main tools of the NBK for controlling money supply within the country in terms of its monetary policy (Brock, 2021). Therefore, due to the direct and negative correlation with inflation this measure is set as a control variable. Using these settled variables, the following regression model is derived:

$$LP = \beta_0 + \beta_1 NPL + \beta_2 Inf + \beta_3 BR + \beta_4 Sprd + \beta_5 EM + \epsilon.$$

For the second and primary test the GDP is not taken as a pure but as a natural logarithm due to its non-stationary nature. Additionally, using logarithms in linear type models, such as OLS, allows diminishing the distribution skewness and still performing the regression analysis, if the relationship between variables is not completely linear (Benoit, 2011). The set of independent variables consists of a loan portfolio (LP) which is core in the first test, assets size of banks (A) and the net interest margin

(NIM). The latter would serve as an indicator showing how the profitability of banking sector affects the overall economic growth. By using the settled variables, the following equation is settled for the first test:

$$\ln \text{GDP} = \beta_0 + \beta_1 \text{LP} + \beta_2 \text{A} + \beta_3 \text{NIM} + \epsilon$$

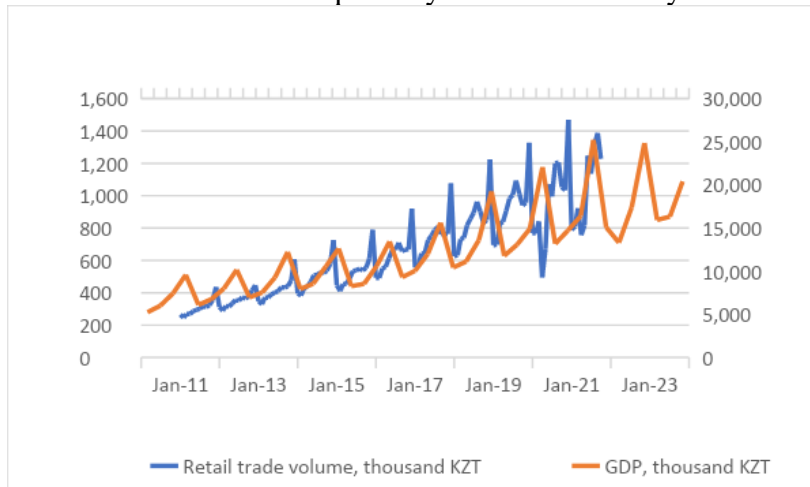
where β_0 is an intercept of the linear function that indicates how $\ln \text{GDP}$ would change organically in case of other variables being equal to 0; ϵ stands for an error of a test demonstrating the probability of model default (Mahaboob, Narayana, Venkateswarlu, Sankar, and Balasiddamuni, 2018). Each β_k , where $k = 0, 1, 2, 3, 4$, represents the slope of a linear function.

The degree of significance for each variable would be determined by comparing the test P-value with three common levels of α coefficient: 0.1, 0.05, 0.01. These coefficients are set as the probability of type 1 error occurrence, or in other words, the probability of false rejection of null hypothesis (Minitab, 2015). The significance level of 0.05 was suggested by Fisher (Thiese, Ronna, and Ott, 2016); however, Labovitz (1968) argued that α of 0.05 was comparatively high and increased the likelihood of researches hypotheses to be true. Therefore, both models would consider all three levels of significance concluding that the variable with the P-value less than 0.01 is highly significant, between 0.05 and 0.01 – moderate significant, and between 0.1 – 0.05 – low significant. The variable with the P-value above 0.1 shall be considered as either no effect or not significant effect on a dependent variable within the test.

The entire data set of dependent and independent variables is constructed on a monthly basis. The data on bank specific variables such as the loan portfolio structure, size of assets, net interest margin, loan loss reserves as well as interest rates on loans and deposits and base rate are taken from the National Bank of Kazakhstan (NBK) database. The GDP is taken on a quarterly basis and separated by months on the foundation of monthly retail trade amounts by applying the *ipolate* function in the Stata software. The retail trade was taken as the benchmark for GDP because of two reasons: it has a cyclical nature and forms GDP by 60% on average. The Graph 1 represents how GDP and retail trade are correlated.

Graph 1

The correlation between quarterly GDP and monthly based retail trade



Source: National Bureau of Statistics, 2021

All values chosen for the test belong to the period of 2013 – 2021 and are structured in the form of panel data separated by 22 banks of Kazakhstan. The Table 2 represents the sample of banks and their balance sheet data (in thousands of KZT) on November 1, 2021 used in the first statistical test. Each of two linear equations explained above were compiled using the Stata software.

Table 2

Sample of banks used in statistical test

	Bank	Assets	Liabilities	Equity
1	“Halyk Bank Kazakhstan” JSC	11,072,784,140	9,533,818,072	1,538,966,068
2	“Sberbank” JSC SB	4,033,081,873	3,673,257,908	359,823,965
3	"KASPI BANK" JSC	3,495,831,909	3,124,259,964	371,571,944
4	"ForteBank" JSC	2,397,256,208	2,146,331,782	250,924,425
5	“Bank Center Credit” JSC	1,996,166,188	1,854,765,295	141,400,894
6	“Otbasny Bank” JSC	2,429,399,704	2,058,827,746	370,571,958
7	"First Heartland Jusan Bank" JSC	2,680,118,363	2,195,086,188	485,032,175
8	“Eurasian Bank” JSC	1,441,112,588	1,329,036,386	112,076,202
9	"Bank RBK" JSC	1,233,402,127	1,127,612,316	105,789,812
10	“Citibank Kazakhstan” JSC	1,176,220,874	1,044,347,478	131,873,397
11	“Alpha Bank” JSC SB	849,667,800	728,154,221	121,513,578
12	"Altyn Bank" JSC (SB China Citic Bank Corporation Ltd)	626,858,434	555,457,906	71,400,528
13	“Nurbank” JSC	447,263,202	402,987,654	44,275,548
14	“Bank Homecredit” JSC SB	472,190,338	362,554,091	109,636,247
15	“Bank of China in Kazakhstan” JSC SB	391,982,555	330,765,480	61,217,075
16	“Bank VTB Kazakhstan” JSC SB	465,186,152	431,386,344	33,799,808
17	“TPB Bank of China in Almaty” JSC	265,066,905	230,064,374	35,002,531
18	“KZI Bank” JSC SB	134,884,317	98,924,169	35,960,147
19	“Bank Freedom Finance Kazakhstan” JSC	233,340,224	188,118,847	45,221,377
20	“Shinhan Bank Kazakhstan” JSC	84,975,005	68,451,327	16,523,678
21	“Islamic Bank "Al Hilal" JSC	60,947,209	43,198,113	17,749,096
22	“Zaman Bank” JSC	25,162,974	12,163,630	12,999,344

Source: National Bank of Kazakhstan

Data analysis

As it was stated, the data analysis is built on the 2SLS model. The model was run on the basis of two datasets one for each test. The primary set used to exercise the dependence of a loan portfolio of lnGDP is a timeseries type. While the second set represents the panel data. In order to perform the analysis, the LP variable from the first stage was averaged. Moreover, the banking sector of Kazakhstan is dynamic. Thus, some banks, what were acquired by larger ones, were taken as a part of the acquirer from the beginning.

After the downloading data in Stata software, the software returned the results presented in the Table 3 and Table 4.

Table 3

The first stage of 2SLS analysis

. reg lp npl inf br spread em

Source	SS	df	MS			
Model	578789.516	5	115757.903	Number of obs =	73	
Residual	229391.062	67	3423.7472	F(5, 67) =	33.81	
Total	808180.578	72	11224.7303	Prob > F =	0.0000	
				R-squared =	0.7162	
				Adj R-squared =	0.6950	
				Root MSE =	58.513	

lp	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
npl	470.5904	364.5977	1.29	0.201	-257.1496	1198.33
inf	2.184901	2.951552	0.74	0.462	-3.706421	8.076223
br	-2361.814	362.6111	-6.51	0.000	-3085.589	-1638.04
spread	-15537.06	2547.135	-6.10	0.000	-20621.17	-10452.96
em	27.42744	26.5517	1.03	0.305	-25.56997	80.42485
_cons	991.5036	415.9134	2.38	0.020	161.3369	1821.67

According to the first test statistics, which examines the correlation of the amount of total loans provided with the proportion of non-performing loans, the only two measures that have significant effect on banks' loan portfolio are the central bank base rate and interest rate spread. That is reflected by P-value which shows pure zero for both BR and Spread measures which is less than $\alpha=0.01$. In addition, both these variables have the negative correlation with the loan portfolio. That is shown by the negative correlation coefficient of -2361.814 for the base rate and -15537.06 for the interest rate spread. It means that when the central bank toughens the monetary policy and increases the base rate, the borrowed money amount lowers. The other evidence for that is the difference between interest rates for loans and for deposits. The test showed that when banks offered loan rates closer to deposit ones, borrowers were willing to take more money and as a result banks' overall loan portfolio increased.

That is interesting to note, that the amount of non-performing assets has no effect on the amount of loans provided. According to the results, the P-value of NPL is 0.201, what is significantly higher than all three levels of acceptance. Therefore, during stress situations when a bank experiences its rising accounts that do not bring any revenue, it can either increase the issuance of new loans or diminish them.

Another important point is that the inflation has no effect on the loan portfolio. To paraphrase, during the fluctuations in consumer prices, the amount of loans provided would change independently from the inflation rate. That is supported by the P-value what stand above the highest acceptable α of 0.1.

Table 4

Second stage of 2SLS analysis

. reg lngdp lnlpHat lnA nim

Source	SS	df	MS			
Model	1.54720465	3	.515734883	Number of obs =	73	
Residual	2.77461301	69	.040211783	F(3, 69) =	12.83	
Total	4.32181766	72	.060025245	Prob > F =	0.0000	
				R-squared =	0.3580	
				Adj R-squared =	0.3301	
				Root MSE =	.20053	

lngdp	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
lnlpHat	.7578955	.1880746	4.03	0.000	.3826969	1.133094
lnA	.0663365	.3018119	0.22	0.827	-.5357617	.6684347
nim	4.788981	9.728359	0.49	0.624	-14.61856	24.19653
_cons	3.285743	1.089341	3.02	0.004	1.112567	5.458919

The results of the second test illustrate that along with changes in loan portfolio, the Kazakhstan's GDP concurrently reflects those values. In other words, the statistical test evaluated that GDP growth (lnGDP) was perfectly correlated with the growth of loan portfolio size. The P-value of zero proves the first stage of a theory that the more loans are taken by businesses and households the more is invested in economy so that it grows.

Curiously, that the size of banks in terms of assets (lnA) and profitability (NIM) has no effect on the economy's growth. Thus, the P-values for these two measures are 0.827 and 0.624, respectively.

Conclusion

Today, the banking sector of Kazakhstan is rapidly developing and experiences continuous transformations. Thus, the largest acquisition of the Kazqomertz bank in 2018 or the default of the BTA bank in 2015 cannot stay free of attention. Daily money market operations of commercial banks attract the attention to the whole banking industry. Therefore, it becomes essential to connect the banking sector with the country economic growth.

After having analyzed the data and the results of the 2SLS model it could be concluded that the theory developed for this research is partially proved. First of all, it was verified that the amount of loans provided by banks essentially effects on the country economic growth and Kazakhstan, in particular. Secondly, the amount of loans provided depends on the monetary policy on the National Bank of Kazakhstan meaning that if the NBK increases the base rate it causes the commercial bank loan portfolio to decrease. At the same time, narrowing of an interest rate spread can result in enlarging of the loan portfolio volume.

However, there was no any sufficient evidence received in order to show the evidence towards the correlation of a loan portfolio with the inflation rate. That creates an additional floor for further statistical tests that would be able to provide the bridge between the performance of business sector and macroeconomic conditions of the country and how it reflects further on the banking sector.

Finally, it was detected that there is no correlation of banks' size growth with GDP. In addition, statistical test did not emphasize any effect of banks' profitability on the economy. That creates an assumption that the economic growth may depend on the profitability of the manufacturing and retail industry instead.

Overall, the second part of the theory should be considered as being correct. Concurrently, the first part describing how the inflation rate influences on the growths of loans provided should be checked for the limitations. To conclude, the theoretical model takes place while being unfinalized within this research.

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Impact of IFRS 16 on the largest air carrier of Kazakhstan

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Abstract

This article aims to investigate the effect from implementation of IFRS 16 on financial statements of the largest air carrier of Kazakhstan – Air Astana JSC. The approach of the researcher is to examine the effect of IFRS 16 through comparison of the periods before and after adoption of the standard in order to identify the major differences of accounting for leases between previous IAS 17 and IFRS 16 along with analytical study carried out to show the impact on financial statements and key ratios. The study concludes that there is a significant impact of the adoption of IFRS 16 on the financial statements of the Kazakhstani largest air carrier due to dramatic changes in accounting for assets, liabilities, equity, thus leverage and profitability ratios.

Keywords: IFRS 16, IAS 17, right of use assets, airlines

1. Introduction

In 2016 the International Accounting Standards Board (hereinafter IASB) issued the new standard for leases which replaces the old IAS 17 with early adoption permission starting from the 1 January 2019. ‘IFRS 16 represents the first major overhaul of lease accounting for over 30 years’ (Grant Thornton, 2016, p.1). Previously, accounting for leases was carried out under IAS 17 ‘Leases’ standard. Under the old lease standard, the leases were treated as operating and financial leases. Leases are considered as finance only when all the risks and rewards are transferred to the lessee according to the contract and in such cases the lessee capitalizes the lease and recognizes the assets and liabilities. In all other cases, leases shall be treated as operating leases and no lease assets and liabilities appear on the balance sheet and only the lease payments are expensed in the statement of profit and loss.

The distinction between financial and operating lease was criticized by many standard setters, practitioners and researchers. They argued that this has resulted in much restructuring and off- balance sheet financing (Fülbier et al. 2008; Kostolansky and Stanko, 201; Tai, 2013).

The main change in the new lease accounting standard is that it eliminates the distinction between operating and finance leases, requiring all the leases to be capitalised aside from certain exemptions. These exemptions refer to lease agreements with duration less than a year which do not involve purchase options as well as leases with low value. The lease contracts that meet these exclusions are accounted as expenses on a straight-line basis (IFRS 16: 5, 6, 8). The criteria of ‘risks and rewards incidental to ownership’ have hence been replaced by a new model based on the ‘right-to-use’ an asset. Firms will have to assess whether a contract conveys the ‘right to use an asset’ or is a contract for a service that is offered by employing the asset.

To be more precise, a contract involves a lease if ‘it conveys the right to control the use of an identified asset for a period of time in exchange for consideration’ (IFRS 16:9), while control exists where ‘the customer has both the right to direct the identified asset’s use and to obtain substantially all the economic benefits from that use’ (IFRS 16:B9). Therefore, off-balance operating lease assets will

be recognised as a 'right of use asset' recording the associated liability, while depreciation and finance charges will replace rent expenses. IFRS 16 is expected to address the insufficiencies presented above, so increasing transparency and comparability, while at the same time external financial users will not have to make adjustments (IASB, 2016a).

The advent of IFRS 16 is essentially anticipated to increase firms' liabilities and assets, as well as inducing important modifications on key performance indicators and P&L items for companies with a substantial amount off balance sheet leases (IASB, 2016a). According to IASB (2016a), the industries which are the heaviest users of off-balance sheet leases are airline and retailer, followed by travel and leisure.

Therefore, this study aims to detect the impact of IFRS 16 on financial statements and key performance indicators of Air Astana JSC - the largest air carrier in Kazakhstan.

2. Literature review

2.1 Impact of capitalization of operating leases on airline industry

Some empirical studies have covered the impact of the capitalization of operating leases on the different industries and in particular, airline industry. Such different accounting treatment for leases even had an impact on the decisions that creditors make in relation to borrowers due to some leverage ratios affected by the change from IAS 17 to IFRS 16 (Tofanelo et al., 2021).

The wider study was conducted by PwC (2016) and focused on the impact of the capitalization of operating leases on 3,199 companies using IFRS. The main findings of the study show that the impact of capitalization varies from industry to industry and is particularly notable in the airline, retail, health and other service industries. The same year, the IASB conducted a similar study. The study, referring to 1022 companies, concluded that in sectors such as airline, retail, transport and leisure, the total debt associated with the capitalization of operating leases represents 20 per cent of the total assets meaning the great potential impact of implementing new standard.

Morales-Diaz and Zamora-Ramirez (2018) studied the capitalization impact of leases on the financial statements and key financial ratios for the 646 European companies from various industries and it was noted that most frequently operation type used by airlines is operational leasing. According to the studies conducted in relation to airline industry in Brazilian market, it was also revealed that the impact of IFRS 16 is significant (Tofanelo et al., 2021), since IASB's study (2018d) points out that 92% of all leases in Latin American companies were accounted as operating leases (off-balance sheet).

2.2 Impact on financial indicators and financial statements from adoption of IFRS 16

A lot of research has been done over the last three decades studying the impact of the capitalization of operating leases on the financial position of the companies. In 1993, Imhoff et al. carried out a more extensive analysis of the impact of capitalization on the balance sheet and income statement. The research sample included 51 retail companies and 29 airline companies. As a result, the D/A ratio shows an 11.8 per cent increase and the performance ratios such as ROA, ROE show a 2 per cent increase and a 21.4 per cent decrease, respectively. The main part of the studies was carried out on the basis of all industries which also included airline companies, but do not specify the results industry by industry. However, some studies illustrated the importance of implementing specific company or industry assumptions in the capitalization of operating leases. Standard assumptions used by some academics may lead to significant distortions of results.

As mentioned above, the majority of studies have been conducted to examine the impact of the new standard on all industries. However, there are still a few studies that have focused solely on the airline industry. Studies conducted by Öztürk and Serçemeli (2016) are clear examples of such literature. Öztürk and Serçemeli (2016) conducted a study to determine the effect of IFRS 16 on the financial performance of one airline in Turkey (Pegasus Airline). Similar results were found with the above noted studies that D/E and D/A ratios showing an increase of 75.3 per cent and 16.9 per cent respectively. However, the authors presented decrease in ROA by 34.4. per cent and 15.6 per cent increase in ROE. Overall, the total assets and total liabilities are expected to increase by 29.3 per cent and 52.2 per cent and equity is expected to decrease by 12.5 per cent.

Another recent research performed by Veverkova (2019) is also focused on aviation industry whereby there was a sample of 15 airline companies, on which a median increase of total assets was seen at 25.71 per cent. The study showed also median decrease of 20.94% in ROA and 15.94% in ROE indicators.

3. Data and Methodology

Hypothesis development:

The aim of this study is to examine the impact of IFRS 16 on financial statements and financial performance of Air Astana JSC – the major air carrier in Kazakhstan. To be more specific, the study focuses on specific periods, namely on the transition period in the year of 2019 when figures were accounted for under new IFRS 16 and comparison with 2018 numbers where an old IAS 17 was still effective. For the purposes of this research publicly available audited financial statements of Air Astana JSC for the year ended 31 December 2018 and 31 December 2019 were used.

In order to find out a response to the main question of the research: “Whether Air Astana’s financial statements and performance indicators were affected by the adoption of IFRS 16?”, three hypotheses were developed based on the analysis of the above literature, understanding of main differences between new and old standards, and particular analysis of financial indicators of Air Astana JSC.

H1: Transition from IAS 17 to IFRS 16 has significant impact on balance sheet accounts and some leverage ratios, such as debt to equity and debt to assets.

The new IFRS 16 will have an impact on the operating income and the net income of the companies in terms of the rental payments, which were previously expensed under IAS 17, but will be replaced by the depreciation of the new right-of-use assets under IFRS 16. The direction of impact, whether it decreases or increases profitability, is not clear, as it requires significant judgmental assumptions about borrowing rate, useful life, etc. Despite this, previous literature showed that there is impact on profitability and this led to second hypothesis:

H2: Transition from IAS 17 to IFRS 16 has impact on income statement especially on operating income and net income and some profitability ratios as ROA and ROE.

Research design

An empirical proof of the effects on the financial ratios and financial performance of Air Astana JSC (hereinafter, Company or Air Astana) following the replacement of IAS 17 by IFRS 16 is an aim of this study. The financial data under IAS 17 and IFRS 16 should be provided for the same data set and period for comparison purposes. IFRS 16 allows to use two approaches: the first is full retrospective approach whereby the companies are obliged to restate all the financial figures of

comparative periods according to this method. The second approach is a modified retrospective approach that assumes no adjustment of the comparative period and adjusts only the retained earnings or deficit at the beginning of the year. Specifically, disclosures to financial statements will provide a complete picture of the impact of IFRS 16 mostly for companies that use full retrospective approach. In contrast, in the case of the company applying the modified retrospective approach, only the equity impact of the new standard will be presented through adjustments. Particularly, those adjustments are made to the statement of financial position to correct beginning balance of the current period. In the scope of this research, the second approach will be analyzed since Air Astana applied modified retrospective approach for IFRS 16 adoption. As can be seen in Figure 1 below, this creates a possibility to analyze the actual impact of IFRS 16 on financial statements and financial ratios as at the end of 2018 under both old IAS 17 and new IFRS 16.

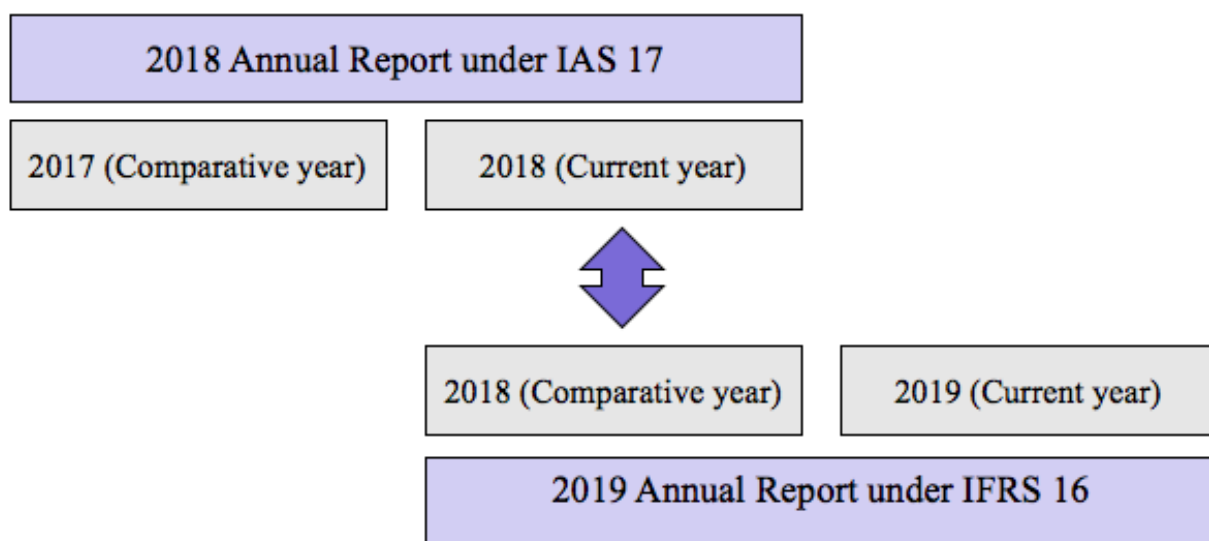


Figure 1 Information source: KPMG, 2018

Firstly, the data was obtained from the annual audited financial statements and then the financial ratios were calculated under both IAS 17 and IFRS 16. Secondly, the causes of changes in the financial ratio have been analyzed through each of the ratio components that represent line items in the financial statements.

4. Empirical Results

This section presents the actual impact of the capitalization of operating leases on the Company's financial statements and financial ratios. Figures provided in the table 1 illustrate statistical results of balance sheet account numbers and changes under IAS 17 and IFRS 16. Based on the results, it can be clearly seen that Air Astana is confronted with significant balance-sheet changes, particularly positive changes in total assets, total liabilities and negative changes in the equity balance.

Table 1 – Impact on Balance Sheet

<i>In thousands of USD</i>	Results under IAS 17	Results under IFRS 16*	Change, %
Total assets	580,570	745,570	28,42%
Total liabilities	491,918	679,918	38.21%
Total equity	88,652	65,652	(25.94%)

**Financial results under IFRS 16 were retrieved from Note 2 to financial statements for the year ended 2018 that describes an application of new and revised IFRS. Please refer to table 2 to see how Air Astana's management calculated estimated effect from IFRS 16 which was adopted starting from 1 January 2019.*

Table 2 – Air Astana's estimation on IFRS 16 effect

<i>In thousands of USD</i>	31 December 2018	IFRS 16 impact	Adjusted balance 1 January 2019
Property, plant and equipment	255,007	165,000	420,007
Lease liabilities (including currently recognized lease liabilities)	281,527	195,000	476,527
Retained earnings	143,746	(23,000)	120,746
Deferred taxes	16,455	(7,000)	9,455

As can be seen from the tables below, IFRS 16 implementation has a significant impact on the Company's balance sheet items with negative effect on total equity due to modified retrospective approach used and positive effect on total assets and liabilities due to operating leases capitalized. Such significant numbers on IFRS 16 impact which are shown in table 2 are coming from additional aircraft required to be capitalized on the Company's balance sheet. As such, according to the audited financial statements for the year ended 2018, Air Astana has 10 aircraft under finance lease (already capitalized) and 24 turbojet aircraft under operating lease. Thus, the impact is mostly reflected by 24 aircraft capitalized. Possibly there are some other significant assets previously held and accounted for under IAS 17, but according to the analysis performed, the major part is still coming from leased aircraft. This is proved by the fact that as of 31 December 2018 the net book value of aircraft on Air Astana's balance comprises almost 80% of total property, plant and equipment. The significance of the IFRS 16 impact can also be presented using quantitative data. Negative effect on retained earnings in the amount of USD 23,000 thousands is almost twice bigger than the Company's pre-tax income, which amounts to USD 12,008 thousands for 2018.

For the purposes of analysis of impact of IFRS 16 on profitability, results of the research are based on audited financial statements for 2019 since Company has adopted new standard on 1 January 2019 and respectively disclosed impact for the period in Note 2 to the financial statements. Please refer below to table 3 which presents the change between two methods on profit or loss statement.

Table 3 – Impact on profit or loss statement

<i>In thousands of USD</i>	Results under IAS 17	Results under IFRS 16	Change, %
Operating income	52,019	78,699	51,28%
Net income	19,251	30,032	56%

As can be seen, there is a 51,28% and 56% positive impact on Air Astana's financial due to implementation of IFRS 16. In 2019 financial statements, total profit or loss effect from IFRS 16 is USD 70,370, from which USD 54,471 thousands booked for depreciation expense related with right-of-use assets and USD 15,899 for interest costs versus USD 81,151 thousand of lease payments that might have been charged to profit or loss statement under IAS 17.

Table 4 – financial ratios

<i>In thousands of USD</i>	Results under IAS 17	Results under IFRS 16	Change, %
<i>Leverage ratios</i>			
Debt to equity ratio (D/E)	5,54	10,356	86,93%
Debt to assets ratio (D/A)	0,84	0,91	8,3%
<i>Profitability ratios*</i>			
Return on assets (ROA)	3,38%	3,03%	(10,52%)
Return on equity (ROE)	24,44%	29,11%	19,07%

**For comparison purposes audited annual financial statements for 2019 were taken for calculation of ROA and ROE, since Note 2 of financial statements contain information on exact balance sheet and profit or loss items that were adjusted due to IFRS 16 adoption. Thus in order to retrieve results under IAS 17, all of the adjustments were reversed back to see total assets, total equity and net income figures as if IAS 17 was applied.*

Table 4 above shows data on financial ratios prior to and after the implementation of the new standard. According to the results, the increase in D/E ratio is 86.93 per cent. The reason for such significant increase is explained by the rise in total liabilities and, meanwhile, the decline in total equity (retained earnings) after operating leases have been capitalized. The other leverage ratio D/A showed an increase by 8.3 per cent. The overall increase in the D/A ratio is significantly lower compared to the D/E ratio, which is explained by the fact that the increase in total assets smoothed the total liability increase impact on the D/A ratio. The increase in the D/A and D/E ratios indicates that IFRS 16 has a significant impact on Air Astana's leverage, increasing financial risk and potentially raising questions about the ability to obtain further additional financing.

In case of profitability ratios, ROA showed negative change for Air Astana with 10.52 per cent. Such negative impact is explained by the strong total asset effect on ROA rather than income before interests and taxes.

Another profitability ratio shown in Table 4 is ROE. There is 19.07 per cent of positive change which is mainly affected by decrease in retained earnings by USD 24,428 thousands after operating leases capitalization. Such upward or downward change in retained earnings depends on the specific terms in lease agreements, discount rates used for calculation of net present value of lease liabilities, and it might have been opposite if the Company used different assumptions. Another effect is caused by straight-line depreciation of right-of-use assets and interest costs booked in profit or loss statement which in total USD 10,781 thousands lower than Air Astana's operating lease expenses that might have been booked if Company used IAS 17.

5. Conclusion

IFRS 16 Leases have superseded IAS 17 from 1 January 2019 onwards. The treatment of operating leases concerned a wide range of stakeholders, so the introduction and transition to the new lease standard was one of the most significant improvements to the principles of international accounting. The main distinction between the old and new lease standards is that operating leases under IFRS 16 are intended to be treated as financial leases and will therefore appear on the balance sheet.

The findings of this dissertation demonstrate that operating lease capitalization under IFRS 16 has a significant impact on financial statements and key performance ratios of the largest air carrier of

Kazakhstan – Air Astana JSC. The significant change in operating profit and net income was identified as the result of the substitution of rental costs for depreciation and interest costs. Furthermore, leverage ratios such as D/A and D/E are experiencing a significant average increase whereas the results for the profitability ratios are not consistent – ROA change is positive, but ROE is negative. Overall, the results obtained with respect to leverage ratios are the same with the literature. For example, in the study conducted by Tofanelo, Nunes, and Sales (2021), there is a table summarizing the consequences of applying IFRS 16 on financial indicators, whereby D/E increases, ROE is subject to other factors.

Generally, going back to the research question, it can now be claimed that the adoption of IFRS 16 Leases has had a major impact on both the financial statements and the financial ratios of the Air Astana JSC.

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Determinants of firm profitability: The case of National Welfare "Samruk-Kazyna" Holding

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Abstract

The study's major goal is to figure out what variables influence the profitability of significant firms under the National Welfare Holding "Samruk-Kazyna." Secondary data was gathered from the financial accounts of eleven of Samruk-top Kazyna's firms, and the information is available on the following official websites: All data was gathered between 2010 and 2020, when the IFRS-based system was implemented. The research was carried out using a quantitative approach. For regression analysis, panel data were employed, and FGLS was applied (feasible generalized Least Squares method). We predict company-specific variables to have some impact on the profitability of the Samruk-Kazyna Holding's main firms.

Keywords: Profitability, Panel data, Return on Assets, Return on Equity, Liquidity ratio, Cost to income, Total debt ratio, Tangible assets, GDP, Inflation rate, Political stability.

1. Introduction

Profitability is one of the most significant criteria to examine when evaluating a company's performance since it reveals how much profit is made in relation to assets, equity, and sales. One of the most significant objectives for businesses today, especially in the context of global economic integration, is to increase profitability. Only a stable, profitable economy can provide adequate financial resources for longterm growth, attracting both local and international attention and investment. Profitability is a useful instrument for anticipating future business outcomes as well as a credible basis for assessing a company's performance. Profitability symbolizes shareholder wealth and, as a result, attracts investors. As a result, in the study of economics, strategic management, accounting, and finance, the search for diverse elements that directly or indirectly impact profitability is an essential problem.

Many scientists have studied the best financial structure for increasing long-term profitability in businesses (Bradley, Jarrell & Kim, 1984; DeAngelo & Masulis, 1980; Miao, 2005). Additional aspects that have a direct influence on profitability, such as financial resources, solvency, liquidity, and financial sufficiency, must also be classified. Firm size, capital structure, liquidity, solvency, sensitivity, overhead-to-revenue ratio, and economic growth are all influences on an organization's profitability (Grau, & Reig, 2018; Blakova, 2018; Fareed, Ali, Shahzad, Ullah, 2016; Szymaska, 2017; Jumono, Sugiyanto, & Mala, 2019; Mohanty & Krishnankutty, 2018; Pattit 018).

Despite the fact that various theories have attempted to explain why some companies are more financially profitable than others, and despite the fact that a large number of studies have taken into account and studied various factors that can affect a company's performance, the question of a company's profitability remains unanswered. a real, serious, and never-ending phenomena that has piqued the interest of numerous scholars and experts In the present environment of market

liberalization, globalization, and increased competitiveness, it is critical to research the variables that are relevant and crucial for deciding organizational performance.

The remaining sections of the paper are organized as follows. The second section looks at past research that has used the profitability criteria explored in this study. In Section 3, the data is discussed, as well as the empirical model. Section 4 presents the findings, analysis, and policy implications. The findings are found in the concluding section.

Profitability is the most important component in every business. One of the most commonly used financial ratio measurement tools is profitability ratios. They're a type of metric that's used to assess a company's profitability and establish its bottom line.

The question of determining profit is incredibly crucial. Profit is an essential component of every business. The goal of management is to make the most money possible. Profitability is a statistic that is used to evaluate a business's efficiency. The larger the profit, the more efficient the business is considered. The profitability of a company's investment may be used to calculate its profit.

The capacity of an investment to create a profit from its use is known as profitability. The investment's lending power or operational performance refers to this competence. Profitability is a relative notion, and profit may be quantified in relation to other factors that drive profit. It is a test of efficiency, a vital motivator, and a measure of control in any company.

In reality, profitability is a very sensitive economic indicator that is impacted by a variety of factors working in a variety of ways. Some have an influence on product price and quantities, while others have an impact on manufacturing costs and the firm's capital stock, size, market share, and growth. Furthermore, profitability would be influenced by company rules controlling various operations. Some are of immediate importance, while others have a long-term impact. It's difficult to come up with a profit theory that takes all of these factors into account. Due to these restrictions, it is natural to analyze variations in profitability using a partial technique, that is, evaluating the impact of a few significant elements while ignoring the implications of other independent variables that are left out at the same time. This study is a step in the right direction.

Profitability indicators should be understood by both management and business owners. If a small business is backed by outside investors who have put their own money into it, the principal owner must show that the company is lucrative for stock market investors.

Profitability is one of the most significant variables to analyze when examining a company's performance since it reveals the amount of profit in relation to the cost of investments, equity, and sales. One of the most crucial objectives for a firm is to increase profitability. Only a stable, productive economy can generate sufficient financial resources for long-term growth, drawing both domestic and foreign interest and investment. Profitability is a valuable tool for forecasting future business performance as well as a realistic metric for determining a company's success. Profitability reflects a company's riches and, as a result, its appeal to investors. As a result, students studying economics, strategic management, accounting, and finance should concentrate on understanding the numerous factors that influence profitability directly or indirectly.

Profitability of businesses and how to improve it are passionately disputed topics among managers and academics. Identifying the reasons of variances in business profitability is an important study subject in economics, strategic management, accounting, and finance (Goddard, Tavakoli & Wilson, 2005). In the literature, various attempts have been made to investigate theoretical models that can be utilized to boost business profitability.

Organizations, particularly profit-driven enterprises, must focus on performance to be competitive. As a result, if a firm is to continue in business, profit maximization is a vital component of management. Profit is calculated as total earnings minus operating expenses. Improved retained earnings enhance

cash flow for shareholders, and research has shown that disclosing higher profitability always results in a rise in stock prices. Profit maximization is essential for every organization's long-term survival.

Understanding the elements that influence the variety of company profitability is one of the most productive areas of research for both industrial economists and strategic management scientists (Kattuman, Rodriguez, Sharapov & Velazquez, 2011).

Kallhoefer and Salem (2008) looked at the Egyptian banking sector's problem loans and profitability, focusing on income concerns in state-owned banks. A bank-specific form of DuPont's Shireback ROE system was utilized to quantify profit in this study. Using published data from financial statements, it gives a more ordered perspective of the bank's profitability structure than other techniques. Lim (2008) studies the efficiency and profitability of Japanese banks from 2000 to 2006. Core earnings, average return on assets (ROA), and return on equity (ROE), as well as a variety of other measures, are all offered.

Companies covering the most vital sectors of the economy, such as oil and gas, electric power, transportation, mining, telecommunications, and others, make up the Fund's group structure. The actions of the Fund's firms are targeted at enhancing the value of equity, which helps to improve the country's competitiveness and long-term viability. Companies in these industries are developing financial markets all around the world, and many investors are paying close attention to price adjustments for the goods and services they supply. Companies comprising the most vital sectors of the economy, such as oil and gas, electric power, transportation, mining, telecommunications, and others, make up the Fund's group structure. The Fund's enterprises' actions are targeted at raising the value of equity capital, which helps to improve the national economy's competitiveness and sustainability. Companies in these industries are developing financial markets all around the world, and many investors are paying close attention to price adjustments for the goods and services they supply.

The holding of JSC "Samruk-Kazyna" makes a major contribution to the economy of the Republic of Kazakhstan, with its assets accounting for 39% of GDP.

The changing realities of the world have demonstrated that no sector can be predicted, with each having its own peak and fall. As a result, during moments of success, corporations opt to invest in assets and grow staff in order to flourish, whereas during downturns, they drastically cut expenses and forsake attractive ventures in order to save money. Economic factors also exert pressure on all aspects of company, while digital technology provide new tools for streamlining processes and increasing output. They are, nevertheless, costly and need careful preparation. As a result of the ups and downs, businesses are required to adopt long-term transformation strategies in order to maintain stability, improve key performance metrics, and improve operational excellence.

As a result of global market inequity, several listed sectors are experiencing a slew of issues (Yazdanfar, 2013). Several elements that impact the profitability of various sectors have been uncovered throughout history. After subtracting costs, profitability is defined as the capacity to generate a profit. Profitability is also determined using the price-to-profit ratio, which compares income and costs (Hofstrand, 2009). Profit is the main purpose of a business, according to Nimalathasan (2009), and it is reached by successful businesses that may choose between debt and equity to finance their operations. The success of a product, as well as the expansion of the market for that product, determines an industry's profitability.

Organizational drivers of profitability are connected to a firm's total performance, according to Michael, McGovern, and Dvorik (1997), implying that industry profitability is impacted by characteristics such as size, leverage, current assets, and sales growth. The profitability of the sector is

influenced by macroeconomic factors such as a country's gross domestic product, inflation rate, pricing policy, innovation, and technological advancements (McGivern, Michael & Tvorik, 1997).

1.1. Importance of Samruk-Kazyna Holding in Kazakhstan Economic Development

Recently, the number of research seeking for measurements and factors of corporate profitability has risen. Because of its importance in gauging outcomes, the financial industry's profitability has piqued academic attention in recent research. However, it has gotten little attention from our developing country's National Fund, "Samruk-Kazyna."

Profitability is a relative notion, and profit may be quantified in relation to other factors that drive profit. The goal of this research is to see how major variables affect the profitability of Kazakhstan's national businesses.

The Fund's enterprises' actions are targeted at raising the value of equity capital, which helps to improve the national economy's competitiveness and sustainability. This holding has expanded and contributed significantly to energy security, exports, foreign currency, and the national budget, as well as to the general industrialization and modernization of the country. The efficiency of this industry is determined by a variety of elements, raising the issue of which are the most important. The profitability of the enterprises is an important factor to examine. Competitiveness, government restrictions, technical improvements, corporate management, human and financial resources, and other issues that businesses must deal with are, nonetheless, inescapable. As a result, monitoring and evaluating the elements that impact profitability is vital, allowing managers and administrators to develop initiatives that will aid in the execution of an efficient framework.

Samruk-Kazyna The National Welfare Fund of the Republic of Kazakhstan was founded to increase the national economy's competitiveness and stability, as well as to forecast events that might harm the country's economic growth. The fundamental purpose of the Fund's operation is to manage a block of shares (participation shares) of the Fund's national enterprises on a right-of-ownership basis in order to optimize their long-term value and boost competitiveness in international markets.

Kazakhstan has established the National Welfare Fund, and the government says that Samruk-Kazyna would assist modernize the republic's economy and attract foreign investment. Samruk-Kazyna, the cornerstone of President Nursultan Nazarbayev's political and economic system, was modeled after the Singapore and Malaysian funds. Oil and gas ("KMG"), railroads ("KTZ"), telecommunications ("Kazakhtelecom"), energy ("Kazatomprom"), state air transportation ("Air Astana"), and postal ("Astana Post") are among the 600 state-owned firms overseen by the Fund ("Kazpost"). The total amount of consolidated revenue at the end of 2020 was 8.6 trillion tenge, down 2 trillion tenge or 20% from the previous year. At the same time, sales of refined gold (+202 billion tenge), uranium goods (+95 billion tenge), and telecoms services (+87 billion tenge) have all increased compared to the same period last year. The fund's revenue is estimated to reach 10.5 trillion tenge by the end of 2021, which is 22% higher than expected. Oil prices, increased freight traffic, transit, production, and transmission of power were the key drivers of expansion.

By boosting the long-term value of its portfolio firms and improving dividends to the Sole Shareholder, Samruk-Kazyna JSC contributed considerably to the increase of national welfare in 2019.

Unfortunately, the global COVID-19 coronavirus epidemic has had a substantial influence on the economic and operational environment in 2020, when many nations will have implemented quarantine measures. The Fund has taken the required steps to prevent COVID-19 from spreading in the workplace. The continued decrease in global oil prices, on the other hand, will have a detrimental impact on the economy, including the Fund's businesses. The Board of Directors keeps a close eye on

the COVID-19 risks and actively supports management in their efforts to balance health and financial concerns.

The sectors of the holding's enterprises are generally regarded as important aspects in Kazakhstan's development, which prompts scholars to look into the connections between various elements and industries. The goal of this research is to investigate the link between many variables that impact the National Fund of Kazakhstan's profitability. A total of 120 consolidated financial statements were gathered for the 11-year period from 2010 to 2020 under the IFRS-based system from ten firms listed on the Kazakhstan Stock Exchange.

- "National Company "Kazakhstan Temir Zholy" JSC

“Kazakhstan Temir Zholy” - is a transport and logistics company that operates Kazakhstan's primary railway network and serves as the country's main rail carrier for goods and people. The only participant in JSC "NC "KTZ" is JSC "National Welfare Fund "Samruk-Kazyna" (hence referred to as the Fund), whose creator and controlling shareholder is the Government of the Republic of Kazakhstan.

The JSC NC KTZ group of companies is Kazakhstan's largest employer, employing around 1% of the country's population. Kazakhstan is third among the CIS and Baltic nations in terms of railway length, with a gauge of 1520 mm. Kazakhstan's operating railway network spans 16 thousand kilometers. The JSC NC KTZ group of firms is the country's largest locomotive, freight, and passenger car owner.

JSC "NC "KTZ" offers economic connectivity between 14 regions of the Republic of Kazakhstan and three cities of republican significance, as well as with five bordering countries via 16 junction points: China, Russia, Uzbekistan, Kyrgyzstan, and Turkmenistan. JSC "NC "KTZ" is one of the world's top 15 railway firms in terms of freight turnover and income.

- Holding JSC "Samruk-Energo"

On May 10, 2007, the holding JSC "Samruk-Energo," which controls energy assets in Kazakhstan, was founded to carry out a long-term state strategy of modernizing existing and commissioning new generating capabilities.

The main activities of the "Samruk-Energo" Group of Companies are the production of electricity, heat, and hot water based on coal, hydrocarbons, and water resources, and sale to the population and industrial enterprises, electricity transportation and distribution to the grid, construction and operation of hydroelectric and thermal power plants, renewable energy sources, coal mining, and rental of property complexes of hydroelectric power plants.

The JSC "Samruk-Energo" Group of Companies includes Kazakhstan's largest generating companies, such as Ekibastuz GRES-1 and GRES-2, hydroelectric power plants in the country's southern regions – Shardarinskaya HPS and Moynak HPS, Kazakhstan's largest coal mining enterprise "Bogatyr Komir" LLP, generating alternative energy facilities - wind and solar power plants, as well as a regional distribution network and a

- JSC "Samruk-Kazyna Construction" .

The primary goal of the Company's operations is to boost house building in Kazakhstan. The Company's only shareholder is JSC "National Welfare Fund "Samruk-Kazyna."

- JSC "Kazpost"

JSC "Kazpost," Kazakhstan's national postal operator, is one of the country's most important infrastructural components. Kazpost JSC offers a variety of postal, banking, brokerage, and agency services, as well as electronic services. Kazpost JSC has the country's largest branch network, spanning nearly all of Kazakhstan's territory, particularly at the district and rural level. The postal system is a powerful instrument for boosting e-commerce, transportation and logistics, and financial services for businesses and the general public.

- «Samruk-Kazyna Invest» LLP

It is a dynamic, versatile investment firm with more than 10 years of experience in the Kazakh market, controlled by JSC "National Welfare Fund "Samruk-Kazyna." The company's objective is to encourage investment in Kazakhstan by providing attractive circumstances for investors, including joint venture capital involvement if appropriate, and acting on behalf of the Fund.

- National Company "KazMunayGas" JSC

Kazakhstan National Company KazMunayGas (KMG) is the country's operator for hydrocarbon exploration, production, processing, and transportation, representing the government's interests in the industry. By merging the National Oil and Gas Company "Kazakhoil" and the National Company "Oil and Gas Transport," the Joint-Stock Company "National Company "KazMunayGas" was founded, according to the President of the Republic of Kazakhstan's Decree of February 20, 2002.

Kazakhstan's "KazMunayGas" Joint Stock Corporation (JSC) is the most well highly integrated gas exploration and production company. KMG is in charge of asset management across the full production cycle, from hydrocarbon discovery and production to transportation, processing, and maintenance. The business, which was founded in 2002, represents Kazakhstan's interests in the country's oil and gas industry.

The Joint-Stock Company "Sovereign Wealth Fund "Samruk Kazyna" owns JSC NC "KazMunayGas." "(90.42 percent) and Kazakhstan's National Bank (9.58 percent).

The National Company is responsible for 25% of the region's oil and gas extract output, as well as 15% of natural gas and related gas production. Kazakhstan's oil and gas are transported through the company's trunk pipelines, which transport 56 percent of the country's oil and 77 percent of its gas. Kazakhstan is home to 81 percent of all oil refineries in the globe.

- "KEGOC" JSC

The Kazakhstan Electric Grid Management Company (KEGOC), which is controlled by the Samruk-Kazyna Fund to the tune of 90%, is the market leader in the electric power sector. The company "KEGOC" offers agreements system services for electricity transmission through the national electric grid, as well as maintenance of national electric grid facilities and contractual system services for technical delivering of released and consumed electricity in the network via centralized operational dispatch control of network operating modes. The Republic of Kazakhstan's Unified Energy System, which includes the compilation of real balances and daily electricity schedules.

- "NAC Kazatomprom" JSC

JSC "NAC "Kazatomprom" is Kazakhstan's main provider for the importation and exportation of uranium, rare metals, and nuclear fuel for nuclear power plants. Since 2009, Kazakhstan has been a

leading player in natural uranium mining, and Kazatomprom has had first access to the country's huge reserves.

The National Nuclear Company's assets comprise a wide range of Kazakhstani companies active in the nuclear fuel cycle's early stages, from geological exploration to uranium mining to nuclear fuel cycle manufacturing, as well as research and development of their own technologies. 75 percent of the company's shares are owned by Samruk-Kazyna.

- “Kazakhtelecom” JSC

JSC Kazakhtelecom is Kazakhstan's largest telecommunications business, with national telecoms operator status. With an annual revenue of tens of billions of tenge, the firm has continuously ranked high in the ranking of the most profitable enterprises in the country since the middle of the 2000s. The National Information Superhighway, which Kazakhtelecom controls, is a transport fiber-optic ring that connects Kazakhstan's major cities with high-speed digital streams. "Samruk Kazyna" owns 52 percent of the company's stock.

- Air Astana

Kazakhstan's national airline, Air Astana, is a fast-growing international airline with extensive security and technological knowledge from across the world. Through the National Welfare Fund "Samruk-Kazyna," the government has a 51 percent share.

1.2. The Study's Objectives

The goal of this research is to see how different variables affect the profitability of the National Welfare "Samruk Kazyna" Holding. In this study, the concepts of profitability are studied in connection to internal and external variables. Internal considerations include the liquidity ratio, cost to income, total debt ratio, and tangible assets. External influences, on the other hand, include GDP growth, inflation, and political stability.

This research aims to achieve the following purposes by examining the factors that influence the profitability of the example businesses:

- Determining the impact of different factors on a company's Return on Assets.
- Empowering senior management and decision makers with some findings and advice on how to deal with elements impacting organizational performance in order to improve their company's financial health.

To our knowledge, this is the first study of its kind in Kazakhstan's National Welfare Fund, and it has met its objectives. The findings are intended to aid managers in dealing with performance issues at their organizations. Understanding the profitability drivers is crucial for the fund as a whole, as it allows the holding to concentrate on increasing the entire value of the fund in order to achieve better outcomes. Its businesses are able to analyze and track several industry aspects in order to better plan their strategy and improve productivity. As it contributes to education and experience, this research work will be beneficial for future research in relevant domains on this issue.

1.3. The study's purpose

The focus of this work is on the profitability of companies affiliated with the "Samruk Kazyna" Holding. It also looks at how the selected drivers of liquidity ratio, cost to income, total debt ratio, and tangible assets, as well as capital adequacy, capital structure, management efficiency, gross domestic product, inflation rate, political stability, and corruption control, impact ROE and ROA.

1.4. Methodology of the Study

Ten enterprises from the Holding were selected for this investigation's sample. This illustration was obtained to determine the impact of several specified elements on the Fund's profitability.

Panel data is employed in this study since it is a strong research tool that allows for the inclusion of temporal effects (Asimakopoulos, Samitas & Papadogonas, 2009).

The Kazakhstan Stock Exchange provided the information for this study. The information was gathered from 10 companies' consolidated financial statements and consolidated statements of comprehensive income during an 11-year timeline. The mean and standard deviation for variables are calculated using descriptive statistics in data analysis. After then, correlation studies are performed to see whether there are any correlations between the research variables. Finally, regression analysis is used to see how the independent variables affect profitability.

1.5. The study's limitations

To begin with, the time allotted for this work is a constraint in terms of delving further into the factors of profitability and comparing them to industrial realities. Liquidity ratios, cost-to-income ratios, total debt ratios, and tangible assets, as well as capital adequacy, capital structure, management efficiency, GDP, inflation rate, political stability, and corruption control, are all factors to consider.

Second, DataStream data for businesses was difficult to obtain. This is because, as a result of system updates, each firm's balance sheet and profit and loss statement had to be received separately for 11 years. Third, due to a scarcity of study in this field, it was unable to glean much information from prior sources and studies.

1.6. The study's structure

The following is a breakdown of the research project:

The first chapter covers the notion of profitability, as well as Kazakhstan's economic growth and the factors that influence profitability in general. The following sections define the dissertation's goal, scope of research, methodology, limits, and organization.

The second chapter gives an overview of empirical research on profitability factors, as well as a literature review on a few key variables.

The third chapter will cover the data sample, variables, and measurements that were gathered, as well as data analysis utilizing regression analysis with two dependent variables: return on assets and return on equity. It takes things a step further by using descriptive statistics and correlation analysis. The hypotheses were created to see if the variables were statistically significant.

The descriptive statistics table, correlation analyses table, and regression analysis in Chapter 4 provide a deeper look at the study's data and interpretation.

Finally, in Chapter 5, the study's results, consequences, and suggestions are summarized.

2. Literature Review

2.2 Empirical Literature

This section elaborates on past empirical studies. These empirical studies looked at the impact of a variety of financial and non-financial factors on business profitability. It will demonstrate that a lot of studies have looked at the factors that influence profitability. A company's capacity to make profit as a percentage at an acceptable level is measured by the profitability ratio. Profitability ratios may be calculated using sales and investment approaches. Scientists frequently use the terms return on assets (ROA) and return on equity (ROE) (ROE). The profitability ratio, as evaluated by the ROA and ROE indices, reveals the attractiveness of investments. The financial health of a firm with a high profitability ratio motivates investors to make judgments. Investors with long-term portfolios are often interested in profitability research. For example, shareholders will look at the price-to-book value (PBV), which depicts the market's likelihood of producing the firm's value for the amount of invested capital.

Assimakopoulos, Samitas, and Papadogonas (2009) used a sample of Greek non-financial firms registered on the Athens Stock Exchange to discover profitability variables. Many characteristics, such as company size, revenue growth, and investment, were shown to have a favorable influence on the firm's profitability, whereas leverage and current assets had a negative impact.

Business size and revenue from sales are considered key factors of profitability (Asimakopoulos et al., 2009; Sakakibara & Yamawaki, 2000; Steinerowska-Streb, 2012; Ito & Fukao, 2010); previously, factors like economic indicators (Sakakibara & Yamawaki, 2000), as well as market behavior characteristics such as local supplier networks (Sakakibara & Yamawaki, 2000), market power, and efficiency (Bennenbroek & Harris, 1995).

Financial Statement Analysis has also been used to construct profitability determinants. The study includes variables such as inventory turnover ratio, debtors turnover ratio, accounts payable rate, total asset turnover ratio, and gross profit. Other coefficients are independent factors, whereas gross profit margin is a dependent variable (Innocent, Mary & Matthew, 2013).

The first group includes internal factors such as financial leverage, financial adequacy, financial independence, liquidity, firm size, growth, capital structure, firm age, and other management decisions (Anbar & Alper, 2011; Aburime, 2009; Blaková, 2018; Capon, Farley, & Hoenig, 1990; Grau & Roig, 2018; Huang & Song, 2006). External variables are separated into two groups in the second category: industry-level indicators and macro-level indicators. c. Industrial indicators include market concentration, sector growth rates, and import growth rates; macro-level indicators include GDP growth, inflation, interest rate, and financial market profitability (Grau & Reig, 2018; Pattitoni, Petracci, & Spisni, 2014).

According to Szymaska (2017), the ROE of pork producing firms is determined by significant company fragmentation, lack of expertise, and customer confidence. Before comparing the findings, the author looked at the entire yearly financial statements of 86 meat firms in Poland from 2008 to 2012. He used five different coefficients to estimate profitability, including ROA, ROE, ROS, asset turnover ratio, and equity multiplier. She discovered that the value and structure of the company's assets, liquidity, sales development, capital structure, working capital management efficiency, production process organization, and personnel quality are the most important internal elements that determine the profitability of these businesses. Climatic condition, laws, legal frameworks, economic cycles, interest rates, and inflation rates are all external elements that impact the meat industry's profitability. Sivathaasan, Tharanika, Sinthuja, and Hanitha (2013) analyze the characteristics impacting the profitability of all manufacturing businesses listed on the Colombian and Sri Lankan stock exchanges from 2008 to 2012. The study's independent variables (influencing factors) were capital structure, asset structure, company size, and growth rates, while ROA and ROE were employed as dependent variables to show profitability. Just the capital structure has a favorable influence on the business's profitability; asset structure, company size, and growth rate have no effect on the ROA and ROE.

Between 2001 and 2004, Lazaridis and Trifonidis (2006) investigated the link between capital structure and profitability in 131 businesses registered on the Athens Stock Exchange. The results reveal that the cash conversion cycle and debt ratio are negatively related to the company's profitability, despite the fact that the firm's size and fixed asset to total asset ratio have a positive influence. Over an eight-year period, from 2005 to 2012, Alshatti (2015) evaluated the link between

solvency and efficiency in 13 Jordanian commercial banks. The speedy solvency ratio and the investment ratio, on the other hand, have a positive influence on the bank's profitability, whilst the equity ratio and the immediate solvency ratio have a negative impact. Between 2005 and 2007, Gill, Bieger, and Mathur (2010) evaluated the link between working capital management and profitability in 88 New York Stock Exchange businesses. Revenue increase, on the other hand, has a negative impact on the company's profitability.

Enterprises often mix internal and external sources of financing to finance operations and boost their chances of success (Ali et al., 2018). Attempts were made in earlier and later studies to determine financial profitability indicators through empirical analysis of various factors that have a theoretical connection with profitability, such as the liquidity ratio, the turnover ratio of accounts receivables, and the ratio of working capital to total assets (Singh and Pandey, 2008); profitability of total assets (Padachi, 2006); return on invested capital and ROA (Narware, 2010); market power by net interest margin (Narware, 2010); and profitability of total assets (Padachi (Alarussi, Alhaderi, 2018). Mazurina et al. (2019) looked at nonfinancial public companies in Malaysia; Kaen and Baumann (2003) looked at manufacturing in the United States; Bhutta and Hassan (2013) looked at the food sector in Pakistan; Fenny and Rogers (1999) looked at big private entities in Australia; and Chander and Priyanka (2008) looked at medicines and pharmaceuticals in India. The majority of these studies are empirical in character, demonstrating the link between profitability and its underlying causes in the context of a certain nation or sector.

Previous study has mostly focused on a few factors that have a substantial influence on the company's profitability. Company size, age, risk, liquidity, leverage, industry type, capital intensity, capacity utilization, market share, R&D intensity, income growth, long-term financing, turnover ratios, exports, working capital, debt level, and so on are all popular among academics. Chander and Priyanka (2008) evaluated corporate profitability determinants in 50 Indian pharmaceutical businesses and pharmaceutical enterprises over a ten-year period (1995-2004). IV: market share, size (total assets), previous profitability (OPR, NPR), age, advertising intensity, retention ratio, liquidity, efficiency coefficients (inventory turnover ratio, debtors turnover ratio, asset turnover ratio), long-term financing. The average return on invested capital was used to gauge the intensity of R&D and productivity. According to the data obtained, age, efficiency coefficient, previous profitability and R&D intensity have a statistically significant impact on the profitability of Indian pharmaceutical and pharmaceutical sector enterprises. Numerous financial indicators, such as firm size, working capital, company efficiency, liquidity and leverage of the company, have been studied in other studies with ROE and EPS as profitability indicators (Alarussi and Alhaderi, 2018); however, in some studies, in addition to measuring ROI (Zygmunt, 2013; Narware, 2010) considered the profitability estimate expressed using ROA (Zygmunt, 2013; Narware, 2010). These coefficients show the company's ability to generate profit in relation to its sales, assets and equity.

Mazurina et al. (2019) looked at the elements that influenced profitability in Malaysia's non-financial public listed enterprises. Company profitability was measured using ROE and ROA, while liquidity and growth were analyzed using IVs. Regression analysis was used to examine the data of 50 non-financial publicly traded Malaysian companies from 2011 to 2015. According to the study, liquidity has a significant positive relationship with profitability in terms of ROA, not ROE, and the expansion of the firm has a negative relationship with profitability.

Burke and Patrîncea (2014) looked into the characteristics that contributed to financial performance in the Romanian insurance market between 2008 and 2012, using a sample of 21 businesses. The model included return on assets as a dependent variable, and 13 explanatory factors were evaluated using multiple regression analysis (including firm-specific, industry-specific, and macroeconomic variables). Leverage, size, gross insurance premium growth, underwriting risk, risk retention ratio, and solvency margin are all determinants of financial performance in the Romanian insurance industry, according to the statistics.

Moreover, some studies have found that the firm impact and the trade association effect are important for corporate profitability; business group effects are the second - biggest influence on firm profitability after the firm effect, and variations do not appear to play a significant role in explaining firm profitability heterogeneity (Kattuman et al., 2011).

In addition to company size and investment, other variables of profit, such as Lagged profitability is a significant determinant of current profit margins and industry concentration is positively related to firm profit margins, have affected profitability. Profit margins in competitive industries are also found to be procyclical, whereas profit margins in less concentrated industries are countercyclical (McDonald, 1999).

In conclusion, investigations looking into the elements that influence profitability have discovered a number of factors in a variety of nations. They do not, however, clearly reveal which aspects are the most important in terms of company profitability, despite the fact that several factors have been discovered as predictors of profitability in various nations using various research methodologies. This is a topic that this study will go into. In addition, new study reveals that panel data analysis is more successful than other research methodologies in assessing manufacturing business profitability. This study also aims to evaluate the relative relevance of profitability drivers using panel data analysis.

This research aims to determine some of the profitability elements of the firms that make up the fund in order to assist the holding in boosting profits and investors in predicting the profitability of Kazakhstani enterprises. The goal of this research was to uncover the characteristics that influence company profitability in order to decrease risk.

2.2. Analyses of the Literature

The study described above looked into the elements that influence various aspects of profitability in various sectors. The liquidity ratio, cost to income, total debt, tangible assets, GDP, inflation rate, and political stability will be our primary concerns. The capacity of a business to exploit its assets as a metric of profitability is examined in this study using return on assets and return on equity. The following financial parameters are commonly used to evaluate an industry's profitability:

2.2.1 Liquidity ratio

Liquidity is a phrase used to describe a company's capacity to repay shortterm loans. It is necessary for a company's operations to function smoothly. The importance of liquidity has long been acknowledged in the financial literature. Many researchers have utilized various types of metrics to explore liquidity and its impact on firm performance. Using recognized metrics to gauge the firm's liquidity, a number of scientists have explored the influence of liquidity on productivity and profitability. Some research findings were in agreement, while others were in disagreement. On the one hand, researchers (Elangkumaran & Karthika, 2013; Khidmat & Rehman, 2014; Mushtaq, Chishti, Kanwal, & Saeed, 2015; Owolabi et al., 2011; Saleem & Rehman, 2011) conducted research in a variety of fields with

varying sample sizes in order to determine the relationship between liquidity and performance. They all used liquidity ratios to monitor liquidity, but different measures to judge performance. Ufa (2003), There is a positive association between a company's liquidity and profitability, according to Nickel and Nikolitsas (1999), Tony's Party, Petrucci and Songs (2014), and Serasker and Nunez (2008). Based on the findings of a study by Goddard, Tavakoli, and Wilson (2006), Pattitoni, Petracci, and Spishni (2014) developed four models using data from various industries and countries, and discovered that all four models show a strong positive relationship between the independent variables measured by the liquidity ratio and the dependent variable measured by ROE.

2.2.2 Cost to income

Another factor that influences profitability is the company's efficiency, which is measured by the cost-to-revenue ratio. The cost-income ratio, which is defined as the ratio of operating expenditures to operating income, may be used as a guideline for evaluating operational efficiency. The cost-to-income ratio and profitability, according to Hess and Francis (2004), have an inverse connection. According to Ghosh et al., efficiency and the cost-to-income ratio have a projected negative connection. (2003).

2.2.3 Total Debt Ratio

The lower the return on equity, according to Pattitoni, Petracci, and Spishi (2014), the more borrowed funds are utilized. In reality, if businesses take on more debt, they will have to pay more interest, resulting in cash flow issues, financial challenges, and worsening operational performance as a result of periodic debt repayments. Similarly, Ahmed, Salman, and Shamsi (2015) discovered that financial leverage had a 95 percent confidence interval statistically significant negative impact on profitability. This is because the more loans companies take out to fund assets, the more financial costs they incur in interest, resulting in a decline in residual earnings and, as a result, a drop in profitability. Many previous studies (Benito & Gert jan, 2000; Singapurwoko & El-Walid, 2011; Vintila & Duke, 2012) have led to this notion.

2.2.4 Tangible assets

On profitability, tangibility has two opposing impacts. On the one hand, I believe Himmelberg et al. (1999) will have a positive impact since they demonstrate that tangible assets are simple to manage and provide acceptable collateral, which tends to lessen agency conflicts between owners and creditors. However, I believe there will be a negative correlation because businesses with more physical assets are less profitable. Long-term investments, innovation, and R&D prospects are all better for companies with a high degree of intangible assets (in the form of liquidity) (Deloof, 2003, and Nucci et al., 2005). Many studies, including Rao et al. (2007), Zeitun and Tian (2007), Weill (2008), and Nunes et al. (2009), have confirmed the negative relationship between tangibility and profitability (2009). Majumdar and Chhibber (1999) and Margaritis and Psillaki (2007) also discovered a favorable association. Physical assets have a direct and crucial association with profitability, according to Nasution, Siregar, and Panggabean (2017). I use the ratio to determine the impact of tangibility on profitability; it is computed by dividing the amount of fixed assets by total assets.

2.2.5 Capital Adequacy

According to the majority of studies, capital adequacy has a negative influence on company and bank performance. For example, Majnoni (2001) suggested that rising capital requirements caused a delay or decrease in overall bank lending. Bank credit shrinkage has a negative influence on the bank's performance because it is a vital source of revenue.

2.2.6 Capital Structure

The capital structure is made up of a mix of debt and equity. It's a means for non-profit organizations to raise funds. According to Casmir and Anthony (2012), the capital structure of a firm has a detrimental influence on its performance. They demonstrated that a high-leverage capital structure not only reduced earnings but also gave a tax break on interest expenditures. They examined, among other things, return on assets, return on equity, debt to equity ratio, assets turnover ratio, company size and age, asset tangibility, growth, and the industrial sector. The findings were calculated using an ordinary least squares (OLS) model.

2.2.7 Management Efficiency

In Ghana in 2019, F. Antwi investigates the link between profitability factors, management efficiency ratio, and business performance. The data was gathered from annual reports of a sampling of the Ghana Stock Exchange's listed firms for the years ending in 2013 and 2018, and regression analysis was performed using STATA version 15 of the Statistical Software Package. According to the study, ROA and ROE have a statistically significant negative relationship with the cost-income ratio.

2.2.8 GDP Growth Rate

The most extensively used macroeconomic metric for assessing the influence of macroeconomic conditions on bank profitability is GDP. Furthermore, it is a measure of an economy's entire economic activity (Francis, 2013; Marijana et al., 2012; Masood & Ashraf, 2012; Ongore & Kusa, 2013; Pasiouras & Kosmidou, 2007; Petria et al., 2015; Rani & Zergaw, 2017; Saona, 2016; A. Singh & Sharma, 2016).

2.2.9 Annual Inflation Rate

It is the rate of increase in the overall price level of goods and services, causing currency buying power to diminish (A. Singh & Sharma, 2016). Several writers in the financial literature (Anbar & Alper, 2011; Chowdhury & Rasid, 2017; JaraBertin et al., 2014; Masood & Ashraf, 2012) pushed for the influence of inflation rate on bank profitability.

2.2.10 Political Stability

Political instability is another sort of country-specific risk that can damage the economy and productivity. Yahya, Akhtar, and Tabash (2017) looked at the influence of political unrest on bank profitability in Yemen and discovered a favorable correlation. Nonetheless, Anlsoy et al. (2017) looked at the influence of political unrest in Turkey and discovered a substantial negative link. Ghosh (2016) showed an adverse association between political instability and the effectiveness of banks based in MENA nations. Similarly, Jebnoun (2015) investigated the influence of political instability in Tunisia and found a strong negative correlation.

2.2.11 Control of Corruption

Many studies show that corruption harms economic development and growth (e.g., Ades and Di Tella, 1999; Méndez and Seplveda, 2006; Méon and Sekkat, 2005) , as well as the fact that countries with high levels of corruption have lower levels of company performance (e.g., Ades and Di Tella, 1999; Méndez and Seplveda, 2006; Méon and Sekkat, 2005). (Donadelli et al., 2014; Doh et al., 2003; Faruq and Webb 2013; Frye and Schleifer 1997; Gray et al., 2004; Knack and Keefer 1995; Mauro 1995; Rodrik et al. 2002; Wieneke and Gries 2011). According to Myrdal (1968), dishonest government officials induce difficulties that would not otherwise exist in order to allow themselves to take a corrupt bribe to expedite the procedure. As a result, corruption is no longer perceived as a barrier to productivity.

2.3 Hypotheses

Based on the aforementioned literature on various study projects, the following hypotheses might be offered to analyze the relationships between the dependent and independent variables. The following hypotheses have been formed based on the findings of the majority of earlier research:

H1: In Kazakhstan, the liquidity ratio has a significant beneficial impact on the profitability determinants of businesses.

H2: Cost to Income has a statistically positive effect on the Profitability determinants of firms in Kazakhstan.

H3: Total debt ratio has a strong negative impact on the Profitability determinants of firms in Kazakhstan.

H4: Tangible assets has a statistically strong positive effect on the Profitability determinants of firms in Kazakhstan.

H5: Capital adequacy has a significant positive impact on the Profitability determinants of firms in Kazakhstan.

H6: Capital structure has a statistically strong negative impact on the Profitability determinants of firms in Kazakhstan.

H7: Management efficiency has a significant positive effect on the Profitability determinants of firms in Kazakhstan.

H8: Gross Domestic Product growth rate has a statistically significant positive effect on the Profitability determinants of firms in Kazakhstan.

H9: Annual Inflation rate has a strong significant negative impact on Profitability determinants of firms in Kazakhstan.

H10: Political stability has a significant positive impact on the Profitability determinants of firms in Kazakhstan.

H11: Control of corruption has a strong significant positive effect on the Profitability determinants of firms in Kazakhstan.

3. Methodology

3.1 Research Design

With the help of STATA version 14.1 and Excel 2019, I will conduct quantitative research into regression models, using the following variables: liquidity ratio, cost to income, total debt ratio, tangible assets, capital adequacy, capital structure and management efficiency, GDP, inflation rate, political stability and control of corruption as independent variables, and two profitability ratios (ROA, ROE) as dependent variables. The financial performance of the firm's metrics, ROA and ROE, have been identified after going through the literature evaluations. This study uses panel data to examine the impact of eleven different factors on profitability, as measured by the ROA and ROE of ten companies related to Samruk Kazyna Holding, between 2010 and 2020. These factors include liquidity ratio, cost to income, total debt ratio, tangible assets, capital adequacy, capital structure and management efficiency, GDP, inflation rate, political stability, and corruption control.

3.2 Source of Data Collection and Data Management

After studying the Kazakhstani economy and following literature recommendations, appropriate variables likely to effect bank performance have been selected. The Kazakhstan Stock Exchange provides secondary data (KASE) and DataBank is used to compile the information presented. Liquidity ratio, cost to income, total debt ratio, and tangible assets are all company-specific characteristics. The financial reports provided the data for these factors. GDP growth, inflation rate, and political indicators are among the economic indicators for which data was obtained from the DataBank. The extent of the link between the dependent variables (Return on Asset and Return on Equity) and the factors that explain is demonstrated in this study. It lays the way for robust once values are determined from the relevant years' financial statements, cross-sectional and longitudinal data are used to allow multiple regression. Due to the data's series form, panel data methods were applied to produce a good outcome.

3.3 Variables

Many elements have been discovered to impact an industry's success throughout time, and the drivers of profitability have been studied for many years in many fields. The factors included in this study are commonly used profitability determinants. Return on assets and return on equity are the dependent variables in this study, while liquidity ratio, cost to income, total debt ratio, tangible assets, capital adequacy, capital structure, and management efficiency, GDP, inflation rate, political stability, and corruption control are the independent variables. The research variables, symbol in excel file, and description are listed in the table below:

Table 1. Variable Description

Variable	Symbol	Description
<i>Dependent Variable</i>		
Return on Assets	ROA	Annual Return on Assets
Return on Equity	ROE	Annual Return on Equity
<i>Independent Variable</i>		
Liquidity ratio	LIQ ratio	Current Assets/Current Liabilities
Cost to income	CtI	Cost of Sales/Revenue

Total debt ratio	TD ratio	Total Debt/Total Assets
Fixed asset over total asset	FA/TA	Fixed asset divided by total asset
Capital Adequacy	CA	Total Equity/Total Assets
Capital Structure	CS	Liquidity ratio/Total liabilities
Mnagement Efficiency	ME	Revenue/Total Assets
Growth Domestic Product	GDP	Growth Domestic Product
Annual Inflation Rate	INF	Annual Inflation Rate
Political Stability Index	PS	Political Stability Index
Control of Corruption	CoC	Control of Corruption

3.4 Data analysis

Panel data was employed to study the relationships between the dependent and autonomous components for the following reasons. For the following reasons, panel data was used to investigate the correlations between the dependent and autonomous variables. Panel data was used to perform an empirical analysis on the determinants of Holding's company profitability. The variables were subjected to a panel root test to see if the data was stable. The results reject the null hypothesis, meaning that the unit root does not exist in our whole model or that the data is stationary, according to Levin, Lin, and Chu (LLC) techniques. In our regression model, the incidence of multicollinearity is also studied. In both Whole and Pure Models regression models, the relationship between independent variables is minimal. The lack of multicollinearity is shown by low regression and R square values, as seen in the correlation table below. Accounting ratios are classified as dependent and explanatory variables in Table 1. We utilize the Stata software package to do regression analysis to estimate our equation. Because our sample data does not reflect the entire population, the "Cross Section Random Effects" model was employed instead of the Hausman test, which is also used in panel data regression analysis.

Table 2. Expected Relationship between Petroleum Firms' Return on Asset and Determinants

Determinants	Expected Relationship
Liquidity ratio	Positive
Cost to income	Positive
Total debt ratio	Negative
Tangible assets	Positive
Capital Adequacy	Positive
Capital Structure	Positive

Management Efficiency	Positive
GDP	Positive
Inflation	Negative
Political Stability	Positive
Control of Corruption	Negative

According to William G. et al. (2010), model design comprises determining correlations between two or more variables as well as developing descriptive or predictive equations. To achieve the objectives of this research, we developed a model that tested Return on Assets against a set of explanatory factors that we believe can explain Kazakhstan's company benefit levels. The following is a diagram of the model:

$$ROA = \alpha + \beta(LIQ\ ratio) + \beta(CtI) + \beta(TD\ ratio) + \beta(FA/TA) + \beta(CA) + \beta(CS) + \beta(ME) + \beta(GDP) + \beta(INF) + \beta(PS) + \beta(CoC)$$

and

$$ROE = \alpha + \beta(LIQ\ ratio) + \beta(CtI) + \beta(TD\ ratio) + \beta(FA/TA) + \beta(CA) + \beta(CS) + \beta(ME) + \beta(GDP) + \beta(INF) + \beta(PS) + \beta(CoC)$$

3.4.1. Descriptive Statistics

Descriptive statistics are terms used to describe and summarize data in a clear and concise manner. Because the data is simply described, the outcomes of this data cannot be utilized to draw inferences (Lund, 2013). Measures of central tendency, such as the mean, median, and mode, and measures of dispersion, such as the range, variance, and standard deviation, are calculated using descriptive statistics (Williams, 2006).

3.4.2. Correlation Analysis

The correlation statistics offer the correlation coefficients between the research variables. This measurement determines the degree of importance of the links between the variables.

4. Theoretical Rationale

1. Statistics that are descriptive in nature

Descriptive statistics are terms used to describe and summarize data in a clear and concise manner. Because the data is simply described, the outcomes of this data cannot be utilized to draw inferences (Lund, 2013). Measures of central tendency, such as the mean, median, and mode, and measures of dispersion, such as the range, variance, and standard deviation, are calculated using descriptive statistics (Williams, 2006).

Unmistakable measurement factors are shown in this part. Table 3 contains information on descriptive statistics including means, medians, and standard deviations. The standard deviation, which gauges a variable's variability, may be used to assess fluctuation. The profitability of enterprises associated to Holding is obviously unstable, as the standard deviation (0.076309) and (0.5229961) are both above the average, according to the descriptive statistics table. The standard deviation of explanatory variables such as total debt ratio and tangible assets, capital structure, management efficiency, gross domestic product, inflation, political stability and control of corruption are below the average, implying that the volatility is not exceptionally significant.

Liquidity ratio and cost to income rate, capital adequacy, on the other hand, have above-average volatility standard deviations (3.978579), (228.4044) and (5.5128). The descriptive statistics table demonstrates that the financial ratios measured by liquidity ratio, total debt ratio, tangible assets, capital adequacy, capital structure, management efficiency, gross domestic product, inflation rate, political stability and control of corruption all have a positive mean value for the research period, ranging from 0.0003665 for tangible assets to 56.99756 for capital adequacy. The capacity of a corporation to fulfill its debt obligations, or current liabilities, without having to obtain external money or take out loans, is referred to as liquidity. A corporation with high liquidity can readily pay its short-term debts.

Table 3. Descriptive statistics of data

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	110	0.0423137	0.076309	-1.1594958	0.5298473
ROE	110	0.0328471	0.5229961	-5.103113	0.8026933
Liquidity ratio	110	2.493911	3.978579	0.430299	26.85151
Cost to income	110	-74.83767	228.4044	-999.1708	0
Total debt ratio	110	0.4976118	0.2169389	0.003818	1.115947
Fixed asset over total asset	110	0.4145322	0.2862682	0.0003665	0.8836882
Capital Adequacy	110	2.992881	5.5128	1.003833	56.99756
Capital Structure	110	8.63e-06	0.0000325	2.57e-10	0.0001828
Management Efficiency	110	0.4188319	0.3869073	0.0032877	1.998782
GDP	110	0.0381818	0.0281634	0.0.26	0.074
Inflation	110	0.0728727	0.0249174	0.051	0.1455
Political Stability	110	0.4417909	0.0812484	0.3412	0.6398
Control of Corruption	110	0.2505455	0.0951265	0.167	0.442

2. Analyses of Correlation

The correlations between the variables are shown in Table 4. Return on assets, liquidity degree, cost to income, total debt ratio, assets tangibility, capital adequacy, capital structure, inflation and control of corruption all have a negative relationship, as seen in Table 4. Return on equity and cost to income, assets tangibility, capital adequacy, capital structure, inflation and control of corruption all show similar consequences. Return on assets, on the other hand, has no correlation with political stability. Furthermore, return on equity and liquidity ratio, political stability are in a similar scenario.

Table 4 also shows that there is a significant association between return on assets and management efficiency, gross domestic product growth rate. Return on equity has a significant relationship between total debt ratio, management efficiency, gross domestic product growth rate. However, the liquidity ratio and total debt ratio, as well as asset tangibility, capital adequacy, management efficiency, gross domestic product and control of corruption, have an inverse relationship. Similarly, the results show that there is no significant relationship between liquidity ratio and cost of capital, annual inflation rate, or political stability.

We can also see that overall debt ratio and capital adequacy, management efficiency and control corruption have a positive relationship. Cost to income, total debt ratio, and asset tangibility have no meaningful link.

Table 4. Correlations among Variables

	ROA	ROE	LR	Cti	TD ratio	FA/TA	CA	CS	ME	GDP	Inflation	PS	CoC
ROA	1.0000												
ROE	0.4034	1.0000											
LR	-0.0442	0.0176*	1.0000										
Cti	-0.0318	-0.0391	0.0188*	1.0000									
TD ratio	-0.2579	0.2312	-0.5994	0.0612*	1.0000								
FA/TA	-0.1389	-0.1244	-0.3484	0.0593*	0.0865*	1.0000							
CA	-0.2266	-0.9184	-0.1155	0.0651*	0.4343	0.0604*	1.0000						
CS	-0.1523	-0.0164	0.8094	0.0878*	-0.5556	-0.3692	-0.0943	1.0000					
ME	0.2633	0.0769	-0.1259	0.0809*	0.1013	0.0045*	0.0740*	0.0027*	1.0000				
GDP	0.2013	0.2634	-0.0318	-0.0013	-0.0740	-0.0109	-0.2314	0.0808*	0.2102	1.0000			
Inflation	-0.0314	-0.0431	0.0720*	-0.0177	-0.0417	-0.0117	0.0251*	0.0053*	-0.0151	-0.2260	1.0000		
PS	0.0166*	0.0489*	0.0266*	-0.0078	0.0115*	-0.0140	-0.0425	0.0258*	0.0180*	0.1506	0.2303	1.0000	
CoC	-0.0808	-0.1483	-0.1467	0.0348*	0.1807	-0.0085	0.1548	-0.1601	-0.1350	-0.4461	-0.2948	-0.0700	1.0000

4.3 Multicollinearity, heteroscedasticity and autocorrelation tests

Multicollinearity occurs when the independent variables in a regression model are related. This link is concerning since independent variables should be independent. A high degree of correlation between variables might cause problems when adjusting the model and analyzing the findings. From the results of correlation analysis we can say that our variables are correlated. In order to prevent further errors we have to proceed with multicollinearity test. The VIFs number ranges from 1 to 5, indicating a moderate association but not severe enough to demand corrective action. Table 5 below shows the result of variance inflation factor (VIF=1.82). In this case our result is less than 5 and it means that correlation between variables is moderately correlated.

Table 5. VIF

Variable	VIF	1/VIF
Liquidity ratio	3.54	0.282128

Cost to income	1.05	0.953029
Total debt ratio	2.19	0.456476
Tangible assets	1.26	0.794123
Capital adequacy	1.39	0.717040
Capital structure	3.37	0.296714
Management ef.	1.11	0.898506
GDP	1.76	0.567834
Inflation	1.47	0.678534
Political Stability	1.14	0.880101
CoC	1.68	0.594719
Mean VIF	1.82	

Also before running a regression analysis we have to be sure that there is no heteroscedasticity and autocorrelation in our data. Because data that demonstrates heteroscedasticity and autocorrelation might sabotage our results (at the very least, it will give us biased coefficients).

Based on the results obtained from the Stata, probability factor for ROA equal 0.0224, which means that is an autocorrelation in this model. Probability factor for ROE is 0.2882 means that is no autocorrelation.

Table 6. Heteroscedasticity test

ROA

LR chi2(104)=103.03

Prob=0.5084

ROE

LR chi2(104)=106.30

Prob=0.4190

Table 6 show us likelihood-ratio for ROA and ROE equal 103.03 and 106.30 respectively, and it means that there are heteroscedasticity. Our data is heteroscedastic.

3. Panel Data

The profitability and significant aspects of Samruk-Kazyna Holding are examined in this section of the review. The outcomes of both panel evaluation and effect refinement over a set period are reported. The number of p businesses under consideration is ten, with an 11-year time frame. The modules are heteroskedastic, and one of them has autocorrelation. As a result, the regression approach used is a generic least squares method (FGLS). FGLS takes these spherical error deviations into account, allowing us to derive more accurate conclusions from linear models based on TSCS data.

A high value of R squared was discovered in the findings obtained using panel models, which appears to explain the disparities in profitability. The "F" statistic validates the relevance of all variables in both models. The table below shows how each of the independent factors influences profitability and explains why:

Table 7. Regression analysis (Return on Assets is the Dependent Variable)

ROA	Coef.	Std. Err.	t	P > t	[95% Conf. Interval]	
Liquidity ratio	0.0007545	0.0026511	0.28	0.776	-0.0044417	0.0059506
Cost to income	2.61e-06	0.0000119	0.22	0.827	-.0.0000208	0.000026
Total debt ratio	-0.1351909	0.0266861	-5.07	0.000	-0.1874947	-0.082887
Tangible assets	-0.0862959	0.0114875	-7.51	0.000	-0.108811	-0.0637808
Capital adequacy	-0.0008401	0.0008501	-0.99	0.323	-0.0025062	0.000826
Capital structure	-1155.75	318.1767	-.3.63	0.000	-1779.364	-532.1346
Management ef.	0.0642111	0.0097538	6.58	0.000	0.0450941	0.0833281
GDP	0.1714698	0.0715524	2.40	0.017	0.0312298	0.3117099
Inflation	0.173377	0.0767433	2.26	0.024	0.0229629	0.3237911
Political Stability	-0.0573319	0.0205699	-2.79	0.005	-0.0976482	-0.0170157
Control of corruption	0.1130968	0.0218626	3.20	0.001	0.0271082	0.1128081
_cons	0.1130968	0.0220455	5.13	0.000	0.0698884	0.1563053

Table 8. Regression analysis (Return on Equity is the Dependent Variable)

ROE	Coef.	Std. Err.	t	P > t	[95% Conf. Interval]	
Liquidity ratio	0.0034698	0.0044958	0.77	0.440	-0.0053418	0.0122814
Cost to income	0.0000255	0.0000196	1.31	0.192	-.0.0000128	0.0000639
Total debt ratio	0.1351199	0.0829636	1.63	0.103	-0.0274858	0.2977255
Tangible assets	-0.1962734	0.0360595	-5.44	0.000	-0.108811	-0.125598
Capital adequacy	-0.0807753	0.0083725	-9.65	0.000	-0.0971851	-0.0643655
Capital structure	-1823.943	509.5095	-3.58	0.000	-2822.563	-825.3228
Management ef.	0.0776144	0.041157	1.89	0.059	-0.0030518	0.1582806
GDP	1.271332	0.2466943	5.15	0.000	0.7878198	1.754844
Inflation	0.946029	0.215992	0.44	0.661	-0.3287336	0.5179394
Political Stability	-0.0135525	0.0629988	-0.22	0.830	-0.1370278	0.1099228
Control of corruption	-0.0301464	0.0776379	-0.39	0.698	-0.1823138	0.122021
_cons	0.2029576	0.0656516	3.09	0.002	0.0742829	0.3316323

4.3.1 Liquidity ratio

The liquidity value coefficients reveal a positive value for the ROA model (coefficient. = 0.0007545) and a positive value for the ROE model (coefficient. = 0.0034698). Liquidity has a beneficial influence on ROA and ROE, as seen by the data. The more a company's liquidity, the less options it has to invest in new ventures. As a result, we conclude that the liquidity ratio has a statistically strong beneficial influence on firm profitability determinants in Kazakhstan.

The ROE model posits that enterprises should increase their current resources while reducing their current liabilities, based on the favorable association between liquidity and organizational performance. As a result, in the event of a lower p value, we may recognize H1 and infer that the liquidity ratio has a statistically strong impact on the profitability of enterprises in Kazakhstan

associated to Holding. The p values in the ROE and ROA models, on the other hand, are higher than the standard alpha threshold of 0.1. As a result, the outcome is insignificant.

4.3.2 Cost to income

The cost to income value has a positive $2.61e-06$ coefficient for the ROA dependent variable model and a positive 0.0000255 coefficient for the ROE dependent variable model, as shown in the tables below. These values are not statistically significant, defined as having a significance level of less than 10%. This means that cost to income has a favorable impact on business profitability. As a result, we can observe how effectively a firm is operated at a look. As a result, H2, which asserts that the cost-to-income ratio has a beneficial influence on the profitability of the enterprises in the Saamruk Kazyna Fund, is approved. Cost to income ratio has a detrimental affect on profitability factors, according to data from previous research such as Antwi, F. (2019).

4.3.3 Total debt ratio

The internal determinant of profitability, total debt ratio, has a negative impact on ROA dependent variable model (-0.1351909) and a positive impact on ROE dependent variable model (0.1351199). The positive numbers suggest that overall debt has a favorable impact on these businesses' profitability. That is, the company's profitability improves by raising the overall debt ratio for financing assets. The negative numbers show that overall debt has a statistically significant negative impact on these companies' profitability. This shows that these businesses are saddled with huge debt that will take years to pay off. This has a negative impact on businesses since the majority of their capital is spent to pay interest, making it harder to shift cash to more productive areas. As a consequence, we accept H3 and draw the conclusion that long-term debt has a statically meaningful positive or negative influence on Kazakhstani company profitability.

Rising debt has a negative impact on production, according to Kester (1968), Nunes, Serrasqueiro & Sequeira (2009), and Dave (2012).

4.3.4 Tangible assets

The dependent variable of Return on Assets and Return on Equity is negatively affected by tangibility. It has a significance value of 0.000, which is less than the 0.05 threshold value. This research suggests that physical assets have a negative influence on company performance, which is statistically significant.

This finding allows us to reject H4 in the case of the ROA and ROE models, implying that we reject the hypothesis that tangible assets have a statistically significant positive influence on business profitability in Kazakhstan.

This study's findings are consistent with prior studies by A.O Olankule and Emmanuel O. Oni (2015). On the other hand, Rajan and Zingales (1995) discovered that tangibility had no impact on profitability drivers.

4.3.5 Capital adequacy

For ROA and ROE, the capital adequacy coefficients are significantly negative (coefficient. = -0.0008401) and (coefficient. = -0.0008401), respectively. The capital adequacy ratio (CAR) is determined by the company's capacity to generate profits and the composition of funds allocated to equity according to the level of risk, as an indicator of ability to cover a drop in assets as a result of the company's losses. Our study results show that capital capital adequacy has a negative relationship with

ROA and a significant negative impact on ROE, in contrast to studies like Abreu and Mendes (2002), which looked at banks in Spain, France, Portugal, and Germany from 1986 to 1999 and found that capital adequacy ratios had a positive impact on ROA and ROE.

4.3.6 Capital structure

For ROA and ROE, the capital structure coefficient has a large negative value (coefficient =-1155.75) and (coefficient =-1823.943), respectively. The Return on Assets and Return on Equity are affected when the capital structure is reduced, but this negative impact shows that debt is being used improperly. According to Khalid Ashraf CHISTI, Khurshid ALI, Muhiddin SANGMI (2013), Elizabeth Muller (2002, Abeywardhana, DKI (2015), and Joshua's findings, Khalid Ashraf CHISTI, Khurshid ALI, Muhiddin SANGMI (2013), Elizabeth Muller (2002, Abeywardhana, DKI (2015), and Abor, Joshua's results (2005). However, structural capital, as measured by the ROE and ROA indices, has a negative association with profitability, according to Anas Ali Al-Where (2017), Mahfouza Salim (2012), Mohamed Khalifa M. Tailab (2014), T. Velnampi and J. Aloy Niresh (2012).

4.3.7 Management efficiency

Both models have a considerable positive management efficiency coefficient (coefficient for ROA= 0.0642111, coefficient for ROE=0.0776144). By utilizing resources efficiently, management may increase productivity, worker utilization, and profitability. As a result, the management efficiency ratio has a favorable influence on ROA and ROE. Because our findings are noteworthy, we may accept H7.

Sharma and Kumar (2011) investigated the influence of working capital management on the profitability of Indian businesses. For the years 2000 to 2008, a sample of 263 non-financial enterprises listed on the BSE was collected. The study discovered a link between managerial efficiency and profitability.

4.3.8 Gross domestic product

The coefficient of gross domestic product ROA is 0.1714698, while the coefficient of gross domestic product ROE is 1.271332. For ROA and ROE dependent models, the external predictor of profitability, GDP growth rate, was shown to have a positive coefficient, meaning that GDP has statistically meaningful positive effect on the performance of these enterprises when the p-value is low. As a consequence, we accept H8 and conclude that the GDP growth rate has a statistically strong beneficial impact on Kazakhstan's Samruk Kazyna-related enterprises.

Ghazali (2008) looked studied data from 60 Islamic banks in 18 countries over a six-year period. The findings show that GDP has a beneficial impact on bank income.

4.3.9 Annual inflation rate

The yearly rate of inflation is a driver of profitability that is not controlled by the company. The result of the ROA dependent variable model has a substantial positive impact, whereas the result of the ROE dependent variable model has a considerable positive influence. Because the p-value for ROA is less than the typical alpha threshold of 0.1, it shows that it has a substantial influence on performance. It is statistically meaningful and suggests that the null hypothesis is correct. This implies that we keep the null hypothesis and reject H9.

Khrawish (2011) identified the macroeconomic parameters that impact Jordanian banks that are publicly traded. The results showed that inflation has a negative influence on ROA and ROE.

4.3.10 Political stability

Political stability (ROA) has a substantial negative coefficient (coefficient = -0.0573319). Political stability (ROE) has a negative value as well (coefficient = -0.0135525). Political stability parameters are used to assess the Holding's profitability. Political stability is a significant negative finding in the ROA dependent variable model. The P-significance value's threshold is less than [0.01, 0.05, or 0.10]. This indicates that political stability has a significant influence on the profitability of businesses in this sector. Several studies (Alesina, Zler, Roubini, & Swagel, 1996; Gyimah-Brempong, 2002) suggest that political instability has a detrimental impact on a country's businesses and investments, and hence on its stock market performance. The H10 is turned down.

4.3.11 Control of corruption

Return on Assets has a significant positive anti-corruption control coefficient (coefficient = 0.1130968). They observed that corruption has a positive influence on the profitability of businesses (Stephen P. Ferris, Jan Hanousek, Jiri Tressl, 2020). This is true regardless of whether we look at a company's return on total invested capital or its return on equity (ROA). These data back up the Corporate Advantage Hypothesis. To put it another way, corruption thrives because it has the potential to increase overall corporate profitability.

For Return on Equity, the anti-corruption control coefficient is insignificantly negative (coefficient = -0.0301464). As a result, we reject H11 and conclude that, in this situation, anti-corruption efforts have no statistically significant influence on Kazakhstani businesses.

5. Conclusion, Implications and Recommendations

5.1 Conclusions

The aim of this study was to see how various chosen variables influenced the profitability of Samruk Kazyna Fund-related businesses. The effects of liquidity ratios, cost-to-income ratios, total debt ratios, tangible assets, capital adequacy, capital structure, and management efficiency, GDP, inflation rate, political stability, and corruption control are examined in this respect. The panel data used in this study was obtained from the Kazakhstan Stock Exchange. Over an 11-year period, the balance sheet and income statements of ten businesses were isolated from their reported financial statements (2010-2020). Regression Analysis was used to determine the influence of the independent variables on the return on asset and return on equity.

According to the findings of the study, there is a considerable variation in the influence of eleven distinct independent factors on ROA and ROE. In particular, while total debt ratio has a beneficial influence on ROA, it has a significant negative impact on ROE in these businesses throughout the time period studied. Corruption control, on the other hand, has a favorable influence on ROA but a negative one on ROE. Liquidity, on the other hand, is a good indication in both ROA and ROE. Both ROA and ROE are positively influenced by cost to income. Following that, managerial efficiency has a

significant beneficial impact on ROA and ROE. Finally, inflation affects ROA and ROE in a beneficial way.

As a conclusion, Table 9 summarizes the findings of the analyses.

Table 9. Summary of Findings

Variables and relevant hypotheses	Expected relationship		Outcome		Accept/Not Significant	
	ROA	ROE	ROA	ROE	ROA	ROE
Liquidity ratio, H1	+	+	+	+	N.S.	N.S.
Cost to income, H2	+	+	+	+	Accept	Accept
Total debt ratio, H3	-	-	-	+	Accept	N.S.
Tangible assets, H4	+	+	-	-	Accept	Accept
Capital adequacy, H5	+	+	-	-	N.S.	Accept
Capital structure, H6	-	-	-	-	Accept	Accept
Management efficiency, H7	+	+	+	+	Accept	Accept
GDP, H8	+	+	+	+	Accept	Accept
Inflation rate, H9	-	-	+	+	Accept	N.S.
Political stability, H10	+	+	-	-	Accept	N.S.
Control of corruption, H11	+	+	+	-	Accept	N.S.

5.2 Implications and Recommendations for companies

The findings of this study are designed to give actual data regarding the factors of profitability to enterprises in the Samruk Kazyna Fund, as well as to assist these firms in improving their level of performance. The following implications may be drawn from the findings:

- Because profitability is the major goal of every organization, top management should ensure that numerous aspects impacting profitability are either promoted or managed in order for enterprises to improve their performance.

- According to this research, the liquidity ratio, cost-to-income ratio, managerial efficiency, and business profitability all have a favorable link. This indicates that higher levels of these elements result in better profitability, whereas lower levels result in worse performance of businesses in this industry. As a result, managers should support and develop increases in the liquidity ratio, cost-to-income ratio, and management efficiency in order to assist businesses in increasing their revenue production capability. Since the liquidity ratio, cost-to-income ratio, and management efficiency all have a beneficial impact on the industry's profitability and performance. This means that senior management and managers should promote initiatives that boost these parameters. Raising overall income, enhancing source materials and therefore increasing cost of sales, and having more physical assets are examples of these actions.

- The liquidity ratio was discovered to have an inverse connection with profitability, meaning that the higher the liquidity ratio, the lower the firm's profitability. Managers should minimize liquidity levels in order to effectively monitor and regulate them.

Since companies registered on the stock exchange in Kazakhstan cannot achieve their goals without recognizing profitable influencers, it is extremely important for them to clearly identify the various elements that affect the profitability of the company's activities. According to research, increasing the

amount of current assets is the most effective way to increase the profitability of firms. This is due to the fact that an increase in the value of an enterprise's assets allows it to gain competitive advantages and increase market share.

In addition, Kazakhstani enterprises should not rely solely on borrowed funds to finance their activities. The rationale for business rejection of debt is that an increase in the percentage of debt leads to an increase in financial liabilities, which has a significant negative impact on both ROA and ROE.

5.3 Limitations and Suggestions for Future Studies

Profitability ratios can be used to assess a company's profitability. Profitability ratios may be determined to quantify operational efficiency in the process of evaluating a company's performance. Profitability ratios can be calculated based on either investment or sales, and a mathematical link between profit and investment or sales is constructed for this purpose. The preceding implications should be taken in light of a number of caveats. First, this research was conducted at Kazakhstan's Samruk Kazyna Holding, which is made up entirely of Kazakhstani companies. As a result, the scope of this study is limited since just a small sample of enterprises from various industries combined in a single Fund in a single nation was chosen, which does not reflect the total population. Because information changes over time, the data presented cannot be completely trusted. Due to time constraints, the balance sheet and income statements were taken from Data Stream and used to assess the company's performance.

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The financial determinants of corporate cash holdings in an oil rich country: Evidence from Kazakhstan

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Abstract

In this article, we examine the factors that determine the availability of cash holdings for a sample of Kazakhstani firms using statistical data models. In this work, I divided the sample into two subgroups: petrochemical industry and non-petrochemical industries. As Kazakhstan is from an oil-rich country, results show a great distinction between the determinants of cash holdings of one of the two groups of firms. My results show that financial data such as firm size, leverage, capital expenditures, net working capital, and cash flow volatility are main factors in determining cash holdings.

Key words: cash holdings, petrochemical firms, non-petrochemical firms, conservative firms

Introduction

The purpose of this research paper is to find the determinants of corporate cash holdings in Kazakhstan. In this work cash holdings term is used to define as cash in hand and as physical asset for distribution and investment. These assets are store in 3 different reasons, precautionary, speculative, and transactional (Isshaq & Bokpin, 2009). Transactional motive, according to which part of the wealth must be kept in cash in order to use money as a means of payment and a medium of exchange. The precautionary motive is based on the desire to be able to dispose of a part of one's wealth in the form of money in the future, so that in the future one can meet unexpected needs and realize any unexpected opportunities. The speculative motive confirms the desire of people to avoid the loss of capital associated with storing it in the form of securities during periods of decline in their value.

Today in a world with the perfect conditions of capital markets, holdings of liquid assets are out of place because nowadays companies simply increase funds to finance their profitable investment projects with insignificant transaction costs. Thus, the investment of liquid assets is not an indicator of the wealth of shareholders. However, real life recent studies reveal corporates invest in liquid asset by sustenance relevant cash holdings. For instance, Dittmar, Mahrt-Smith, and Servaes (2003) observe that global big corporations held 9% of the book value of their assets in cash. Ferreira and Vilela (2004) find that EMU corporations, at the end of the year 2000, held 15% of their total book value of assets in cash or cash equivalents.

According to the latest literature suggestion cash holdings are determined and influenced by three theories in corporate finance, that are trade off theory (Myers, 1977), pecking order theory (Myers & Majluf, 1984) and free cash flow theory (Jensen, 1986). The concept of trade-off is used by the authors to describe the directions of related theories, within which an assessment of possible and beneficial options from alternative structures is carried out. It is assumed that the management decision will be made when marginal costs are balanced by marginal benefits. (Afza & Adnan, 2007; Dittmar et al., 2003; Ferreira & Vilela, 2004). The pecking order theory, also known as hierarchy model, refers to the capital structure of a company. The theory, popularized by Stuart Myers and Nicholas Meiluf in 1984, is that managers follow a hierarchy when considering funding sources. POT

states that managers prioritize the following sources of funding for investment opportunities: first through the company's retained earnings, then through debt, and as a last resort, choose equity funding. Third, Jensen's free cash flow theory describes that manager have an incentive to accumulate cash in order to increase the amount of liquid assets and have complete control over investment decisions. Because cash reduces the pressure of good performance and allows managers to invest in projects in which they are more interested than shareholders.

However, neither hierarchy theory nor free cash flow theory assumes the existence of target levels of cash reserves, in contrast to the theory of trade-offs. According to this theory, firms exchange the benefits and costs associated with holding cash to determine target cash holdings, and when actual cash holdings deviate from the target level, firms tend to adjust their cash holdings to the target level.

The Republic of Kazakhstan, being an emerging market, has more different business practices along with the developed countries. Kazakhstan, an oil-rich country, ranks 12th in the top 15 oil-rich countries, surpassing China and behind the United States, according to visualcapitalist.com. But the stock market is relatively underdeveloped, Islamic banking is also present, but is not the main banking activity of the country.

The first step of the study collects a sufficient amount of empirical data on the availability of cash of Kazakh companies listed on the exchange. As an oil-rich country, cash levels will vary depending on the sector of activity of the firms. To test the hypothesis, I will study the factors that determine the level of cash by separating the sample into two sub-samples: the petrochemical industry and the non-petrochemical industry

Literature Review

As we all know, cash is one of the most liquid assets that ensures companies pay their bills on time. It is important to keep cash in order to secure the company even during difficult times and to keep the obligations repaid on time. It is also important to consider cash when increasing sales and profitability, which will create an overall positive cash flow situation. Thus, cash is an important source that allows businesses to survive and thrive. Cossin and Hricko (2004) describe that having cash allows you to choose the optimal time for investment and avoid price problems. However, having excess cash is not necessarily conducive to good business.

Table below:

Empirical studies related to determinants of corporate cash holdings

Authors	Findings
Nadiri (1969)	Early study on cash holdings. He collected data from the US manufacturing sector from 1948 to 1964 to make an assessment of the real cash balance model. The conclusions of the study, the demand for real cash balances is determined by the release of the interest rate, the rate of change of prices and the price factor of production.
Campbell and Brendsel	Their work consists of an empirical study, collecting data from US manufacturing firms from 1953 to 1963, examining the effect of compensating balance sheet requirements on cash holdings. Using least-squares regression

(1977) analysis, it was found that compensating balance requirements are not an important factor.

Dittmar *et al.* (2003, p. 111) The main subject of the study was a sample of 11,000 firms from 45 countries, and found that corporations with the least insurance rights to hold twice as much cash than vice versa. Also, it turned out that with weak shareholder protection, factors in the need for cash $\pi\mu\delta\psi\tau\pi\psi$ become unimportant. Research shows that firms with easy access to funds have a larger cash balance. Dietmar et al. explain this situation as agency problems are important factors that determine the cash holdings of a corporation.

Ferreira and Vilela (2004, p. 295) Using a sample of 400 firms in 12 Economic and Monetary Union (EMU) countries over the period 1987 to 2000, the results showed the following data. 1. Cash is positively affected by a set of investment opportunities and cash flows. 2. Liquidity, leverage and size of assets negatively affect. 3. Bank debt and cash holdings are negatively related; this is due to the overcautiousness of the firm. 4. Firms with better investor protections hold less cash. 5. Ferreira and Vilela also found a negative impact on the level of money is also affected by the development of capital markets.

Nguyen (2005) Collecting data from a sample of 9168 Tokyo Stock Exchange firms from 1992 to 2003 concluded that cash holdings are positively associated with firm-level risk and negatively with industry risk. Also investigated the precautionary motive for holding cash, the conclusion of which is that the lack of cash leads to costs in different consequences.

Rizwan and Javed (2011) They collected data from 300 Pakistani firms listed on Karachi Stock Exchange (KSE) over the period 1998-2007. They explored that the cash holdings of Pakistani firms are strongly associated with increased cash flow as well as market-to-book value ratios. They also found a negative relationship between net working capital and borrowings relative to corporate cash holdings in Pakistani firms.

Data description and methodology

Sample selection

My sample consists of firms listed on the Kazakhstan Stock Exchange. The data is collected manually. We used three data sources for compiling our sample: (1) the kase.kz website for data relating to companies in the financial statements of listed companies in the market, (2) the kase.kz website for price information on stocks and (3) the macrotrends.net website for oil price data. The analysis refers to the period from 2010 to 2018. The panel data set for this study was constructed as follows. First, we exclude financial institutions because banks and insurance are subject to special rules and regulations. Second, we exclude missing observations for the company year for any variable in the model.

Table 1 further categorizes the sample by business sector. The results show that firms predominate in various sectors such as the petrochemical industry, agriculture and food processing, industrial investment, construction, and others.

Business sector	Frequency	Percentage
Petrochemical Industries	19	27.14%
Agriculture and Food Industries	8	11.43%
Industrial Investment	28	40%
Building and Construction Retail	2	2.86%
Others (Real Estate Development, Telecommunication and Information Technology)	13	18.57%
	70	100%

Variable definition

Building on early studies such as Ferreira and Vilela (2004), Drobetz and Grüniger (2007), Hall et al. (2009), I have defined variables as follows:

Table 2

Variable definition and measurement.

Variable type	Variable name	variable abbreviation	Measurement method
Dependent variable	Cash holdings	CASH	Total cash and equivalents/ (Total assets- Total cash and equivalents)
Independent variables	Leverage	LEV	Total debt/Book value of total assets
	Dividend payments	DIV	Dividend per share/The year end stock price
	Profitability	PROF	Operating profit/Total assets

	Growth opportunities	Q	(The market value of equity+ the book value)/The book value of assets
	Firm size	SIZE	Ln (Total assets)
	Capital expenditure	CAPEX	capital expenditures/Total assets
	Net working capital	NWC	[Current assets (except total cash equivalent)- Current liability]/Total assets
	Cash flow volatility	CFVOL	Standard deviation of firm cash flow
	Oil price	OIL	The year-end oil price

Methodology and model specification

Particularly commonly used methods for estimating the determinant of corporate cash reserves, taking into account static panel models: (1) OLS pooled regression; (2) panel random effects model; (3) panel model of fixed effects. Taking into account the previously defined determinants of money supply used in this study, the OLS pooled regression estimate can be represented as follows:

$$\text{Cash} = \beta_0 + \beta_1 \text{LEV} + \beta_2 \text{DIVY} + \beta_3 \text{PROF} + \beta_4 \text{Q} + \beta_5 \text{SIZE} + \beta_6 \text{CAPEX} + \beta_7 \text{NWC} + \beta_8 \text{CFVOL} + \beta_9 \text{OIL} + d + u$$

Where $u = v + e$, with being companies' non-observable individual effects. The difference between a pooled OLS regression and a model considering non-observable individual effects lies precisely in v_i .

Results and discussion

	Whole sample		Petrochemical industry		Non-petrochemical industries	
	Mean	Std.Dev	Mean	Std.Dev	Mean	Std.Dev
CASH	0.18053374	2.6616046	0.06402858	0.02551755	1.45923173	3.03923504
LEV	0.4189927	1.873949921	0.46472801	0.36674784	-0.748222	2.09532408
DIV	0.04442224	6.439380479	0.51271804	6.29596807	0.06603738	0.24853095
PROF	0.35982723	3.972702164	0.08769257	0.17923611	4.90613543	3.91665601
Q	1.49133995	1.095594826	0.93616789	0.56882782	1.69816876	1.17439918

SIZE	14.9939238	2.530453116	13.8898412	4.18404792	15.4052487	1.37781074
CAPEX	0.11879857	0.085554226	0.20039687	0.11746819	0.0883992	0.04075089
NWC	0.19892019	0.924543607	1.44408889	0.74302031	-0.2649662	0.41495251
CFVOL	0.05867002	0.040319195	0.02020873	0.01471546	0.07299874	0.03733473
OIL	94.1	1.14508E-13	94.1	2.9201E-14	94.1	2.92005E14

Table 3 presents descriptive statistics for the variables in the analysis. Table provides means and standard deviations for the variables of the whole sample and the two subsamples Petrochemical and Non-Petrochemical Industries.

Table 3 Descriptive statistics

Over the period 2010-2018, Kazakhstan firms hold, on average, 18% of their net assets in cash. Compared with others studies, we find that our average cash ratio is similar to that found by Saddour (2006) of French firms over the period 1998-2002 (14.7%) and Ferreira and Vilela (2004) for firms of EMU countries over the period 1987-2000 (14.8%). However, Al-Najjar (2013) find an average cash ratio of 5.6% for a sample of emerging countries including Brazil, Russia, India and China over the period (2002-2008).

For explanatory variables, our firms hold a leverage of 44%, a dividend yield of 4.4%, a profitability of 35%, an 5% of volatility in cash flow. In addition, the firms of our sample have more growth opportunities which make the market value of assets greater than the book value (men value of Tobin's Q 1/4 1.68) and they have 11.8% of their assets invested in tangible assets.

Petrochemical companies hold on average 6.4% of their net assets in cash, with a leverage of 36%, a profitability of 8%, a dividend yield of 5%, a 2% of volatility in cash flow and invest approximately 12% of their assets in tangible assets.

Table 4. Correlation matrix

	CASH	LEV	DIV	PROF	Q	SIZE	CAPEX	NWC	CFVOL	OIL
CASH	1									
LEV	-0.339287	1								
DIV	-0.2087403	0.2327257	1							
PROF	0.39285917	-0.9204651	-0.4840018	1						
Q	0.2807142	-0.5874718	-0.2451038	0.61498687	1					
SIZE	-0.0407806	0.24505234	-0.5939396	-0.1319769	-0.2342453	1				
CAPEX	-0.2328716	0.42933523	0.8296978	-0.5773163	-0.3103454	-0.6835253	1			
NWC	-0.2879578	0.48883376	0.91429756	-0.7055123	-0.4955764	-0.3994532	0.85952474	1		
CFVOL	0.32845519	-0.7386058	-0.4399609	0.83428551	0.72728178	-0.2913811	-0.3870127	-0.7003429	1	
OIL	1.0203E-16	6.8198E-18	2.451E-16	1.0294E-16	2.9745E-16	2.0202E-17	-2.101E-17	9.676E-17	9.9052E-17	1

Based on Table 4, we can see that the relationship between leverage and profitability has the largest correlation with a value of -0.92. In contrast, the relationship between dividend and leverage has the smallest correlation with a value of 0.020. The researcher states that the data used in this study are free from classical assumptions as a prerequisite for the regression test. This study's data are free of

data normality problems, multicollinearity, autocorrelation, heteroscedasticity, and autocorrelation tests.

Table 5. Regression Results

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-1.717697664	9.147671187	-0.1877743	0.8516768
LEV	-0.309955001	0.590688241	0.52473535	0.60166907
DIV	-0.025533591	0.194382278	-0.1313576	0.89592471
PROF	0.435383946	0.357705091	1.21715893	0.22823175
Q	0.268845411	0.439844833	0.61122785	0.54331989
SIZE	0.061689706	0.432178829	0.14274116	0.88696506
CAPEX	-0.964652337	17.30107834	0.05575678	0.9557178
NWC	-0.452749245	2.219880333	0.2039521	0.83906984
CFVOL	1.383197319	27.374141	-0.0505293	0.95986566
OIL	0	0	65535	#NUM!

Regression Statistics

Multiple R	0.404273167
R Square	0.163436793
Adjusted R Square	0.037330143
Standard Error	2.589122186
Observations	70

Table 5 shows that the regression test results show the coefficient of determination (adjusted R²) of 0.0373. The analysis of the coefficient of determination shows that 3.7% of variations in changes in the corporate cash holdings can be explained by company profitability, liquidity, leverage, company growth, operating cash flow, and firm size. Table 5 also explains the regression F test results, where the F value shows a value of 1.489672913. Based on these results, the regression model is fit with the data used in this study.

For the whole sample, our results show that leverage, firm size, capital expenditure, net working capital and cash flow volatility are the main determinants of cash holdings of Kazakhstan firms. H1 There is a negative relationship between leverage and cash holdings. Hypothesis 1 is

supported. Thus, Kazakhstan firms with the ability to access external funds are less in need of cash to pay for investments. H2. There is a negative relationship between dividends and cash holdings. Regression coefficient is -0.025533591 p- 0.60166907. Hypothesis 2 is supported. H3. There is a positive relationship between profitability and cash holdings. Hypothesis 3 is supported because regression coefficient is 0.435383946 p value is 0.22823175. H4. There is a positive relationship between growth opportunities and cash holdings. H6. There is a negative relationship between capital expenditure and cash holdings. Consistent with the pecking order theory and H6, we detect a negative and significant association between capital expenditure and cash holdings. H7. There is a negative relationship between net working capital and cash holdings. In line with the trade-off theory and H7, our firms with more liquid assets can convert these assets to cash and in turn have less need to hold cash. H8. There is a positive relationship between cash flow volatility and cash holdings.

Conclusion

This article explores the empirical determinants of corporate cash of Kazakh companies listed on the stock exchange for the period 2010-2018. The main motivation for this study lies in the specific characteristics of the business context. Kazakhstan is an oil-rich country, the stock market is relatively underdeveloped. Accordingly, our main goal in this study is to provide new data on the financial determinants of money supply in a particular emerging market.

First, we run our regressions on the entire sample and two subsamples of firms: petrochemical firms and non-petrochemical firms. Summing up, we find that for the entire sample, the leverage firm size, capital expenditures, net working capital and cash flow volatility affect cash holdings. When we run our regression on two subsamples, we find that some of the results are the same for the two categories of firms, and some of them are specific to each of them. The results show that petrochemical and non-petrochemical companies decrease their cash levels with the level of investment and the level of liquid assets replacing cash. For petrochemical companies, our results show that dividend yield, profitability, firm size, cash flow volatility, and oil price are specific determinants of cash reserves. However, we report that for non-petrochemical firms, leverage is the only specific determinant of cash holdings.

Overall, we provide additional evidence that trade-off theory, POT, and free cash flow theory play an important role in understanding cash holdings in developing countries.

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Digital banking, customer experience and bank financial performance Kazakhstan customers' perceptions

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Abstract

The purpose of this research to identify correlation between customer perception and financial performance of digital banking in Kazakhstan. Different factors as satisfaction, ease in use, loyalty, availability of services, etc. are reviewed. The research conducted on the base of questionnaire to define customer perception on mobile banking apps in Kazakhstan banks. The result of the study is close to the results of the study conducted by Mbama et al. (2018) and proves the close relationship between digital banking customer experience and financial performance.

Introduction

New technologies are a hallmark of our dynamic life today. We use them in all spheres of life — at home (coffee machines, vacuum cleaners, washing machines, etc.), at work and at school (smartphones, computers, printers, wi-fi modems, scanners, etc.), in medicine (collection data, diagnostic tools such as MRI (magnetic resonance imaging) and CT (computed tomography), robotic surgery, etc.). With the development of computer software, technology is advancing at a rapid pace. Self-driving vehicles, next-generation aircraft, renewable energy, smart medical equipment, and financial inventions make our lives more comfortable, economical, and safer.

Financial institutions around the world, including retail banks, have not been left behind by technological developments as they meet the increased demands of financial consumers. Banking has changed a lot. In the past, banks have grown by competing by increasing customer accounts and savings deposit rates. Technological progress is rapidly changing the financial market. (Wewege & Thomsett, 2019)

Implementation of digital technologies into banking has led to what is now called digital banking. Digital banking refers to the use of technology to carry out banking transactions more efficiently. Digital banks develop and adopt products and services that respond customized digital needs of their clients. This requires banks to become more responsive, competent, and relevant to customers by expanding their communications and delivering services at the right time and in the right place. (Sardana & Singhania, 2018)

A Deloitte' survey by Alderman & Valenti in March 2021 about 3,000 US consumers found that nearly every bank has seen a surge in the use of digital banking. The study also suggests positioning mobile banking applications as a central platform for customer satisfaction and replacing the role of their branches with this platform. (2021)

Digital banking determines the new era of banking and facilitates relationship between banks and customers. With enhancements in financial technologies consumers manage their finances more efficient and easily. Mobile banking is one of the latest innovations that allows customers to manage

their finances. Customers find it convenient to use banking mobile applications to make payments, receive checks and manage other financial services. (Wewege & Thomsett, 2019)

The number of financial clients worldwide is growing, and traditional retail banks are having to overhaul their outdated technology system to compete with fintech companies. (Wewege & Thomsett, 2019) The main digital banking service for individuals is a mobile application that provides access to a range of bank services. The application on Android and iOS allows to perform all day-to-day banking operations, helping customers manage money around the clock, without visiting branches. (Ibrayev A., 2020) Since according to Global Finance (2021), digital banking has rapidly transformed during the pandemic as it forced people to bank from modern gadgets such as smartphones, tablets and computers, this study can be useful to understand how digital banking is in demand, widespread and how it perceived by customers.

This study is inspired by the study of Mbama & Ezepeue conducted in 2018 to examine the experience of UK bank customers to determine their perception of digital banking and to examine their satisfaction, loyalty, and how it related to financial performance of banks. They found a strong correlation between customer service quality, customer satisfaction, and banks' financial performance. (2018)

The purpose of this paper is to study the experience of Kazakhstan clients in terms of indicators such as satisfaction and loyalty, and to understand how these conditions are linked to the financial performance of banks. Andaleeb et al. state that banks provide services in which financial success is the result of how customers perceive quality of bank's services and experience. (2016)

This research provides a comprehensive understanding of relationship between customers that use mobile banking applications and banks, and determines which indicators have impact on financial performance. Customer experience, loyalty, trust, perceived usability, satisfaction will be reviewed and studied to determine the impact on financial performance.

The specific goals of this paper are:

- to collect and perform descriptive data on mobile banking applications in Kazakhstan banks, their popularity and usefulness.
- to collect and perform data of indicators that are correlated to financial performance.

The study has limitations as it focuses on Kazakhstan retail banks, where most of their interviewed clients live in the country's largest cities, Nur-Sultan, and Almaty, that means there is some homogeneity among the participants. Consumption of banking digital products is more common in big cities, because in rural areas of Kazakhstan the quality of the Internet is not of high quality. (Batishcheva, 2021). Another limitation is the geopolitical problem in the form of the existing war between Russia and Ukraine and tough international sanctions imposed on Russia. The result of this problem is the restrictions that Kazakh banks were forced to impose because Kazakhstan is a member of the Eurasian Economic Union. These restrictions negatively affected the perception of banking services by customers. (Kaysar & Loginova, 2022)

Literature Review

The purpose of this chapter is to review the literature related to the digital banking industry. This part of the study helps to get to know some of the research results and reviews on the banks' digital transformation.

Banking has moved from a traditional to a new digital model due to financial innovation in the last decade thanks to advances in computer technology and smartphones. This movement led to the creation of a new reality, a new environment, which contributed to the rapid development of financial transformation. (Wewege & Thomsett, 2019)

The Deloitte (2021) report on the vision for the future of retail banking outlines digital banking as one of three main areas that transforming banks must pursue. Customers demand digital experiences across mobile and online platforms. To achieve digitalization, banks must move most transactions from analogue to digital channels, which leads to a reduction in unit costs. Banks need to move from a product-centric to a customer-centric business model soon, although this requires significant investment.

Larsson & Viitaoja found that the banks should strive to better understand the expectations, behaviors and needs of customers. (2016) Studies by Tsai et al. have shown that the longer companies are able to maintain good relationships with customers, the more profit the customer will bring to the company. (2010) According to Thakur, customer engagement has a substantial impact on customer loyalty, highlighting the need to ensure customer engagement. (2016)

Traditional retail banks need to be quick to adopt new technologies as neither financial clients nor fintechs are waiting for them. Otherwise, traditional banks will come to the realization that they are not only weak in attracting new customers, but also losing existing ones. According to a study conducted in 2018, banks have invested almost \$10 billion in digitalization. This indicates that banks are aware of the relationship between digital transformation and financial performance as a consequence of customer satisfaction. (Wewege & Thomsett, 2019) Andaleeb et al. argue that customer satisfaction with banking services is a key factor to be assessed. Researchers believe that customer satisfaction is a complex task, and it is important to distinguish the subtleties of customer satisfaction. (2016)

According to Dawsey, the world is digitally oriented and driven by technology. He also argues that a bank can only be a market leader if it has a "well-designed, easy-to-use mobile banking app that customers love." Communication specialist Stepnewskaya (2020) answers what people need in mobile banking apps. She believes that the main functions are cash flow management - checking the balance and transactions, as well as the security and ease of transactions. McIntyre, a digital marketing consultant and strategist, says consumers are easily meeting most banking needs thanks to the development of digital banking apps. (2020)

But, thanks to the evolution of digital banking Apps, you can easily take care of the majority of your banking needs using

Mbama et al. reviewed various customer experience studies of banking services used in papers written prior to their study. Thus, according to the conclusion of Meyer & Schwager (2007), customer satisfaction is the difference between bad and good customer experience. They state that a customer is satisfied if their expectations match the customer experience. Klaus & Maklan (2013) measure customer experience in six dimensions – “convenience, retention, service recovery (part of service

quality), risk perception, satisfaction, and loyalty intentions”. Mbama et al. considered fourteen factors of customer experience of digital banking and studied their relationship to financial performance that was the area that had limited attention previously. Customer experience has been linked to profit or organizational performance but has not been studied in the digital banking industry previously. Mbama et al. comprehensive study of fourteen key customer experience factors in digital banking to gain a deeper understanding of them and their impact on marketing and financial performance. The conclusion of the study is what factors should be considered to improve financial performance and customer experience.

So, at the beginning of this chapter, we reviewed the works describing the transformation of traditional banks into digital ones. This is followed by a review of customer experience research, its metrics and measurements. The following articles focus on mobile banking apps and their importance in the age of technology. At the end of the chapter, we reviewed the key article related to the current study on the digital banking experience of customers and its impact on financial performance.

Methodology

This research used mixed research approach by conducting qualitative and quantitative methods to consider data in different perspectives. More than 200 participants were surveyed. The questionnaire was developed based on the original questionnaire by Mbama et.al, which they kindly shared through email contact. The questionnaire was revised in accordance with the purpose of this study. Financial ratios ROE and ROI have been extracted from official bank statements.

Summary

According to the National Bank of Kazakhstan, there are 23 banks in Kazakhstan (2022). The volume of transactions conducted with payment cards increased 2.3 times in January-July 2021 compared to January-July 2020, 55.3 million payment cards are in circulation (01.08.2021).

Customers of 10 top banks (Halyk, Kaspi, Jusan, Home Credit Bank Kazakhstan, Sberbank JSC, Eurasian, Alfa, Forte, BCC, and Altynbank) according to Similarweb (2022) were reviewed (Similarweb, 2022).

The study identified factors that affect the financial performance of digital banking. There is a positive correlation between customer experience, satisfaction and loyalty, and the financial performance of digital banks. Clients appreciate the quality and availability of services provided by the bank.

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Comparative analysis of crypto currency tax policies of Kazakhstan

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Abstracts

Kazakhstan has emerged as the Asian hub for cryptocurrency mining. However, there exists lack of appropriate tax framework that government can use to generate public revenue from increasing cryptocurrency activity. Currently, government charged tax to miners of cryptocurrency as per their usage of electricity. However, it is highly likely that Kazakhstan would observe increasing activity in the cryptocurrency at both commercial and individual levels. Therefore, lack of appropriate tax framework for cryptocurrency can deprive country from valuable revenue source. Therefore, this study aims to propose taxation framework to the Kazakhstan government. To this end, this paper multi-case study based qualitative study. Paper examines the cryptocurrency tax frameworks of the US, UK and Germany to conduct their comparative analysis and propose cryptocurrency tax framework for the Kazakhstan. This study uses three four databases such as business source premier, science direct, emerald insight and IEE Xplorer. Additionally, google scholar and internet as a search strategy. Following PRISMA flow methodology this study identified four papers that are used for the purpose of analysis. Interpretation of the findings reveals that all three case studies classify cryptocurrency as unit of account, however Germany also recognize it as currency. Furthermore, all three case studies use capital tax regime to tax cryptocurrency however individuals and corporations are required to report crypto assets at their fair value. It is proposed that Kazakhstan's authorities should recognize cryptocurrency as a unit of account and currency because it will allow in streamlining crypto transactions, increasing transparency thus reducing risk to consumers. Furthermore, any business transaction conducted in cryptocurrency should be conducted through official banking channel thus would leader to reducing consumer risk. Moreover, Kazakhstan's tax authorities should use capital gain tax for taxing cryptocurrency assets at the end of the financial year at their official fair value in the Kazakhstan currency. Capital gain tax regime has been adopted by all three case studies such as UK, US and Germany. However, to ensure transparency in the system, it is important that businesses that intends to operate in the cryptocurrency are registered with Astana International Financial Center (AIFC) as happened in the case of Germany. Finally, government can adopt UK's stamp duty approach to tax sale and purchase of property.

Keywords: Cryptocurrency, bitcoins, Taxation of cryptocurrency

Introduction

The State Revenue Committee (SRC) of Kazakhstan do not consider cryptocurrency as an asset for tax purposes instead it only tax them when they are sold for government issues currency also known as fiat currencies (Kaaru, 2019). Approach of Kazakhstan to tax crypto assets differ widely from other countries such as UK that recognizes crypto assets for both income and capital gain tax (Huang, 2021). Others such as USA recognizes crypto assets as a business, investment and personal property (Bergman, 2018), however European Union (EU) recognizes crypto assets as a private money for tax purposes (Bos and Economy, 2018). Thus, it is clear that there exists lacks of unified approach across the globe towards taxing the crypto assets. However, the year 2022 has started with the serious debate surrounding the regulation of crypto assets as their estimate value cross market capitalization of

US\$1.66tn (Nabben, 2022). Therefore, there exists business case for the government in the Kazakhstan to develop robust taxation framework surrounding the crypto assets.

In the context of Kazakhstan, the cryptocurrency assets are a controversial issue. While at one end, cryptocurrencies are blamed for causing electricity shortage (Sorbelli, 2021). However, there exists business case for the government in the Kazakhstan to regulate cryptocurrency. For instance, as a result of ban in China majority of the crypto miners choosing the Kazakhstan as an attractive option (Sorbelli, 2021). As a result, government has moved to rationed energy away from minors to prevent electricity shortage. However, it is believed that the move could cost Kazakhstan US\$1.5bn in lost tax revenue by 2027 (Nabben, 2022).

However, on the same time government moving towards encouraging the development of cryptocurrency industry. For instance, it is expected that crypto exchanges registered with the Astana International Financial Centre (AIFC) would soon collaborate with the local banks (Arystanbek, 2021). The move would allow investors to open account in cryptocurrency, make transfer, buy cryptocurrency and carry out other operations. It is expected that if Kazakhstan can capture fraction of a percentage in the daily global turnover of cryptocurrency, then it could result in boosting country's economy in the shape of foreign direct investment and taxes. The principal problem with taxing crypto assets lies in their lack of traceability of asset holders (Marian, 2013). Lack of traceability of crypto assets is already an issue in the Kazakhstan as large number of crypto miners operates in informal economy (Tassev, 2021). It is expected that regulating the industry could mean crypto miners emerging out of shadowy market and contributing towards the country's economy through paying taxes on their income. However, tax regulations surrounding the crypto assets in the Kazakhstan are in evolving stage as government running pilot projects to assess risks and benefits associated with this fast-developing currency. Therefore, this document aims to conduct comparative analysis of the tax regulations of crypto assets of Kazakhstan with other developed nations and propose an appropriate tax framework to the authorities. The principle aim of this dissertation is to evaluate "How Kazakhstan can strengthen its crypto assets/currency tax framework? While seeking answer to the above question, this study aims to achieve following objectives:

- To assess the reasons for implementing tax regulations on cryptocurrency/assets
- To compare current policies of the Kazakhstan's cryptocurrency tax policies with that of the UK, Germany and US
- To identify limitations in current policies of the Kazakhstan to tax crypto currency/assets
- To propose ways by which SRC in Kazakhstan overcome weaknesses in its cryptocurrency tax framework

Research background

There are variety of factors contributing towards complexity of taxation of digital currencies such as crypto. The first challenge lies in lack of central authority (Lerer, 2019). Cryptocurrency is a digital currency whose issuance is conducted through miners rather than central authority such as bank. The transactions of the cryptocurrency are recorded in blockchain also known as digital public ledger. There are other number of underlying challenges of cryptocurrency that creates problems for policymakers such as anonymity, difficulty in valuation and emerging nature of the technology (Ernst

and Young, 2020). Report by the Organization for Economic Cooperation and Development (OECD) (2020) finds that using, trading and capitalizing on the crypto currency and assets are rising along with the evolving situation of the technology, thus possess taxing challenges for administration worldwide.

Moreover, there also exists lack of unified approach to taxation of cryptocurrency. For instance, while crypto assets have increased significantly in value over the past years however taxation jurisdictions of even developed countries such as US and UK are still developing a systematic approach for taxing them (Ernst and Young, 2019). While other countries such as India, Russia, Algeria, Qatar and etc., have banned the crypto transaction citing money laundering and terrorism financing issues (Olinga, 2022). Additionally, there also exists confusion in recognition of crypto as an asset or currency for the income and corporation tax purposes (Ahmed, 2017). While various organizations such as Xbox, Dell and others are accepting cryptocurrency from customers (Tayeb, 2021), however countries such as UK declines to accept crypto as currency of exchange instead, they account crypto as capital gain for taxation purposes (Ahmed, 2017: P11). On the other hand, for regimes such as Kazakhstan the issue of taxing cryptocurrency has been linked to the usage of electricity. Current tax regime of cryptocurrency in the Kazakhstan charges 1 Tenge per one kilo watt per hour usage of energy for mining cryptocurrency (Chambers and Partners, 2021). Additionally, government is incentivising crypto mining in the country as it amended the tax code for digital allowing that allows 0% tax for miners who register with the Astana International Financial Centre (AIFC) and reside in the IT park Astana hub (Chambers and Partners, 2021). Furthermore, allowing entrepreneur to open crypto bank account and make transactions means that sooner or later country will face problem with taxation of cryptocurrency for both individuals and corporations (Arystanbek, 2021). Therefore, this study aims to develop a cryptocurrency framework for the Kazakhstan through reviewing that of other countries.

Literature review

This section starts by explaining the concept and types of the cryptocurrency. Afterwards, risks and benefits associated with the cryptocurrency are identified followed by highlights of the international initiative and challenges to tax cryptocurrency. Additionally, review of empirical studies is provided to identify research gap thus setting up the stage for evaluating existing frameworks of taxation of cryptocurrency in this dissertation.

Cryptocurrency concept

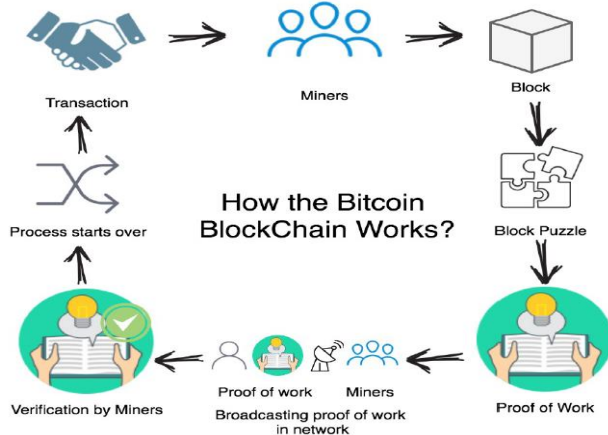
Khandelwal (2019) describes cryptocurrency as a digital, decentralized and open-source assets whose value is purely driven by the market forces. The roots of the cryptocurrency lay in the cyber currencies that first came into the market in 1980s (The Guardian, 2021). David Chaum was the first American cryptographer who introduced digital cash that depended upon cryptography to secure and confirm a transaction. However, protocols of cryptographic and software started to be developed by the early 1990s that led to the birth of decentralized digital currencies. Nakamoto (2008) published paper that outlines the system for developing digital currency that did not depended upon third-party for verification. Paper by Nakamoto effectively led to the launch of bitcoin. While Nakamoto presented the prescription for developing the bitcoin, however it was developed by an unknown person (Tasatanattakool and Techapanupreeda, 2018). According to Raval (2016) blockchain is the underlying technology used in the production process of cryptocurrency. Blockchain is described as a network of computers known as nodes that manages the history of transactions validated by every other node on the network that wants to be the part of the network. Blockchain works on the principle

of distributed ledger with complete access to anyone. The decentralized system of the blockchain makes it independent of any centralized third-party.

The crypto coins are created by miners (Ghimire and Selvaraj, 2018). Over the years various machines have been used to mine crypto coins namely CPU mining, GPU mining, FPGA mining and ASIC mining are the most used hardware used to mine cryptocurrency. All the hardware used to mine the cryptocurrency consume high electricity. It is due to the need of high electricity to mine crypto that is causing electricity shortage in variety of countries including Kazakhstan (Sorbello, 2021).

The mining process involve miners using processing power to solve a problem and post it on the network of blockchain (Fadeyi et al., 2020). Miners add transaction record to the public ledger of the past transactions. However, a transaction can be considered valid only when it is signed by the sender. As more miners connects to the network, it leads to increasing the complexity of verification of a transaction. The miner who mines the block gets rewarded in the shape of a bitcoin along with the transaction fee involve in the block. It is the incentive of getting rewarded in bitcoin that motivates miners to find valid block. Figure 1 below presents the process of bitcoin mining. From the top left, a new transaction is added to the block resulting in creating a race among miners to verify whether the transaction is valid. Every node brings a new transaction to the block making it difficult to find the proof of the work. In the event that a miner finds proof of the work then he/she broadcast the block to the nodes. The nodes in the block only accepts the block if it finds that all the transaction in the block is valid and are nor spent already. Finally, nodes express their acceptance of the transactions in the blockchain through working in the creating the next block through using the hash of the accepted block as starting point for the new hash.

Figure 1: Bitcoin mining process



Source: Ghimire and Selvaraj, 2018: P4

Types and jurisdiction of cryptocurrencies

Over the years several types of cryptocurrencies have emerged and their numbers are increasing day by day (Yereli and Orkunoglu-Sahin, 2018). The top ten cryptocurrencies included Ethereum, Litecoin, Cardano, Polkadot, Bitcoin, Stellar, Dogecoin, Binance, Tether and Monero (Hayes, 2022).

The cryptocurrency is classified into three types such as tokens, utility tokens and security tokens (Gov.uk, 2020). Exchange tokens are usually used as a method of payment. Exchange tokens follows the principle of digital ledger technology (DLT), therefore there exists no central authority supporting them. The value of exchange tokens are determined based on its demand or investment. In contrast, utility tokens enable users to use them to buy and sell goods on a DLT platform. Businesses issue their tokens and commit themselves to accept them as a means of transaction for selling/purchasing goods/services. Finally, security tokens are usually used in the stock markets to buy and sell shares.

Portugal, Switzerland and Germany are recognized as crypto heavens (Sirois, 2021). Reason behind exponential growth of cryptocurrencies in these countries lies in the soft approach adopted by the respective governments. For instance, Portugal's tax authorities do not charge any tax to the individuals who profit from the purchase and sale of cryptocurrency. Moreover, exchange of cryptocurrency into fiat currency is tax free in the Portugal. Similarly, Switzerland is the second heaven for the cryptocurrency. Regional division system of the Switzerland also known as cantons plays an important role in attracting investment in the cryptocurrency (Sirois, 2021). Therefore, while one canton in the Switzerland may tax cryptocurrency but other would not. Similarly, taxation rule differs from one canton to another in the country. For instance, in the Swiss capital Zurich the capital gain tax from the movable private property is exempted which means that cryptocurrencies are classed as tax free. However, mining gains are considered as taxable income. In contrast, in another Swiss city such as Bern both mining and trading is considered as taxable income. Finally, Germany also has soft approach towards cryptocurrency resulting in country attracting massive crypto investments. Germany consider cryptocurrency as a private money, therefore residents who holds cryptocurrency for over one year are not legally obliged to pay tax irrespective of variation in the value.

Based on the different approaches adopted by different countries towards treatment of cryptocurrencies for taxation purpose, three classifications of cryptocurrencies are identified which as follows:

- Unit of account
- Movable property
- Private contract

Unit of account concerns with measuring the value of cryptocurrencies through converting them into fiat currencies (Varnavskiy, 2018). Moveable property tag is given to cryptocurrency so that capital gain tax can be imposed. Finally, private contract in relation to cryptocurrencies are also known as smart contracts. Smart contracts are used because they create transparency in the transactions. However, they need to be registered for the tax purposes so that profits rendered from such contracts can be taxed.

Risks and benefits associated with cryptocurrency

There are five key characteristics of the cryptocurrencies that are considered as both risk and benefits such as decentralization, transparency, ease of use, economic growth and security (Bos and Economy, 2018). The decentralized nature of cryptocurrency presents both benefits and risks. The decentralize nature of the cryptocurrency offers consumers with the benefit over traditional fiat currencies hence eliminating the controlling role of governments over the exchange rates (Walch, 2019). Therefore, one of the most important benefits of cryptocurrency is that it enables individuals and organizations to make international transaction in faster and cheaper way through using peer-to-peer network. It is estimated that efficient use of blockchain technology can save organizations and individuals almost \$20bn (Wild et al., 2015). However, for cryptocurrency to offer large cuts in cost it is important to reduce intensive energy consumption in the mining process. Additionally, cryptocurrency is lauded for improving efficiency of business process. For instance, blockchain technology is capable of ensuring security, safety and record-keeping of all transaction, all of which can assists business in corporate governance practices.

However, decentralized nature of the cryptocurrency is also one of the major risks. The decentralization of cryptocurrency means there is no central authority overseeing the transactions thus giving miners complete autonomy. Lack of regulatory oversight means that if an investor happens to have lost money in crypto due to fraud, then there is no means of tracing the money of getting it back (Kapoor, 2016). Once such thing happened than there is no way of getting the funds back. One such incident happened during 2019, when hackers stole over £356 million worth of cryptocurrency through hacking into one of the world's biggest cryptocurrency exchanges known as 'Binance' (Barrett, 2019). Similarly, during 2021 hackers returned half of the \$600m that they stole from the poly network (Kharpal and Browne, 2021). The poly network is a platform that connects different blockchain to allow them to work together. However, being able to get the money back from hackers also identifies the strengths of the blockchain security and even denies the argument that if one loses money in blockchain than there is no way of getting it back. Kharpal and Browne (2021) states that although people can steal money from crypto assets however their open ledger nature makes it difficult for the people to launder or cashing it out.

Yet, cryptocurrency is criticized for being a vehicle of terror financing and money laundering (Dion-Schwarz et al., 2019). There exist evidences where people have been financing terrorist groups such as Al-Qaeda through cryptocurrency (Malik, 2018). Additionally, characteristics of cryptocurrency such as unregulated transfer of funds through crypto wallets, ability to make multiple high value transactions, feasibility to withdraw funds immediately and having multiple crypto transactions on many accounts make it easy for criminals to launder money (The National Law Review, 2022).

Economically trade in cryptocurrency is considered as risky due to involvement of highly speculative trading (Langton, 2021). Baur et al (2015) further adds that price volatility is one of the most negative consequences of trading in cryptocurrencies. High price volatility makes cryptocurrencies a nonviable option for borrowing and lending. High price volatility directly impacts economic stability thus making it difficult for countries to accept usage of crypto as a general measure of exchange. Moreover, since cryptocurrency works outside of the banking system means that governments have no power to regulate the circulation of money in an economy. According to Bos and Economy (2018: P15) price

volatility of the cryptocurrency makes it difficult for the widespread adoption of crypto for businesses because conversion rate of crypto into fiat currency greatly differ in short time period.

Despite of the above disadvantages of cryptocurrency, it cannot be ignored by the governments because of various underlying advantages. Firstly, it provides businesses an easy and fast method of making payments globally (Bos and Economy, 2018: P20). Therefore, discussion now moves to assess the challenges regarding taxation of cryptocurrency.

Challenges in development of tax policy for cryptocurrency

According to Ahmed (2017) one of the principal hurdles in the taxation of crypto lies in the substance such as whether crypto should be recognized as a currency or an asset. A currency is defined as a medium of exchange for products/services (Rogoff, 2001). Since, many organizations have started accepted crypto as a means of exchange therefore cryptos such as bitcoins and etc, therefore crypto seems to meet the definition of currencies. However, there exists conflicting views. According to Dorfman (2017) bitcoins is not a currency because of their price volatility and slow transaction processing. Stable currency value is important for the exchange purpose. The exchange value of bitcoins to the US dollar varied by 24.67% between February 2021 to February 2022 (Yahoo finance 2022). Dorfman (2017) finds that value of a bitcoin experiences a daily change of 2% in value.

Another feature of currency is that it is a store of value (Dorfman, 2017). The store of value determines the value of goods that then can be used to support transaction. Prior to the development of currency, trade used to be done under the Barter system (Lietaer and Hallsmith, 2006). The Barter system was used for centuries as a means of exchange. Under the Barter system people used to exchange goods/services for other goods/services in return. For instance, if an individual wants to buy a car, then they may deliver some sort of products/services to the car dealer such as manufacturing, coloring or etc. However, evolution of money led to stoppage in the use of the Barter system. However, since cryptos are not widely used for exchange purpose therefore they cannot be recognized as currency. Additionally, high level of variation in the exchange rate of crypto means that it would be difficult for governments to evaluate the value of every transaction in terms of gains or loss (Ahmed, 2017: P31).

There are also economic and political implications of considering crypto as currency. For instance, recognition of crypto as a currency would result in undue rise in their values because investors would be able to avoid tax on the gains different transactions (Ahmed, 2017: P31). Additionally, politically recognition of crypto as a currency would have negative impact on the US dollar. Currently, US dollar is major currency for global trade. However, emergence of crypto as major currency of transaction would not only undermine the dominance of US dollar in the international trade but also would weaken the economic sanctions that it imposes on political foes (Yang, 2021).

According to Ahmed (2017: P35) cryptocurrencies cannot be treated as an investment contract for the tax purposes. Using cryptocurrency as investment contract would require them to be registered as securities. However, there exists lack of rules for registration of crypto as an investment contract. To this end, reference can be made to the litigation that came into US supreme court and resulted in the formation of Howey test for recognizing an investment as a contract (Henning, 2018). Howey

litigation included Howey company would sought to lease half of the farm to the general public to finance its growth and keeping half of the land to itself. Uniform purchase price per acer was offered to customers and adjusted by the number of years citrus trees were planted on the land. However, after the purchase, clients were offered to lease land back to the company called Howey-in-the-Hills to harvest and sell crops in the market. After review of the case, the US supreme court established Howey test to determine whether the future trading schemes can be considered as an investment contrast. The four conditions for assessing investment contract under the Howey test are as follows:

- Money should be invested
 - There should be a common enterprise
 - Profit should be expected
 - Profits should emerge as a result of promotion
- Source: Ahmed (2017: P37)

While money is indeed invested in cryptocurrencies in expectation of profit, however such investment does not involve common enterprise and there is lack of organizations who would promote. Therefore, cryptocurrencies cannot be considered as an investment contract (Ahmed, 2017: P38).

Taxation of cryptocurrencies internationally

Despite of the unprecedented growth in the development of cryptocurrencies, the international community is still in the process of developing regulatory framework to tax them (Solodan, 2019). Core difficulty in taxing cryptocurrencies lies in their open digital ledger nature that means that cryptocurrencies are held in digital wallet hence making it difficult to trace the owner for tax purposes. Unlike former offshore accounts, cryptocurrencies providing tax evaders opportunity to bypass financial intermediaries (Maria, 2013).

There also exists lack of consensus among different jurisdictions about the treatment of the cryptocurrencies for taxation purpose. At the time of writing this dissertation, there exists no unified approach to tax cryptocurrencies at regional or global level. Therefore, every country has adopted its own approach to tax cryptocurrencies that could even vary within a country such as Switzerland (Sirois, 2021). Take the example of the European union that has twenty-seven-member countries intertwined with each other politically and economically, however when it comes to taxation of cryptocurrencies the block is divided. For instance, while some European Union countries recognize cryptocurrency as commodity however others recognize it as both currency and commodity. However, other countries such as US and Canada recognize cryptocurrencies as a property and tax them as a capital gain tax. Similarly, Israel and Singapore. However, approach of recognizing crypto as commodity for tax purpose is criticized because it means that individuals and organizations have to realize capital tax every time, they make transaction. For instance, if someone buys Dell laptop through using cryptocurrencies then it would mean that Dell has to inform tax authorities about the value of crypto at the time of transaction and then at the time when it sold or convert them into fist currency. There also exists litigation where court of law rejected the idea of considering bitcoins as a commodity instead argued that it should be considered as a currency. In contrast, in the case of State v Murgio the court of law held that bitcoins functions as a currency hence should be recognized as such for tax purposes. In contrast, in the case of Florida v Espinoza court rejected the judgment made in the

case of *State v Murgio* and held that bitcoins is not money instead they are assets. Therefore, it is evident that even the court of law is in conflict with the treatment of cryptocurrency for tax purposes.

To resolve the paradox of the taxation of cryptocurrency, the EU attempted to develop a unified approach through taxing cryptocurrency in accordance to the transaction type (Solodan, 2019). However, cryptocurrencies are largely considered as an intangible asset hence subjected to capital gain tax. In contrast, UK adopts completely different approach as it apply value added tax (VAT) to the crypto transactions. The UK's approach is in complete defiance to the ruling by the European Court of Justice that argues against using VAT to tax cryptocurrency transactions (Solodan, 2019: P67). According to Ahmed (2017: P26) apart from recognizing crypto transaction under income, capital gain and VAT jurisdictions of taxation, they are also subjected to equity tax. For instance, Switzerland not only allows raising tax free equity in the form of cryptocurrency but also it allows fundraising activity in digital currency domain. Amhed (2017: P27) criticizes fundraising approach under cryptocurrency through arguing that cryptocurrency uses tokens as souvenirs that is exchanged as a means of donation, however such an activity is controversial because it can lead to promotion of illegal money laundering activity under the guise of charity.

Research gap

Discussion above clearly indicates that there exists lack of unified approach for taxation of cryptocurrency. In the context of Kazakhstan, there exists massive gap in the government's approach towards developing tax framework. According to the article by the Radio free Europe (2022) the Kazakhstan expects tenfold increase in cryptocurrency transactions. However, country only tax them in relation to the use of electricity for mining purpose. Additionally, measures such as allowing consumers to open cryptocurrency bank account would mean that in near future transactions in the cryptocurrency would increase tremendously (Nurkeyeva and Sargaskayeva, 2021). While environment in Kazakhstan seems to be promising for the cryptocurrency, however lack of taxation framework would mean that government may end up in loosing tax revenue from the activity. Therefore, this dissertation aims to void this gap through proposing a cryptocurrency tax framework for the Kazakhstan through reviewing strengths and weaknesses of the existing approaches of the UK, US and Germany in this regard.

Research methodology

This study aims to conduct review of documentary information such as cryptocurrency taxation approaches of US, UK and Germany to identify key strengths and weaknesses of three case studies and finally critically analyze them to propose the most appropriate one for the Kazakhstan. It means that this study adopting exploratory research design that supports qualitative methodology. Since, cryptocurrency is relatively a phenomenon causing taxation regulatory issues, therefore qualitative methodology is appropriate because it is lauded for researches that explore new phenomenon (Recker, 2013). Recker (2013) also supports use of interpretive philosophy in qualitative research as it supports researcher in catching new themes and expression of qualitative nature rather than numerical analysis of the data. There are variety of advantages of using qualitative research in this study. For instance, availability of information on the existing policies of the Kazakhstan on the cryptocurrency taxation (Chudinovskikh and Servryugin, 2019). Availability of information on cryptocurrency frameworks of other countries (Bros and Economy, 2018; Ahmed, 2017) and issues concerning taxation of the cryptocurrency (see section 2.4 in previous chapter).

Data collection methods and procedures

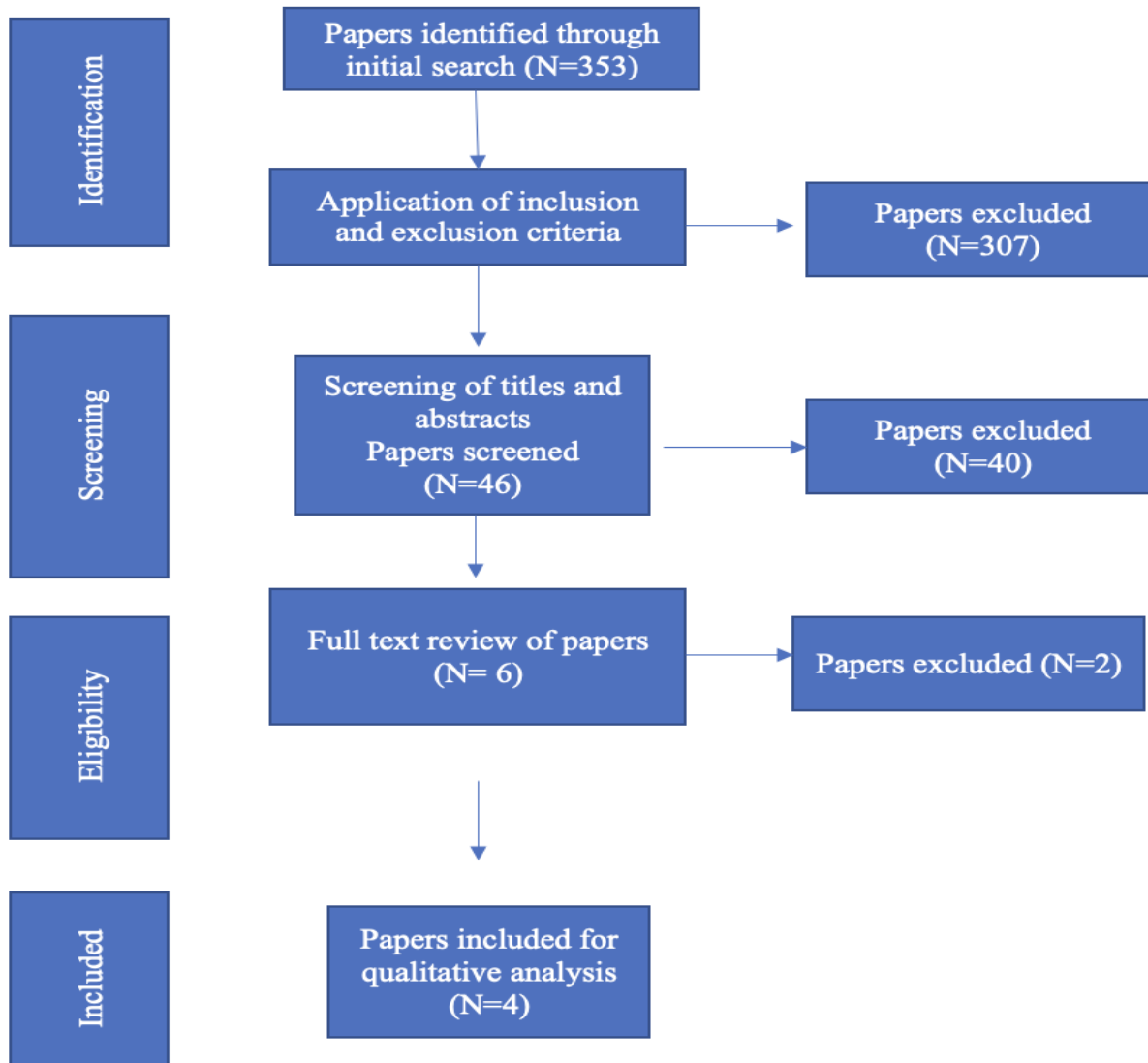
To achieve its objective of proposing a cryptocurrency taxation framework for the Kazakhstan, this study adopts three-fold objective towards reviewing the literature as poised by Bhattacharjee (2012). To this end, literature review is presented in the previous chapter to uncover existing knowledge about the cryptocurrency taxation (see previous chapter). Secondly, challenges concerning cryptocurrency taxation is identified (see previous chapter) that also led to identification of research gap. Thirdly, review of case studies is conducted to evaluate the current practices of cryptocurrency taxation with the aim to develop cryptocurrency taxation framework for the Kazakhstan.

Data sources

Preferred reporting items for systematic review and meta-analysis (PRISMA) methodology is used to identify relevant literature (Moher et al., 2009). The process of search starts by identification of relevant research papers. To this end, this study uses four databases such as business source premier, science direct, emerald insight and IEE Xplorer. Additionally, google scholar and internet searches to identify governmental and non-governmental reports such as Ernst & Young, Forbes newspaper, Rand corporation, Chambers and Partners and etc., to identify relevant studies and articles.

The search process starts by key words such as taxation of cryptocurrency, complexity in taxation of cryptocurrency, cryptocurrency tax problems and advantages of cryptocurrency taxation. The inclusion and exclusion criteria for selecting studies in this dissertation includes time window of past five years such as 2017-2021, peer reviewed journal, availability of full text and authenticity of the study such as name of the authors and corporation who issued the report. Figure 3 below shows that initial search on the four databases merely procured 353 relevant papers, thus indicates the newness of the topic. Application of the inclusion and exclusion criteria resulted in eliminated of 307 papers. Further screening of the titles and abstracts of the remaining 46 papers resulted in elimination of 40 papers. Therefore, six papers were left. Full text review of the remaining four papers resulted in elimination of two papers therefore, this study chooses four papers for the purpose of review.

Figure 3: PRISMA flow diagram of search process



Source: Adapted from Paliwal et al., 2020

Table 1 below presents detailed analysis of the data sources.

Table 1: Identification of data sources

	Journal	Books	Internet source	Thesis
Cryptocurrency	In 2018 International Conference on Information	O'Reilly media Sage	Guardian The Diplomat	

	<p>Networking (ICOIN)</p> <p>In 2018 26th International Conference on Systems Engineering</p> <p>5th International annual meeting of sosyoekonomi society.</p> <p>Finance: Theory and Practice</p>	Publications.	<p>Gov.uk</p> <p>Nasdaq.com</p>	
Risk and benefits associated with cryptocurrency	<p>Crypto Assets: Legal and Monetary Perspectives</p> <p>Journal of Association for Information Systems</p> <p>The National Law Review</p> <p>In Conference on e-Business, e-Services and e-Society</p> <p>Wireless Networks</p> <p>Production Planning & Control</p>		<p>Financial times</p> <p>Technology, policy and management. Economics of innovation department, TU Delft. CNBC News</p> <p>Rand corporation</p>	Financial times
Cryptocurrency taxation issues	The Contemporary Tax Journal, IT Professional	Holbrook	<p>Forbes</p> <p>Yahoo finance e</p>	

	<p>Business Horizons</p> <p>Technological Forecasting & Social Change</p> <p>American Economic Review</p> <p>Global Community Initiatives</p> <p>Technological Forecasting and Social Change</p> <p>Brooklyn Journal of Corporate, Financial & Commercial Law</p>		Market watch	
Challenges in development of taxation policy of cryptocurrency	<p>European Journal of Law and Public Administration</p> <p>Mich. L. Rev. First Impressions</p>		<p>Chamber and partners</p> <p>Nasdaq.com</p> <p>Radio free Europe</p>	
Case studies	<p>5th International Annual Meeting of Sosyoekonomi Society</p> <p>BRICS law journal</p>			<p>Master Thesis on the best practices for regulating cryptocurrencies within the EU</p> <p>Yale Law School.</p>

Reliability and validity of data

The reliability and validity of data in qualitative research is concerned with identification and selection of authentic and relevant literature (Golafshani, 2003). To ensure reliability and validity of the data in

this dissertation only those sources are selected that have authentic source and authors. Additionally, application of exclusion and inclusion criteria further substantiates authenticity of the selected literature.

Data analysis

Identification of the cryptocurrency framework requires discussion on three core factors such as classification, taxation and consumer risk (Bos and Economy, 2018). The classification of the cryptocurrency as a unit of account, moveable property and private contract would assist in determining the appropriate approach to taxation under income or capital gain tax regime. Third element of the framework would be to assess consumer risk and mitigation rules such as due diligence and control systems.

Overview of current cryptocurrency taxation framework of Kazakhstan

The current laws of the Republic of Kazakhstan do not recognize cryptocurrency as a currency. Section 127 and 128-1 IK¹ of the Civil Code of Republic of Kazakhstan's law neither consider cryptocurrency as a money or currency nor a financial tool (Janadilov and Cheloukhine, 2019). Currency regulation and currency control mechanisms are stated in the para 2 of the Civil Code of Republic of Kazakhstan law that describes currency as an exchange unit accepted by countries as a legal instrument of payment in the form of bank and treasury notes and coins (Janadilov and Cheloukhine, 2019: P109). Law further recognizes foreign currency as an exchange unit as long as it is used as a legal means of cash in the territory of one or more states. Therefore, since cryptocurrency is not recognized as a currency in the Kazakhstan's law, hence people cannot use it as a means of exchange or place it in bank. However, as of 2021 government in the Kazakhstan launched a pilot project that allows people to open cryptocurrency bank account (Arystanbek, 2021). It is reported by the Kazakh Association of Blockchain and Data Center Industry that clients of the crypto exchanges that are registered in the Astana International Financial Center (AIFC) will be allowed to open cryptocurrency bank account. However, the pilot program is still in its initial stages. The aim of the pilot study is to allow government to ascertain the risk and benefits of crypto assets.

Currently, people in the Kazakhstan have started to invest in cryptocurrency (Janadilov and Cheloukhine, 2019: P109). Rise in the dollar value of the cryptocurrencies means that people are making profit on their cryptocurrency assets. Therefore, raising implications for income tax. Transactions in the cryptocurrencies in the Kazakhstan are usually generated through informal channels. There exists lack of single model and rules for treatment of cryptocurrency and thus government is not able to tax income drawn from the crypto transactions. To this end, pilot program initiated by the government to allow people to open cryptocurrency bank account can assist. Yet, results of pilot study are yet to be determined.

Currently, taxation of the cryptocurrency in Kazakhstan is linked to the use of electricity (Gkritsi, 2022). To this end, government charge US\$0.00023 per kilowatt of the electricity to the miners of the cryptocurrency. Given the fact that Kazakhstan becoming the South Asia's hub for cryptocurrency miners after China banned the activity, it is highly likely that country would see increasing trade in cryptocurrency (Wilson, 2022). Therefore, time has arrived for the Kazakh government to develop cryptocurrency taxation framework.

Discussion above clearly indicates that Kazakhstan needs to develop cryptocurrency framework that would require country to classify them as an asset or currency, develop taxation policy and evaluate consumer risk (Bos and Economy, 2018).

Comparative analysis of the cryptocurrency frameworks

Discussion below evaluates cryptocurrency frameworks of the US, UK and Germany.

Cryptocurrency framework of the US

Internal revenue agency (IRS) is responsible for the collection of taxes in the US (Prewett et al., 2019). Emergence of the cryptocurrency created novel taxation problem for the tax authorities in the US. The IRS was slow to issue guidance on the taxation of the cryptocurrency. There was no clear guidance on the classification, taxation policy and consumer risk regarding the cryptocurrencies in the US until 2013 (Prewett et al., 2019: P11). IRS issued first notice about the taxation of cryptocurrencies in the 2014 that provided general principles surrounding the taxation of cryptocurrency transactions (Cords and Green, 2014).

The Notice 2014-21 issues by the IRS defines virtual currencies as a digital representation of value that works as a unit of account (IRS, 2022). Notice further states that virtual currencies also work as a real currency however, it does not have a legal tender status in the US. According to the IRS (2022) cryptocurrency is a type of currency that utilizes cryptography to validate digitally generated transactions and recorded on distributed ledger known as blockchain. Notice 2014-21 also communicates the taxation policy of the IRS towards the cryptocurrency that includes treatment as a property, establishment of fair value, capital gain and loss and finally state taxation policy (Prewett et al., 2019).

The IRS treats virtual currency as an asset or property for the taxation purpose (Prewett et al., 2019: P12). Therefore, US does not tax transaction on cryptocurrencies like that of the real foreign currencies. Instead, IRS applies general rule of property transaction to the transaction of cryptocurrencies (Yereli and Orkunoglu-Sahin, 2018). However, in the event that taxpayer acquires crypto asset as a means of payment of goods/service, then IRS states that taxpayer needs to compute the gross income made on the cryptocurrency at their fair market value. Yet, any income or loss incurred on cryptocurrency will still needs to be computed as a property. However, it raises question about how an individual would determine the fair value of the cryptocurrency at the time of filling taxes. To this end, IRS states that fair value of the cryptocurrency can be determined through referring to the current market price of the asset traded in a regulated exchange market. For the purpose of taxation, taxpayer would report the value that he/she has realized at the time of disposal of the cryptocurrency. The gain/loss is determined through subtracting the realized amount on the disposal of cryptocurrency from the amount at which it was bought in the dollar value (Keck, 2022). Miners of the cryptocurrency in the US also has to pay taxes as per the general property tax principle. For instance, when a miner mines cryptocurrency and receives newly minted coins, they are charged under self-employment tax on the fair value of the coin. If miner holds onto the cryptocurrency for a year, then he/she needs to report the gain on the cryptocurrency at the end of the tax year and pay taxes (Lerer, 2019). Figure below shows the example where individuals are required to mention whether they own

cryptocurrency which is then followed by the questions regarding the value at the time of the purchase and current fair value.

Figure 4: US tax form regarding cryptocurrency

Form 1040 Department of the Treasury—Internal Revenue Service (99) **2020** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

Filing Status Single Married filing jointly Married filing separately (MFS) Head of household (HOH) Qualifying widow(er) (QW)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent ▶

Your first name and middle initial Last name Your social security number

If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street), if you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code

Foreign country name Foreign province/state/country Foreign postal code

At any time during 2020, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency? Yes No

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent
 Spouse itemizes on a separate return or you were a dual-status alien

Source: Sigalos, 2021

Since, US is a federation therefore there are different tax treatment at the state and federal level (Prewett et al., 2019: P14). While each state has different tax rate at both corporation and individual level, however there exists uniformity in the taxation policy of crypto assets. To this end, every state has adopted federal policy of the cryptocurrency taxation as stated in the Notice 2014-21 (Prewett et al., 2019: P14).

Discussion on the US framework for the cryptocurrency above shows that country classifies cryptocurrency as a unit of account. Moreover, IRS taxes cryptocurrency as a capital gain tax. However, under the definition of the cryptocurrency, IRS explicitly claims that cryptocurrency is not a regulated asset thus consumers are taking their own risk while using it as a method of payment or acquiring one.

Cryptocurrency taxation framework of the UK

According to Solodan (2019) UK is the leader in cryptocurrency integration in the Europe. Great Britain provides one of the most favourable jurisdiction for doing business in cryptocurrency. Additionally, British government also provides assistance to businesses conducting business in digital currency. Yet, taxation framework of the UK for the cryptocurrency is still in its infancy stages. Government recognizes activities in cryptocurrency as a gray zone. Principle reasons for governments action towards streamlining cryptocurrency into the British economy is to prevent illegal activities such as money laundering, terror financing and other illegal activities. On the same time, British government does not want the UK to left behind digital innovation.

Her Majesty Revenue and Custom (HMRC) is responsible for collection of taxes in the UK (Gov.co.uk, 2022). HMRC suggests that neither bitcoin is a currency nor a money therefore cryptocurrency cannot come under the country's financial legislative (Solodan, 2019: P70). Circle was the first cryptocurrency company was registered in the UK in 2016 that also led to the Barclays Bank starting to collaborate with Circle.

HMRC issues first directive towards the taxation of cryptocurrency transactions in 2014 (Solodan, 2019: P70). The directive states that income derived from the sale and purchase of cryptocurrency would not be subjected to value added tax (VAT). Instead, VAT would be levied on the supplier of cryptocurrency. Therefore, value of goods traded under cryptocurrency would be subjected to the VAT and that proceedings must corresponds to the local British currency "Pound". Additionally, income derived from the trading in cryptocurrency would be subjected to capital gain tax along with corporate and income tax (Gov.co.uk, 2022). Therefore, individual miners and people trading in cryptocurrency needs to file their income in cryptocurrency equivalent to the British Pound to the HMRC at the end of the tax year. The tax is charged to the individual at the fair value of the crypto assets at the time of filing tax returns.

In contrast to individual tax, HMRC takes more stronger approach for taxing corporations dealing in cryptocurrency. While approach is the same such as corporations are also charged under the capital gain tax. However, corporation are also held liable for paying corporation tax and insurance contribution, stamp taxes and VAT (Gov.co.uk, 2022). VAT applied to the cryptocurrency taxation in similar way as applied in the context of exchange of goods/services at the rate of 10% to 20%. In the context that an organization pay wages to its employees in the cryptocurrency then corporations are liable to pay national insurance contribution on the fair value of the cryptocurrency at the fair value that is the value of the cryptocurrency in British Pounds. On the other hand, employees who received cryptocurrency as a wage then employees are liable to pay capital gain tax at the the fair value of the asset in British Pounds at the time of filing their taxes to the HMRC.

HMRC recognizes stamp duty tax as a transfer of stock or marketable securities and interest partnerships (Gov.co.uk, 2022). In the context of cryptocurrency, token falls under the stamp duty tax when they are traded as a mean of securities or stocks. Consequently, if exchange tokens are utilized to make transactions for buying land then buyer and seller will be liable to pay stamp duty on the in British pound that is equivalent to the cryptocurrency asset at the time of the transaction.

Moreover, organizations that accept cryptocurrency as a means for exchange of goods/services are liable to pay capital gain tax at the end of the financial year. It is argued that corporations should count for the all transactions in the cryptocurrency that they conducted during a particular financial year. Yet, the tokens that company accumulate over the year are accounted as capital hence will be subjected to capital gain tax. On the other hand, cryptocurrency that in business circulation will amount to income hence will be charged under the income tax regime.

Cryptocurrency taxation of Germany

According to Bos and Economy (2018: P32) Germany was the first European country that recognized cryptocurrency in 2011. The German Federal Financial Supervisory Authority known as "BaFin"

declared bitcoins as a “Rechnungseinheiten” or unit of account in 2011 (Binder, 2022). However, Germany did not recognize cryptocurrency as an official currency till 2018 (Solodan, 2019: P66). In 2013, the Ministry of Finance of the Federal Republic of Germany announced to recognize bitcoin as an official tool for settlement of business transaction (Solodan, 2019: P71). However, business that intends to conduct business in cryptocurrency were required to obtain special license for using cryptocurrency for commercial purpose. Federal Supervision Authority controlled transactions of companies that conduct business in cryptocurrency. Additionally, to conduct business in cryptocurrency, corporations are required to undergo rigorous scrutiny such as regular reporting, provision of detailed business plan, qualified staff and minimum authorized capital of 750,000 Euros. Since 2018 cryptocurrency is recognized in Germany as a legal means of payment. However, for the cryptocurrency transaction to be recognized as a legal currency parties involved in a transaction should consent to use it as an alternative contractual and immediate form of payment and should not use it for any other purpose other than as a form of payment (Zaiets and Yeskov, 2021).

Comparative to US and UK, Germany is considered as tax heaven for cryptocurrency (Bos and Economy, 2018). Taxation rule of Germany with regards to the cryptocurrency follows the EU’s Electronic Money Directive [2009/110/EC] which does not recognize cryptocurrency as a legal money hence cryptocurrency in Germany is still recognized as a unit of account/store of value. It is due to the conflict between official German government and EU’s approach to the recognition of the cryptocurrency that causes confusion regarding later’s approach to taxation of cryptocurrency. However, like US and UK, Germany also uses capital tax regime for taxing the cryptocurrency. To this end, government imposes 25% capital gain tax on the cryptocurrency. Fair value regime is used for arriving at the tax value. Meaning that individuals and businesses are required to report Euro value of their cryptocurrency assets at the end of the financial year to the tax authorities and subtract the value from the actual value at the time of purchase to report capital gain/loss. Apart from capital gain regime, Germany does not apply any other rule for the taxation of cryptocurrency such as income or corporation tax.

Discussion

Key difference between the Kazakhstan’s cryptocurrency tax regime and that of the UK, Germany and USA is the classification of the cryptocurrency. Despite of allowing banks to open cryptocurrency accounts for their clients, Kazakhstan does not classify cryptocurrency as a unit of account or currency. Ahmed (2017: P28) highlights the case of *United States v Faiella* to argue that cryptocurrency does constitute as a money, can be used as a medium of exchange, is in circulation across the globe and finally can fall under the purview of anti-money laundering statute. The principal issue that all three cases (US, UK and Germany) faces with the regulation of the cryptocurrency is the money laundering. To this end, Dyntu and Dykyi (2018) although virtual currency wallet requires customers to verify transactions conducted in cryptocurrency, however there exists high degree of anonymity of cryptocurrency transactions thus there is highly likelihood of illicit transactions. To this end, Ahmed (2017) recognized German approach to taxation of cryptocurrency. According to Ahmed (2017) through recognizing cryptocurrency as an official currency, Germany has taken a step forward towards reducing the stamping exploitation of cryptocurrency by the criminals. However, Narbutaitė and Šapkauskienė (2018) criticizes German approach to taxation of cryptocurrency through arguing that recognition of cryptocurrency as a currency means that German government becoming part of the illegal policies that could lead to accumulation of illegal capital reserves. It is evident that given the

emerging nature of the cryptocurrency, the global governments are still trying to envisage its reliability and ability. Yet, all three case studies do recognize cryptocurrency as a unit of account. Therefore, it would be appropriate for the Kazakhstan to also recognize cryptocurrency as a unit of account.

In the case of Kazakhstan, cryptocurrency is taxed at the miner level only. There is no approach at individual or corporation level (Janadilov and Cheloukhine, 2019). However, given the fact that individuals are allowed to open bank accounts in the cryptocurrency in the Kazakhstan, therefore it is highly likely that sooner or later individual will start to make transactions in it. There are examples of various firms such as Dell, Victoria Secret and etc., who have started accepting cryptocurrency as a means of transaction or exchange for products/services (Szetela et al., 2016). Given the fact that Kazakhstan is becoming hub for cryptocurrency miners (Wilson, 2022), meaning that there is high degree of likelihood that country would see business starting to accept cryptocurrency for the exchange of goods/services. In the event that business does start to accept cryptocurrency as a means of transaction then companies may incur thousands of anonymous transactions. Idea behind tracing such transaction is that they lead to reducing degree of anonymity such as owner of Dell computer bought through using cryptocurrency can be traced back along with the receiving company (Ahmed, 2017: P11). Analysis of three case studies in the section 4.2 above shows that apart from the UK, none of the other countries uses approach to tax cryptocurrency transaction. Like US and Germany, the public revenue agency in the UK (HMRC) accounts for cryptocurrencies under the capital gain tax at the end of the financial year, however any circulating tax in the business are taxed under income tax regime. However, HMRC fails to identify the way companies should report for the circulating tokens. To this end, German approach to taxation of cryptocurrency require organizations operating in cryptocurrency to maintain record of all the transactions. Therefore, for the taxation purpose, it is appropriate for the Kazakhstan to use mix of the UK and German approach to tax cryptocurrency at individual and corporation level.

Kazakhstan should ensure that businesses intending to use cryptocurrency as a means of exchange needs to be registered with Astana International Financial Center (AIFC). Moreover, any transaction conducted in cryptocurrency at commercial level should be conducting through official banking channel thus would make it easier for the government to identify the owner of the cryptocurrency owner at the source. However, this could have implications in future for instance would tax authorities in the Kazakhstan would consider a burger bought through using cryptocurrency as a tax liability or capital gain or loss on the currency itself. Ahmed (2017: P11) argued against such tax regime through arguing that it could give rise to people stopping use of cryptocurrency resulting in UK lagging behind others in promotion of virtual currency. On the other hand, promotion of cryptocurrency as a means of transaction also leading to tax evasion for instance a laptop bought by an individual through using cryptocurrency can only be traced back to the owner however in this case actual buyer could be different such as father buying laptop for son through using cryptocurrency. Given, anonymity of owner of cryptocurrency this could cause problems for tax authorities in the Kazakhstan to capture tax evaders. Yet, since cryptocurrency is in its evolving stage, therefore charging corporation for conducting transactions in cryptocurrency would be a stepping stone for the authorities in the Kazakhstan. Any income generated by the businesses by cryptocurrency can be converted into the Kazakhstan's currency at the end of the financial for taxation purpose. Government can use existing 10% capital gain tax rate for the taxation of cryptocurrency (Mahon, 2014).

Additionally, discussion in section 4.2 above shows that only UK has adopted stamp duty tax for land or purchase through using cryptocurrency. Therefore, it is appropriate for the Kazakhstan to adopt UK's approach. It is important that Kazakhstan's authorities to lay down policy regarding the sale and purchase of property in cryptocurrency given high mining activity in the country.

To charge tax to individual miners, Kazakhstan's authorities can use the approach taken by the US, UK and Germany. This means that miners would be charged at the fair value of the crypto asset at the end of the financial year. Furthermore, Kazakhstan government should also carry-on charging miners' usual electricity charge because it is not something related to the cryptocurrency.

While, this study largely proposes to use capital gain tax for taxing the cryptocurrency assets, however there also exists some loopholes in such approach. For instance, capital gain tax regime of the western nations allows pooling of of currency assets that means that instead of tracing capital gain on every transaction individually, tax authorities in the Kazakhstan would allow individuals and firms to keep them in pool. For instance, if an individual own bitcoin at certain time and add other types such as ether or Litecoin. This would result in making three pools of coins. This pool tends to expand or contract as a result of buying or disposing of more coins (Gov.uk, 2022). However, this allows user potential of manipulating coins. For instance, if an individual acquires bitcoins at \$1 and other at \$400 at different time of the year. However, if at the time of disposal value of coins reach to £4000 than individual can realize a loss or gain by using on bitcoin or the other (Admed, 2017: P35).

Conclusion

In summary, discussion in this paper evaluated the taxation regime of the US, UK and Germany to propose cryptocurrency taxation framework for the Kazakhstan. Based on the analysis, it is proposed that Kazakhstan's authorities should recognize cryptocurrency as a unit of account and currency. Recognition of cryptocurrency as an official currency would allow better tracing of the crypto transactions, thus reducing likelihood of fraud as happened in the case of Germany. Furthermore, any business transaction conducted in cryptocurrency should be conducted through official banking channel thus would leader to reducing consumer risk. Moreover, discussion propose that Kazakhstan's tax authorities should use capital gain tax for taxing cryptocurrency assets at the end of the financial year at their official fair value in the Kazakhstan currency. Capital gain tax regime has been adopted by all three case studies such as UK, US and Germany. However, to ensure transparency in the system, it is important that businesses that intends to operate in the cryptocurrency are registered with Astana International Financial Center (AIFC) as happened in the case of Germany. Finally, government can adopt UK's stamp duty approach to tax sale and purchase of property.

Implications and contribution

Through conducting in-depth analysis of the cryptocurrency taxation regime of the three advanced economies of the world and proposing cryptocurrency framework to the Kazakhstan, this study has shown the pathway to the regulatory authorities in the Kazakhstan towards taxation of cryptocurrency. In the current state of cryptocurrency tax affairs, Kazakhstan is losing out because increasing mining activity of cryptocurrency not only causing energy consumption issue but also government losing out on public revenue. It is believed that government should act quickly but it is just the matter of time

when business will start to accept cryptocurrency as a measure of exchange. Therefore, government can use proposed cryptocurrency tax framework in this study as a stepping stone.

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Inflation in Kazakhstan

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Abstract

Consequently, this study aims to explore the key The study identifies the barriers and drivers of good At the end, the study investigates the nexus between Drawing substantially on the lenses of agency and institutional theories, this study conceptualizes This study adopts a mixed research (i.e. qualitative and quantitative) methodology and finds that CG models, particularly in emerging countries, are irrelevant if they are not institutionally grounded and explicated. Specifically, this study explores the extent to which certain underlying Using exploratory factor analysis (EFA), this study identified five major barriers, i.e. In addition, this study identified four major drivers i.e. The findings of multiple hierarchical regression analysis reveal that the Hence, At the end, drawing on the findings of this study, a model of good This study emphasizes the necessity to revisit It also suggests the reassessment of the implication of

Keywords:

1.1 Introduction

Inflation has become one of the topics of the message of the President of the Republic of Kazakhstan in 2021. Below are the excerpts from the speech of the head of Kazakhstan Qassym-Jomart Tokayev: “We also faced an uncontrolled rise in inflation. It turned out that the National Bank and the Government were powerless in front of it and referred to global trends”. “As a result of the implementation of anti-crisis measures for a total amount of KZT 6.3 trillion, an excess money stock has arisen in the economy”.

Thus, it becomes clear that the Government explains the high rate of inflation in the Republic of Kazakhstan by two factors:

- global trends;
- monetary theory of inflation.

The President of the Republic of Kazakhstan explains that the economy is entering a recession with excessive liquidity by the fact that “there are niches with no inflows of funds, and second-tier banks do not invest in small projects, especially in rural areas”.

This rhetoric reminds of Franklin Roosevelt's inaugural address on March 4, 1933: “Yet our distress comes from no failure of substance. We are stricken by no plague of locusts. Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still

much to be thankful for. Nature still offers her bounty and human efforts have multiplied it. Plenty is at our doorstep, but a generous use of it languishes in the very sight of the supply”. However, an extended analysis of the existing theoretical and practical base suggests that, along with monetary factors, the policy of the fiscal authorities plays an equally important role in the formation of inflation. This is supported by the so-called fiscal theory of the price level. This theory assumes that the fiscal policy is not neutral in the long run, since the formation of inflation and inflation expectations of economic agents depends, among other things, on the state of such fiscal indicators as revenues and expenditures, the budget balance and public debt.

Today, the economy of the Republic of Kazakhstan, like the global economy, is experiencing difficulties due to the coronavirus crisis. To avoid the economic collapse, the authorities of Kazakhstan are acting as usual: they increase liquidity through preferential loans and higher government expenditures.

The Government of the Republic of Kazakhstan has adopted an anti-inflationary plan providing mainly non-monetary instruments. This plan implies the use of the potential of microfinance organizations (MFIs) as they work at the local level and know clients and their businesses. The meaning of this measure is explained using the equation of the quantitative theory of money according to which an increase in production factors stimulates the utilization of excess liquidity by new productive forces, which leads to the production of new goods and services.

Thus, during the economic crisis, the authorities of Kazakhstan usually increase government expenditures, which also affects the rise in prices. In this sense, the theory of fiscal prices, according to which high public debt and government expenditures lead to inflation, is also valid for the economy of Kazakhstan.

2. Background of the Study

The economy of Kazakhstan is currently in a phase of high inflation, which started in March 2020, when the consumer price index (CPI) was 6.4% compared to the previous year, breaking the upper target limit set by the National Bank of Kazakhstan at the level of 4-6%.

In April 2020, the National Bank of Kazakhstan lowered the base rate from 12 to 9.5%, which became a signal for the market about the beginning of the implementation of a soft monetary policy. In July 2020, the Central Bank reduced the base rate to 9%. The decision was made with the following wording: “the reduction in the base rate is due to the mitigation of pro-inflationary risks”. By that time, inflation had been growing for the sixth month in a row, and by the end of July 2020 it was fixed at the level of 7.1%.

In September 2020, the base rate was increased to 9.5%, while the inflation rate at the end of August was fixed at a record level since 2016 – 8.7%. According to the press release of the National Bank of Kazakhstan, “the decision is based on the prevailing pro-inflationary pressure in the economy caused by the global inflationary trends of rising prices for food commodities and raw materials”.

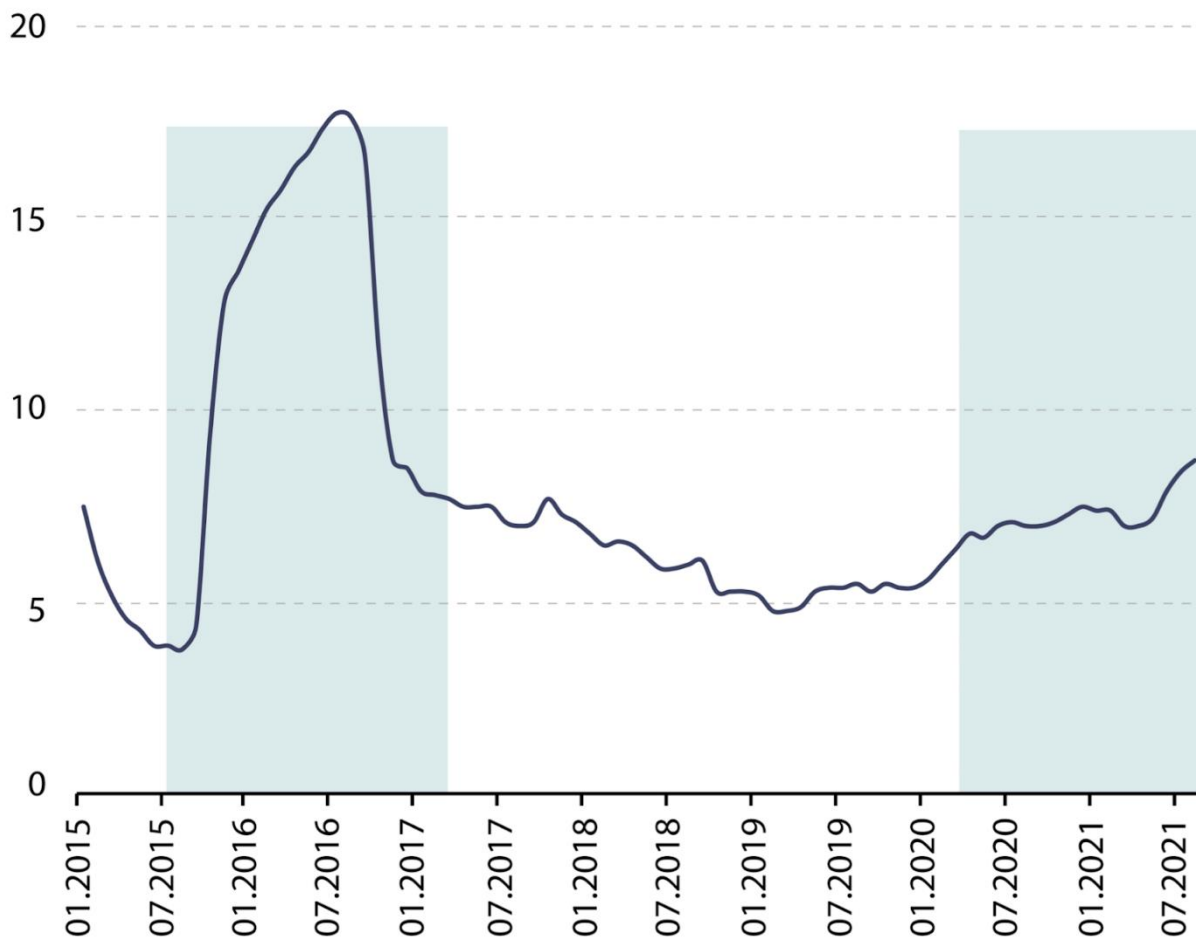
Inflation in 2020 was increasing against the backdrop of the acceleration of all its components. In August 2021, prices for all three components – food and non-food commodities and services achieved a record level, where the highest increase was noted in prices for food commodities: 11.4% in August 2021 versus 9.3% in March 2020. The second largest share belongs to non-food commodities, the prices for which rose in August 2021 by 7.3% compared to the same month of the previous year. The share of prices for services ranged from 3.5% in March 2020 to 6.6% in August 2021.

In 2015-2016, a similar upward phase was observed.

1.3 Research Problem

The acceleration of inflation started in September 2015, a month after the National Bank of the Republic of Kazakhstan switched to the inflation targeting policy. The peak of inflation reached the level of 17.7% in July 2016, the rise in prices for non-food commodities amounted to 28.3%.

In 2015-2016, the period of price growth took 11 months, while the current upward trend continues for the 20th month in a row. And this is only the start because inflationary expectations remain high against the backdrop of a sharp rise in prices for certain types of food products and an increase in prices for fuels and lubricants and building materials. In July 2021, the National Bank of the Republic of Kazakhstan found out that the quantitative assessment of inflationary expectations for the forthcoming year was 8.5%, and the share of respondents who noted a rapid rise in prices was historically the highest.



The general conclusion is that inflation in Kazakhstan mainly arises against the background of excess liquidity resulting from the government actions. The anti-inflationary plan of the Government of the Republic of Kazakhstan does not include the main thing – reduction in budget expenditures.

Nevertheless, these research problems provide an opportunity to enhance the effectiveness of the anti-inflationary policy and help for the government to revise its macroeconomic policy as a whole. On the one hand, it is advisable to abandon the total concessional lending, which, through the support of, among other things, zombie companies, restrains the total productivity at low turnovers. On the other hand, government expenditures should be reduced during economic growth, because over the past 15 years, the authorities have increased them both during the crisis and during periods of acceleration of the upward GDP trend, thereby stimulating the growth of consumer prices.

4. Research Objectives

On the basis of the above research problems, this study has the following research objectives:

Given the above and taking account of the fact that at present a coordinated interaction of the monetary and fiscal policies as well as the assessment of effects exerted by the fiscal measures on inflation are very current, the following aspects have been presented in this study:

- 1) a historical analysis of the fiscal policy in relation to the business cycle dynamics;
- 2) a retrospective assessment of the focus and the degree of a balance in the interaction of the fiscal and monetary policies;
- 3) a testing of the hypothesis that the observed processes of impact of the fiscal parameters on inflation in Kazakhstan may correspond to the fiscal theory of the price level.

In this study, the compliance of the situation in Kazakhstan with the fiscal theory of the price level was verified by means of a retrospective analysis of the nature of fiscal policy, its relationship with monetary policy as well as by an empirical assessment of the impact of fiscal parameters on inflationary processes.

At the same time, the paper provides recommendations for creating conditions to ensure a balance between fiscal and monetary measures in Kazakhstan, which allows reducing the upward pressure of the fiscal policy on inflation stability as well as achieving sustainability of the fiscal balance and the business cycle.

1.5 Research Questions

Considering above research objectives, the following research questions have been developed:

1.6 Methodology

1.7 Significance and Implications of the Study

1.8 Structure of the Thesis

As presented in Figure 1, this thesis consists of seven chapters. A brief synopsis of each chapter is presented below:

Chapter One:

Chapter Two:
Chapter Three:
Chapter Four:
Chapter Five:
Chapter Six:

LITERATURE REVIEW

2.1 Introduction

In the economic theory, there is a widely known thesis that inflation is anytime and everywhere a monetary phenomenon and is accompanied by the outstripping growth of the money supply over the output (GDP).

This statement was first formulated by Milton Friedman, an American economist, Nobel laureate in economics and the founder of the monetarist school, in the middle of the last century (Friedman M., 1963). From that moment on, the ideology began to actively develop that inflation is completely and exclusively under control of the monetary authorities represented by central banks and their monetary policy, whereby the amount of money supply and the cost of liquidity in the economy are determined.

We all know that a large production output, and not a large amount of money, makes a nation prosperous. Thus, the cause of inflation is an increase in the money supply. The more money consumers have, the more they tend to find new reasons to buy goods. But if the supply of goods does not increase (low production output), the growing consumer demand will lead to higher prices for products and overinflation (when “too much money is chasing too few goods”).

However, Jean-Baptiste Say, a French economist, back in the early XIX century formulated the idea that: “a product is not produced before it creates demand for other products with an equal value”, or “supply creates its own demand”.

2.2 GDP and the principle of Comparative Advantage

According to the principle of comparative advantage (David Ricardo, 1817), both countries will benefit from mutual trade if each of them specializes in a commodity in the production of which it has a relatively higher labor productivity.

Paul Samuelson, an economist, Nobel Prize Laureate said about principle of comparative advantage: “This is an extremely simplified theory, but despite its simplicity, it gives the most accurate picture. There is not a huge amount of equally faithful truths formulated by political economy. A nation that neglects comparative advantages will have to pay a high price due to slower economic growth and lower living standards”.

The more goods are produced in a country per capita (GDP per capita) while assuming a stable population, the higher the standard of living of its citizens. However, the prosperity of a country depends on its Real GDP (Q – quantity or volume of goods produced) rather than Nominal GDP ($Price * Q$).

The interesting moment is an average annual inflation rate is approximately equal to the difference between the growth rates of nominal and real GDPs.

If the volume of production does not grow in the country, then it will not be able to allocate more funds for pension payments without cutting the income of the economically active population (the oncoming crisis of the pension system). Thus, the welfare of society does not depend on financial

wealth, but on the volume of production. A potential production output means production capacity and labor resources. A real production output directly depends on consumer demand.

Regarding financial assets (stocks and bonds) they are indirectly provide to their holders with the right of ownership to the future production output (the company's profit depends on the volume of goods produced and sold). Financial assets provide legal ownership of production assets, but do not represent production assets. Therefore, financial assets usually lose their value during a recession period (two quarters in a row, GDP has been showing negative growth) when production output is declining.

Even in the event of sudden changes, resources will never be wasted or remain inoperative if the pricing mechanism (Supply and Demand) is running like clockwork.

The government undertakes to “manage demand” through tax and monetary policies to reduce the duration and depth of the recession, and therefore stabilize the economic cycle.

Supporters of the supply-side economy in the US believe that tax abatements are the best way to achieve long-term GDP growth.

Thus, three main sources of economic growth:

- increase in labour resources;
- capital gain (investments);
- rise in the efficiency of using both factors (innovation), or the gross factor productivity (GFP).

2.3 Investments

Investment is the current volume of production, which is aimed at increasing the future volume of production. In the future, we would significantly increase the volume of production if today we could save some of the resources produced to create productive assets (sewing machines), and not just to produce consumer goods (clothing).

Two sources of investment financing:

- domestic savings (reduction of current consumption);
- foreign loans (reduction of future consumption).

Money affects:

- interest rate;
- currency rate (the price of one currency expressed in another);
- overall level of prices (Price deflator).

The rise in interest rates on loans rather slows down the growth of the production output in the economy (reducing thereby current consumption and investment).

Reduction in interest rates accelerate the growth of production by stimulating current consumption and investment.

The interest rate can be considered, in a certain sense, the price of money (or, more precisely, the price of buying money for a certain period), and an increase in the money supply promotes a decrease in this price of money (that is, the interest rate), like an increase in the supply of any commodity leads to a decrease in the price for such commodity.

Although the interest rate on short-term loans is very important, it is the money stock that is a factor being under the direct control of central banks.

When the national currency falls, foreigners may decide that it is cheaper to buy the currency of that country, and this will push them to buy more goods produced in that country.

The falling rate of the national currency of a particular country means that currencies of other countries, and therefore foreign goods, become more expensive for the citizens of this country, which reduces their total purchasing power.

Price deflator (overall price level) reflects an average level of monetary prices for all goods, or at least for a fairly wide range of them.

When the overall price level rises (during a period of inflation), the price of money falls.

When the overall price level falls (during a period of deflation), the price of money rises.

Devaluation of the national currency is considered beneficial for exporters and for the country's trade balance (since its exports will grow and imports will decline).

2.4 Phillips curve

2.5 Future Expectations

Future expectations play a vital role in any market economy, influencing almost every economic transaction and decision in one way or another. Expectations can make an entire economy move in one direction or another and can even become a self-fulfilling prophecy. For the economy as a whole, inflationary expectations can be realized in practice, as a result of which the economy will enter a recession if a sufficiently large number of people expects it. Thus, the government should assist in creating favorable expectations.

In fact, managing expectations may be the most important function of macroeconomic policy, both tax and monetary.

One of the main objectives of any central bank is to convince the public that there are no reasons for significant price increases in the future. If this can be achieved in practice, then banks will gain confidence. In other words, to give rise to expectations of low inflation rates, the public must believe that the central bank is able to control inflation actively and effectively (for example, by managing interest rates) if the price level suddenly starts to rise too quickly. If a central bank has succeeded in gaining confidence in terms of inflation rates, its task becomes much easier due to the lower probability of high inflation rates. On the contrary, a central bank that is not in the public confidence can easily get into a difficult situation as widespread and persistent inflationary pressure is growing in the economy.

It is very difficult to gain public confidence, which is why it is so hard to overcome inflation. To reach this goal, central banks usually raise interest rates, that in its turn reduces the volume of the money stock, or at least slows down its growth. As interest rates rise and monetary policy becomes more stringent, the rate of consumption and investment may slow down as it becomes more expensive to attract consumer and commercial loans. The production output by itself is also slowing down or even starts to decline, and the unemployment rate rises.

An example of underwhelming of gaining public confidence is the words of Mr. Kelimbetov, the Chairman of the National Bank of the Republic of Kazakhstan, when he quite unexpectedly explained the 20% devaluation of the Kazakhstan tenge that took place in February 2014: "Personally, I became aware of the devaluation last night; this morning our staff learned about that and were supposed to notify you". After such an epic statement, the demand for foreign currency in exchange points increased in February 2014 to \$1 billion 854 million compared to \$1 billion 557 million in January 2014. At the same time, the share of retail deposits in foreign currency increased over the month from 17.5% to 19.7%.

2.6 A role of a Central Bank

Most monetary policy experts hold to the view that central banks should be “independent” of the fast-moving democratic process and largely of politicians and politics in general. Since anti-inflation measures can cause a lot of problems for society in the short term, politicians do not usually show excessive zeal. For people who have political power, it is always difficult to delegate their authority to control monetary policy to an independent central bank. After all, the bank is quite capable of damaging their political interests, for example, by raising an interest rate during the election period.

Despite the fact that it is traditionally thought that central banks are responsible for controlling the rate of inflation, it sometimes increases so much that policy makers who are not affiliated with a central bank feel the need to take matters into their own hands.

An extreme measure, which is very common in Kazakhstan and obviously outside the mandate of the central bank, involves introducing price and wage controls.

For example, in March 2021, the President of the Republic of Kazakhstan Mr. Tokayev, during a meeting with the Prime Minister of Kazakhstan Mr. Mamin, instructed the government and regional akims to strengthen control over food prices in order to avoid their further growth. However, in October 2021, the President said: “As for our country, a sharp rise in prices for food commodities is a consequence of systemic issues. Even if we try to resolve these issues in operational terms, nevertheless, the trend is evident. We need a systematic solution to this problem”. Thus, high inflationary expectations in Kazakhstan (“intangible mechanisms of our brain” or “feeling of animals”) as one of the parameters of a rise in prices cannot be controlled by the government due to the low level of public confidence and lack of public support. On the contrary, tight price and wage controls inevitably reduce the overall efficiency of the economy.

2.8 Main types of the monetary policy

2.8.1 Quantitative easing policy

Quantitative easing implies unconventional monetary policy measures involving long-term transactions for purchasing financial assets by the central bank in the open market even after the interest rate on short-term loans has been effectively reduced to almost zero. Traditional monetary policy usually implies the use of open market transactions to set the level of interest rates on short-term loans (known in the United States as the interest rate on centralized federal funds). During the financial crisis of 2007-2009, the Federal Reserve System responded by reducing the rate on its centralized loans to near zero by the end of 2008, while continuing to make large-scale acquisitions of financial assets (including a variety of long-term instruments, such as mortgage-backed securities, corporate debt and government bonds). This policy is called “quantitative easing”. Many observers state that the Federal Reserve System was implementing the policy in order to lower interest rates on long-term loans (i.e. to lower rates on long-term obligations as much as possible). The term “quantitative easing” was first used to describe unconventional lending and financial activities undertaken by the Bank of Japan since 2001.

2.8.2 Inflation targeting policy

Over the past 25 years, many central banks across the world have implemented inflation targeting strategies. They set (and often announce) specific inflation targets, for example 2%, and then raise or lower interest rates in such a way as to keep the inflation rate at a given level (by increasing

the money supply every time the inflation rate could fall below the target level and reducing the money supply in circulation if the inflation rate exceeded it). One of the numerous benefits of inflation targeting is the ability to prevent the economy from sliding down an inflationary spiral. If a central bank is committed and persistent in striving to immediately eliminate any, even the smallest, excess of inflation rates relative to a given level, it will never face the need to fight galloping inflation, since it will not have a single chance to arise. Therefore, as long as inflation targeting policy remains a reliable tool used to control inflation, inflation expectations, and hence inflation itself, always remain under control.

2.8.3 Fixed currency rate

With a fixed currency rate, the central bank must maintain an exchange rate of the national currency against foreign currency in a certain rather narrow range (by selling and buying foreign currency for the national currency as needed at a set exchange rate). Thanks to this, foreign investors are confident that as long as the fixed rate is in effect, they will not face a sharp depreciation of the national currency.

After all, if prices grow faster in Kazakhstan than in Russia, the real exchange rate of tenge will rise against ruble, even if the nominal exchange rate (established by the National Bank of Kazakhstan) is as stable as a rock supported by the official fixed exchange rate of tenge.

2.8.4 Floating exchange rate

Floating exchange rate or flexible exchange rate - is a regime where the currency price of a nation is set by the forex market based on supply and demand relative to other currencies.

A significant increase in the monetary stock in the country will probably cause a devaluation of the nominal exchange rate of the national currency (devaluation). But at the same time, this can boost internal inflation, which will lead to the movement of the real exchange rate in the opposite direction (internal inflation).

The difference between the inflation rates within the country and abroad is greater than the percentage of depreciation of the national currency from its nominal value.

If the difference between domestic and foreign inflation rates exceeds the nominal rate of devaluation of the currency rate, the real currency rate will revalue, creating additional pressure on the foreign trade balance (excess of imports over exports).

2.8.5 Keynesian Economics theory

One of possible strategies to counter the collapse in demand is expansionary monetary policy. To stimulate consumption, and especially investment expenditures, the central bank may decide to reduce interest rates.

However, some economists express their concern that, in extreme circumstances, even aggressive monetary policies are unlikely to sufficiently stimulate a depressed economy. New investment projects may not attract investors at any realistically possible interest rate if expectations for future consumer demand are sharply negative. According to John Maynard Keynes's theory, if the economic situation is worsening due to disappointing expectations about future demand, the government can send a positive signal to the economy and accelerate economic growth rates by increasing government expenditures above the amount received in the form of taxes. When the

population and businesses see that the government aggressively stimulates demand (by increasing government purchases of goods), their expectations become more favourable and they begin to spend more. The growth of the budget deficit occurs due to an increase in budget expenditures or due to reduction in taxes, but in fact, most often due to both factors at the same time.

According to Keynes theory, fiscal deficits caused by overexpenditure on the part of the government will stimulate both consumer and investment expenditures, and ultimately national income or GDP will rise more than the original growth in government expenditures.

Government expenditures are included in the formula for calculating GDP, along with other variables such as: Consumption (C), Investment (In) and Net Exports. If government expenditures (G) rise and do not provoke a decline in other variables that make up the formula: $GDP = C + In + G + (E - I)$, then GDP should also increase, again provided that the state stimulates additional expenditures through the budget deficit (issuing bonds) instead of introducing new taxes. Keynes called this mechanism an “income multiplier” because as GDP grows, the population and businesses will increase the volume of consumption and investment, which will lead to further GDP growth, and this, in turn, will further increase the volume of consumption and investment. Keynes noted that the whole process can be described by the following formula:

$GDP \text{ growth} = \text{increase in government expenditures} * \text{income multiplier},$

Where:

$\text{income multiplier} = 1 / \text{percentage of income withdrawn from the income-expenditure cycle}$ (for example, households spend 80% of each additional dollar of their income on consumption and save the remaining 20% cycle after cycle).

According to Keynes, during the periods of high unemployment, the growth in nominal GDP will be mainly due to the dynamics of the production volume in physical terms (that is, the growth of real GDP). During depression, many productive resources remain unclaimed and at the first signs of a recovery in demand managers will engage them in production. They will have to hire employees again, configure equipment and thus revive their businesses. As a result, the production volume (real GDP) will also increase, realizing the potential of the economy. Ultimately, however, if the government continues deficit financing of the economy even after all or most of the previously unused resources have been involved, entrepreneurs can respond to the increased demand by simply raising prices. Nominal GDP will continue to grow, but now mainly due to the rise in prices rather than the production volume (quantity of products produced) in physical terms.

Thus, Keynes's proposal to stimulate GDP growth by increasing the budget deficit is designed for periods of economic slowdown, when real GDP is significantly reduced. In more halcyon days, deficit financing can serve as an impetus for the development of inflationary processes.

However, there are many reasons to believe that deficit financing does not always provide the remarkable results described in university economics textbooks. Over time, deficit financing will require the introduction of higher taxes to repay accumulated debts, raise interest rates, and reduce private investment and consumption – this is a phenomenon known as the “crowding out effect”. When the government maintains a budget deficit by spending more money than it collects through taxes, it has to cover the difference by borrowing in the open market. The government issues bonds and sells them to those who offer the highest price. In the bidding process, the government competes with private borrowers for monetary resources. Obviously, competition for investment resources is intensifying, and their price is growing, which leads to higher interest rates. When this happens, some potential borrowers in the private sector, including the public and companies, may refuse to borrow at too high interest rates and cancel the implementation of previously planned projects. Thus, higher

interest rates can reduce both consumer and investment expenditures, which means that the “crowding out effect” can reduce or, in extreme cases, even neutralize the effectiveness of deficit financing.

The impact of internal and external factors on equity performance (ROE) of commercial Banks: empirical evidence from banking sector of Russia, Belarus and Kazakhstan.

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Abstract

The main purpose of the following study is to learn the impact of bank-specific and country specific factors on the profitability of the commercial banks in countries with similar social-economic position over the period of 2011-2017. The return on equity of the banks is considered as the profitability indicators. The OLS and the PCSE methods were used in order to empirically test profitability determinants. The empirical results demonstrate that internal and external variables play important role in the explaining the financial performance of the companies.

Key words: Return on equity (ROE), bank profitability, Panel corrected standard error methods (PCSE).

Introduction

1.2 Background of the study

The banks are the important and essential institutions in the financial world. Moreover, the commercial banks play significant role in the developing of the economy governments. The efficient and effective functioning banking sector will impact positively to other sectors of the country. There are different factors which may effect on the good performance of the banks. It can be either internal or external factors. According to Athansoglou et.al (2006), the bank specific indicators which may have effect on the profitability, are liquidity, capital adequacy, management efficiency, operating expenses, bank size and etc. These indicators can be controlled by the management of the banks. However, the external factors are not under control of the businesses. These are GDP growth rate, Inflation rate, corporate tax rate, Control of corruption and Political stability within country. Both of the indicators may have great influence on the profitability level of the firms. Nevertheless, banking sectors with high profitability and power can cope better with the effects of crisis, and ensure the stability to the financial system.

The banks play crucial role in the economy of the world. As a banking sector grows rapidly, academics pay more attention on the measurement of performance and the effects on it. There are several types of measurement of profitability of banks. Makkar and Singh(2013), state the major indicator for banks is profitability, it can be measured by Return on Assets (ROA), Return on Equity (ROE), and Net Interest Margin (NIM). It has been studied that some of banks are really profitable,

while others are less efficient. Deitrich and Wanzenreid(2009), studied the determinants influencing on the financial performance of the banks, and found out that to know information about factors impacting on the profitability would help management of the companies in order to design further more effective development strategies.

According to Karminskiy and et al. (2014), Russian banking sector has been intensively growing since 2000. Even in 2000's its banks were in Top 1000 World Banks by total assets prosperous. However, the recession of the economy in 2008 affected to the Banks in CIS countries. The Kazakh banks have not still become to that size and scale before the crisis (Karminskiy, 2014), on the other hand Belarus banking sector was boosting in 2004-2008. In Belarus there are many foreign banks functioning, especially Russian banks. Moreover, the important role plays state-owned banks in Kazakhstan market. It should be noted that the foreign organizations as international rating agencies and auditing firms are dominated in financial infrastructure of Kazakhstan and Belarus, while in Russia domestic players have own place. Furthermore, banks of all three countries try to follow the guidelines developed by the Basel Committee on banking supervision, even they following one of the last regulators not to stop lending to the real sector during the pandemic.

The aim of this study is to investigate whether the external and internal factors have the impact on the profitability of banks. There are many researches on the profitability of the banks and it is one of the most popular topics in the banking literature. The majority of topics are tested the impact of factors on Return on Asset (ROA- indicator of profitability) (Tunay and Mukhtarov, 2016). In this study the profitability indicators are Return on equity; the internal factors are Cost to income ratio, capital structure, dividend pay-out ratio, liquidity and capital adequacy ratio. On the other hand, the GDP growth rate, Control of corruption, political stability indices, tax rate and time dummy are considered as external factors.

1.3 Research Problem

For the last decades many academic researches, financial analysts, bankers, and bank regulatory agencies want to study more deeply the factors that have relations to bank profitability. There are wide range of studies that explaining the impacts on the financial performance of firms (Hardy, 1979), (Molyneux & Thronton, 1992),(Bourke, 1989). The businesses run in order to make profit, and for the banks also are important to maintain high profitability. Profit is a critical component for any business's appropriate and consistent performance in today's competitive environment, and it has a significant impact on company performance, as banks' budgetary potential can also compel financial progress.(Hasan Raza et al., 2019). It is very important to the banks' management to identify bank profit determinant and evaluate what factor has more influence on the financial performance. It helps managers to make timely decisions. There have been conducted many researches and investigations to find the link between commercial variable and different factors over past 30 years. Nevertheless, there are several questions still remain unanswered. Major literatures concentrate on factors at company or industrial level, with variable options which are often internal inconsistent. In addition, there is no full research macroeconomic environment partly due to the small size of panel data used in the estimation.

This research paper pays attention to the relevance of the factors that will lead us just to think about and direct analysis into the bank's determinants of financial performance, which is really necessary for the shareholders, management and planners to take prompt action to increase the profit and efficiency of the banks.

Research objectives

This study has the following research objectives:

- To examine the impact of internal (bank-specific) variables: Capital Adequacy, Management efficiency, Capital structure, Liquidity and Dividend Payout policy on the bank's profitability of CIS countries.
- To examine the macroeconomic (Country based) variables: GDP growth rate, Control of Corruption and Political Stability on the bank profitability.
- To examine the obstacles to the efficient bank performance in CIS countries
- To examine the most positive drivers of the bank's profitability in CIS countries

Research questions

Taking in to consideration above given objectives, the research questions will be developed as following:

- What are the impacts of internal and external factors on the bank profitability (ROE)?
- What are the obstacles to the efficient bank performance in CIS countries?
- What are the most positive drivers of the bank's profitability in CIS countries?

The paper is structured in the following manner: Section 2 demonstrates Literature review of previous studies on the profitability of banks. Section 3 observes the methodology and data used in this study. The Empirical results have discussed in Section 4. The last section presents the conclusion of the paper.

Literature Review

Many previous research studies have tested factors that have impact on the bank equity performance. Majority of them considered ROA (return on assets), Net interest margin (NIM) and return on equity (ROE) as indicators of the profitability of the banks. Those studies took ROA and ROE as the dependent variables. In this study the author will focus on the impact of internal and external factors that affect only on one dependent variable - ROE.

According to Athanasoglou P.P. (2008), there are several internal and external factors which have enormous influence on banks performance. External factors cannot be controlled by the bank, such as: GDP growth rate, inflation, corruption and political stability. On the other hand, the internal factors of bank performance may be controlled by the management decisions and banks' objectives (Staikouras and Wood, 2004).

Rifat Hassan S.M. (2019) conducted research on the relationship between the ROE and a company-specific variables. He took data from the Islamic banks of Bangladesh from 2010-2016. Following have been taken as the internal factors of the research: bank size, investment-to-deposit, non-performing investment and cost-to-income ratio. The results of study showed that investment-to-deposit had positive correlation with the ROE, however cost-to-income ratio and non-performing investment had negative correlation with the ROE.

Another study conducted by Khrawish (2011), demonstrates that there are considerable and positive relationships between ROE and Total liabilities/ Total Assets, NIM, Exchange Rate and Loan / Total Assets. Moreover, under the research the relationships between ROE and external factor as Annual

Growth Rate for GDP, and the Inflation Rate of the commercial banks were highly negative. The data was collected from commercial banks in Jordan during the period from 2000–2010.

The research conducted on banks' which were listed in Ghana's Stock Exchange during the period from 2010-2015 showed that ROE and Capital adequacy had significant positive relationship. On the other hand, bank liquidity ratio demonstrated negative impact on the ROE and the ROA. The researchers used ROA and ROE as dependent variables and considered both external and internal factors as independent variables through pooled regression models. External determinants of bank performance as real interest rate had significant positive relationship not only ROE but also with ROA. (Tuffour J.K. and etc.,2018).

There was another study which testing the impact of tax rates on the ROEs of banks. Md Faisal F.E. (2019), examined the effect of tax ratio on the ROE and found that tax ratio and the ROE had positive significant correlation between each other. Thus, the banks that pay less tax show better ROE. On the other hand, this study argues that NIM and Asset/ Equity do not have significant influence on the ROE (FazleElahi Md Faisal, Md. Shahin Alam Khan* and Md. JulhasMiah,2019).

According to D. Alper- A. Anbarb(2011), the asset size plays big role on profitability of the banks. The authors proposed that larger banks get higher equity performance. Also, this study demonstrates that bank loans, being the main source of income, have a positive effect on bank performance. Moreover, studies show that only interest rate has positive effect on the ROE, the higher interest rate the higher is the ROE. In addition D. Alper – A. Anbarb (2011) agree with MD Faisal and et al. (2019) that internal factors as Capital Adequacy, Liquidity, NIM and GDP growth rate and inflation rate do not impact significantly on bank's ROE.

Majority studies explored that bank profitability depends on bank specific microeconomic variables and country specific macroeconomic factors. The following research deals with internal determinants of banks such as Capital Adequacy, Liquidity Ratios, Management Efficiency, Capital Structure and Dividend Policy Ratios.

Dependent Variable:

Return on equity (ROE):

Return on equity is one type of measurement of performance of the firm. It is gauge of company's profitability and calculates the efficiency of generating profit. Moreover, ROE shows how well bank's management utilizing its asset in order to get profit. In the following paper, it is going to be tested what indicators impact and has higher relationship with ROE of the banks.

Theory: Trade-off theory of capital structure

The economists developed several approaches to describe and optimize the ideal capital structure for a company. The Trade-off theory is about balancing costs and benefits. The theory describes the idea that the business financed partly with debt and partly with equity. According to Kraus and Litzenberger (1973), the classical version of this approach is considered "a balance between dead-weight costs of bankruptcy and the tax saving profits of debt."

This paper is going to test the trade-off theory of capital structure. According to Graham (1991) findings, there is statistically positive relationship between debt ratio and marginal tax ratio. Author will examine what indicators are affect on the capital structure of the banks.

Independent Variable: Firm specific

Capital Adequacy (TETA):

Anbar and Alper (2011), reported that Capital Adequacy is essential ratio which shows strength of firms' capital. This ratio is measured by the percentage of Total Equity to Total Assets. There is positive relationship between Capital Adequacy and bank profitability, which shows the banks' with higher capitalization have less chance to be bankrupt (Ebenezer, Omar and Kamil.,2017).

Management efficiency (CTI):

Sefficiency via comparing operating expenses to banks' income. The lower cost-to-income ratio the higher is the bank performance. Usually, banks use the cost-to-income ratio to determine their profitability.

Liquidity:

Liquidity ratio is important measurement that determines the ability of the bank to pay off its debt obligations without raising external capital. Liquidity is capability to convert assets into cash as quickly and cheaply as possible. There are three types of measurements of the Liquidity (i.e., current ratio, quick ratio, cash ratio). According to Agusfina Y.B. &Sinarti(2020), current ratio has significant impact on ROE. Some studies found out that there is negative relationship between Liquidity and profitability indicators (Saluju& Kumar., 2012).

Capital Structure (Debt to Equity Ratio):

To identify whether thebalance sheet of the bank is strong or not, specialists need topay attention to the debt and equity of company. Large amount of equity and low level of debt reflects the healthy capital structure and positive sign for investors to invest to company. The key essential ratios that analyze the capital structure are debratio, debt-to-equity ratio and capitalization ratio.The studies show that capital structure impacts on ROE negatively. Hence, capital structure and ROE have significant and opposite relationships (Rodica B &Brezeanu P, 2018).

Dividend policy:

This ratio demonstrates to investors how much money the company pay to its shareholders. Then investors can compare how much does organization keep on hand to reinvest, pay of its debt, or add to cash reserves.

On the other handand in addition to the micro managerial indicators, the author of this paper wants to find out in what level the external indicators have relationship with the ROE (profitability). These external indicators are GDP growth rate, corruption in country, political stability, tax rate, time dummy.

Independent Variables: Macroeconomic

GDP growth rate:

GDP growth rate is the annual rate based on constant local currency, for a specific national economy, during given period of time that demonstrates annual average change of the gross domestic product(GDP) at market prices. Yuksel and et al.(2018), investigates that GDP growth rate influences on banks' profitability. The higher GDP rate leads to efficient bank performance for post-Soviet countries.

Political stability:

Author uses political stability index to identify whether it impacts on the profitability of the banks. political stability is essential indicator for the country to attain long lasting development. There is study based on Islamic banks in Yemen, which tests the impact of the political factors on profitability. Ali T. Yahya, Akhtar A, Tabash M.I(2017), investigate that the macroeconomic factors (GDP, inflation rate and political stability) have positive and significant impact on the profitability of Islamic Banks.

Control of Corruption:

Corruption is the “abuse of the entrusted power for a private gain” (Transparency International, 2018). There are several empirical studies on the correlation between the corruption and the firm profitability. The findings on these studies are different, some of them show positive and significant relationship, while others indicates negative influences. NandomYakubu (2019) found that there is negative relationship between corruption and banks in Ghana. While, it was found that the corruption impacts on banks profitability negatively.

Dummy:

Dummy variables used in econometrics and statistics, when doing particularly regression analysis. The value of this variable can be only 0 or 1 to check the absence or presence of effect that may be affected to shift the outcome.

Data and Methodology

Data

The following study is based on secondary data. All necessary internal information is collected from the annual reports and financial statements published by the banks at their official websites. The data is for the period of 7 years (2011-2017). The sample size is consist of 10 commercial banks. The banks are operating in Russia, Belarus and Kazakhstan. The countries were chosen according to the economic-social conditions, their positions are almost similar. The external variables such as GDP growth rate, Political stability, tax rates were collected from the World Bank database.

The paper is going to test the trade-off theory.

Data analysis method

The quantitative data is employed in this study. In order to examine the hypothesis test and regression analysis the Stata 15 software has been used.

Methodology

The research is employing Panel corrected standard error method, because the number of years is less than the sample size. In order to avoid Panel corrected standard error method is used in this research paper. The following equation will be used to identify the relationship between each variables:

$$Y = \beta_0 + \beta_1 TETA + \beta_2 CTI + \beta_3 CAP + \beta_4 LIQ + \beta_5 GDP + \beta_6 Tax + \beta_7 CRP + \beta_8 POL + \beta_9 TDUM + \varepsilon$$

Where:

Y= ROE (the financial performance)

β_0 = constant parameter

$\beta_1 - \beta_9$ = model coefficient parameters (all definitions of variables are given in the Table-1).

ε = residual term

Variables:

The Return on Equity is considered as a dependent variable. The other remaining managerial and country specific factors are an independent variables. Table-1 shows all details how the variables were calculated.

Table-1.

Variables	Measurement		Notations
<i>Dependent variable</i>	Profitability (return on equity)	Net Profit/ Equity	ROE
<i>Independent var</i>			
<i>Bank Specific</i>	Capital Adequacy	Total Equity/Total assets	TETA
	Liquidity	Liquid assets/deposits	LQ
	Capital structure	Total debt/total assets	CAP
	Dividend Policy	Dividends/ Net income	Div pol
	Management efficiency	Cost/ Income	CTI
<i>Country specific</i>			
	GDP growth rate	GDP logarithm	GDP

	Control of Corruption	Percentile rank	ConC
	Tax Rate	percentage	Tax
	Political Stability	Percentile rank	POL
	Time Dummy	1=banking crises 0=None	TDummy

Hypotheses of the Study:

In order to run data on STATA and find out the necessary results, hypothesis should be organized as following:

H1: Capital adequacy has positive influence on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H2: Liquidity has positive impact on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H3: Capital structure has positive effect on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H4: Dividend policy has positive impact on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H5: Management efficiency has negative influence on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H6: GDP growth rate has positive effect on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H7: Political stability has negative influence on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H8: Control of Corruption has positive impact on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H9: Tax rate has positive influence on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

H10: Time dummy has negative influence on the profitability (ROE) of commercial banks in Kazakhstan, Russia, and Belarus during the period of 2011-2017.

Empirical Results

The study observed 10 commercial banks from three countries (Russia, Kazakhstan, Belarus) during the period of 2011 to 2017. All in all there are 70 observations on nine external and internal indicators. Internal factors are Capital adequacy ratio, Cost to income ratio, Capitalization ratio, Liquidity ratio and Pay-out ratio. External variables are GDP growth rate, Control of Corruption within country, Political instability index, corporate tax rate, and Time Dummy.

Descriptive statistics

Table-2

```
. sum ROE CI TETA LIQ CapStructure DIVPayout GDPgrowth ConOfCorop PolStab
```

Variable	Obs	Mean	Std. Dev.	Min	Max
ROE	66	21.23802	63.25893	-115.83	430.04
CI	66	47.83871	18.74406	0	108.67
TETA	66	13.37095	9.240829	-15.78	39.379
LIQ	65	21.72762	8.610923	0	53.53
CapStructure	64	16.13656	9.972513	-26.9	47.01
DIVPayout	65	31.41692	57.99027	-48.86	365.9
GDPgrowth	70	2.368371	2.787924	-3.8	7.4
ConOfCorop	70	25.45	11.84544	14.7	48.6
PolStab	70	31.38429	12.73152	13.8	52.9

The Table-2 demonstrates the descriptive statistics about collected information for the study. From the Table 1 it can be seen that there is information for 70 years. The maximum ROE for commercial banks is 430.04, the minimum is -115.83. Moreover, the mean of ROE is 21.72 , Standard deviation is 63.25. The minimum percentage of TETA which is capital adequacy indicator, is -15.78, the maximum is 39.379. The Cost to Income ratio (CI) demonstrates the minimum is at 0 and the maximum is 108.67 percent. The minimum of the Liquidity Ratio is also 0 as CI, and the highest percentage is 53.53. The Capital structure ratio which shows company's capital position, the lower percentage is the healthier of equity capital position. The minimum of capitalization ratio is -26.9 and the maximum is 47.01. The GDP growth rate demonstrates minimum level at -3.8 and the maximum is at 7.4. The minimum of the Corruption index is 14.7 and the maximum is 48.6. In addition, the political stability demonstrates the minimum at 13.8 and the maximum is 52.8. The tax rate of countries in average was 20%, however there were years the minimum was 18% and the maximum 24%. Due to the stable tax rate author is not going to consider it as a independent variable, further tax rate will not be tested on correlation and significances.

Table-3: Correlation matrix

. correl ROE CI TETA LIQ CapStructure GDPgrowth DIVPayout ConOfCorop PolStab _IYear_2014 _IYear_2015 _IYear_2016 _IYear_2017
(obs=60)

	ROE	CI	TETA	LIQ	CapStr~e	GDPgro~h	DIVPay~t	ConOfC~p	PolStab	_IY~2014	_IY~2015	_IY~2016	_IY~2017
ROE	1.0000												
CI	-0.0864	1.0000											
TETA	0.3068	-0.0667	1.0000										
LIQ	0.0441	0.0938	0.4598	1.0000									
CapStructure	0.6428	0.1520	0.2226	0.1992	1.0000								
GDPgrowth	-0.0681	-0.1554	-0.4034	-0.1562	0.0139	1.0000							
DIVPayout	0.0159	0.1223	0.1352	0.0741	0.0146	-0.3250	1.0000						
ConOfCorop	0.2059	-0.0646	0.7494	0.1575	0.2346	-0.4706	0.1142	1.0000					
PolStab	0.1543	-0.1582	0.6501	0.0486	0.1817	-0.3707	0.0157	0.9060	1.0000				
_IYear_2014	0.0466	0.0479	0.0434	-0.1796	-0.0074	0.0060	0.1488	0.1345	0.1394	1.0000			
_IYear_2015	-0.0336	-0.0918	0.0272	-0.0158	-0.0600	-0.5480	0.1115	0.0633	0.0866	-0.1765	1.0000		
_IYear_2016	0.0029	0.0120	0.1147	0.1078	0.0723	-0.3816	0.1211	0.1458	0.0876	-0.1765	-0.1765	1.0000	
_IYear_2017	-0.1720	-0.0025	0.1121	0.2725	-0.1346	0.0945	0.0198	0.0961	0.1017	-0.1765	-0.1765	-0.1765	1.0000

The Table-3 indicates the correlation between variables. The relationships between dependent ROE variable and the remaining independent variables are important for this study. The significance of relationship is measured between -1 (perfect negative correlation) to 1 (strong positive relationship). The Table-2 demonstrates that Cost to Income has negative not strong relationship with ROE -0.0864 . According to Jabber and et.al (2014), there were also negative relationship between profitability and management efficiency, but the relationships were stronger. Moreover, the lower CI ratio the more efficient the operations of bank, which in turn leads to increasing of the profitability (investopedia.com). The Liquidity and the Dividend pay-out ratio have not strong relationship with ROE; their indicators are equal almost to 0. The strongest positive relationship is between Capital structure and ROE - 0.64. The good financial decisions effect the value of the company's equity. There is research conducted by Abor (2005), which demonstrates that there is positive relationship between capital structure (short term debt to total assets) and ROE. However, Abor(2005) indicates that there is negative relationship between long-term debt to total assets and ROE. In addition Capital adequacy (total equity to total assets ratio) has not highly positive strong relationship with ROE; it is 0.30. Turning to the external factors , the GDP growth rate has negative but not strong correlation with ROE; it is -0.06 . The control of corruption has positive and little bit stronger than GDP growth rate relationship with ROE. Another variable political stability has also not strong but positive relationship with return equity of the banks; it is 0.15. Time dummy indicators do not show strong relationship with ROE. However there is negative not high correlation between Dummy 2017 and ROE.

The table indicates that there are strong relationships between independent variables. To check is there multicollenarity between independent variables author made Variance inflation factor test.

In order to see how variables are affected by the strength of correlation, author made multicollinearity test. The table 3 shows the result of variance inflation factor (VIF).

Multicollenarity and heteroscadasticity test

Table-4 (VIF)

Having observed the correlation analysis, author turned to the multicollinearity test, in order to determine are there strong relationships between independent variables. The Table 4 shows that there is moderate correlation between variables. The result of VIF is 3.15. The suggested value of the VIF can be between 1 to 5. If the result of VIF is higher than 5, it can be considered as multicollinearity problem, and the correlation coefficient indicates poorly estimation. In this case, there is no evidence of multicollinearity problem, and it is not considered as a barrier while doing the regression analysis. In addition, before the running regression test, it used to check the panel data to identify the autocorrelation. This test shows the existence of serial correlation. Wooldridge (2002), implements very simple autocorrelation test for panel data models. The p value should be bigger than 1%, or 5%, and or 10%, to accept the put null hypothesis. In this case, it can be concluded that there is autocorrelation, and the null hypothesis is rejected. The table 5 demonstrates the p value of the test is 0.0002. Further, while running regression it should be considered that there is estimated autocorrelations in this panel data.

```
. xtserial ROE CI TETA CapStr LIQ DIVPayout GDPgrowth ConOfCorop PolStab _IYear_2014 _IYear_2015 _IYear_2019 _IYear_2020

Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
      F( 1,      9) =      34.614
      Prob > F =      0.0002
```

Table 5: Autocorrelation test

Turning to the heteroskedasticity issue, it can be observed when there is “outlier” in the panel data. The “outlier” means that there is data in the sample which is either big or small rather than other numbers or findings within sample. The heteroskedasticity might be presence due to omissions of variables (statisticsolutions.com, 2022). The table 5 shows that the Model 1 panel data is heteroskedastic, the assumption is “homo nested in hetero” is rejected, because LR chi2 is equal to negative number 282.36, Prob > chi2 is equal to 0.00.

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

Likelihood-ratio test                                LR chi2(104) =    282.36
(Assumption: homo nested in hetero)                 Prob > chi2 =    0.0000
```

Regression analysis:

After having taken all results, the regression analysis can be run. First author made simple OLS regression test, then in order to compare the regression analysis was made according to panel standard error method.

Table-5(OLS)

. regress ROE CI TETA LIQ CapStructure GDPgrowth DIVPayout ConOfCorop PolStab _IYear_2014 _IYear_2015 _IYear_2016 _IYear_2017

Source	SS	df	MS	Number of obs	=	60
Model	15260.2244	12	1271.68536	F(12, 47)	=	5.28
Residual	11327.4741	47	241.010086	Prob > F	=	0.0000
				R-squared	=	0.5740
				Adj R-squared	=	0.4652
Total	26587.6984	59	450.638956	Root MSE	=	15.524

ROE	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
CI	-.3059351	.1250993	-2.45	0.018	-.5576025 -.0542677
TETA	.8978962	.4177061	2.15	0.037	.0575798 1.738213
LIQ	-.5684877	.3068131	-1.85	0.070	-1.185716 .0487408
CapStructure	1.547044	.231754	6.68	0.000	1.080815 2.013272
GDPgrowth	-3.171296	1.530072	-2.07	0.044	-6.249404 -.0931886
DIVPayout	-.0119635	.0369681	-0.32	0.748	-.0863339 .0624068
ConOfCorop	-.3589147	.4813773	-0.75	0.460	-1.327321 .6094916
PolStab	-.251892	.3981382	-0.63	0.530	-1.052843 .5490587
_IYear_2014	-2.853072	6.763094	-0.42	0.675	-16.45866 10.75252
_IYear_2015	-17.73255	10.26578	-1.73	0.091	-38.38463 2.919525
_IYear_2016	-15.01373	8.653517	-1.73	0.089	-32.42236 2.394907
_IYear_2017	-4.941651	6.839146	-0.72	0.474	-18.70024 8.816936
_cons	31.84474	14.28403	2.23	0.031	3.108974 60.58051

The panel data was used in order to make regression analysis. The P value indicates the statistical significance of independent variable on dependent variable. This value helps to identify the significance of the research results in relation to the null hypothesis. The P value can be <0.01, <0.05 and <0.1. The ROE of 10 commercial banks was taken as dependent variable, and the internal and external factors as independent variables. There are differences between simple OLS test and PCSE regression test. The table-6 demonstrates more variables with impact on ROE compared to the table-5.

Prais-Winsten regression, correlated panels corrected standard errors (PCSEs)

Group variable: ID Number of obs = 60
Time variable: Year Number of groups = 10
Panels: correlated (unbalanced) Obs per group: min = 2
Autocorrelation: panel-specific AR(1) avg = 6
Sigma computed by pairwise selection max = 7

Estimated covariances = 55 R-squared = 0.6670
Estimated autocorrelations = 10 Wald chi2(11) = 241.19
Estimated coefficients = 13 Prob > chi2 = 0.0000

ROE	Panel-corrected		z	P> z	[95% Conf. Interval]	
	Coef.	Std. Err.				
CI	-.2915702	.0824284	-3.54	0.000	-.453127	-.1300135
TETA	1.425538	.585491	2.43	0.015	.2779973	2.57308
LIQ	-.6045964	.2394361	-2.53	0.012	-1.073883	-.1353103
CapStructure	1.706414	.3041553	5.61	0.000	1.110281	2.302548
DIVPayout	-.000874	.0249606	-0.04	0.972	-.0497959	.048048
GDPgrowth	-3.765998	1.490632	-2.53	0.012	-6.687583	-.844413
ConOfCorop	-.5451224	.5306279	-1.03	0.304	-1.585134	.4948891
PolStab	-.3493546	.4300044	-0.81	0.417	-1.192148	.4934385
_IYear_2014	-.60346	2.483688	-0.24	0.808	-5.4714	4.26448
_IYear_2015	-19.59015	6.581652	-2.98	0.003	-32.48995	-6.69035
_IYear_2016	-15.72308	5.344	-2.94	0.003	-26.19713	-5.249037
_IYear_2017	-4.348358	3.134257	-1.39	0.165	-10.49139	1.794672
_cons	29.27871	11.31628	2.59	0.010	7.099213	51.4582

Table-6(PCSE)

rhos = .428508 .5359844 .2336944 .1261563 -.12773638693561

The cost to income ratio has significant impact on the ROE. The p value is equal to 0.00, which indicates negative significance. The lower ratio leads to higher profitability of banks, which shows the indirect relationship between ROE and Cost to income ratio. The p value of TETA shows also that there is strong positive influence of capital adequacy on the profitability of banks. Its p value is equal to 0.015. The one percent increase in capital adequacy leads to the increase in ROE. The capital adequacy ratio is important for firms and countries' economy. According to Jabra et al. (2016), that capital adequacy has positive impact on bank ROE for BRICS countries. However, the study conducted on Indonesian banks showed that capital adequacy had not significant effect on the banks performance (Buchory, 2015). The regression analysis determines that there is significant impact of liquidity of banks on their performance. The Liquidity ratio measures how the firm can meet its obligations. The high rate of Liquidity ratio means that banks have not enough resources to invest in their financial projects. The p value is 0.012; moreover the coefficient indicates the negative effect. Alshatti (2015) has also investigated that liquidity ratio plays big role in order to enhance banks profitability. The last internal variable which has significant impact on the ROE is Capital structure. The firms with high capital show the higher efficiency. Its p value is 0.00. The coefficient of the Capital structure shows the positive effect on ROE, this means the increase on CAP structure leads to increase in ROE. Anafo S.A. et al. (2015) examined paper on the impact of capital structure on the profitability of the Ghana's bank, and found out that the Long term debt to total asset had significant impact on the ROE and ROA of the banks. Moreover, the trade-off theory is approved, because there is significant impact of the Capital structure on the return on equity. The only bank specific factor which has not significant impact on ROE is the dividend pay-out ratio. It is equal to 0.978. Author assumes that there are small errors in testing the impact of pay-out ratio on the ROE, due to gaps on collected information. The data on dividend-payout ratio was unbalanced.

Turning to external factors it can be seen that majority of them have not significant impact on the ROE on Table-4 (OLS regression). However, the PCSE test shows that GDP growth rate and time dummies have impact on the performance of the banks. The GDP growth rate indicates negative impact on the ROE. However, according to Bikker et. Al, there is positive relationship between the GDP growth rate and the performance of the banks. The time dummies 2015 and 2016 have negative impact on ROE. According to the Bloomberg data (Bloomberg.com), the Ruble was dropped by 25 % in 2015. Due to this fact there was a financial crisis in Russia in 2014-2016. Moreover, this situation with Ruble affected the currencies of neighbor countries. The Kazakh tenge was devaluated in 20 percent and the currency of Belarus by 15 December peaked its minimum in 2015 since 1998. According to Abramov and et.al (2020), there were 2 reasons to this crisis. The first one is that the Russian oil price dropped down, and the next one is international sanctions on Russia due to Crime crisis.

The constant variable p value is 0.01, which reflect significant positive impact. The constant variable indicates the change of return on equity by its amount.

Conclusion

By the way of conclusion, this research paper made empirical analysis the impact of internal (bank-specific) and external (macroeconomic) variables on the bank profitability, specifically on Return on equity (ROE). It was observed 10 commercial banks from similar economic positions countries, namely Russia, Kazakhstan, and Belarus during the period 2011-2017. The results showed that most bank-specific factors had significance on the ROE, except dividend pay-out ratio. It can be concluded that the lower expenses more the profitability of the banks. Moreover, the capital has big impact on the

performance of the firm. The capital structure shows the financial health, risk profile and compatibility of the banks. From the external factors the GDP growth rate demonstrated significant negative influence on the ROE, however other factors such as political stability and control of corruption had not strong impact on the profitability of the banks.

Limitations and suggestions

Author met with several difficulties while researching this paper. First one is that there are lack of information and data on chosen countries banks. It was very difficult to find ready data on the open sources. Due to it only for 10 companies and 7 years information were collected. The next is that there are gaps in the collected data. This may lead to inaccurate results in the regression analysis.

Further this research paper can be developed with fully and balanced data. The sample size can be enhanced and the better results can be got.

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Profitability determinants among listed firms in Kazakhstan

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Abstract

The purpose of the paper is to determine factors influencing listed entities' profitability using the correlation analysis regression approach to a sample of 25 listed companies in mining industry, for the period 2019 to 2020. To determine factors affecting the companies' profitability several independent variables were selected based hypothesis developed from resource-based approach. The regression method used to calculate correlation between independent variables and dependent variable to identify factors, most affecting the firms' profitability. The findings show that only age has negative correlation with profitability, whereas other variables has no significant impact or has high error probability as a result of regression analysis. Due to lack of statistical data, small population tested. Additionally, due to limitation in time, only two years period has been selected for the analysis. The research can be used for decisions of investors, prospective and existing shareholders, creditors. No study on profitability determinants among listed firms has been conducted for Kazakhstan.

Key words: Kazakhstan, listed companies, Profit, Profitability determinants, Regression

Introduction

Profitability is one of the most important determinants of companies' survival and represents the extent to which entities effectively utilize their labor, material, and capital resources. Globally, profitability concerns all levels of management in the company, as well as it is a subject of close monitoring from government, banks, creditors, and shareholders' side. Even in audit, profitability analysis is one of significant parts while issuing opinion regarding the going concern. Under a scope of audit procedures, going concern issue is considered not only separately on a entity level, but rather reviewed on industry level, to search for potential risks and conditions within the market. As a result, it is obviously that conducting and reading research on the topic is crucial for all readers and preparers of financial statements. However, even though Kazakhstan has established and continuously performing economy-forming sectors, such as oil and gas, mining, finance, airline, retail and other, yet no research had been conducted to identify profitability determinants in Kazakhstan. To fill in the gap, at least among listed companies, to which's statistical information there is open access, the present research applies RBV approach and identifies profitability determinants.

Literature review

Theoretical concepts

During literature review, several theoretical concepts related to firms' profitability were considered.

Structure-conduct-performance (SCP) theory was considered by authors, such as Yong Tan (2016). The SCP framework focuses on market structure as the main driver of firms' profitability. Market structure described as set of number of players in industry, cost of entry and exit, the heterogeneity of product. The concept also stresses that saturation of the market can affect the profitability: greater

saturation and competition leads to greater number of constraints, whether lower competition leaves opportunity to take more action and face fewer constraints.

Market-based view (MBV) concept also focuses on external factors and basically originated from SCP paradigm described above. Like SCP, MBV concept idea lays on the Porter’s five forces analysis, which considers market attractiveness as key factor affecting firms’ success.

A criticism of this school of thought is that it is a one-sided view, which only includes the structure of the industry but excludes the operations within a firm. Furthermore, the access of resources can vary within one industry and not all resources are homogenous.

Ajay Mehra (1996) used both market-based view and resource-based view to test the sample and compare results of two approaches. The empirical findings showed higher correlation between firms’ performance with their resources and capabilities compared to market-based configurations. However, the author believes that resource-based approach is not independent, but rather complimentary to existing market approach, as resources should be considered in the context of certain market.

The strategy-structure-performance (SSP) paradigm concerned on the link between the strategy, and, therefore, performance with the organization administrative structure.

The distinctive feature of the above-mentioned approaches is that they are mostly externally oriented views of firm profitability tied on the market configurations. In contrast, resource-based view, developed in nineties and deeply explained by Barney (1994) in his “Firm Resources and Sustained Competitive Advantage” work, derived from notion that all companies are different in terms of resources and capabilities. Accordingly, various mixes of resources and capabilities forms the each firms’ own way to be competitive. The author stresses the importance of internal factors as more accurate measures of profitability, which might be more implicative in decision making.

Previous empirical studies

Previous empirical studies showed the following results:

1. Higher leverage, solvency and capital structure negatively affects firms’ profitability
2. Firm size, liquidity, lagged profitability and growth positively influence profitability
3. Asset turnover, tangibility, age and productivity showed controversial results: half of studies showed negative results, half of them – positive correlation.

The table below summarizes the results of previous empirical studies:

Kim (2021)	30 listed food processing firms in Vietnam, 2014-2019	ATR, Leverage – negative	Growth -	positive,
Nguyen (2020)	1343 listed firms in 6 industries in Vietnam, 2014-2017	Size Adequacy Leverage Liquidity Solvency -	ratio -	positive, positive, Negative, positive,
Vatavu (N.D)	126 Romanian listed firms, 2003-2012	Capital structure, tangibility, business risk, tax level, inflation, liquidity -	Size -	negative, positive

Fareed (2016)	16 power and energy firms in Pakistan, 2001-2012	Size, growth, electricity crisis - positive age, productivity, leverage -negative
Le (2020)	73 listed construction firms in Sri Lanka, 2008-2015	Age, debt ratio - negative, growth, asset utilization performance, size - positive, proportion of FA - not clear
Bhutta (2013)	12 listed food firms in Pakistan, 2002-2006	Tangibility, growth, inflation - positive Debt-to-equity, size - negative
Devi (2014)	50 listed firms in Pakistan, 7 years	leverage, size - positive capital structure - negative
Odusanya (2018)	114 listed firms in Nigeria, 1998-2012	lagged profitability - positive leverage, inflation, interest rate, financial risk - negative
Ghasemi (2017)	60 listed firms in Malaysia, 2009-2013	liquidity, size - positive growth, debt, - negative
Kant (2018)	250 listed manufacturing firms in New York, 2012-2017	intensity of R&D, growth, productivity, leverage, current ratio - positive age, size - no significant relation net asset turnover - negative

Data and Methodology

The sample data consisted of firms listed of Kazakhstan Stock Exchange (KASE). The sample used in the study covered only two-year period, 2019-2020 years, due to feasibility limitations of the research. As of December 2021, the KASE included 230 listed firms from the several industries, namely: finance, investment, and banking (78), mining (29), oil and gas (25), technology (14), communication (13), real estate (7), electricity providers (8), FMCG (7), leasing (5), insurance (5), airline (4), pharm (4), and others. Under the study limitations, to make research more homogeneous, it has been decided to choose only one sector, in the case of the paper, mining sector has been selected. The noted thing is that, oil and gas sector has been separated into the different category, due to the companies' specifications, such as difference in property, plant and equipment used, provisions applied and other considerations applied in audit purposes. Additionally, the sample has been cleaned from companies, not operating and not registered in Kazakhstan due to two factors: information access and consistency of the study. Based on the parameters described above, only 25 mining firms were selected for further analysis.

Variables used for the analysis included firm size, firm age, growth, lagged profitability, and liquidity. ROA represented dependent variable – profitability measures. The following measures used for independent variables: natural logarithm of total assets for firm size; logarithm of years since firm incorporation to measure age of the entity; growth rate is a relative change in total assets represented in percent; lagged profitability is simply previous year's net income; liquidity determined by current ratio (current assets divided by current liabilities).

The model is determined by the following formula:

$$\text{Profitability} = a + B * \text{Size} + B * \text{Age} + B * \text{Growth} + B * \text{Lagged profitability} + B * \text{Liquidity} + m$$

The model was developed by Yazdanfar (2013) which used for similar research. The only exception is that, due to information restriction, namely, no information on input and output produced by the entities, and, as a result, no opportunity to calculate productivity. This variable was replaced by liquidity, based on empirical results considered in literature review.

For the analysis purposes, 10% correlation chosen as a threshold for significance.

Results

The results of correlation analysis examining interrelation between both dependent and independent variables are presented in the table below. The Table I is for 2020 and the Table II is for 2019.

	<i>Size 2020</i>	<i>Age 2020</i>	<i>Growth 2020</i>	<i>Lagged profit 2020</i>	<i>Liquidity 2020</i>	<i>ROA 2020</i>
Size 2020	1					
Age 2020	0.388983479	1				
Growth 2020	-0.024641013	-0.469976109	1			
Lagged profit 2020	0.584431597	0.260563405	-0.088633974	1		
Liquidity 2020	-0.380301791	-0.205195398	-0.052979238	-0.045975225	1	
ROA 2020	0.471594324	-0.136211158	0.045943321	0.117981332	0.065274236	1

Table I. The results of correlation analysis for 2020 period.

	<i>Size 2019</i>	<i>Age 2019</i>	<i>Growth 2019</i>	<i>Lagged profit 2019</i>	<i>Liquidity 2019</i>	<i>ROA 2019</i>
Size 2019	1					
Age 2019	0.607386213	1				
Growth 2019	0.00296391	-0.278320092	1			
Lagged profit 2019	0.419118469	0.299728253	-0.088735957	1		
Liquidity 2019	-0.181536804	-0.150590649	-0.081907842	-0.049142107	1	
ROA 2019	0.297408079	-0.093019788	-0.031162948	0.130280618	0.049244945	1

Table II. The results of correlation analysis for 2019 period.

In general, all independent variables show positive relation with firm profitability, and confirm hypothesis developed under RBV approach, except for firm's age, which indicates that newer companies have advantage against old firms. 2019 show more controversial results – both age and growth showed negative relation. These results can be partially explained by several facts: during the analysis it was noted that part of the firms was reorganized and reregistered with no mentioning if the changes affected operations; another factor is that some of the firms established in 2019-2020 period and respectively, have zero revenue and negative profit. Additionally, unexpected was that only firm size, age and lagged profitability showed relatively stronger correlation, all other variables showed result less ten percent correlation.

Regression analysis results are represented below in Table III and Table IV for 2020 year and 2019 year respectively.

SUMMARY OUTPUT

<i>Regression Statistics</i>								
Multiple R		0.612244344						
R Square		0.374843136						
Adjusted R Square		0.285535013						
Standard Error		2.595453851						
Observations		25						

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	3	84.82160309	28.2738677	4.197189707	0.01784927
Residual	21	141.4639945	6.736380691		
Total	24	226.2855976			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-11.38245877	3.752677863	-3.033156371	1%	-19.18657961	-3.578337928	-19.18657961	-3.578337928
Size 2020	0.829234863	0.248676786	3.33458895	0%	0.312083176	1.346386551	0.312083176	1.346386551
Age 2020	-1.138801306	0.580154716	-1.962926914	6%	-2.345299085	0.067696473	-2.345299085	0.067696473
Lagged profit 2020	-1.81219E-08	1.74662E-08	-1.037545681	31%	-5.44448E-08	1.82009E-08	-5.44448E-08	1.82009E-08

Table III. Results of validity test/regression analysis - 2020

SUMMARY OUTPUT

<i>Regression Statistics</i>								
Multiple R		0.297472748						
R Square		0.088490036						
Adjusted R Square		0.005625493						
Standard Error		1.840749361						
Observations		25						

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	2	7.236772945	3.618386473	1.067887823	0.360890647
Residual	22	74.5438806	3.388358209		
Total	24	81.78065354			

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	-2.356288245	1.51109129	-1.559328851	13%	-5.490099773	0.777523284	-5.490099773	0.777523284
Size 2019	0.128918195	0.098124838	1.313818168	20%	-0.074580264	0.332416654	-0.074580264	0.332416654
Lagged profit 2019	3.10554E-10	1.01916E-08	0.030471499	98%	-2.08255E-08	2.14467E-08	-2.08255E-08	2.14467E-08

Table IV. Results of validity test/regression analysis – 2019

The results rejected correlation between lagged profitability and firm profitability in both years, as well as 2019 results showed unexpected high probability of error. As a result, no variable can be confidentially related to the firm profitability. However, variables which fell under threshold, still should be considered under regression analysis to check results for validity. At least it can be stated that RBV is confirmed, but for the future implication, the study should cover larger sample size as well as cover longer time period combined into single data set, to ensure more reliable result.

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**Effect of personality traits on investment intention of people:
Kazakhstan case”**

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Abstract

Purpose – The research paper aims to study relationship between personality traits (“big five” traits, such as openness, conscientiousness, extraversion, neuroticism and agreeableness), as well as financial literacy of retail investors on willingness to make investment decisions on financial assets in Kazakhstan.

Design/methodology/approach – in order to conduct the relevant research and effectively gather the findings, as well as make an appropriate conclusion, there were decided to perform survey (primary data) collection method of 200 randomly selected people from different social statuses, geographical locations (cities, countryside) and ages via internet, printed papers and face-to-face meetings. There were decided to approach exploratory study with pragmatic philosophical view. Due to the reason of usage questionnaire, quantitative approach will be the most suitable approach for the study. The research is tended to be completed during the one academic semester. Hence, cross-sectional study is the best fitted type of study for the research paper.

Findings – The outcomes demonstrate that salary, extraversion, agreeableness, preferences on investment instruments and level of financial literacy have statistically significant positive impact on intention of people to participate in investment activities. Conversely, openness trait found to has statistically significant negative impacts on investment intention of participants. Other variables do not have a statistically significant negative or positive impacts on investment willingness within the country.

Originality/value – Intention to make investment decisions can be identified by screening of secondary data received from related papers, intention to make risky investments and level of risk tolerance toward investment decisions. However, level of tolerance toward risks varies according to the individuals' level of neuroticism, agreeableness, as well as level of sadness, conscientiousness and financial literacy.

Keywords: Risk tolerance, Personality traits, Investment willingness, Financial literacy.

Paper type: Research paper.

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The Impact of COVID-19 on Meat Industry in Kazakhstan

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Abstract

Outbreak of COVID-19 started in the end of 2019 in China and led to many deaths as well as economic problems for the whole world. There are many industries that suffered from the outbreak and some that gained from it, however we should always remember about vital industries like food production, due to terrible consequences of possible starvation. Food supply chain is very important especially in such dire times like now, however there is many different types of food items and it is impossible to take overall food supply chain. Thus, I decided to assess the impact that COVID-19 had on meat supply chain in Kazakhstan. Meat was always an important part of almost any dish in Kazakhstan, which is why I decided to study how coronavirus affected meat supply chain by giving questionnaires to both sellers and consumers of meat. Based on the results, I will be able to assess the impact and make my suggestions and recommendations on how to improve meat supply chain in Kazakhstan.

Introduction

Coronavirus (COVID-19) started in China in December 2019 and spread to many countries around the world, number of new cases increases every day. People in more than 188 countries have been infected by COVID-19. COVID-19 pandemic is not the first in the history of humanity, because we faced many pandemics in our past like Black Death (plague) or Spanish Flu. However there is something in common between each pandemic, all of them also affect economies of infected countries. Food supply Chain is one of the most important and vital processes for the mankind to survive, if something happens with it, many people risk to die due to starvation how it was proven many times in the past. Food supply chain is a hard process, it starts from farms, than meat or grain goes into the factory to be prepared for packaging and distribution to different places in the world. After distribution specialized vehicles like trains and cars transport food products to various retailers, which then sell it to consumers. Due to the outbreak there are many new policies for workers like wearing masks, medical control, and decrease in physical interactions, which impacts how workers perform their jobs and decreases their efficiency. Besides that, the decline in economy affects the demand for certain products, which may also negatively affect food supply chain.

The impact on health of millions of people is not the only one threat that this new virus created. Due to coronavirus outbreak many people lost their jobs or their salaries were cut. According to Pew Research Center unemployment rate in US in May was 13%, which is even higher than it was during Great Recession (2007-2009 crisis). According to International Monetary Fund (IMF) real GDP decreased in many countries in the first quarter of 2020, many developed countries suffered a decrease from 5% to 15%.

Objective

COVID-19 affected many different spheres of business, some suffered more while others only gained more profit. For example, cinema industry suffered enormous losses due to lockdowns, while video game creators as well as sellers of online subscriptions like Netflix only improved their financial positions. Nonetheless, such industries are not required for our survival and essential to us like food production and distribution.

Food supply chains were severely affected due to decline in economies, problems with distribution associated with quarantines and increasing unemployment rates. Thus, it is a very interesting topic to cover the effects of the outbreak on food supply chain, however taking the whole industry will be too much, which is why it has to be narrowed down to one type of food.

Food supply chain includes many different types of food, however I decided to study meat due to its importance in Kazakhstan. It is very hard to live in Kazakhstan and to not eat any meat, for that reason I decided that it will be very interesting to assess the impact of COVID-19 on meat supply chain in Kazakhstan.

Literature Review

Supply chain disruptions is a common problem during human made or natural disasters. Usually such calamities affect only one region or one country, however COVID-19 is a different story, because it affected the lives and economies of people and countries in the whole world. Despite affecting almost all of the industries coronavirus outbreak affected all types of food like fresh vegetables, fruits, meat, bakery items, perishable goods, and finally, food grains supply chains (Singh, S., Kumar R., Panchal, R. & Kumar, M.). Scarcity of food is unavoidable in such situation where many parts of logistics activities were affected. It means that we need to focus on food supply chain, because inconsideration can lead to starvation of people, especially those located far away from supplies distribution points.

COVID-19 outbreak led to issues in food supply chain, which were affected by social distancing, shortages of workers due to sickness, various lockdown measures implemented to slow the spread of the disease. Need of social distancing may reduce efficiency and productivity in processing facilities of meat due to the additional need to ensure all of the safety measures in the workplace. Many companies reported about high rates of employee absences from work, as an example number of employees reduced by 30% in French meat processing facilities in with higher rates of infections with COVID-19 (OECD June 2, 2020).

According to OpenTable (December 8, 2020), outbreak of COVID-19 led to shift in demand, many people started going into restaurants or other food services less, while cooking and buying food with delivery more. It means that many businesses that didn't have any online websites or applications or delivery are suffering and have to adapt to the new situation in the market. This is very important, because many restaurants bought products from their suppliers for many years and now many suppliers need to find new sellers, which in case complicates the whole food supply chain operations.


Problems in transport and logistics have disrupted movement of food items along the supply chain. Simply put, food products are transported via three main types of transport: bulk (ships and barges), containers (truck, boat, train) and other road transport. Besides that different types of food products

shipped in different types of transport, for example cereals are typically shipped in bulks, meat in special refrigerator containers in order to preserve its quality and freshness and products with high value to the weight are transported via planes. According to Sixfold (April 22, 2020), truck traffic in Europe in the beginning of outbreak fell by more than 50% in Spain, 46% in France and 37% in Italy, even though it recovered a bit in recent times. In mid-April, the total distance driven by trucks in Europe was 24% lower than normal.

Outbreak of COVID-19 affected work in many meat packaging and processing facilities around the world. As we know US has the biggest economy in the world, along with the biggest number of confirmed cases of infection with COVID-19. In US the outbreak affected many plants, some of them were closed, and some had various problems, which created a significant threat to US meat supply chain. According to Kimberly K. (September 13, 2020) by September 13 2020, at least 42,534 employees at packaging facilities were sick with coronavirus, more than 200 of them have died. Cases of infection with COVID-19 were registered in 494 meat processing and packaging facilities.

Kazakhstan is a country that suffered much less than many developed countries, thus the impact of the outbreak may not be as big as it was for European countries or US. Nonetheless, it is still very important to assess the situation and decrease the potential issues that can be created in the meat supply chain. According to Agency for Strategic planning and reforms of the Republic of Kazakhstan Bureau of National statistics (December 5, 2020) prices for 1kg of beef in first quarter of 2020 increased from 1575 to 1882 (19,5% change) tenge. This is a very big increase in price for many households in Kazakhstan.

Розничная цена на говядину. Апрель 2020 тт за кг			
	2020/04	2019/04	Рост за год
Казakhstan	1882,33	1575,09	19,5%
Алматы	2169	1767	22,8%
Нур-Султан	2112	1735	21,7%
Туркестан	1910	1548	23,4%
Атырау	1892	1686	12,2%
Шымкент	1891	1534	23,3%
Талдыкорган	1874	1509	24,2%
Усть-Каменогорск	1829	1534	19,2%
Семей	1822	1493	22,0%
Ақтау	1812	1639	10,6%
Тараз	1774	1481	19,8%
Кокшетау	1772	1538	15,2%
Кызылорда	1772	1459	21,5%
Караганда	1757	1611	9,1%
Петропавловск	1741	1416	23,0%
Павлодар	1731	1393	24,3%
Уральск	1700	1470	15,6%
Костанай	1690	1481	14,1%
Актобе	1557	1426	9,2%

Источник: КС МНЭ РК 

Another information that I managed to find with the help of Agency for Strategic planning and reforms of the Republic of Kazakhstan Bureau of National statistics (December 5, 2020) is the amount of tons of all livestock slaughtered including any types of animals and fish. According to this

information weight of slaughtered livestock changed from 1483,6 to 1538,2 thousand tons for the period from January to October. In other words, this information shows us that even despite the outbreak the amount of produced meat increased by 3,71% compared to the previous year. This information shows that amount of meat increased during 2020, nonetheless the demand and actual sales are still very hard to predict due to the many challenges that outbreak brought.

All types of livestock and poultry slaughtered in the farm or sold for slaughter, in live weight, thousand tons

	January - October	
	2020	2019
Republic of Kazakhstan	1 538,2	1 483,6
Akmola	118,7	112,0
Aktobe	115,6	108,5
Almaty	289,0	280,6
Atyrau	40,1	38,2
Batys Kazakhstan	75,5	73,3
Zhambyl	97,8	96,0
Karagandy	110,6	104,9
Kostanai	85,2	80,2
Kyzylorda	30,0	29,2
Mangistau	8,1	7,9
Pavlodar	75,2	72,7
Soltustik Kazakhstan	84,6	81,3
Turkistan	182,7	179,0
Shygys Kazakhstan	212,4	207,3
Nur-Sultan city	0,1	0,1
Almaty city	0,1	0,3
Shymkent city	12,3	12,0

Methodology

In order to achieve my goal, I decided to create two types of questionnaires. I thought that asking only sellers of meat products will not provide me with sufficient information, which is why I decided to ask consumers as well. I decided to ask both because I also wanted to see the impact of coronavirus on financial situation of citizens of Almaty as well as how their preferences changed after the outbreak. In addition to the questionnaires I decided also to ask them to give an explanation and more details about some of their answers. As for exceptions I decided to not ask people younger than 18, because they are doubtfully have very much experience with the purchase of meat products themselves.

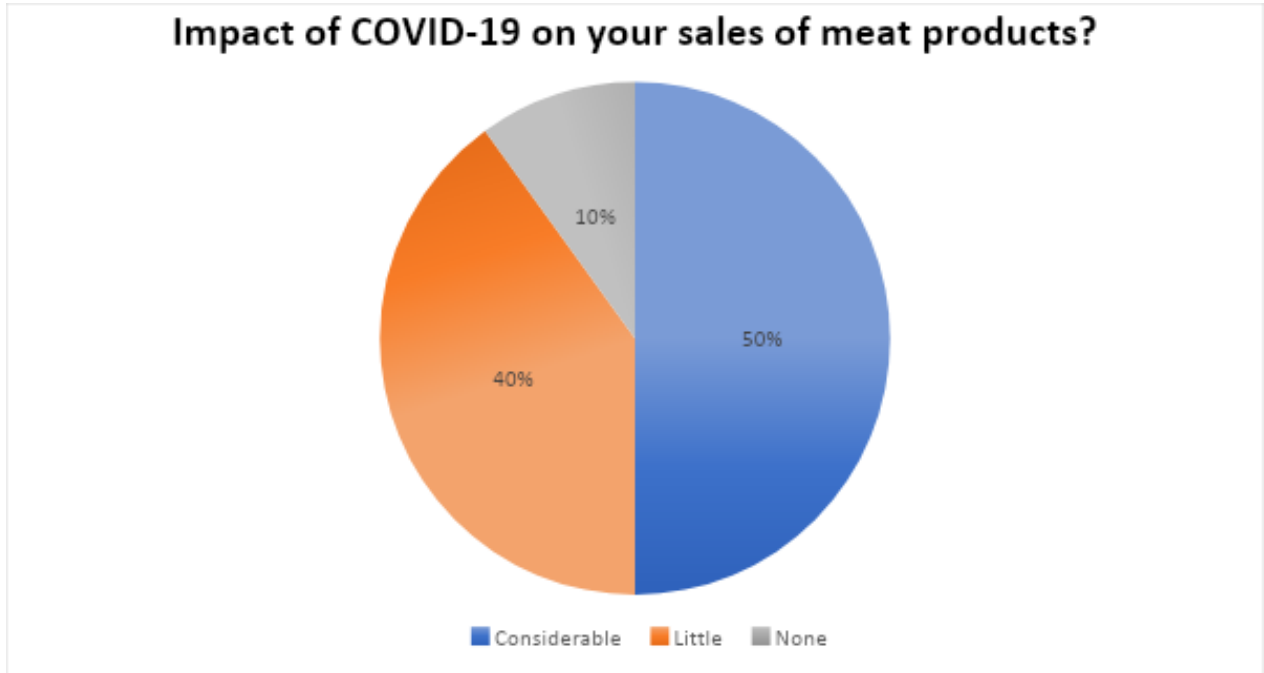
I will distribute them among different retailers of meat in Almaty, primarily in Zeleniy Bazar. I will try to give my questionnaire to sellers of different types of meat in order to get a full picture about impact of COVID-19 on meat supply chain. Based on the results I will be able to determine the effects of COVID-19 on meat supply chain in Kazakhstan.

Results

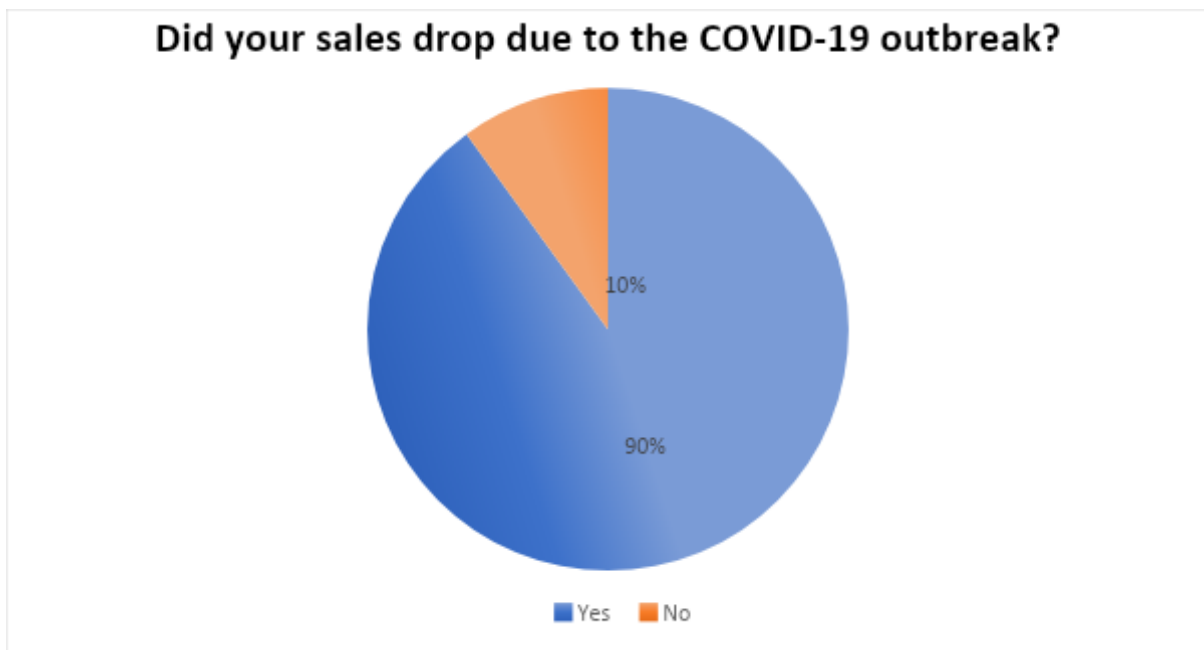
I decided to divide my results into two groups: sellers and consumers.

Sellers

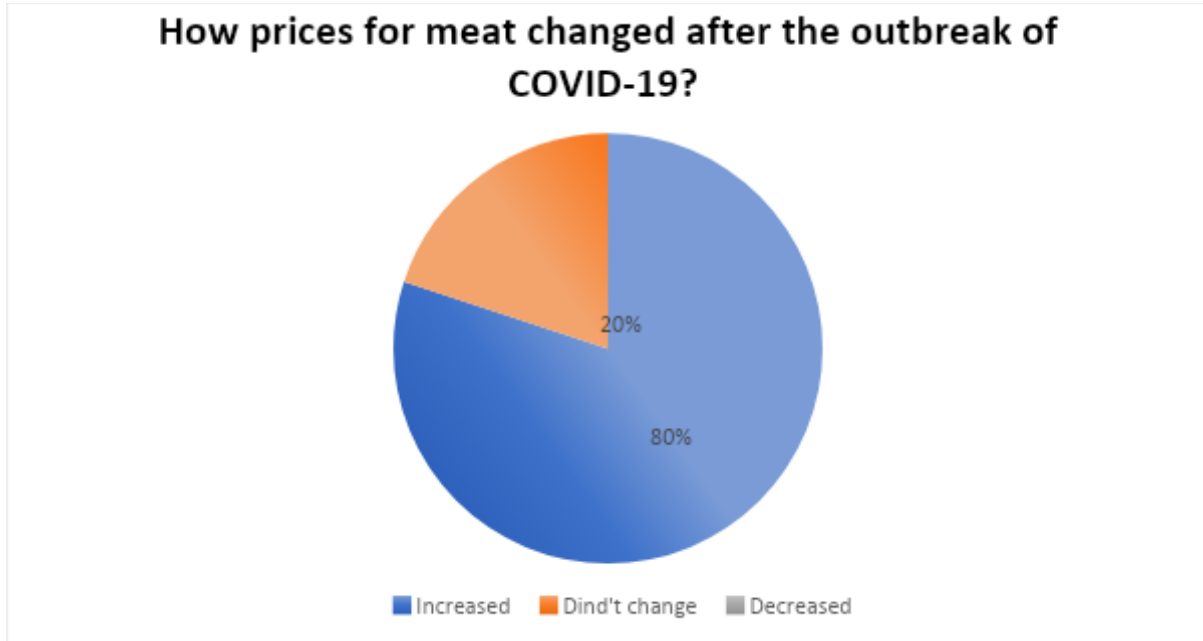
First, I decided to ask 10 sellers of various meat products around Almaty to gather their opinions about meat supply chain in Kazakhstan. All 10 of them were males with the majority of them (9) with the age from 35 to 49. I tried to ask sellers of different types of meat products. The main question in my questionnaire for them was about the impact that COVID-19 had on their sales of meat.



Half of them said that impact of COVID-19 was considerable, 4 said that it was small and 1 said that he didn't notice any changes.



Another important question was about decrease in sales due to COVID-19 outbreak 9 people answered yes and 1 answered no. I further asked them to explain to what extent it affected them, the majority said that due to all of the rules and policies, especially when lockdown was initiated their sales dropped dramatically, many people were afraid of big fines that government were giving during that period. During this time they tried to sell their meat to their relatives, friends. 1 person said that he is from the region and when lockdown started he was prohibited to enter Almaty and it was a very hard time for him.

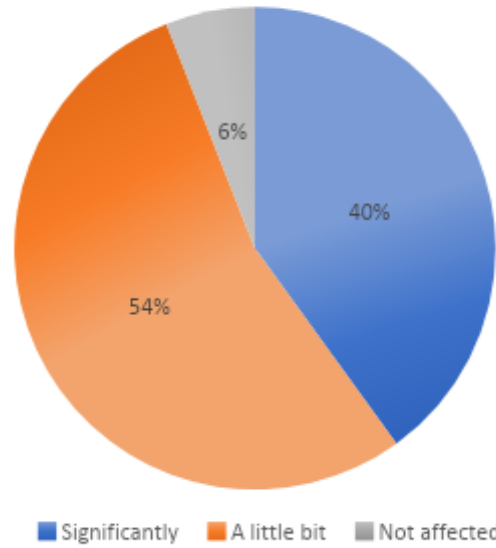


8 of the respondents answered that prices for the meat increased after the COVID-19 outbreak. When I asked them about the amount of increase they said that suppliers increased prices of meat by 10-15% and they were forced to increase prices as well.

Consumers

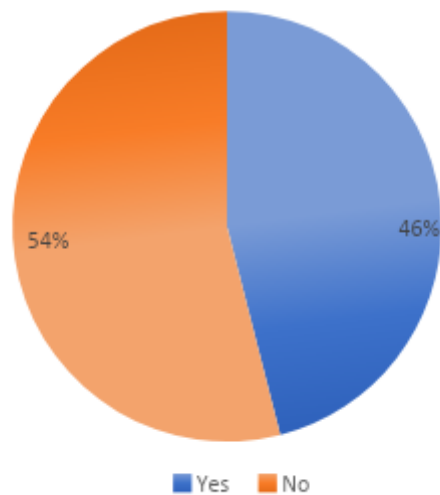
Next, I gave questionnaires to various consumers of meat products. I asked 50 different people and I tried to ask different types of population to gather more accurate data. 70 % of respondents were male and 30% female. Ages varied with majority being between 18-25 (20 people) years old, 35-49 (18 people), 26-35 (9) and 50+ (3).

How did COVID-19 outbreak affect you financially?



40% of respondents answered that coronavirus outbreak significantly affected them financially, 54 answered that it affected them a little bit and 6% unaffected. I noticed that older people claimed to be more affected by coronavirus than younger people. People between 18 and 25 usually answered that effects of coronavirus were not significant.

Did your consumption of meat decreased due to the COVID-19 outbreak?



Among respondents 46% answered that their consumption of meat decreased after the outbreak, while 54% that it did not. Once again older people were answering that their consumption of meat decreased, while younger people were more often answering that it did not.

Analysis of the Results

Based on the results, from the perspective of meat sellers I can say that the increase in price of meat as well as policies introduced by government significantly affected the sales of meat retailers. From the perspective of consumers, I found out that COVID-19 outbreak had more significant effect on older people rather than younger people, nonetheless that the majority of respondents said that their consumption of meat remained the same.

Limitations

There are some limitations in my research, first of all sample sizes are not that great due to the current situation with COVID-19 not every meat seller or consumer wanted to participate in my research, besides that it was impossible for me gather data in more cities than Almaty. Besides that, there is a possibility of other factors that can affect the demand for meat that cannot be seen so easily. Another limitation is time, I am myself had a finite amount of time to conduct this research.

Recommendation

My first recommendation will be for government to try to avoid such situations with lockdowns, because many sellers suffer from such restrictions as well as citizens, it is better to create an effective strategy to fight the outbreak without complicating lives of small businesses and common citizens. Another suggestion that government should be supporting older people by increasing their pensions or ensuring their employment. Last recommendation will be to help farmers and manufacturers with subsidies on meat products in order to decrease price.

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Considering Culture and Gender in Leadership

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Abstract

Purpose – The objective of this research is to conduct rigorous reviews by consulting relevant literature on leadership, leadership styles as well as particularly examine the relationship between cultural dimensions and gender.

Design/methodology/approach –Application of qualitative research method including in-depth literature reviews of journal and conference papers and books.

Findings – Through rigorous literature review, the current research presents the conceptual framework investigating the concepts of leadership styles. Mentioning cultural context and reviews on gender factor are also included.

Originality/value – Measuring Leadership styles by considering the cultural dimensions and gender. Analyzing cultural and gender dimensions.

Keywords: Leadership styles, Transformational leadership, Leadership effectiveness, Organizational context, Cultural Dimensions, Gender, Kazakhstan.

Paper type: Literature review

Introduction

As it has been discussed contemporary research on effective leadership presented the Transformational leadership theory initiated by Burns (1978) and followed by Bass (1985), while later research by Cherry (2010) asserted that initially outlined leadership styles are measured as influential-with significant impact while considering organizational context and taking attention of other scholars (Rollinson, 2008). This research is going to provide results or adjust information on the leadership field that will add value to academics with important insights into the factors related to leadership style in Kazakhstan.

Literature review

Leadership and Importance of Culture

▪ *Culture in leadership research*

Hofstede (2010) noted that culture is moderating the behaviour of leaders and followers within companies as well as the whole operating processes.

It was indicated that Western cultures consider humanity as the principal of nature, enabling human beings to monitor and utilize nature and its resources (Silverthorne, 2005).

On the other hand, the Eastern cultures get used to understanding mankind's nature such as subservient to nature and time, while alterations and obscurity are recognized as given (Silverthorne, 2005). However, before starting the discussion about Kazakhstan, it is in need to look through the availability of earlier researches investigating leadership styles and culture, their importance.

It is well known that leadership research was initiated by researchers from the Western part of the world (Meindle and Ehrlich, 1987; Stogdill, 1974) and continuing successfully until these days, furthermore as it is essential to define the effective leadership style in Kazakhstan the writer is searching for earlier investigations that were arranged in culturally mixed environments with the prevalence of representatives from national culture.

Also, it should be said that in general culture is an essential element in a variety of business aspects. Following the view of Hofstede and Hofstede (2005), the differences of culture lead to the divergence in the way institutions and business chains operate in various countries.

Alves et al. (2006) argued that cultures are differentiated from each other by values, relationships and attitudes of people have particular implications in leading organization. In other words, it should be said that each person has distinct ideas or understanding of what represents an effective leader.

Whereas Jogulu and Wood (2008) contend that cultural environment is a determinant that can significantly impact followers' perception toward their leaders' attitudes and actions. If referring to one of the researchers' views such as Hofstede (1980) according to him the culture is the set of intelligence programs that can distinguish one representative of people from another, in addition, it should be said that according to this definition it is not distinguishing races between each other, but rather showing distinctions among groups.

- *What about Kazakhstan?*

To define leadership style in Kazakhstani companies, it is essential to mention the national culture.

It is evidence that Kazakhstan is the ninth largest country in the world after Russia, Canada, China, the USA, Brazil, Australia, India and Argentina (Tulakbayeva, 2005). Kazakhstan is a multinational state, where different people and cultures are living together. Kazakhstan's geographical location had a great influence on the formation of the culture and character of the nation (Tulakbayeva, 2005)

Kazakhstan is positioned in the centre of the Eurasian landmass, with Russia on the north, China on the east, the landlocked Caspian Sea on the west and the south a tier of former Soviet Central Asian states (Tulakbayeva, 2005; Fast, 2009).

In ancient times, Kazakhs were nomads -they had to change the environment and they always get used to living in new conditions under different circumstances, even nowadays Kazakh people are not afraid and ready to accept something new (Koygeldiev, 2011).

It can be stated that the Kazakh family is the steady institute, which was struggling in quite difficult times of economic crisis (Koigeldiev, 2007; Zharikbaev,1998). One of the distinctive features of Kazakh culture is in treating with respect or honour elder people (Nurysheva, 2001; Lebedeva, 2004; Zharikbayev, 1998). As it was noted Kazakh men are more concerned about task achievement, while women were relationship-oriented (Zharikbayev, 1998).

Cultural Dimensions, Early findings and Discussions

As the nature of the business is globalized the study of Leadership should not be separated from such domain as national culture.

Javidan et al., (2009) found that leadership should be investigated from the multilevel perspective, considering many dimensions within which leadership exists.

Avolio (2007), Ayman (2004), Chemers (2000) proffered the solutions of how to incorporate culture into the analysis of the leadership field (cited in Antonakis, 2011)

Hall and Hall (1990) stated that the influence of the culture spreads on the way of communicating, which can be low and high context.

- For instance, it was stated that Asian and Middle East countries are high context cultures that mean close social connections (Antonakis, 2011).

- Countries such as Germany, Scandinavia and the United States are the low context, which requires detailed explanation and presented background during conversations (Antonakis,2011; Hall,1990).

Moreover, researchers House, Wright, and Aditya (1997) stated that each culture proposes its model of leadership.As it has been determined leadership practices are different for Western and Eastern countries (Bass, 1997; Hofstede, 2001).

Although there are some studies investigating culture value dimensions (Hampden-Turner & Trompenaars, 1997; House et al., 1999; Schwartz, 1999), the most widely recognized culture value dimensions are the ones described by Hofstede (1980).

To discuss culture and its impact on leadership, the researcher reviewed cultural dimensions developed by Hofstede (1980) as these characteristics have been studied extensively and applied in leadership researches among different cultures.The major cultural dimensions that were proposed by Hofstede (1980) -power distance, uncertainty avoidance, individualism-collectivism, masculinity-femininity, as well as time dimension that is related to long-term versus short-term orientation

Therefore, Hofstede's (2001) culture value dimensions are:

Power distance (PD): indicates to what extent society tolerates inequality of power among institutions, organizations and people. In this case the tendency of the powerful to maintain or increase distance and the tendency of the less powerful to decrease to equilibrium in the culture.

Power distance has an impact on the scope of formal hierarchy, decision-making, rules and regulations, as well as leadership styles in each culture (Hofstede, 2005). Consequently, in low power distance countries such as USA, Netherlands, and Australia, subordinates look for interdependent connections with their leaders (Hofstede,2005). These types of followers seek to have supportive and consultative relationships as well as their emotional distance would not be high, which in turn allow them to have an approach to their leader and show disagreement (Hofstede, 2001).

On the other hand, in high power distance countries such as Malaysia, Mexico and Japan, the emotional distance between followers and leaders is large, therefore it is difficult for subordinates to have an approach to leaders or disagree with them in a straight way (Hofstede, 2005).

Companies operating within high power distance cultures are likely to determine the signs of inequality. Hofstede (2005) specified that in the large-power-distance superiors and subordinates determine each other unequally as it was noted the hierarchical system propose existing disparity.

Uncertainty avoidance (UA): is the extent to how members of society feel discomfort in unstructured situations and ambiguity. To decrease this situation people increase reliance on transparent procedures, approved strategies, well-known and understood rules, which in turn reduce discomfort and unknown situations.

In cultures with high uncertainty avoidance, there is a hierarchical control role; while the power of superiors highly depends on their ability to control uncertainties; and conception of management is formalized (Hofstede, 2005). In addition, Van de Vliert (2009) has presented that power distance and cultural uncertainty avoidance tend to move in tandem.

Individualism–collectivism – dimension, which is related to the integration of people into groups or individually. Individualism and collectivism have a strong effect on the nature of the connection between a person and the organization to which person belongs.

Autonomy, personal responsibility for results, rewards on the individual level are the individualistic attributes established in organizations, while collective management practices emphasize solidarity at work and team-based rewards. Some countries that are collectivistic in nature include Peru, Brazil, Japan, India, and Russia while individualistic cultures can be found in countries such as the USA, France, Australia, and Great Britain (Hofstede, 1984; Triandis, 1995).

Masculinity and femininity: this dimension determine to what extent the dominant values are presented in society, such as assertiveness, the acquisition of money and objects, heroism, achievement, the quality of life, cooperation, relationships and group decisions (Hofstede, 2001).

According to Hofstede (2005) manager in masculine cultures is decisive, assertive and aggressive. In feminine cultures, a leader is less visible, seeks consensus, is intuitive as well as cooperative and less decisive. Moreover, masculine cultures are more tolerant of strong, directive leaders than feminine cultures, which have a preference for consultative and considerate leaders (Hofstede, 2001). While in feminine cultures, people struggle for a high quality of life by maintaining relationships and taking care of employees more than in masculine cultures (Hofstede, 2001; 2005).

Long-term orientation and short-term orientation (LTO/STO): Hofstede (2001) defined long-term orientation towards future rewards in comparison with short-term orientation, which stands for the past and present, particularly respect for traditions and accomplishment of social obligations.

It can be said that the differences between short-term and long-term dimensions that in short-term orientation there is respect for traditions, leisure time, personal steadiness and stability; expectations for quick results and immediate gratification of needs; spending versus saving and investing have priority (Hofstede, 2001).

Cultures with long-term orientations are characterised by the adaptation of traditions to new circumstances as well as characterised by the government of people than government by law, moreover, relationships are based on established status (Hofstede, 2001).

As had been mentioned, the culture-specific approach stated that culture can influence leadership concepts, styles and practices (Gerstner & Day, 1994; Hofstede, 2001; House & Aditya, 1997), moreover, these researchers argued that effective leaders have to adapt themselves to the cultural environment.

Hofstede (1993) asserted that cultures with various characteristics such as language, beliefs, values, religion, and social organizations presumed different leadership approaches. The evaluation and meaning of ideal leader behaviour and characteristics have considerable differences among cultures (Stogdill, 1964; Hofstede, 2001).

The followers of the culture-specific perspective argued that transformational leadership behaviour is unique for every culture. For instance, Ardichvili (2001) compared four countries Russia, Georgia, Kazakhstan, and Kyrgyzstan, and found that culture value dimensions assumed different leadership styles, however with a lower level of variance.

Even though Ardichvili (2001) did not focus on the relationships of each culture value dimension and transformational leadership, it was determined that Russian managers and employees had the highest long-term orientation scores and lower level of transformational leadership behaviour in comparison with the other three countries.

According to Hofstede (2001), in high power distance cultures, there is a centralized structure in decision-making. Consequently, subordinates are expected to be told, additionally, the high hierarchy determines the existing disparity between higher and lower managers, as well as the existence of formal rules, authoritative leadership and tight supervision, which were determined as accepted clues for better performance (Smith, Peterson, Misumi, 1994).

Similarly, Smith, Peterson and Schwartz (2002) found that managers from high power distance societies reported less confidence in subordinates in dealing with daily issues in comparison with managers of low power distance.

Hartog et al. (1999) noted that authoritarian leadership has existed in high power distance cultures.

Another aspect is uncertainty avoidance of culture value dimension, according to Jung, Bass and Sosik (1995) assumed that high uncertainty avoidance cultures need more transactional-based leadership and low uncertainty avoidance cultures tolerate more innovative transformational leadership behaviour.

Later, Offermann and Hellmann (1997) analysed actual leader behaviour and determined that leaders from high uncertainty avoidance societies, in comparison with low uncertainty avoidance, were more controlling and less delegating.

By considering cultural dimensions, such as power distance, collectivism or individualism, uncertainty avoidance, as well as such dimensions as masculinity and femininity support the writer in determining the impact of culture on leadership in Kazakhstan.

To investigate the leadership style in business and management of Kazakhstan, the researcher should start from Kazakhstan's culture and values.

As it has been stated Kazakhstan is characterised as a country where respect to elders and good relationships are the centrepiece of Kazakhs' culture, people believe in the importance and

influence of relationships, therefore Kazakhs try to build and keep meaningful connections with others (Akshalova, 2002), (Tabyldy and Low, 2006),(Lee and Chan, 1998).

Moreover, father leadership can be described as a benevolent leadership style, which brings benefits to all concerned parties such as the leaders, employees and the whole organization (Low,2006).

According to George (2001), Kazakhstan is a state that is distinguished by established rich patriarchal traditions, as the country had been ruled by the tsar for more than 300 years and 75 years by the Soviet Government, moreover, oriental autocracy had been treated as long tradition in Kazakhstan (George, 2001 cited in Low, 2006). By the results of “soft paternalism”, government appeals to citizens, pushing them gently to do things that are best in their interests (Low, 2004).

It was argued that father leadership practices in Kazakhstan have been strengthened by Asian values in Kazakhstan’s society that was implied as a block, within which hierarchy, discipline and obedience (Low, 2006). Furthermore, Low research (2002; 2006) was stated that leadership in Kazakhstan is similar to the father leadership in such Asian countries as Japan and Singapore (Low, 2004a).

With established mutual commitment and loyalty leaders encourage the ‘war’ or harmony spirit by securing industrial peace as well as employees respect leaders and treat them as great masters with strong ideas (Matveyeva and Gaggiotti, 2006). Moreover, Low’s (2004) researches about Kazakhstan showed that country is developing, people try to acquire knowledge and develop new skills, and furthermore, the number of business executives is growing. Nonetheless, collectivism and family orientations are still comparatively carried out in Kazakhstan (Akshalova, 2002), which support father leadership (Low, 2004).

Leadership and Gender

The majority of the studies have shown that gender factor plays a significant role in the shaping of followers’ attributions of leadership and effectiveness (Sczesny, Bosak, Neff, 2004).

Rhode and Kellerman (2007) stated that nevertheless, the vast majority of contemporary researchers identify that efficiency can be influenced by circumstances, connections of the combination of leaders’ characteristics and needs, goals of their followers.

Western (2008) argued that leadership differences in style can be interpreted in the ways that women are more socially constructed by the views and perceptions of gender difference and leadership.

It being the case that dominance and intimidation could be practiced and measured as positive strengths by male managers however being eluded by women administrators. In addition, attractiveness and being affectionate were connected with being opportunistic for men but not for women (Eagly et al., 2002; Western,2008).

Being attractive was treated as a need for women in order to be regarded as a good manager while being affectionate seemed like a “gentle” behavioural style for women (Eagly et al.,2002).

These findings lend support to earlier research by Eagly et al. (2002) who concluded that a male manager who acts in a forceful or assertive way is perceived as behaving appropriately, whereas a female leader who behaves, in the same way, is considered unacceptably forceful.

Epithets of women who adopted this type of leadership style are “Dragon Lady” and “Bully Blood” (Babcock and Laschever, 2002 as cited by Nohria and Khurana, 2010, p.385).

It should be stated that there is not only one successful style in leadership that can be applied; various approaches can be used in a wide range of situations at different times.

Moreover, it was stated one of the indicative characteristics is creative thinking and the ability to fluently use communication skills, which lead to the view that women should be positioned in a leadership role during unstable environments. Today, researchers that investigate organizations understand that companies need more leaders who are indicating relationship-oriented, “nurturing and caring” styles that are generally considered as women styles of leadership (Eagly and Karan, 1991; Omar and Davidson, 2001).

Women leaders can be effective as well as men, the only perceptions of the people make the difference in this issue (Eagly and Karan, 1991). Also, it was noted that women could change their styles of leading under different situations with their ability to be more flexible and more effective (Eagly and Karan, 1991).

The tendency of rapid growth in discussions about women leadership has been noted.

One of the important aspects of these discussions was in the excluding of women from dominant positions in organizations, while the second one, was that there is a difference in leadership styles between men and women (Rhode, 2003). Moreover, it was argued that the effectiveness of leadership highly depends on gender (Rhode, 2003).

Nevertheless, the majority of contemporary researchers identify that leadership can be influenced by circumstances and a combination of leaders’ characteristics with the needs and goals of their followers (Rhode, 2003).

It was argued that unequal opportunities in leadership for women are pervasive, as well as opportunities for leadership positions are impeded by traditional stereotypes (Rhode, 2003).

It should be noted that initially, qualities that were associated with leadership were associated with men than with women (Eagly, 1990). For instance, “The great men” leadership theory outlined qualities, which were associated with masculine traits such as forceful, assertive and authoritative (Rhode, 2003).

Even though, recent theories about leadership proposed the interpersonal qualities, which are associated with women, such as cooperation and collaboration. In most cases, women who are on leadership positions are criticised for being too soft or too strict, or too assertive (Rhode, 2003).

In the overview of leadership about women was found that women leaders were evaluated lower than men leaders while they were obtaining the authoritative style of leadership (Eagly, 1990).

Results from a study on gender differences in communication (Tannen, 1990) provided possible clarification on two different approaches. Tannen (1990) argued that men and women had different experiences while they were growing up, as from childhood they have learned to value different things.

For instance, men were taught to reach high status, independence, and individual power, whereas, women were taught to maintain relationships and be passive. Furthermore, these different values influence the men and women behaviours in different ways (Tannen, 1990). Thus gender stereotypes were developed and established by society.

However, today views of modern women changed they perceive that women should be smart, active-energetic, and decisive in other words they have to possess masculine characteristics.

Research findings showed that women leaders had indicated greater interpersonal skills and applied more participative, democratic styles in comparison with men (Eagly and Johnson, 1990). It should be said that perceptions about leadership styles and their effectiveness are generalised (Rhode, 2003).

Afterwards, women do not prefer the assumption of an equal degree of vigorousness, it was believed that for them less autocratic leadership style is required (Powell, 1990).

Usually, women who have reached high positions in organizations have to socialize and comply with already established organizational norms and values (Rhode, 2003). Also, this was explained that their leadership styles were similar to adopted styles, exceptionally with the recent tendency in leadership education, which encouraged both men and women to take over the collaborative, more interpersonally sensitive approach to leadership.

Another important aspect of leadership that should be noted is that women have different leadership priorities in comparison with men.

Specialists in the leadership area attempted to encourage leadership qualities in women and provide them with opportunities to occupy such positions (Rhode, 2003). Business and professional schools have been preparing future leaders; moreover, these schools exemplified strategies, which are required to achieve it (Rhode, 2003).

It was believed that women who reached leadership positions should provide assistance to other women in an organization (Rhode, 2003), by showing others bright leadership abilities, which supported them to undertake leadership responsibilities.

Therefore, women have to show strengths and abilities, search for participation in challenging assignments and maintain a reputation of effective professionals (Rhode, 2003).

Individual career development, as well as leadership training, may increase interpersonal capabilities (Eagly and Johnson, 1990). Areas of focus lay in risk-taking, conflict solving and strategic vision.

The extreme difficulty consists in the adjusting completely to succeed within an organization without losing the intention to change it (Rhode, 2003). For leader estimation of decisive and forceful style without being overbearing and confrontational is a valuable skill. There is not only one successful style in leadership that can be applied; various approaches can be used in a wide range of situations at different times (Eagly, 2000).

However as it was stated, one of the essential clues for women should be strategic vision, by maintaining their attention on long term objectives and identifying which actions could be beneficial for the corporation (Rhode, 2003).

Johnson (2006) examined the leadership traits of women and contrasted them with men leaders. The research discovered that, even though dissimilarities were presented between male and female administrators on individual behavioural traits, considerable differences have appeared in the way of how behaviour changed in situations (Kelly, Hale and Burgess, 2006).

The traits of dominance, intimidation, attractiveness and affection specifically were demonstrated in a different way by men and women (Johnson, 1990). Particularly, dominance and intimidation were considered as advantages by male managers, but were evaded by women administrators (Johnson, 1990).

While Duerst–Lahti (2006) determined that gender-neutral leadership characteristics were considered effective in organization among top-level administrators (both men and women).

Rosener (1990) adopted the concepts determined by Burns (1978) to describe the different leadership styles of men and women.

According to Rosener (1990) men were transactional leaders, who see job performance as a series of transactions with subordinates. Rosener (1990) determined that men use power that comes from their organizational position. Research showed that women were characterized as transformational leaders, who are able to influence subordinates to transform their own interests into the interests of group (Eagly *et al*, 2007).

Women attribute their power not to position in the company but to their personal characteristics to (Rosener, 1990). According to Eagly and Jonhson (1990) women leaders in an active way establish their relationships with subordinates, which could be positive for both parts. Today, many researchers praise the virtues of a more humanized workplace. Particularly, women leaders enhance participation, share power and information (Eagly and Jonhson, 1994).

It was asserted are that differences in leadership approaches between men and women will work to the advantage of women because the qualities linked with their leadership style were measured useful, which could make organizations more effective (Rosener,1990).

In the earlier years it was perceived that women have to adopt masculine style of leadership (Rosener, 1990), however, organizations changed and have gone through the fast growth for the last years. Therefore, in order to lead today organisations need to apply different style ‘soft-leadership’ that was measured effective (Eagly and Johnson, 1990).

Furthermore (House, 2001) argued that it would be incorrect to automatically differentiate men and women leadership styles, as there are gender specific leadership characteristics, such as masculine and feminine which determine psychological behaviour of person. Moreover, today managers are challenged to develop different types of leadership skills, which could be useful for leading companies.

- According to research organised by Lebedeva (2004) determined:
- 1st that men become leaders by performing masculine tasks, while women by performing feminine.
- 2nd - Research showed that masculine characteristics of leadership were determined in the behaviours of Kazakh women leaders who were working with younger women subordinates.
- In Kazakhstan majority of leadership positions are occupied by men indeed, as this is highly interrelated with the cultural specificities of Kazakh people (Zharikbayev, 1997).

Also, according to Nurysheva (2001) research, leadership behaviour was interrelated with cultural norms and Kazakh men were considered as leaders in majority situations.

Cross-cultural research found that by comparing transactional with socio-emotional leadership styles- the gender differences had been noted and were determined by the degree of leaders’ position (Nurysheva, 2001; Zharikbayev, 1997).

Summary

To sum up, it should be said that there are wide debates about the effectiveness of men and women leadership styles.

The situational approach to leadership- defines the position of the person in organisational structure, not gender. From this approach, men and women who have leadership positions in organisations differ from each other neither in behaviour nor in leadership effectiveness (Eagly and

Karan, 1995; Johnson, 1993). However, situational variables may lead to situations that gender may be considered as an influential factor for women- leaders, therefore men can outperform women (Eagly and Karan, 1995; Johnson, 1993).

From this view, women are considered as unable to actively use their leadership power, they will perform only formal roles by imitating the dominant behaviour of men (Johnson, 1993).

Under this approach, men-subordinates are copying women style in verbal communication (Johnson, 1993). Research by Johnson (1993) proved the assumptions of impact formal position on communication, while gender on nonverbal behaviour. Gender has been considered as an influential factor in leadership in Asian countries (House, 2001; Eagly, 1990).

Conceptual Framework

The conceptual framework of this research was formed in order to prove the correctness of this argument that leadership, culture, gender are all interrelated. This complex interweaving of the influence of culture and gender on leadership styles showed different interpretations and complexity of judgments of this question.

Research Methodology

It is essential for the writer briefly discuss the importance of the Research Methodology. According to Antonakis et al., (2005) in order to conduct the research in the field of leadership, it is essential to understand the fundamental elements of science, major scientific theories and techniques these theories will be applied.

First of all, there is a need to define clearly the building blocks:

- What is Ontology in research? It should be said that ontology is referred to researchers' assumptions on the essence of reality (Saunders, 2016), as ontological assumptions are extending the way through which the researchers are investigating research objects, for instance, companies, management, employees lives and companies events and belongings.

- Epistemology in research? Epistemology is referred to the researcher's assumptions on the knowledge that is considered adequate, valid and legitimate as well as the way this knowledge is going to be presented to others (Burrell and Morgan 1979).

- It is argued business and management are characterized by the interdisciplinary context in other words -various types of knowledge – such as quantitative data-text based, observable data, from gathered facts to explanations, including storytelling, even fictional notes – can be regarded as justifiable (Saunders, 2016)

- It should be said that diversity of acceptable epistemologies allows researchers to select from a wide range of choices of methods than in any other academic sphere. Nevertheless, the major importance lays in the full comprehending of implications' epistemological differentiation; as a particular method has its advantages & drawbacks as well as possible limitations in research (Saunders,2016).

Types of Theory Development

While considering the Methodology part for the researcher is necessary to understand the meaning of theory as it is measured by the allocation of statements that measure features that are crucial in comprehending the phenomenon, how these statements are interconnected (Dubin, 1976).

Following position of Filley et al. (1976), the two contrasting views about theory are presented:

- 1st the method of theory exploration and implications for validating
- 2nd the objectives of the theory

It should be added that approaches to theory development can be two types (Dubin, 1976; Saunders, 2016):

- 1st Inductive
- 2nd Deductive

It has been argued that inductive theories are characterized by the way of generating theory from gathered data to building theory, in other words the researchers are applying observation techniques, data or results of other studies for the purpose of retrieving testable theoretical judgements – from particular observation to overall theory (Antonakis, 2005; Saunders, 2016).

While the Deductive approach to theory is oriented on the testing of well-established theory, particularly from theory to observation; emphasizing the verification of hypothetical research statements generated from judgments and attempting to validate stated hypotheses (Antonakis, 2005; Saunders, 2016).

Research Method: There are two major methodological traditions in research methods, which are qualitative and quantitative methods (Saunders, 2009; Saunders, 2016; Williams, 1992).

Research ethics

Ethics is the code of conduct that guides the researcher to organize its investigation (Ghauri and Gronhaug, 2010).

The research process will be conducted according to the highest ethical standards. The research will be held in an ethical way and will comply with the *Code of Practice Involving Human Participants*.

Conclusion

In this research the importance of such factors as national culture and cultural dimensions of Hofstede (1980; 1991) and gender were noted and would be considered valuable in the research process.

Also, it was noted that leadership is a complex phenomenon and cannot be investigated from one sight, therefore the notion of effective leadership can be interpreted in various forms and under different contexts.

While conducting a literature review, it was identified that there is a lack of presented findings and investigations about leadership in Kazakhstan that could be useful for this research. The need to understand is that every situation has the context and contingent factors should be noted and evaluated at the same time.

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Event study on financial effect of the inclusion or exclusion of a company into or from FTSE4Good Global 100 SI

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Abstract

This thesis examines if the inclusion in or exclusion from a sustainability index produces an abnormal return. First, I searched for a theoretical structure which comprises a few financial studies so that each implies the financial effect of the inclusion in or exclusion from a sustainability index. Hence, I structured my hypotheses. To test them, I have executed an event study. The ESG Index I have used is the FTSE4Good100 SI. The result of this study is that the inclusion of a firm in sustainability index doesn't lead to abnormal returns or that there is no steady evidence of the effect of addition into the FTSE4Good100 Index on stock returns and systematic risks (beta) of firms. On the other hand, the outcomes show that addition in the FTSE4Good100 Index decreases the total risk of the firms and apparently will safeguard those firms from declines of stock price in the case of a financial crisis by bettering firms' flexibility in comparison with other firms not comprised in the Index (Mustafa K. Yilmaz, 2020).

Keywords: environmental, social, and corporate governance (ESG), corporate sustainability (CS) performance, sustainability index (SI), stakeholder theory, response of the market.

1. INTRODUCTION

1.1 Introduction

The social and ethical features of doing business play a progressively decisive role in the growth of a firm as sustainable, specifically with respect to the fluctuating expectations of its stakeholders. Therefore, firms need to share more data regarding environmental, social and governance (ESG) performance with third parties to demonstrate their commitment to ESG matters as a company on the way to sustainable growth (Iqbal, Ahmad, Hamad, Bashir, & Sattar, 2014). To be sustainable in a highly competitive business environment, the impact of ESG needs to be properly managed. Over the past decade, more and more companies have primarily declared themselves "sustainable" and publishes a sustainability report along with an annual report. The main reason for this is the growing interest of portfolio managers in more socially responsible investment (SRI) and that investment trusts and pension funds consider sustainability as the key factor for reduction of risks and long-run investment. According to the Global Sustainable Investment Review, global sustainable investment achieved USD 35.3 trillion in five large-scale markets (Canada, Europe, Australasia, US, and Japan) at the start of 2020, a 15% growth in the 2018-2020 years, which composites 35.9% of total assets under management, upsurge from 33.4% in 2018 (The Global

Sustainable Investment Alliance, 2020). This rising concernment in sustainability has affected on a growth in the number of studies examining the relationship amidst a company's ESG practices and their finances and performance of the market. The comparative evaluation of the market performance attained by conventional and sustainable business firms is one of the subjects that has aroused the interest of scientists (Arribas, Espinos-Vano, Garcia, & Morales-Banuelos, 2019). In this framework, numerous studies were conducted on the addition effects in SRI, CSR, or other sustainability indices on performance of the market [(Deng & Cheng, 2019); (Wasara & Ganda, 2019); (Lee, Kim, & Hong, 2019)].

FTSE Russell has been at the vanguard of ESG index modernization for almost 20 years since the FTSE4Good Index Series, one of the first universal sustainability index families, was launched in 2001 (ftserussell.com). FTSE4GOOD is a series of benchmark and tradable financial indices, intended to classify firms that meet worldwide recognized social responsibility (CSR) criteria (sustainable-investment.org, n.d.). This thesis observes the interconnection between corporate sustainability performance and market-specific performance indicators of environmentally friendly firms listed in FTSE4Good Global 100 SI (further FTSE4Good100) from 2019 to 2021.

1.2 Research Problem

According to the eco-efficiency theory analysts expect a positive anomalous return for the insertion of a firm into sustainability index due to attainment of a competitive lead by eco-efficiency, higher repute, cost drops and production developments (Sustainability Concepts. Eco-efficiency). For the elimination from SRI Index the eco-efficiency theory forecasts a negative anomalous return. The errors-in-expectations theory also proposes that due to systematic underestimation of sustainability by the equity market in impacting the company's expected cash flows, stockholders may get positive anomalous returns by taking advantage of the info on CS (Wouters, 2012). Though, the deficit of diversification as per diversification theory anticipate that due to SRI constraint may take place bigger diversification costs (as removal of not sustainable stocks with huge anomalous returns) thus may lead to negative expected returns of the SRI funds. As a result, it foresees that the addition of a firm into SI may cause non-positive anomalous returns while deletion may result in positive returns (Wouters, 2012). According to the stakeholder theory, joining interests of diverse stakeholders' when framing corporate tactical managing policies might strengthen (harm if avoid) the phases of market and financial performance [(Freeman, 1984), (Donaldson & Preston, 1995)]. (Friede, Busch, & Bassen, 2015) reviewed it by conducting over 2000 empirical researches and concluding that there is a positive correlation between ESG and financial performance in about 90% of the cases. Also, the realization of corporate sustainability strategy inside firms is accounted as an intangible asset that produces value, which consequently leads to improved brand, greater satisfaction of consumers, noteworthy premium and prosperity in distance (Ramos-Gonzalez, Rubio-Andrés, & Sastre-Castillo, 2017). On the other hand, incurred costs in purpose of improving CS performance might be high-priced and not productive, attaining only public recognition, but investors might witness its paybacks only in the long-term perspective. Observers may use this as argumentation to the addition in the SI. Hence, the expenses for ESG strategies may not balance firms' profits so that the basic principle of enlargement of shareholder wealth may be breached,

and firms' sustainability performance might outcome in decreased revenues, which in turn reduces company values and can lead to competitive disadvantages (Haan, Dam, & Scholtens, 2012). This view is encouraged by the corporate governance (CG) theory (Shleifer & Vishny, 1997). In a simple structure, CG contains actions, which guarantee that shareholders get an acceptable return for the investments they make. Consequently, if CG structures are correctly planned, managers will focus on maximization of financial profits. So, putting aside clear benefits in long-term perspective the problem with this kind of research is that there are no robust and universally applicable conclusions from previous studies related to returns from investment into sustainable companies.

1.3 Research Objective and Questions

This study has the following research objective :

- To observe the interconnection between corporate sustainability performance and market-specific performance in terms of stock return, systematic risk, and total risk of a company, included in or excluded from FTSE4Good100 SI

In this study I tried to answer to the next questions:

- Does the inclusion of a firm in FTSE4Good100 index provide a positive abnormal return or vice-versa?
- Does the exclusion of a firm from FTSE4Good100 index provide a negative abnormal return or vice-versa?
- Does the inclusion in or exclusion of a firm from FTSE4Good100 index leads to zero abnormal return or in other words, is there any significant result?
- How do inclusion in and exclusion from FTSE4Good100 index impact to a business in terms of systematic and total risk from short-term and long-term perspective?

1.4 Methodology

The event study methodology is developed to the normal standardized technique of evaluating a stock price fluctuation to some announcing. Event studies are used to testify whether the market resourcefully reflects information and if there is an influence of some occasion on the financial returns of investors because of this occasion. Usually, the announcement day, when the new information is incorporated to the market, is widely known, so in general the imitation outcomes are correct degree of the influence of the event study methodology. Company's big announcements are mostly well protected and if some leakage of information takes place, an event study that tests the date of the official announcement possibly will seizure the main portion of the impact on the share price (Binder, 1998). A vital thing here is that the announcing date is frequently more crucial than the date of change.

1.5 Significance and Implications of the Study

The addition into SI, such as the FTSE4Good100 can be a strong indicator for bigger magnitude of CS activities and might impact on investor decisions making an influence on stock price. Therefore, it may be assumed that inclusions to the SI can force a momentary pressure on price and

may result on deviations of stock return in short-term, so that it casts doubt on good sustainability performance (Fowler & Hope, 2007). It is appropriate particularly for assessing the efficacy of CSR and asset managers have broader implementation on this as they are on a waiting mode for abnormal returns through investing in firms with big social responsibility and they tend to hold the stocks for a lengthier time-period (Dorfleitner, Utz, & Wimmer, 2018).

My study results show that the *inclusion* of firms in the FTSE4Good100 SI doesn't provide abnormal returns or that there is no steady evidence of the effect of addition in the FTSE4Good100 on stock returns and systematic risks (beta) of firms. On the other hand, the outcomes show that addition in the FTSE4Good100 Index decreases the total risk of the firms and apparently will safeguard those firms from declines of stock price in the case of a crisis by bettering firms' flexibility in comparison with other firms not comprised in the Index (Mustafa K. Yilmaz, 2020).

2. LITERATURE REVIEW AND FTSE4GOOD SI

This chapter covers the overview of Literature as well as descripts FTSE4Good index series and briefly on FTSE4Good100 SI which was chosen as a benchmark index for calculations in this study. Section 2.1 presents the theoretical framework of a bunch of researches conducted before as event study on CS performance matters, followed by in-depth specification of FTSE4Good index series in terms of constituent selection, exclusion, and review in section 2.2.

2.1 Theoretical Framework

Majority of the earlier researches focus on the interconnection between stock returns and sustainability performance. (Dasgupta, Laplante, & Mamingi, 1998) investigated how news on environmental issues affected on returns of assets of trading enterprises in Mexico, Chile, Argentina, and the Philippines for the 1990-1994 period, noting that markets respond positively to rewards announcements and clear government recognition of good sustainability performance, and responses negatively to public protests towards specific firms.

(Curran & Moran, 2007) examined the impact on price of addition to and removal from the FTSE4Good Index and concluded that while there is a tendency regarding negative and positive statements having the anticipated influence on daily returns, these changes are not substantial and don't imply that a firm's constituency in the index leads to any significant economic benefit. Likewise, (Consolandi, Jaiswal-Dale, Poggiani, & Vercelli, 2009) investigated if the market responds to the addition (removal) of firms in the DJ Stoxx index, so they concluded that in both events, assessment of sustainability performance is a main criterion for distribution of assets. (Junior, 2009) examined if social responsibility has an impact on firm's value for a sampling of not financial firms of Brazil comprised in the BOVESPA index in relation to other publicly traded firms not contained within the index for the 2005-2007 period; the author noted that CSR practices contribute value to the business. Moreover, (Ortas & Moneva, 2011) used an event analysis by a regression model to evaluate market reaction to the statement of the DJSI Stoxx constituency changes and the issue of a new SI from 2003 to 2007. They discovered that the additions or

removals of firms are not linked considerably to the price fluctuations of stock. Similarly, (Cheung A. , 2011) analyzed the influence of index additions / removals on environmental firms on a base of US stocks sample included to or removed from the DJ World Sustainability Index from 2002 to 2008 regarding risk, stock returns and liquidity. As a result of that research, he noted that the date of announcement doesn't have substantial effect on risk and stock returns, but on the effective day, addition has a positive and removal has a negative outcome momentarily on stock returns.

Observed evidences on how sustainability performance, as measured by membership in the DJ SI, affected equity value were tested by (Lourenço, Branco, Curto, & Eugénio, 2012); the authors concluded that CSR performance has noteworthy influence on the market value, so that investors abandon big companies with poor sustainability performance. In contrast, (Oberndorfer, Schmidt, Wagner, & Ziegler, 2013) investigated the influence of German firms' addition into the DJ Stoxx SI and the DJ World SI on stock returns via short-run event study through the three-factor model of asset pricing by French and Fama (Fama & French, 1993). According to Oberndorfer et al. participation in the DJ Sustainability World Index has a negative effect on stock returns, whereas membership in the DJ Stoxx SI has no substantial average aggregate anomalous returns.

(Nakai, Yamaguchi, & Takeuchi, 2013) examined in what way investors assess participation in a SI based on the data of the Morningstar SRI Index for the period 2003-2010; they found that while inclusion in the SI has a favorable impact on stock price, elimination from the index has no substantial impact. They spotted negative anomalous returns in prior years and positive anomalous returns in subsequent years, indicating a favorable shift in investors' perceptions of businesses' social responsibility over time. (Cheung & Roca, 2013) researched the impact of the DJ Sustainability World index on share prices in markets of Asia Pacific region since 2002 until 2010, finding that while a firm is added to or eliminated from the DJ Sustainability World Index, it causes share price to decrease. They conclude that a contrary response on share price to enclosure in the DJ Sustainability World Index replicates the doubtful attitude of Asia Pacific market investors on sustainability.

(Cunha & Samanez, 2013) examined the CS BM&F BOVESPA (Index of the Brazilian Mercantile and Futures Stock Exchange), investigating the effect of ESG investing on the equity market from 2005 to 2010 in terms of risk, liquidity and return parameters as well as Treynor, Sharpe, Omega and Sortino ratios, so they noted that ESG investing have enlarged small unsystematic risk and financial liquidity. (Sudha, 2015) analyzed the India SI working with index data on daily basis and studied the volatility with GARCH (Generalized Auto Regressive Conditional Heteroskedasticity) model; Sudha concluded that while compounded daily returns of the India SI were not statistically particular from returns of the CNX 500 and the Nifty, annualized returns of the India SI were larger than another indices' returns, also the India SI was less unstable in comparison with Nifty in terms of volatility considering certain period.

(Van Stekelenburg, Georgakopoulos, Sotiropoulou, Vasileiou, & Vlachos, 2015) studied the relationship between sustainability performance and business performance through sampling analysis of European equities added to or removed from the DJ Sustainability Europe Index from 2009 to 2013. The authors noted that inclusion to the SI momentarily upsurges the share price for one trade day after the declaration, also deletion from the SI momentarily drops the share price

after the effective change date for five to ten trading days. Alike (Van Stekelenburg, et al., 2015) and (Cheung, 2011), a research of (Robinson, Kleffner, & Bertels, 2011) showed identical equity market response for firms added into the DJ World Sustainability index. Robinson et. al studied share prices of North American firms out of which 48 were included into and 43 were deleted from the DJ World Sustainability Index over the 2003-2007; they spotted a substantial growth in anomalous returns for the period of 60 trade days after the inclusion of firms into the DJ World Sustainability Index. Yet, the findings displayed a mathematically trivial variation in anomalous returns after a firm is deleted out of the DJ World Sustainability index.

(Joshi, Pandey, & Ross, 2017) studied reaction of investors to companies' environmental forces through addition in or deletion from the DJ Sustainability Index over the period 2002-2011; Researchers discovered a contrary effect to the addition into or elimination from the DJ SI, it is explainable considering that market only assesses the paybacks of efforts on ESG in the framework of expenses imposed on the firm's performance. Inclusion was met negatively by investors as it signaled that efforts on ESG activities were pricey. (Hayward, 2018) explored the influence on price once the statement is made regarding a company is included to or excluded out of the DJSI NA (DJ Sustainability Index of North America) from 2005 to 2016. She noticed that when removal from the DJ SI NA has a non-positive and mathematically substantial momentary impact on the share price for seven trade days after the effective date, inclusion to the index has in turn a non-negative and noteworthy momentary impact on the price for two trade days after the announcing date.

Researches arousing the interest of scholars to the connection between business repute and sustainability efforts are important too. Doing a meta-analysis of 52 research works, (Orlitzky, Schmidt, & Rynes, 2003) discovered that social responsibility and, to a fewer extent, environmental responsibility are likely to compensate for costs. They noted that ESG performance measuring indices are vastly linked with firms' business performance than another indicator of sustainability performance. In addition to this, comparison of market value of US companies without a repute for sustainability to that of US companies with a repute for sustainability conducted by (Schnietz & Epstein, 2005), through examining the impact of the fiasco of World Trade Organization summit, showed the presence of economic value in a repute for sustainability at the time of a financial crisis. The authors observed that a repute for sustainability shielded companies from drops of a share price connected with the crisis, even considering the probable trading and industrial influences. (Karpoff, Lee, & Martin, 2008) connected share price with reputational capital. They studied the charges imposed by Securities Exchange Commission on 585 firms for financial distortion from 1978 to 2002, noticing that the reputational charge is more than 7.5 times the amount of charges invoked by governing organization, and that reputational damage correlates with a magnitude of a firm's dependence on latent agreements.

(Hawn, Chatterji, & Mitchell, 2014) investigated inclusions to and exclusions from the DJ Sustainability Index and noted that when firms of a low market performance profit more from attaining "sustainable" state and expense greater charges from depriving "sustainable" state, firms of a bigger market performance profit fewer from risen communal validity and experience hardship fewer from reduced communal validity.

2.2 FTSE4Good Index Series

The FTSE4Good Index Series utilize the general Rating of FTSE Russell’s ESG Ratings to identify businesses for enclosure and used to adjust stock weights. The ESG Ratings comprise more than 7,200 securities in 47 Developed and Emerging markets. The general Rating splits up to the fundamental Pillar and Theme Exposures and Scores (Figure 1.). The Pillars and Themes are grounded on more than 300 distinct indicator valuations that are addressed to each firm’s exclusive ESG risk exposures. (ftserussell.com)

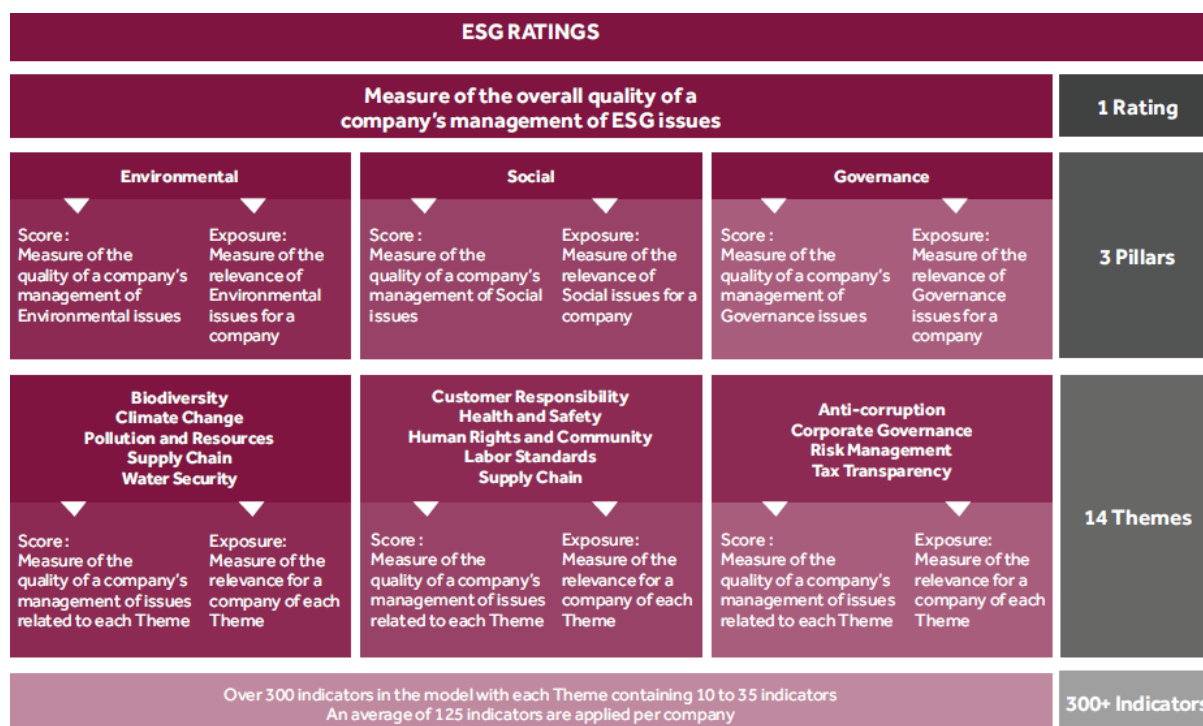


Figure 1. Measure of ESG issues by FTSE Russell (ftserussell.com).

2.2.1 Constituent selection

The FTSE4Good selection norms are intended to replicate solid sustainability risk management policies. Firms, to be contained within the FTSE4Good Index Series, must have a total ESG Rating of 3.3 out of 5¹ (Figure 2). This almost guarantees that only firms representing solid management of sustainability risks are involved. (ftserussell.com)

	Developed markets	Emerging markets
Companies newly included in the Index Series	ESG Rating of 3.3 or higher	ESG Rating of 2.9 or higher
Companies removed from the Index Series	ESG Rating lower than 2.9	ESG Rating of lower than 2.4

Figure 2. ESG ratings for Markets (ftserussell.com).

¹ The threshold is less for Emerging markets to show market dissimilarity. (ftserussell.com)

2.2.2 Exclusion of firms based on controversies and business activities

Firms, which are subject to substantial disputes, are not qualified for inclusion to the Index Series, and in the utmost cases existing index members are to be removed. (ftserussell.com)

Manufacturers of:

- Tobacco
- Weapons
- Controversial weapons (depleted uranium, chemical, biological, and nuclear weapons)
- Coal

Oil and gas companies are not removed automatically, instead, they are assessed based on their efforts to lessen the producing of fossil fuels and advance their commercial into more ecological processes. (FTSE4Good Index Series, 2020)

2.2.3 Publish and Review Index². FTSE4Good Developed 100

Any firm with a rating that has dropped below the lowest threshold is given a 12-month grace period to recover its ranking before the firm is deleted from the SI. This stimulates developments in business performance and decreases the index turnover should the firm advance, consequently meeting the standards required.

The FTSE4Good Index Series is updated in real-time and is fit for making OTC and on-exchange derivative assets as well as ETFs. (ftserussell.com)

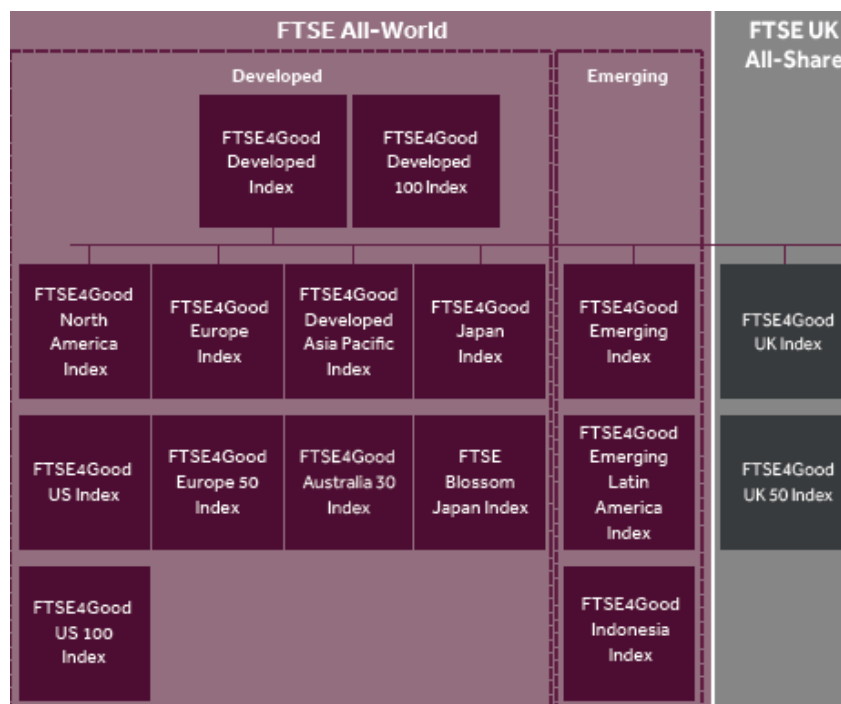


Figure 3. FTSE All-World Index table (ftserussell.com).

The FTSE4Good Global/Developed 100 Index is considered as a tradable index on which retail funds and derivatives can be based and includes the top 100 blue chip companies by total

² The FTSE4Good Index Series is reviewed semi-annually in June and December. (ftserussell.com)

return and price methodologies, both real-time and end-of-the-day. (<https://research.ftserussell.com/>, 2021).

So, on the foundation of researches conducted before and specifically of (Mustafa K. Yilmaz, 2020), I utilize event study methodology to examine the magnitude of anomalous returns for firms after the statement of their addition to or exclusion from the FTSE4Good100.

3. METHODOLOGY

3.1 Hypotheses on Stock Return and Total Risk. CS Performance.

With the following hypotheses I tried to examine the relationship between sustainability performance and firm's market-specific performance indicators in terms of the stock return, systematic risk of a company and total risk.

Hypothesis 1. *The inclusion of companies into FTSE4Good100 has a non-negative impact on stock returns.*

Or by rephrasing in a wider meaning:

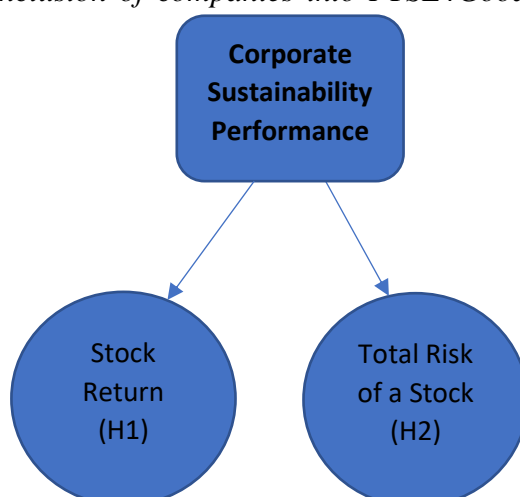
H1a: *The addition of a firm into FTSE4Good100 provide a positive abnormal return*

H1b: *The removal of a firm from FTSE4Good100 provide a negative abnormal return*

The efficient market theory assumes that anomalous returns do not exist, so the result is zero for anomalous returns (Wouters, 2012). Thus, the testing problem for the null hypothesis $H_0 : ACAR = 0$ and $H_1 : ACAR \neq 0$ (please see chapter 4 for results).

The second hypothesis is based on two base argumentations. Firstly, it is built on the observed fact that shares with big scores of sustainability ranking have a lesser total risk than other similar shares with the identical systematic risk but a lesser sustainability ranking scores [(Boutin-Dufresne & Savaria, 2004); (Lee & Faff, 2009)]. This observed evidence is instinctive in theory as firms with a significant neglect to ESG standards push themselves to significant risks of environmental disasters, customer protests, or other reputational disgraces (Hoepner, 2010). Certainly, (Godfrey, Merrill, & Hansen, 2009) concluded that CS activities let firms to accrue protection like goodwill, which insures them from contrary market responses in case of public, legally authorized, or supervisory activities opposing them. Thus, a share with a high sustainability ranking has a lesser total risk than other identical stock of the same systematic risk but a lesser sustainability ranking. The same logic is applied to the stock return volatility. So, firms that act well in CS have a fewer risk than other firms in the same industry (Kumar, et al., 2016). The second argumentation is related to diversification effect. Observers anticipate that the addition of CSR standards into investing process enhances diversification of a portfolio by decline of diversifiable risk of a typical share. This view suggests that actively investing managers must regard the presence of CS indicators in the management of portfolio to develop their risk avoiding strategy.

Hypothesis 2. *The inclusion of companies into FTSE4Good100 reduces the total risk of*



stock shares.

The study structure is shown below.

Figure 4. Typical approaches of CS assessment, considered in the study

Stockholders may apply the FTSE4Good100 Index either for specific stock choosing or as the base for investment products like mutual funds, exchange-traded funds (ETFs) and derivatives (FTSE4Good Index Series, 2020).

3.2 Research Method

3.2.1 Sample

Table 1 demonstrates the changes in the constituency of the FTSE4Good100 from 2019 to 2021 period.

Table 1. Variations in the composition of the FTSE4Good100 2019-2021

Number of Companies	2019	2020	2021
Total companies	100	100	100
Included companies	6	11	9
Excluded companies	7	11	9
Total Incl / Excl	13	22	18

Source: Semiannual Review of FTSE4Good Index Series (ftserussell, 2021)

There are two index periods for FTSE4Good100, June and December, before mid of respective Months. The firms counted in and omitted from the FTSE4Good100 from 2019 to 2021 are shown in Appendix A, Table 9.

3.2.2 Definitions of Variables and Measurement

The next variables are the cores of the study: stock returns and total risk. The stock price database for the involved companies is gathered from <https://finance.yahoo.com> (finance.yahoo.com/historicalData, 2021).

Stock return is computed as the logarithmic change of the stock price in comparison with the stock price at the end of the day before.

The *total risk* is determined as the standard deviation of the returns of hundred days earlier and of hundred days following the fact of inclusion to or exclusion from the index.

3.3. Database Analysis

The analysis on this study is implemented to examine the impact of the announcement on equity value of companies. The fundamental statement of event studies is the assumed fact that the stock market digests information on the event in an effective and unprejudiced way (Mustafa K. Yilmaz, 2020). Consequently, some can perceive the impact of the event on variation of stock prices. So, I found out firms included in and excluded from the FTSE4Good100 index by observing semiannual reviews. There are two event days annually: the announcing day, a day when reviewed semiannual index is published and the effective day, it is when the updated index is successfully infiltrates the market.

Table 2 gives inside on event days. In a view of this days, I evaluated if the market fully reflected the news regarding inclusion or exclusion. Though, as noted by (Ortas & Moneva, 2011), we awaited that the equity market would respond on the day of announcement.

Table 2. Announcement and Effective dates (2019-2021)

Sample	Event	Publ. Date	Effective Date
1	2019 review1	11-Jun-19	+9 work/trade days
2	2019 review2	10-Dec-19	+9 trade days
3	2020 review1	9-Jun-20	+9 trade days
4	2020 review2	8-Dec-20	+9 trade day
5	2021 review1	8-Jun-21	+9 trade days
6	2021 review2	7-Dec-21	+9 trade days

Source: Semiannual Review of FTSE4Good Index Series (ftserussell, 2021)

Thus, I analyzed the abnormal returns (AR) of three trade days preceding the publication day, counting the publication day itself, and ten trade days following the publication day. To interpret a row of returns of new constituent firms before addition into or exclusion from the index, I construct a simple market model as per each of the added / excluded shares for the hundred trade days, from -110 to about -10 days. On this basis, the cumulative abnormal return (CAR) of a specified share is projected for the observed period (Mustafa K. Yilmaz, 2020).

We acquire end-of-the-day share price figures for AR estimations from the *yahoo finance*. The daily returns for share prices are calculated as the logarithmic change in the stock value compared with the closing stock value of the preceding day with the next formula:

$$r_{i,T} = \log(P_{i,T} / P_{i,T-1}) \quad (i)$$

where $r_{i,T}$ denotes the return of the stock i at day T , while $P_{i,T}$ and $P_{i,T-1}$ stand for the end-of-the-day share prices of stock i at days T and $T-1$, accordingly.

The model is applied to calculate the expected returns of each specific stock on the event days.

$$E(r_{i,T}) = \alpha_i + \beta_i r_{m,T} + \varepsilon_{i,T} \quad (ii)$$

The equation implies a straight-line correlation amidst the discrete stock returns, $r_{i,T}$ and the market return, $r_{m,T}$. The FTSE4Good100 index returns are used as the deputy for market return. After calculating the expected returns for the event days, we compute the daily AR of each stock by deducting the expected returns from the actual (historic) returns. Thus:

$$AR_{i,T} = r_{i,T} - E(r_{i,T}) \quad (iii)$$

Based on the ARs for each of the event days, we figure out CAR comprising the entire event period for each individual stock share.

$$CAR_i = \sum_{t=0}^T AR_{i,t} \quad (iv)$$

To assess if addition in the SI has a substantial impact on stock prices, we use the average of the CAR of each stock to compute the average cumulative abnormal / anomalous return (CAAR or ACAR).

$$ACAR_{0,T} = \sum_{i=1}^N CAR_i / N \quad (v)$$

Respectively, the variance for $ACAR_{0,T}$ will be computed as the average variance of the CAR of each stock.

$$VAR(ACAR_{0,T}) = \delta_{\alpha,T}^2 / N^2 \quad (vi)$$

Lastly, to evaluate if the computed ACAR is mathematically different from zero, the next test statistic of normal distribution to be calculated:

$$T = ACAR_{0,T} \cdot \sqrt{N} / \sqrt{VAR(ACAR_{0,T})} \approx T\text{-test}(0,01) \quad (vii)$$

For each review of the index from 2019 to 2021, three occasions are analyzed: addition to the FTSE4Good100, elimination from the SI, and the performance of the index as benchmark. When

inclusions and removals from the SI are few, this makes robust conclusions not obvious. In such circumstances it is possible that the valuation outcomes might be impacted by individual firm features (Mustafa K. Yilmaz, 2020). So, on a basis of two hypotheses on stock return and total risk accordingly, which serve as initial common indicators of financial effect per inclusion in or exclusion from the SI, I am switching to the discussion of calculation results.

4. EMPIRICAL FINDINGS

4.1 Discussion on Empirical Findings

The market model is utilized to estimate anomalous returns to examine the hypotheses of this study because of its probable development over the perpetual mean return model (Mustafa K. Yilmaz, 2020). So, I stucked to the market model method which is consistent with the approach of (Cable & Holland, 1999).

Through the table below I will show how I made calculations on daily returns and how each company dataset interacts with data of a benchmark on example of one company. So first we find out daily returns with the formula (i) indicated in the chapter 3.3 Data analysis, totally about 100 calendar days before announcement date were involved in computations.

Table 3. Benchmark for Dec-21 calculations.

FT4GDGLOB100

DATE	YEAR	Price	Daily Returns		Date	Adj Close	Daily Returns	
31-Dec	2021	11 737,19	-0,27%		31.12.2021	187,64	0,00%	
30-Dec	2021	11 769,17	-0,33%		30.12.2021	187,64	0,23%	
29-Dec	2021	11 808,01	0,10%		29.12.2021	187,2	-0,30%	
28-Dec	2021	11 795,93	-0,15%		28.12.2021	187,76	0,93%	
27-Dec	2021	11 814,09	1,29%		27.12.2021	186,02	0,60%	
24-Dec	2021	11 662,83	-0,03%		24.12.2021	184,9	-0,71%	
23-Dec	2021	11 665,85	0,58%		23.12.2021	186,22	0,38%	
22-Dec	2021	11 598,14	1,11%		22.12.2021	185,52	2,03%	
21-Dec	2021	11 470,59	1,71%	Day 10	21.12.2021	181,8	0,92%	<<<
20-Dec	2021	11 276,41	-1,13%	Eff Date	20.12.2021	180,14	-0,12%	
17-Dec	2021	11 404,62	-1,18%		17.12.2021	180,36	-2,17%	
16-Dec	2021	11 540,51	-0,78%		16.12.2021	184,32	1,12%	
15-Dec	2021	11 631,10	1,67%		15.12.2021	182,26	1,18%	
14-Dec	2021	11 438,42	-0,95%		14.12.2021	180,12	-1,59%	
13-Dec	2021	11 548,00	-1,10%		13.12.2021	183	-1,16%	
10-Dec	2021	11 676,21	1,01%		10.12.2021	185,14	-0,35%	
9-Dec	2021	11 558,41	-0,50%		09.12.2021	185,78	0,89%	
8-Dec	2021	11 616,39	0,33%		08.12.2021	184,14	-1,09%	
7-Dec	2021	11 578,07	2,36%	AD - Day 0	07.12.2021	186,16	3,87%	<<<
6-Dec	2021	11 307,53	1,05%		06.12.2021	179,1	1,18%	
3-Dec	2021	11 189,20	-0,96%		03.12.2021	177	-0,30%	
2-Dec	2021	11 297,36	0,63%	Day -3	02.12.2021	177,54	-2,28%	<<<
1-Dec	2021	11 226,46	-0,18%		01.12.2021	181,64	2,58%	

30-Nov	2021	11 246,39	-1,39%	30.11.2021	177,02	-1,88%
29-Nov	2021	11 403,24	1,18%	29.11.2021	180,38	0,84%
26-Nov	2021	11 269,97	-2,49%	26.11.2021	178,88	-5,21%
25-Nov	2021	11 554,52	0,09%	25.11.2021	188,44	0,16%
24-Nov	2021	11 543,98	0,21%	24.11.2021	188,14	0,53%
23-Nov	2021	11 520,25	-0,04%	23.11.2021	187,14	-3,01%
22-Nov	2021	11 525,10	-0,67%	22.11.2021	192,86	-0,26%
19-Nov	2021	11 602,76	0,07%	19.11.2021	193,36	0,10%
<i>(deliberately omitted)</i>	<i>(deliberately omitted)</i>			<i>(deliberately omitted)</i>		
13-Sep	2021	11 006,93	0,22%	13.09.2021	169,44	-0,54%
10-Sep	2021	10 983,09	-0,73%	10.09.2021	170,36	-0,01%
9-Sep	2021	11 063,40	-0,55%	09.09.2021	170,38	0,40%
8-Sep	2021	11 124,57	-0,48%	08.09.2021	169,7	0,33%
7-Sep	2021	11 177,84	-0,21%	07.09.2021	169,14	0,02%
6-Sep	2021	11 201,36	0,19%	06.09.2021	169,1	1,57%
3-Sep	2021	11 179,66	0,12%	03.09.2021	166,46	-1,46%
2-Sep	2021	11 166,05	0,06%	02.09.2021	168,9	0,83%
1-Sep	2021	11 159,77	0,11%	01.09.2021	167,5	0,74%
31-Aug	2021	11 147,60	-0,34%	31.08.2021	166,26	2,31%
30-Aug	2021	11 186,09	0,56%	30.08.2021	162,46	0,26%
27-Aug	2021	11 124,03	0,77%	27.08.2021	162,04	0,59%
26-Aug	2021	11 038,56	-0,56%	26.08.2021	161,08	-0,48%

Secondly, we find out abnormal returns on each day of the observed days for the company (company EssilorLuxottica as a sample). Formulas and calculation results are given below (please see Table 4). Risk-free Market rates used in calculations imply 3-Months US treasury interest rates and are shown in Appendix B, Table 10 for the whole observed days from 2019 to 2021. Finally, I analyzed each year for testing Hypothesis 1.

Table 4. AR calculation sample per observed days of December 2021.

Row # in Excel	25	24	23	22		21	20	19	18	17	16	15	14	13	12
EssilorLuxott ica	02.12.20 21	03.12.20 21	06.12.20 21	07.12.20 21	FORMULA	08.12.20 21	09.12.20 21	10.12.20 21	13.12.20 21	14.12.20 21	15.12.20 21	16.12.20 21	17.12.20 21	20.12.20 21	21.12.20 21
Days	-3	-2	-1	<i>Day of FTSE4Good Index Series Dec 2021 Quarterly Changes</i>		1	2	3	4	5	6	7	8	9	10
Return Benchmark	0,630%	-0,962%	1,052%	2,364%	=INDIRECT("e"&P1)	0,330%	-0,500%	1,014%	-1,104%	-0,953%	1,670%	-0,782%	-1,184%	-1,131%	1,707%
Return EL.PA	-2,283%	-0,305%	1,179%	3,866%	=INDIRECT("j"&P1)	-1,091%	0,887%	-0,345%	-1,163%	-1,586%	1,181%	1,124%	-2,172%	-0,122%	0,917%
Expected Return EL.PA	0,653%	-0,988%	1,078%	2,571%	=P16+P9*(P4-P16)	0,352%	-0,537%	1,048%	-1,149%	-1,006%	1,722%	-0,785%	-1,219%	-1,141%	1,681%
EssilorLuxott ica's AR	- 2,936%	0,684%	0,102%	1,295%	=P5 - P6	- 1,443%	1,424%	- 1,393%	- 0,014%	- 0,581%	- 0,541%	1,909%	- 0,953%	1,019%	- 0,763%
BETA EL.PA	1,03984	1,02588	1,02558	1,08987	=SLOPE(INDIRECT("j"&P 1):\$J\$95; INDIRECT("e"&P1):\$E\$95)	1,08095	1,06574	1,03572	1,03860	1,05214	1,03206	1,00409	1,02782	1,00899	0,98368
BETA EL.PA altern.calc			<i>should be equal</i>	1,08987	=COVARIANCE.P(\$J\$22:\$J \$95; \$E\$22:\$E\$95) / VAR.P(\$E\$22:\$E\$95)										
Alpha	-2,936%	0,684%	0,102%	1,295%	=P5-(P16+P9*(P4-P16))	-1,443%	1,424%	-1,393%	-0,014%	-0,581%	-0,541%	1,909%	-0,953%	1,019%	-0,763%
AR = Alpha	TRUE	TRUE	TRUE	TRUE	=P7=P11	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE	TRUE
STD Dev before	1,5022 %				=STDEV.P(\$J\$26:\$J\$95)										
STD Dev after	1,4051 %				=STDEV.P(\$J\$5:\$J\$25)										
Risk-free Mrk rate (Dec-21)	0,050%	0,060%	0,050%	0,060%	<i>bear in mind that on site's page in %</i>	0,070%	0,060%	0,060%	0,050%	0,050%	0,050%	0,050%	0,050%	0,070%	0,070%
https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yieldYear&year=2021															

Summing up, tables below indicate the final statistic data for AAR and ACAR over the period 2019-2021. The results demonstrate that there is no mathematically substantial outcome for *included* firms in 2020 on days preceding and following the AD, excluding two days before the announcement date, which can be determined as a momentary respond. However, for the *excluded* firms in 2020 results of AAR on day 9 and of ACAR from day 4 to day 10 inclusive demonstrate that with a significance level at 0,01 returns of excluded firms are statistically significant to reject null Hypothesis, so that $ACAR < 0$.

We may observe similar results for excluded firms in 2019 and negative ACAR results appeared a bit earlier - on day 1 with a break on day 2 and further steady negative ACAR. But surprisingly ACAR resulted on negative values for included firms too in 2019 and ACAR tend to keep showing negative results after the dates of publication for 2019.

Alternatively, 2021 results demonstrate that with a significance level at 0,01 returns are statistically significant to reject null Hypothesis and that ACAR are negative for *included* firms in 2021 since day 1 right after announcement dates and only once AAR showed a negative value, also on day 1. For excluded firms in 2021 we may claim with a significance level at 0,01 that only twice ACAR is statistically significant to reject null Hypothesis, so that $ACAR > 0$ this time. Finally, return results of 2021 for included and excluded firms are kind of vice-versa to 2020 results in terms of negative ACAR taking place for included firms in 2021 instead of excluded and similar with remaining of ACAR sign to be almost always negative, the latter is related fully to 2019 period findings.

Table 5. T-test results as per included / excluded firms in 2019

2019 Incl	AAR	T-Value	ACAR	T-Value	2019 Excl	AAR	T-Value	ACAR	T-Value
Day -3	-0,00963	- 1,590	-0,00963	-1,590	Day -3	-0,01064	- 2,732	-0,01064	-2,732
Day -2	-0,00105	- 0,304	-0,01068	-3,901	Day -2	-0,00177	- 0,408	-0,01241	-3,463
Day -1	-0,00915	- 0,924	-0,01983	-4,205	Day -1	-0,00047	- 0,078	-0,01288	-3,436
Day 0	-0,00696	- 0,934	-0,02679	-4,639	Day 0	-0,00137	- 0,189	-0,01426	-3,409
Day 1	-0,00980	- 0,937	-0,03659	-6,462	Day 1	-0,00619	- 0,925	-0,02044	-4,687
Day 2	0,00110	0,629	-0,03549	-6,581	Day 2	0,00602	0,605	-0,01442	-3,103
Day 3	-0,01304	- 2,099	-0,04852	-9,101	Day 3	-0,01184	- 2,137	-0,02626	-5,403
Day 4	-0,00453	- 0,510	-0,05305	-9,833	Day 4	0,00167	0,304	-0,02460	-5,163
Day 5	-0,00002	- 0,005	-0,05308	-10,058	Day 5	-0,00668	- 1,546	-0,03127	-6,843
Day 6	0,00053	0,058	-0,05255	-9,542	Day 6	-0,00777	- 1,997	-0,03904	-8,606
Day 7	-0,00738	- 1,604	-0,05993	-11,379	Day 7	-0,00011	- 0,014	-0,03915	-8,780
Day 8	-0,01171	- 0,991	-0,07164	-12,693	Day 8	-0,00560	- 0,818	-0,04474	-10,018
Day 9	-0,00394	- 0,692	-0,07558	-13,896	Day 9	-0,00987	- 2,337	-0,05462	-12,236
Day 10	-0,00771	- 1,302	-0,08329	-15,710	Day 10	-0,00253	- 0,476	-0,05715	-13,031
	df = 4	T-Value = 4,604				df = 6	T-Value = 3,707		

Table 6. T-test results as per included / excluded firms in 2020

2020 Incl	AAR	T-Value	ACAR	T-Value	2020 Excl	AAR	T-Value	ACAR	T-Value
Day -3	-0,00306	- 0,776	-0,00306	-0,776	Day -3	0,00776	2,219	0,00776	2,219
Day -2	-0,00679	- 3,402	-0,00985	-3,691	Day -2	0,01595	2,088	0,02371	6,793
Day -1	-0,00011	- 0,034	-0,00996	-4,063	Day -1	0,00690	1,543	0,03061	7,865
Day 0	0,00427	0,693	-0,00569	-1,856	Day 0	-0,01728	- 3,810	0,01332	2,425
Day 1	-0,00268	- 0,702	-0,00837	-2,408	Day 1	-0,01729	- 2,914	-0,00397	-0,671
Day 2	0,00217	0,396	-0,00620	-1,681	Day 2	-0,01016	- 1,742	-0,01413	-2,400
Day 3	-0,00002	- 0,005	-0,00622	-1,674	Day 3	-0,00261	- 0,710	-0,01674	-2,986
Day 4	0,00156	0,530	-0,00465	-1,285	Day 4	-0,00710	- 1,425	-0,02384	-4,245
Day 5	0,00382	0,758	-0,00083	-0,216	Day 5	0,00369	0,619	-0,02015	-3,580
Day 6	0,00341	1,279	0,00257	0,693	Day 6	-0,00564	- 1,001	-0,02579	-4,589
Day 7	-0,00304	- 1,379	-0,00046	-0,129	Day 7	-0,00712	- 1,880	-0,03291	-6,015
Day 8	0,00878	2,281	0,00832	2,292	Day 8	-0,00499	- 1,789	-0,03790	-7,181
Day 9	-0,00417	- 2,211	0,00415	1,167	Day 9	-0,01411	- 3,949	-0,05202	-9,919
Day 10	0,00216	0,506	0,00630	1,792	Day 10	0,00472	0,899	-0,04729	-9,089
df = 10 T-Value = 3,169					df = 10 T-Value = 3,169				

Table 7. T-test results as per included / excluded firms in 2021.

2021 Incl	AAR	T-Value	ACAR	T-Value	2021 Excl	AAR	T-Value	ACAR	T-Value
Day -3	0,0019	0,306	0,0019	0,306	Day -3	- 0,0009	- 0,122	- 0,0009	-0,122
Day -2	- 0,0033	- 0,873	- 0,0014	-0,304	Day -2	0,0044	1,420	0,0036	0,721
Day -1	0,0003	0,111	- 0,0011	-0,292	Day -1	0,0054	1,132	0,0090	1,940
Day 0	- 0,0090	- 1,689	- 0,0101	-2,457	Day 0	- 0,0017	- 0,553	0,0073	1,609
Day 1	- 0,0105	- 3,677	- 0,0206	-5,077	Day 1	0,0008	0,245	0,0081	1,921
Day 2	- 0,0042	- 1,332	- 0,0248	-6,116	Day 2	- 0,0001	- 0,028	0,0079	1,938
Day 3	- 0,0038	- 1,496	- 0,0286	-7,370	Day 3	- 0,0037	- 0,783	0,0043	1,027
Day 4	- 0,0068	- 1,811	- 0,0353	-8,940	Day 4	0,0093	2,273	0,0136	3,174
Day 5	0,0060	1,699	- 0,0293	-7,274	Day 5	0,0045	0,876	0,0180	4,197
Day 6	- 0,0075	- 3,142	- 0,0368	-9,360	Day 6	- 0,0040	- 0,684	0,0140	3,112
Day 7	- 0,0014	- 0,175	- 0,0383	-8,730	Day 7	0,0041	0,610	0,0181	3,811
Day 8	- 0,0148	- 2,684	- 0,0531	-11,466	Day 8	- 0,0039	- 1,177	0,0142	3,075
Day 9	- 0,0061	- 0,897	- 0,0592	-12,333	Day 9	- 0,0097	- 2,217	0,0045	0,972
Day 10	0,0007	0,223	- 0,0585	-12,460	Day 10	0,0069	1,011	0,0115	2,416
df = 8 T-Value = 3,355					df = 8 T-Value = 3,355				

I evaluated the influence of addition into FTSE4Good100 on total risk to test Hypothesis 2, as good sustainability performance is anticipated to reduce beta and unsystematic risk of a firm (Mustafa K. Yilmaz, 2020).

Table 8 reports the mini-study results for change in total risk (standard deviation) on days preceding and following the publication date. No noteworthy variance was spotted in the systematic risk values before and after the FTSE4Good100 addition, signifying that addition into SI don't have an impact on beta, a discovery which is consistent with conclusions of (Godfrey, Merrill, & Hansen, 2009).

Table 8. Calculation of Inclusion impact on total risk

2020	STD Dev of Daily Return BEFORE Incl	STD Dev of Daily Return AFTER Incl	2019	STD Dev of Daily Return BEFORE Incl	STD Dev of Daily Return AFTER Incl	2021	STD Dev of Daily Return BEFORE Incl	STD Dev of Daily Return AFTER Incl
Included firm1	2,3573%	0,9143%	Included firm1	1,6383%	1,4781%	Included firm1	2,3258%	1,7315%
Included firm2	1,6539%	1,2826%	Included firm2	1,1775%	0,4835%	Included firm2	3,1644%	1,7897%
Included firm3	1,4602%	1,3164%	Included firm3	1,6438%	1,3544%	Included firm3	2,8033%	2,0824%
Included firm4	1,6022%	0,9320%	Included firm4	0,8296%	1,1958%	Included firm4	1,4298%	1,8303%
Included firm5	3,8288%	2,4996%	Included firm5	0,9157%	1,3847%	Included firm5	1,5431%	1,7525%
Included firm6	4,8842%	1,3799%				Included firm6	1,5022%	1,4051%
Included firm7	4,9173%	1,7042%				Included firm7	1,4737%	1,5511%
Included firm8	2,6228%	1,2795%				Included firm8	2,0056%	1,9126%
Included firm9	4,9476%	3,2561%				Included firm9	1,3822%	1,5490%
Included firm10	3,2756%	1,1057%						
Included firm11	3,0793%	1,1937%						
Mean	3,1481%	1,5331%	Mean	1,2410%	1,1793%	Mean	1,9589%	1,7338%

So, in this chapter I presented calculation results as per each of hypotheses regarding stock return and total risk of firms included in or excluded from FTSE4Good100. Findings were presented in a table format *above* per T-test results as per included / excluded firms' stock returns and Table 8 as per calculation of inclusion impact on total risk. Now I am turning to the final conclusive chapter, which generalizes discussion notes pointed out here.

5. CONCLUSION, LIMITATION, IMPORTANCE OF THIS STUDY

5.1 Assumptions

In this thesis, I tried to analyze the impact of addition into and removal from the FTSE4Good100 SI on firms' stocks. The impact was mainly evaluated regarding daily stock returns. Summing up these results, I conclude that generally the *addition* in or *exclusion* from

the FTSE4Good100 SI of firms has *neither* a significant positive nor a negative effect on stock returns. There are results of observation of 3 years:

- In 2019 both inclusion in and exclusion from the FTSE4Good100 SI of firms resulted on negative average cumulative abnormal returns which is in line with (Joshi, Pandey, & Ross, 2017).
- In 2020 inclusion of firms resulted on insignificant returns so we may conclude that ACAR equals to zero, while exclusion of firms resulted on negative average cumulative abnormal returns since day 4 after an announcement till day 10 inclusive which conforms to the study of (Van Stekelenburg, et. al, 2015). Inclusion effect here is in line with (Curran & Moran, 2007). The outcome of inclusion tends to agree with the argumentation of the “price pressure” theory, it suggests that the statement of addition do not bring new data. Therefore, investors do not actively recompense addition into the SI, so the stock market wants time to well-judge on the ESG activities of the FTSE4Good100 firms (Mustafa K. Yilmaz, 2020).
- In 2021 we might have waited for positive returns for inclusion because of processing of 2019-2020 tendency, however last year findings resulted on negative values of ACAR for included firms in 2021 since day 1 right after announcement dates and only once AAR showed a negative value, also on day 1. For excluded firms in 2021 we may claim with a significance level at 0,01 that only twice ACAR is statistically significant to reject null Hypothesis, so that $ACAR > 0$ this time, the rest of observed days ACAR were near to zero.

In conclusion, observation of 14 days each year of three years in a row of 2019-2021 period didn't give me an exact picture of abnormal return change tendency so I stopped on conclusion that there is still no clear reaction from investors to inclusion in or exclusion from the FTSE4Good100 SI in a view of short-term perspectives. So, it is kind of in line with (Ortas & Moneva, 2011), which states that companies' addition/removal into/from SI is not incorporated substantially into the stock prices.

I also studied how the risk variables were impacted by addition in the FTSE4Good100 SI. As a result, there were no mathematically significant data of the impact of addition into or elimination from the FTSE4Good100 SI on Beta of firms. Alternatively, the outcomes disclose that FTSE4Good100 SI addition decreases the total risk of the firms and apparently, will safeguard firms from stock price drops in case of a crisis by bettering their flexibility in comparison with other firms not comprised in the Index. These discoveries are understandable since businesses that neglect ESG policies push themselves to significant risks of ecological calamities, customer protests and other costly reputation scandals [(Dasgupta, Laplante, & Mamingi, 1998) & (Hoepner, 2010)]. As a result, adverse market reaction will negatively influence the total risks of the firms.

5.2 Upcoming Research and Limitations

I acknowledge that the study is subject to a lot of limitations. A lot of studies have already been conducted, thus first, this study does not explore the level of institutional ownership in percentage terms to find out whether long-term investors do value sustainable firms in their

investments rather than short-term investors, who instead seek for momentary abnormal returns. Secondly, the study does not examine the motives on why stockholders do not punish companies not accounted as “sustainable” in reply to not being comprised in the sustainable index. An examination of the investor behavior justification would valuably complement to the researches. It will deliver more information to scholars on what way the equity market influence of ESG is met by stakeholders. Also, I might have used more tests such as Wilcoxon Signed-Rank test for total and systematic risk calculations as it was done in my prototype base paper (Mustafa K. Yilmaz, 2020). Finally, the overall perception of theories as of financial effects due to inclusion of companies in and exclusion from SI arouses me to research more and to cover themes like “Resilience to Crises” in a more detailed way.

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Appendix A

Table 9. Companies included in and excluded from FTSE4Good SI (2019 – 2021).

SEDOL	Type of Change	Company Name	Country	Notes	Announcement Date	Effective Date	Year of change
7212477	Inclusions	EssilorLuxottica	France	Auto Addition	7-Dec-21	20-Dec-21	2021
2032067	Inclusions	Analog Devices	USA	Auto Addition	7-Dec-21	20-Dec-21	2021
2685717	Inclusions	ConocoPhillips	USA	Auto Addition	7-Dec-21	20-Dec-21	2021
2692665	Inclusions	PNC Financial Services Group	USA	Rebalance Addition	7-Dec-21	20-Dec-21	2021
6770620	Inclusions	SoftBank Group	Japan	Auto Addition	8-Jun-21	21-Jun-21	2021
2046552	Inclusions	Applied Materials	USA	Auto Addition	8-Jun-21	21-Jun-21	2021
2588184	Inclusions	Micron Technology	USA	Auto Addition	8-Jun-21	21-Jun-21	2021
2736035	Inclusions	US Bancorp	USA	Auto Addition	8-Jun-21	21-Jun-21	2021
7309681	Inclusions	BNP Paribas	France	Rebalance Addition	8-Jun-21	21-Jun-21	2021
6332439	Exclusions	Fast Retailing	Japan	Auto Deletion	7-Dec-21	20-Dec-21	2021
6248990	Exclusions	KDDI Corp	Japan	Auto Deletion	7-Dec-21	20-Dec-21	2021
B288C92	Exclusions	Iberdrola	Spain	Auto Deletion	7-Dec-21	20-Dec-21	2021
BHJ0775	Exclusions	Cigna Corp	USA	Auto Deletion	7-Dec-21	20-Dec-21	2021
B94Q9V0	Exclusions	T-Mobile US Inc.	USA	Auto Deletion	8-Jun-21	21-Jun-21	2021
2209106	Exclusions	Colgate-Palmolive	USA	Auto Deletion	8-Jun-21	21-Jun-21	2021
2087807	Exclusions	Becton Dickinson	USA	Auto Deletion	8-Jun-21	21-Jun-21	2021
BYT16L4	Exclusions	Orsted	Denmark	Auto Deletion	8-Jun-21	21-Jun-21	2021
6196408	Exclusions	Chugai Seiyaku	Japan	Auto Deletion	8-Jun-21	21-Jun-21	2021
2779397	Inclusions	Schwab (Charles) Corp	USA	Auto Addition	8-Dec-20	21-Dec-20	2020
2261203	Inclusions	Deere & Co	USA	Auto Addition	8-Dec-20	21-Dec-20	2020
6332439	Inclusions	Fast Retailing	Japan	Auto Addition	8-Dec-20	21-Dec-20	2020
4834108	Inclusions	Schneider Electric	France	Auto Addition	8-Dec-20	21-Dec-20	2020
BYNZGK1	Inclusions	Square Class A	USA	Auto Addition	8-Dec-20	21-Dec-20	2020
2434209	Inclusions	Home Depot	USA	Auto Addition	9-Jun-20	22-Jun-20	2020

BYV2325	Inclusions	S&P Global	USA	Auto Addition	9-Jun-20	22-Jun-20	2020
6248990	Inclusions	KDDI Corp	Japan	Auto Addition	9-Jun-20	22-Jun-20	2020
2007849	Inclusions	Advanced Micro Dev	USA	Auto Addition	9-Jun-20	22-Jun-20	2020
B288C92	Inclusions	Iberdrola	Spain	Rebalance Addition	9-Jun-20	22-Jun-20	2020
B1YXBJ7	Inclusions	Air Liquide	France	Rebalance Addition	9-Jun-20	22-Jun-20	2020
2917766	Exclusions	Unitedhealth Group	USA	Auto Deletion	8-Dec-20	21-Dec-20	2020
2466149	Exclusions	Enbridge	Canada	Auto Deletion	8-Dec-20	21-Dec-20	2020
5069211	Exclusions	Bayer AG	Germany	Auto Deletion	8-Dec-20	21-Dec-20	2020
2044545	Exclusions	Comcast A	USA	Auto Deletion	9-Jun-20	22-Jun-20	2020
6335171	Exclusions	Mitsubishi UFJ Financial	Japan	Auto Deletion	9-Jun-20	22-Jun-20	2020
7133608	Exclusions	Equinor ASA	Norway	Auto Deletion	9-Jun-20	22-Jun-20	2020
5086577	Exclusions	BASF	Germany	Auto Deletion	9-Jun-20	22-Jun-20	2020
2076281	Exclusions	Bank of Nova Scotia	Canada	Auto Deletion	9-Jun-20	22-Jun-20	2020
2692665	Exclusions	PNC Financial Services Group	USA	Auto Deletion	9-Jun-20	22-Jun-20	2020
7088429	Exclusions	AXA	France	Auto Deletion	9-Jun-20	22-Jun-20	2020
5705946	Exclusions	Banco Santander	Spain	Auto Deletion	9-Jun-20	22-Jun-20	2020
BHJ0775	Inclusions	Cigna Corp	USA	Auto Addition	10-Dec-19	23-Dec-19	2019
2989301	Inclusions	TJX Companies	USA	Auto Addition	10-Dec-19	23-Dec-19	2019
2182348	Inclusions	Celgene Corp	USA	Auto Addition	11-Jun-19	24-Jun-19	2019
2459020	Inclusions	Intuit	USA	Auto Addition	11-Jun-19	24-Jun-19	2019
7144569	Inclusions	Enel	Italy	Auto Addition	11-Jun-19	24-Jun-19	2019
6185495	Inclusions	CSL	Australia	Rebalance Addition	11-Jun-19	24-Jun-19	2019
6076146	Exclusions	Westpac Banking Corp	Australia	Auto Deletion	10-Dec-19	23-Dec-19	2019
BK0VN47	Exclusions	DuPont de Nemours	USA	Auto Deletion	10-Dec-19	23-Dec-19	2019
6065586	Exclusions	Australia & New Zealand Banking Group	Australia	Auto Deletion	11-Jun-19	24-Jun-19	2019
2779201	Exclusions	Schlumberger	USA	Auto Deletion	11-Jun-19	24-Jun-19	2019
2455965	Exclusions	Biogen	USA	Auto Deletion	11-Jun-19	24-Jun-19	2019
BH4HKS3	Exclusions	Vodafone Group	UK	Auto Deletion	11-Jun-19	24-Jun-19	2019
2142784	Exclusions	Fedex Corporation	USA	Auto Deletion	11-Jun-19	24-Jun-19	2019

Source:

(ftserussell,

2021)

Appendix B

Table 10. Risk-free Market rates for the days observed of the 2019 – 2021 period. Source: <https://home.treasury.gov/>

Date	Year	Risk-free Mrk rate	Date	Year	Risk-free Mrk rate	Date	Year	Risk-free Mrk rate
21-Dec	Dec-21	0,070%	22-Dec	Dec-20	0,090%	24-Dec	Dec-19	1,580%
20-Dec	Dec-21	0,070%	21-Dec	Dec-20	0,090%	23-Dec	Dec-19	1,590%
17-Dec	Dec-21	0,050%	18-Dec	Dec-20	0,080%	20-Dec	Dec-19	1,580%
16-Dec	Dec-21	0,050%	17-Dec	Dec-20	0,080%	19-Dec	Dec-19	1,570%
15-Dec	Dec-21	0,050%	16-Dec	Dec-20	0,090%	18-Dec	Dec-19	1,560%
14-Dec	Dec-21	0,050%	15-Dec	Dec-20	0,080%	17-Dec	Dec-19	1,560%
13-Dec	Dec-21	0,050%	14-Dec	Dec-20	0,090%	16-Dec	Dec-19	1,570%
10-Dec	Dec-21	0,060%	11-Dec	Dec-20	0,080%	13-Dec	Dec-19	1,570%
9-Dec	Dec-21	0,060%	10-Dec	Dec-20	0,080%	12-Dec	Dec-19	1,560%
8-Dec	Dec-21	0,070%	9-Dec	Dec-20	0,080%	11-Dec	Dec-19	1,570%
7-Dec	Dec-21	0,060%	8-Dec	Dec-20	0,090%	10-Dec	Dec-19	1,560%
6-Dec	Dec-21	0,050%	7-Dec	Dec-20	0,080%	9-Dec	Dec-19	1,540%
3-Dec	Dec-21	0,060%	4-Dec	Dec-20	0,090%	6-Dec	Dec-19	1,530%
2-Dec	Dec-21	0,050%	3-Dec	Dec-20	0,080%	5-Dec	Dec-19	1,540%
22-Jun	Jun-21	0,040%	23-Jun	Jun-20	0,160%	25-Jun	Jun-19	2,120%
21-Jun	Jun-21	0,050%	22-Jun	Jun-20	0,160%	24-Jun	Jun-19	2,130%
18-Jun	Jun-21	0,050%	19-Jun	Jun-20	0,150%	21-Jun	Jun-19	2,110%
17-Jun	Jun-21	0,040%	18-Jun	Jun-20	0,160%	20-Jun	Jun-19	2,140%
16-Jun	Jun-21	0,040%	17-Jun	Jun-20	0,170%	19-Jun	Jun-19	2,180%
15-Jun	Jun-21	0,030%	16-Jun	Jun-20	0,170%	18-Jun	Jun-19	2,220%
14-Jun	Jun-21	0,030%	15-Jun	Jun-20	0,180%	17-Jun	Jun-19	2,230%
11-Jun	Jun-21	0,030%	12-Jun	Jun-20	0,160%	14-Jun	Jun-19	2,200%
10-Jun	Jun-21	0,030%	11-Jun	Jun-20	0,170%	13-Jun	Jun-19	2,190%
9-Jun	Jun-21	0,030%	10-Jun	Jun-20	0,170%	12-Jun	Jun-19	2,240%
8-Jun	Jun-21	0,020%	9-Jun	Jun-20	0,190%	11-Jun	Jun-19	2,270%
7-Jun	Jun-21	0,020%	8-Jun	Jun-20	0,170%	10-Jun	Jun-19	2,290%
4-Jun	Jun-21	0,020%	5-Jun	Jun-20	0,150%	7-Jun	Jun-19	2,280%
3-Jun	Jun-21	0,020%	4-Jun	Jun-20	0,150%	6-Jun	Jun-19	2,330%

Factors Influencing Intention to Purchase Environmentally Friendly Products in Kazakhstan

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Abstract

There is a growing interest in environmental issues in the modern world. Concern for the environment has led to an increase in consumer demand for environmentally friendly products. Consumers in Kazakhstan also search for ethical and responsible ways of consuming products. The main purpose of this study is to examine factors influencing purchasing behavior for environmentally friendly products among Kazakhstani millennials. The study is based on the Theory of Planned Behavior model. Quantitative research was used for this study. A survey was conducted on sample of 152 respondents. Factor analysis, correlation analysis and regression analyses were conducted. The findings revealed that behavior intention was significantly related with attitudes and perceived behavioral control. However, relationship between behavior intention and subjective norms was not significant. Whereas, adoption behavior was significantly related with attitudes, subjective norms, and perceived behavioral control. The findings of this study are critical for Kazakhstan's green industry in developing marketing programs to increase adoption of environmentally friendly products and thereby supporting future growth of this specific market segment and improving consumer behavior in the long term. The study has implications for policy makers and marketers in developing and implementing environmentally friendly purchasing strategies.

Keywords: Environmentally friendly products; green products; attitude; subjective norm; perceived behavior control; behavior intention; adoption behavior.

1. Introduction

Nowadays society becomes more and more concerned and interested in the environment, pollution, climate change and waste disposal. People tend to feel responsible for their health, nature and society. Concern for the environment has led to an increase in consumer demand for environmentally friendly products (Dabija et al., 2017). They search for the ethical ways of consuming products and reducing the probability of soiling. Eco-friendly goods are considered to be a highly significant way to impact the environment, community and our own health, since such products, as a rule, are greener, healthier and long-lasting. According to the study examined by Joshua and Rahman (2015), consumers have an ability to prevent or reduce environmental damage by buying environmentally friendly products. Environmentally friendly products or as they also called “green” products are generally help to reduce waste, keep carbon footprint to a minimum, save natural resources and conserve energy. Additionally, they are compostable, can be recycled and made to last. A durable product means that it will be used many times and possibly by multiple users before it ends up in a landfill.

Additionally, people tend to adopt “green consumerism” in their lifestyle. Green consumerism refers to a state in which consumers demand products and services that have undergone an eco-friendly production process or a process that involves the processing and protection of the planet's resources. In other words, eco-friendly consumerism involves the production, promotion or use of goods and services based on their benefits to the environment. Companies, in turn, try to produce more and more

ecologically safe products to meet customers' needs. For example, the well-known retail clothing brand Zara has started to remove all types of hazardous waste from its supply chain. The brand is becoming more energy efficient, and even produces eco-friendly collections from recycled materials. Such contribution and changes for the environment and society recall customers to respect and purchase from such companies. In order to improve their image and reputation in target markets, companies are more likely to compete with each other by offering organic, natural, traditional or environmentally friendly products, with certified or controlled ingredients in recyclable or reusable packaging, etc. Thus, modern consumers are compelling companies to include sustainable development in their offerings.

Although the popularity of sustainable goods has increased significantly in recent times, the attitudes of people is remaining inappropriate. Even though individuals are positive about the environmental protection and sustainable consumption, unfortunately not all of them lead suitable lifestyle. This issue was investigated by different researchers, such as Bamberg (2003) and Nordlund and Garvill (2002). The authors stated that despite the fact, that people totally understand the seriousness of environmental problems, their behavior does not illustrate this concern. Nevertheless, young consumers, particularly millennials, are switching to brands that embrace sustainability. Thus, the purpose of this study is to understand the factors that may encourage or discourage the purchase and consumption of environmentally friendly products, particularly in Kazakhstan as there have not been certain published studies on the consumption of environmentally friendly products. It informs the reader about various factors affecting consumer attitudes and behavior. The aim of this paper is to look at factors affecting the millennials behavior towards environmentally friendly products. To find the answers needed the quantitative research will be conducted.

2. Literature Review

2.1 Millennials

Millennials refer to individuals who were born between the 1980s and early 2000s. Because it follows Generation X, which lived from the early 1960s through the 1980s, the Millennial Generation is also known as Generation Y. The millennial generation has been described in a variety of ways. They are generally regarded as being more open-minded, liberal, upbeat and open to new ideas and ways of living. This is due to the fact that millennials grew up in times of technological change, globalization and economic turmoil, which gave them a different set of behaviors and experiences than their parents (Naderi & Van Steenburg, 2018). According to the study conducted by Nielsen (2015), although millennials have grown up in the toughest economic situation in 100 years, they still intend to pay extra for environmentally friendly products. This suggests to us that the millennials are conscious consumers because they were born at a different time and in different conditions. Besides, millennials are very sensitive to environmental issues and prefer socially responsible retailers or those who implement environmental conservation measures. Millennials have a huge purchasing power and have a serious influence on the decisions of their parents and friends about buying (Young, 2015). Despite this, it is still debatable whether millennials are striving for environmental friendliness or not (Naderi & Van Steenburg, 2018). For instance, the results of the study conducted by Dabija et al. (2017) indicated that among three selected generations (Baby Boomers, Gen X, Millennials) millennials appeared to be the less environmental concerned ones. The following section examines five important factors influencing this generation: (1) attitude; (2) subjective norm; (3) perceived behavioral control; (4) behavioral intention and (5) adoption behavior.

2.2 Theory of Planned Behavior

The Theory of Planned Behavior (TPB) is an extension of the Theory of Reasoned Actions (TRA). It was proposed by Ajzen and Fishbein and helps to understand how people's behavior can change. The TRA is a precursor to TPB and includes only attitudes and subjective norms as predictors of intention. According to TPB, individuals act logically, according to their attitudes, subjective norms, and perceived behavioral control. These aspects are not often actively or consciously examined during decision-making, but they do provide a backdrop for it. In other words, people's attitudes may not be expressed directly, yet they may be influenced by them in their decision-making. TPB distinguishes three categories of beliefs: behavioral beliefs, normative beliefs, and control beliefs, and deals with the creation of attitudes, subjective norms, and perceived behavioral control. Furthermore, TPB assumes that those beliefs are specific to a particular situation: beliefs about the likely consequences of behavior (behavioral beliefs), beliefs about the normative expectations of others (normative beliefs) and beliefs about the presence of factors that can contribute to or hinder the performance of behavior (control beliefs). In their respective aggregates, behavioral beliefs create a favorable or unfavorable attitude to the behavior in question; normative beliefs lead to perceived social pressure or subjective norm to perform that particular behavior; and control beliefs lead to perceived behavioral control (PBC), the perceived ease or difficulty of performing that particular behavior.

Attitude refers to the extent to which a person has a favorable or unfavorable assessment of the behavior of interest. This entails considering the results of executing the behavior. Attitudes are also defined as a person's emotions, ideas, and preferences toward specific components of the environment that are more or less permanent. Subjective norm refers to the belief that most people approve or disapprove of behavior. This is related to a person's beliefs about whether people important to him or her believe that he or she should participate in such behavior. This takes into account how a person perceives other people's perspectives on a given conduct. It is the individual's perception of others' attitudes, not what other people think. Perceived behavioral control refers to a person's perception of the ease or difficulty of performing a behavior of interest. Perceived behavioral control varies depending on situations and actions, which leads to the fact that a person has a different perception of behavioral control depending on the situation. Internal elements such as a person's own ability and determination, as well as external factors such as the resources and support available to him or her, influence this decision. It also has a direct impact on behavior; if individuals believe they have a lot of control, they will work harder and longer to achieve their goals. In combination, the attitude to behavior, the subjective norm and the perception of behavioral control lead to the formation of behavioral intention. It is assumed that intention is an immediate prerequisite for behavior. Behavioral intention refers to the motivational variables that drive a specific activity; the stronger the intention to conduct the behavior, the more likely it will be performed. Behavioral intentions are an important driving force of behavior when adopting environmentally friendly products. This means that the stronger the intention to participate in the behavior, the higher the tendency for the intention to translate into actual behavior.

Many studies have been conducted in accordance with TPB to study consumer attitudes, intentions and actual purchasing behavior in relation to environmentally friendly products. TPB, like other theories, has certain limitations. TPB was not considered a suitable model for explaining ethical behavior in most studies, since it did not take into account the affective element of the consumer, which was found to influence the ethical behavior of consumers (Magnusson et al., 2003). The relationship between belief structures and prior intentions is often criticized for lack of clarity (Nombulelo, 2021). Despite

these limitations, Ajzen (1991, p. 199) states that TPB is open to include additional constructs capable of showing significant differences in intent or behavior.

Based on the literature review the following hypotheses were proposed:

H1: Attitudes positively impact on the behavioral intention to purchase environmentally friendly products.

H2: Subjective norm positively influence behavioral intention towards environmentally friendly products.

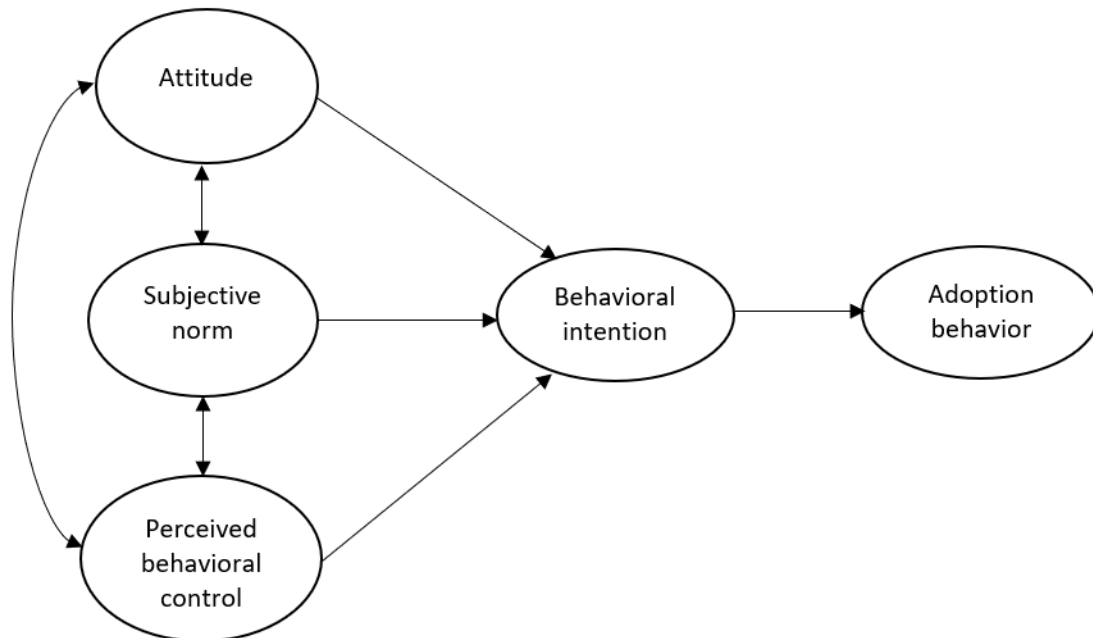
H3: Perceived behavioral control positively impacts the behavioral intention to purchase environmentally friendly products.

H4: Perceived behavioral control positively impacts the intention to consume environmentally friendly products.

H5: Behavioral intention have a positive influence on the adoption behavior to purchase environmentally friendly products.

In light of the foregoing, a theoretical framework has been presented, which depicts the connections between the five TPB drivers (attitudes, subjective norm, perceived behavioral control, behavioral intention and adoption behavior) in a Figure 1.

Figure 1. Proposed Model



3. Methodology

In order to investigate Kazakhstani millennial consumers' tendency towards adopting an environmental friendly behavior and preference towards environmentally friendly products, the author have conducted a descriptive and quantitative study. For the selection of participants, a purposive sampling of respondents who were suitable for age requirements and could provide relevant information was used. The goal was to gather the opinions of a typical millennial consumer with a certain degree of concern for the environment and awareness of environmentally friendly products. Therefore, the method of data collection, which I applied, was a web-based survey for individuals in the millennial age group living in Kazakhstan, and who were aware of environmentally friendly products. Respondents were asked to evaluate a number of statements in a questionnaire using a five-point Likert scale, where 1 meant “strongly disagree” and 5 meant “strongly agree”. The questionnaire was adapted based on the scales that were earlier tested in previous studies. The “attitudes”, “subjective norms”, “perceived behavioral control”, “intention behavior” and “adoption behavior” constructs was adapted from Nombulelo (2021). In the first part of the questionnaire, demographic data of respondents was collected. The rest of the questionnaire consisted of statements with dependent and independent variables.

The results of the study confirmed that the questionnaire design contributed to the satisfaction of the research hypotheses of the study. The data was collected from participants who were intercepted from the universities where the millennials were easily accessible to the researcher. Three electronic questionnaire links were distributed to respondents, a total of 152 responses were gained and used to analyze the results, thereby falling within the minimum sample size of 150. After the data had been collected, coded, and edited, the Statistical Package for the Social Sciences (SPSS) software was applied for further data analysis.

4. Results

A total of 152 questionnaires were completed, which could be used to analyze the results. The results of the questionnaire shows that the age of the participants ranged from 18 to 23 years and older, which qualified them as millennials. The majority of the sample were females (62.5%), in the age group of 19-20 year (40.8%) and probably students with no job (62.5%). Although, this does not indicate their inability to purchase environmentally friendly products as the family income level is relatively high, 69.1% and 23.7% of participants fall within average and above average income levels. This implies their capability to buy environmentally friendly products.

Table 1. Sample Characteristics (n=152)

Variable		Frequency	Percent
Gender	Male	57	37.5
	Female	95	62.5
Age	Under 18 years old	31	20.4
	19-20 years old	62	40.8
	21-22 years old	39	25.7
	23 years or older	20	13.2
Employment	Full-time	25	16.4%

	Part-time	32	21.1%
	Unemployed	95	62.5%
Income	Below average	11	7.2%
	Average	105	69.1%
	Above average	36	23.7%

Factor analysis was conducted using SPSS software program. Items loadings, Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Cronbach's alpha were computed. The item loading for each item was above the minimum level of 0.5, and range from 0.577 to 0.886. Thus, none of the items were removed. The KMO measures the adequacy of the sample, which must be greater than 0.5 to conduct a satisfactory factor analysis. It is evident from Table 2 that KMO for all five variables fall between 0.727 (PBC) and 0.849 (ATT), indicating that the sampling is adequate. Cronbach's alpha is the most common indicator of internal consistency (reliability). Table 2 represents that the Cronbach's alpha varied between 0.741 (PBC) and 0.871 (BI), which indicates a high level of internal consistency of the scale with this particular sample.

Table 2. Factor Analysis

Construct (KMO/Cronbach's alpha)	Items	Item loadings
Attitude (0.849/0.838)		
ATT1	I feel that environmentally friendly products are generally trustworthy.	0.805
ATT2	Buying environmentally friendly products is/would be a good idea for me and the environment.	0.817
ATT3	Buying environmentally friendly products is/would be a worthwhile purchase decision.	0.797
ATT4	I have a favorable attitude towards purchasing the environmentally friendly products.	0.775
ATT5	If I can choose between environmentally friendly products and the conventional ones, I would prefer the green versions.	0.723
Subjective norm (0.756/0.814)		
SN1	Purchasing the environmentally friendly cause/would cause me to be admired.	0.832
SN2	Purchasing the environmentally friendly products make/would make a good impression of me.	0.851
SN3	Purchasing the environmentally friendly products improve/would improve the way I am perceived.	0.851
SN4	Most people who are important to me expect/would expect that I should buy the environmentally friendly products.	0.691
Perceived behavioral control (0.727/0.741)		
PBC1	I believe that I have the financial ability to purchase environmentally friendly products.	0.719

PBC2	If it were entirely up to me, I am confident that I will purchase environmentally friendly products.	0.577
PBC3	I see myself as capable of purchasing environmentally friendly products in future.	0.673
PBC4	I have resources to purchase environmentally friendly products.	0.744
PBC5	I have the time to purchase environmentally friendly products.	0.704
PBC6	Environmentally friendly products are generally available in the shops where I usually do my shopping.	0.554
Behavioral intention (0.816/0.871)		
BI1	I intend to start/continue buying environmentally friendly products because of their environmental benefits.	0.842
BI2	I will consider switching to environmentally friendly products for ecological reasons.	0.821
BI3	I expect to start/continue purchasing environmentally friendly products in the future because of its positive environmental contribution.	0.886
BI4	I definitely want to make a choice in favor of environmentally friendly products in my next purchase.	0.851
Adoption behavior (0.764/0.817)		
AB1	I make a special effort to buy environmentally friendly products.	0.831
AB2	I have switched to buying environmentally friendly products because of the environmental benefits.	0.794
AB3	When I have a choice between the same types of products, I purchase the ones that use less electricity and is less harmful to the environment.	0.712
AB4	I make a special effort to buy products that are green or environmentally friendly.	0.884

Correlation analysis was conducted. Table 3 shows that the Pearson correlation coefficient for all five constructs are significant ($p < 0.01$ for a two-tailed test). Correlation coefficient range is between 0.524 to 0.698, thereby correlation can be confirmed. The correlation analysis revealed that participants' intention to purchase environmentally friendly products was significant ($p=0.00$) and that attitude, subjective norm, perceived behavioral control, behavior intention and adoption behavior displayed a moderate relationship.

Table 3. SPSS Output Correlation Analysis

	ATT	SN	PBC	BI	AB
Pearson Correlation	1	.629**	.608**	.698**	.624**
ATT Sig. (2-tailed)		.000	.000	.000	.000
N	152	152	152	152	152
Pearson Correlation	.629**	1	.530**	.524**	.621**
SN Sig. (2-tailed)	.000		.000	.000	.000
N	152	152	152	152	152

	Pearson Correlation	.608**	.530**	1	.655**	.593**
PBC	Sig. (2-tailed)	.000	.000		.000	.000
	N	152	152	152	152	152
	Pearson Correlation	.698**	.524**	.655**	1	.691**
BI	Sig. (2-tailed)	.000	.000	.000		.000
	N	152	152	152	152	152
	Pearson Correlation	.624**	.621**	.593**	.691**	1
AB	Sig. (2-tailed)	.000	.000	.000	.000	
	N	152	152	152	152	152

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4 and 5 represent outputs of two regression models. Both models produced good model fit with R square 0.573 and 0.518. A multiple regression was run to predict BI and AB from ATT, SN and PBC. All three variables added statistical significance to the prediction, $p < 0.05$, except for SN to BI. ATT and PBC were the most important predictors of BI (Table 4). The PBC and SN factors were equally important predictors of the AB (Table 5). ATT was the third most important predictor of AB. However, SN appeared to have insignificant impact in predicting BI (Table 4). The effect of SN on BI was not discovered. This indicates that social norms have a detrimental impact on purchase intention. As a result, the "group effect" may not be a good predictor of how an individual will act in terms of green purchasing.

Table 4. SPSS Output Regression Analysis 1

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
	(Constant)	-.141	.291		-.486 .628
1	ATT	.542	.092	.449	5.898 .000
	SN	.056	.073	.055	.770 .443
	PBC	.453	.090	.353	5.061 .000

a. Dependent Variable: BI

Table 5. SPSS Output Regression Analysis 2

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1	(Constant)	.011	.303		.035 .972
	ATT	.315	.096	.265	3.284 .001

SN	.315	.076	.3134.139.000
PBC	.336	.093	.2663.597.000

a. Dependent Variable: AB

Regarding the hypotheses testing, Table 6 shows the results of p-values and of all hypotheses. H₁ and H₃ are supported by the findings, which reveal that attitude (p=0.000) and perceived behavioral control (p=0.000) have a significant impact on behavioral intention. This study is consistent with Nombulelo's (2021) findings, which claim that people with positive views and good behavioral control are more likely to engage in sustainable actions like ecologically friendly purchase intentions. This suggests that attitudes and perceived behavioral control are the most important factors influencing the intention to make environmentally friendly purchases. Surprisingly, the findings revealed that subjective norm (p=0.443) has no influence on behavior intention, implying that H₂ cannot be accepted. A positive link between subjective norm and behavior intention has been found in numerous studies. However, current research finding contradict such investigations. For example, Eze et al., (2013) discovered that subjective or social norms have a positive relationship with purchase behavior intention and green goods purchases.

Besides, the findings of this study show that there is a strong association between behavioral intention (p=0.000) and adoption behavior, supporting H₅. This finding corresponds with results from previous research. Nombulelo's study in 2021 had quite similar result. Consequently, behavioral intention can help predict the probability of purchasing or adopting environmentally friendly products. As a whole, it can be concluded that only one hypothesis was rejected and 4 out of the 5 hypotheses were confirmed.

Table 6. Results

Proposed Hypothesis	Proposed Hypothesis Relationships	p-value	Result
H _{1a}	ATT -> BI	0.000*	Supported
H _{1b}	ATT -> AB	0.001*	Supported
H _{2a}	SN -> BI	0.443	Rejected
H _{2b}	SN -> AB	0.000*	Supported
H _{3a}	PBC -> BI	0.000*	Supported
H _{3b}	PBC -> AB	0.000*	Supported
H ₄	BI -> AB	0.000*	Supported

*Significant at p<0.05

5. Conclusion

The biodiversity loss and serious environmental problems led humankind to concentrate on environmentally friendly consumption. Environmentally friendly items are being produced by an increasing number of companies, and consumers are more eager to buy them. However, according to the majority of prior studies, customers' positive attitudes do not translate into actual purchasing actions, and the majority of consumers do not buy environmentally friendly goods. The aim of this study was to investigate the elements that influence millennials' attitudes of purchasing environmentally friendly items.

The quantitative findings highlighted a number of factors on which sustainable enterprises can focus in order to achieve desirable adoption levels, consisting mainly of TPB elements (i.e. attitudes, subjective norm, perceived behavioral control, behavioral intention and adoption behavior). According to the findings, attitude and perceived behavioral control had a substantial impact on behavioral intention, however subjective norm had no significant effect on it. Furthermore, behavioral intention revealed a strong relationship to adoption behavior. The integrated model illustrated 57.3% of the variance in behavioral intention to buy environmentally friendly products and 51.8% of the variance in adoption behavior. This is a good outcome in this sector of consumer behavior, especially given how difficult it is to predict the determinants of consumer behavior. In conclusion, the findings of this study assist to an extensive understanding of the factors that influence environmentally friendly product buying behavior.

6. Implications, Limitations and Recommendations

The findings of this study have significant implications. Marketers would benefit from learning about the drivers and barriers to green purchasing behavior, as this knowledge will help them customize their product offers and develop marketing tactics to support green purchasing. The findings of this study have public policy implications as well. Environmental education should be used by policy makers to further promote this tendency. A logical consequence for green marketers and policy makers is that they must effectively describe how tiny measures taken today lead to major consequences tomorrow. Green marketers are said to be capable of improving consumers' attitudes and perceived behavioral control toward green products by raising societal awareness in order to increase the amount of behavioral intention. This can be accomplished by emphasizing how the adoption of green products can help minimize environmental issues and damage. For instance, how much money they can save over time by switching to highly effective LED bulbs, or how switching to electric vehicles could have societal and economic implications in the country. Marketers can use campaigns to raise public awareness of eco-friendly items or brands and the advantages of adopting environmentally friendly products to achieve this goal.

This study contributes to the understanding of the elements that may encourage or discourage millennials from purchasing environmentally friendly products. However, like with every study, there are certain limitations. The study's biggest limitation is that it used a convenience sample of university students, and the only criterion used to identify them as millennials was their age. As an outcome, the results cannot be applied to the entire millennial population. Second, "socially desirable" action is usually associated towards becoming more environmentally friendly. Although data was collected via self-administered questionnaires and every attempt was made to assure anonymity and confidentiality of responses, social desirability bias may have influenced how participants reported their environmental behavior. Future studies may modify this aspect.

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Clothing Consumption during COVID-19: Changes in Consumer Behavior during the Pandemic

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Abstract

The global COVID-19 pandemic has been a great challenge for the fashion industry. All companies have to create a new marketing strategy and approach. Understanding how consumers changed their clothing consumption during the COVID-19 pandemic was the main goal and challenge at the same time for all fashion clothing industry companies. This study provides information about consumer behavior during the pandemic, factors influencing consumer behavior changes, clothing consumption, and her changes during the pandemic, stress coping, and emotions of consumers' behavior during the pandemic. Regarding the methodology part, this study uses an online survey and interview to understand clothing consumption and consumer behavior during the pandemic in Qazaqstan. A total of 209 participants took part in the survey, and 5 participants took part in the interview. The findings and analysis show that most people didn't buy clothes during the pandemic and their buying behavior depends on finances. The study also provides information about consumer buying behavior and in what mood consumers shop. In the discussion part, we examine practical and theoretical limitations.

Keywords: Consumer behavior, buying behavior, clothing consumption, COVID-19, emotions, stress coping, a clothing brand.

1. Introduction

1.1 Background

The global COVID-19 pandemic has been challenging for the fashion industry. Social distancing and lockdown change customers' clothing consumption rapidly for a short period. Nowadays fashion has become a big part of everyday life. It is a way to express yourself and show your uniqueness. The fashion industry is constantly working to satisfy customers' needs and preferences.

Among all these marketing strategies and advertising, the most influential factor in fashion clothing brands' great success is knowing consumer behavior. Especially now, with the pandemic that no one could predict, companies are searching for any source of information about consumer behavior during a crisis to understand in what way is the best to provide their products.

Clothing consumption during a crisis is not a new concept. Han et al . (2015) proposed that "Consumers cope with these stressors in multiple ways to alleviate stress and enhance mental and physical well-being."

1.2 Problem discussion

With the global COVID-19 pandemic continuing to spread, the fashion industry continues to learn about changes in consumer behavior, and some studies can find the most significant factors and impact of changing consumer behavior. Since the pandemic started, more people have become conscious about clothing consumption and choose more valuable things to spend their money on. For some people, their consumer behavior is changing their life status. Alan R. Andersen (1984) was the

first who introduced the idea of Life Change effects and how life status at the moment of the consumer could change the preference in branding and buying behavior in their daily life. However, since COVID-19 impacted many industries and was unique in how it affected the world, few studies compare countries in terms of changing consumer behavior in clothing consumption during a pandemic. Additionally, the main problem with this research is that changes in consumer behavior in clothing consumption during COVID-19 had not been well researched. Moreover, the government makes many restrictions for safety which makes many companies dependent only on the government to survive or be late to respond quickly to the crisis.

1.3 Purpose of study

The primary purpose of this study is to understand consumer behavior changes in clothing consumption during COVID-19. The shift in consumer mindset is very complicated because many more factors influence these changes, including government restrictions, decreased income, mental health, or downshifting in clothing consumption and lifestyle. Because the global COVID-19 pandemic is very new and still in the process of discovering and gaining knowledge about it, this study is focused mainly on consumer behaviors changes and clothing consumption during the pandemic. This thesis will be helpful for companies in understanding changes in consumer behavior during a crisis and help them take all preoccupations in the future.

1.4 Research questions

“How does the global COVID-19 pandemic affect changes in consumer behavior in clothing consumption?”

1.5 Aim and objectives

The thesis aims to investigate consumer behavior changes during the pandemic, their shift in consumer mindset, and the reasons behind those changes.

- Explore consumer behavior during the pandemic
- Explore factors of changes' consumer behavior during a pandemic
- Study how stress influences consumer behavior during the pandemic
- Explore emotions in consumer behavior changes during the pandemic

2. Literature review

2.1 Changes in consumer behavior.

Consumers react to a crisis by changing their decision-making buying behavior and shifting their usual spending habits (Cano & Gallo, 2014).

There are many reasons why consumer behavior changes throughout their lives; one of the main reasons is life status changes, such as changing their job or getting married. (Alan, 2016).

"It is further proposed that life status change has its ultimate effects on consumption patterns directly and through two intervening variables- consumer lifestyle and stress." (Andreasen, 1984). Changing life status in life events or life transitions creates physical, social, and emotional demands and circumstances individuals must adapt to. Therefore, consumer scholars (e.g., Mathur et al., 2008; Moschis, 2007) posited to view consumer changes in the context of stress and to cope, which provides an underlying mechanism for the links between life status changes and the resulted consumer changes in needs, wants, preferences, lifestyles, and consumption patterns.

2.2 Factors influencing consumer behavior during the pandemic.

According to Arora et al. (2020), there are five key ways changes the global pandemic COVID-19 affected consumer behavior. The first one is downshifting, and consumers nowadays are more conscious about what is more valuable and essential to buy. The second reason is that changing digital shopping influenced consumer behavior so much that many customers will continue shopping online even when all stores are opened. According to Koch et al. (2020), due to rising unemployment and

short-term work, which grows level of economic uncertainty, online shopping became the only thing that helped satisfy consumers' wants and needs. The third reason is that customers are not as loyal as they used to be. Research from Retail week (2022) stated that customer loyalty has changed for the past few years because of COVID-19, and many retailers are being forced to examine what approaches they should use to extend commitment. Back to Arora et al. (2020) also stated that the two last reasons for changing consumer behavior are health and the homebody economy. They explained that in terms of a healthy economy, many consumers tend to buy more hygienic packaging from companies that produce them to keep their employees safe; about the homebody, the economy is that because of the pandemic, many people can't travel and meet with their friends; moreover more than 70% of consumers are still unsettled to go out and do their everyday activities.

2.3 Stress coping during COVID-19

Stress has been defined as "environmental, social, or internal demands which require the individual to readjust his/her usual behavior patterns" (Thoits, 1995, p. 54). To establish a new balance, the stress perspective of a person views changes as a response to stress since it was threatening their previous balance (Moschis, 2007). According to Moschis (2007), to adjunct their usual patterns of actions to establish a new equilibrium, changes are considered a result of a person's reaction to stress. According to Hampson & McGoldrick (2013), whenever consumers face a crisis, they start planning shopping and make a list before purchasing products. Some people tend to change their purchase decisions: price, quantity, and quality (Koos et al., 2017). According to Nistorescu and Puiu (2009), people tend to change hard their buying behavior during stressful and demanding situations like an economic crisis. Recent research identified many new patterns in buying behavior during the pandemics, like panic buying, rejecting, hoarding, and discretionary spending pattern (e.g., Kirk & Rifkin, 2020; Loxton et al., 2020; Naeem, 2021).

2.4 Emotions of consumer behavior during the pandemic

In consumer behavior, the impact of emotions on evaluations decision-making buying behavior plays an important role (Williams, 2014). Emotions were an essential aspect in other things like service failures (Zeelender and Pieters, 1999) and product attitudes (Dube et al., 2003). For the past two decades, marketing specialists have studied how emotions influence consumer behavior and are influenced by-products brands even though consumers are assumed to make rational decisions about buying the products (Holbrook and Hirschman, 1982). There are many studies investigating consumer emotions, mainly focused on consumers' emotional responses to advertising (e.g., Derbaix, 1995) and the emotions' role on the satisfaction of consumers (e.g., Phillips and Baumgartner 2002). Westbrook (1987) was one of the first who examines consumers' emotions to the product experience and their relationship to several central aspects of the subsequent purchase processes.

3. Methodology

Descriptive survey research design and unstructured interviews were created to examine people's attitudes towards clothes during the global COVID-19 pandemic. This type of research design help to understand people's consumer behavior during the pandemic among Qazaqstan people. The descriptive status type of descriptive survey research design was used for the thesis survey. This approach will help to understand and gain knowledge based on real-life situations and experiences. Unstructured interviews which also called in-depth interviews. The significant advantage of using this research design is gaining more in-depth knowledge and explaining participant opinions on clothing consumption and consumer behavior during the pandemic. The questions of the interview are based on hypotheses from the literature review. The participants of the discussion could clarify their answers to give more explanation which leads to a lot of extreme details that will be helpful for the research question of the thesis.

The total number of participants in the survey is 209 which 79.1% are female, and the other 23.9% are male. The majority (44%) of participants' age was 21-30 years old, 35.9% were teenagers from 16 to 20, 12.4% were adults from 31 to 50, and the last one was an older generation (7.7%) from 51 and more. Among 209 participants, 41.1% are workers at the company or freelancers, 27.3% are students, 16.7% are pupils, and 6.2% are homemakers; other participants' responses also include waiters, music, students with a part-time job, etc. About 3 people of 209 participants have skipped some questions.

For the interview, 5 participants have interviewed which 3 of them were Undergraduate students (1 Freshman and 2 Sophomore); the other 2 participants were adults, one of them is a housewife mother who is 39 years old and has 2 daughters, other is a working mother with age 54 and has 3 sons.

The survey was conducted online through Google Form, where participants could answer all the questions without any registration to gather more responses and capture a larger audience. The link to the survey was provided through Instagram stories and Whatsapp. There are 19 questions in an online survey. There weren't any right or wrong answers in the survey, only answers based on their experience with clothing consumption. The interviews for 5 people were conducted in different places. The 3 of them have were interviewed at KIMEP University; 1 participant had been interviewed at the cafe "Nedelka," and the other participants had been interviewed online through Zoom. All interview participants are Qazaqstan people, so the interview was conducted in Russian.

3.1 Results

The analysis and findings of this study mostly show consumers' decision-making and in what mood customers buy their clothes. The results indicate that most participants desire to buy clothes during the pandemic, but their finances depend on their income. People spent less money during the pandemic, especially on clothes. From this research, marketers can create a new marketing strategy to attract more customers during the pandemic and any crisis. Marketers can make a strategy by providing discounts or make promotions like buy one item get another for free. According to the survey and literature review results, since consumers are concerned about the hygiene of the packaging, whenever they make an online purchase, marketers should promote healthy packaging, and the company needs to prioritize their package and show consumers that their packaging is safely processed.

Another thing that should be done is to advertise to make customers buy the company's product and boost their mood. For example, according to the survey results, most participants buy clothes when they are in a good mood and have no desire to buy clothes in stressful situations. Therefore, companies could create an excellent advertisement for their customers in which they can make them smile, and it shows that companies care about their customers. It also will be good for the company's reputation.

Conclusion

The global COVID-19 pandemic made an excellent opportunity for marketers to understand consumer changes flexibility over time (Sheth,2020). Previous studies on clothing consumption during COVID-19 tried to analyze how consumption and behavior change over time through life status changes and transitions (Kokschat-Fischer et al., 2018; Mathur et al., 2003), and also through social crises, including COVID-19 or natural disasters (Liu et al., 2012; Liu et al., 2021). However, to our knowledge, previous research has not yet analyzed clothing consumption during COVID-19 in Qazaqstan, and all of them related consumption as a coping mechanism of stress. Therefore, in our study, the main focus is to understand consumer behavior changing during the pandemic and what kind of factors influence them.

Virtual leadership: online education during the covid19 crisis

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Abstract

The corona virus (COVID-19) pandemic has caused an unprecedented downfall in all areas of life. In the field of education, this emergency has led to the tremendous migration from face-to-face interactions to online video conferences of educational institutions in more than 190 countries in order to prevent the spread of the virus and mitigate its impact. According to data from the United Nations Educational, Scientific and Cultural Organization (UNESCO), by mid-May 2020, more than 1.2 billion students at all levels of education worldwide had stopped attending offline classes.

For that reason, UNESCO has identified major gaps in performance of education area, which are derived from unequal distribution of teachers in general and lack of qualified teachers in particular. This trend is especially seen in lower-income countries and regions and in rural areas, where indigenous and migrant populations tend to be concentrated (UNESCO, 2016a; Messina and García, 2020). In the sphere of education, many of the measures that countries have adopted in response to the pandemic are related to the termination of face-to-face classes at all levels, which has given rise to three main areas of action: the deployment of distance learning modalities through a variety of formats and platforms (with or without the use of technology); the support and mobilization of education personnel and communities; and concern for the health and overall well-being of students.

Key words: Covid-19 pandemic, Impact on education sphere, Crisis

Introduction and objective: According to OECD, COVID-19 is the biggest threat to the economy in this century. Besides, bringing illnesses and deaths, the pandemic has also brought an economic crisis that will have negative consequences on societies for years ahead. The pandemic has shown how ill-equipped nations' healthcare systems are to handle major crises with its lack of testing and intensive-care beds; inadequate workforce; inability to provide the appropriate equipment (Gurría, 2020). Furthermore, as many as 800.000 Swedish jobs were assumed to be threatened already by March 23rd as some industries are facing a huge nosedive in demand (Stockholms Handelskammare, 2020). The repercussions of the pandemic will be unforgiving on the Swedish economy, and the current recession will be deep and troublesome. Mass unemployment is a probable threat, at the same time, GDP is forecasted to decrease with 6 percent (Konjunkturinstitutet, 2020). The extraordinary circumstances that the virus outbreak brings upon us, show how vulnerable our societies are.

Additionally, curfews were initiated around the world (Kotsambouikidis, 2020; SVT, 2020). The Swedish government has yet not obliged its citizens to work from home or introduced any curfews, however, its public health agency declared that if having the possibility, people should work from home (Eriksson and Falkirk, 2020). Nevertheless, the virus causes decisive actions to be taken. For instance, due to the covid-19 crisis all hospitals in the Stockholm region using

military adopted decision-making system acquired from NATO (Röstlund and Gustafsson, 2020). As location-bound organizations currently are forced to change their ways of leading (e.g., hospitals) or face a massive decline in demand (e.g., hotels and airlines), some organizations may have additional options to maneuver the crisis.

Globalization and technological developments are forces that have brought us new work modes and the possibility to engage in virtual teams (Cameron and Green, 2020). A virtual team (VT henceforth) is defined as a group of co-workers that are dispersed and uses different computer-mediated tools or other technological instruments to accomplish an organizational task. These teams rarely or never meet each other face-to-face (Townsend et al., 1998). This indicates that a new working environment will become a reality for many if doing this kind of transition.

Virtual leadership is, therefore, an important and relevant topic to consider because pandemic brought gaps in management and communication (Uhl-Bien, 2006). However, when leaders are not able to be physically present, they face challenges to know when employees need support or when their performance decreases (Malhotra et al., 2007). To conclude, due to the crisis people will unavoidably have to work remotely more frequently than usual in order to reduce the spread of the virus. Organizations that typically conduct their businesses at the workplace might soon choose voluntary, or be forced, to engage in VTs. This demands the development of new leadership styles- something that these organizations might not have tackled before. For instance, how to maintain relationships in a virtual environment (Pauleen and Yoong, 2001).

Based on the problem discussion, one main research question and three sub-questions are formulated:

1. How and why do leader-follower work relations change when previously co-located teams become virtual teams in times of crisis?
2. How are the leader and follower work relations changed after crisis?
3. What affects the shift in work relations?
4. How does this interact with the leadership styles used?

State-of the-art literature review

Leadership occurs when people on a voluntary basis accept to be led by another person to accomplish something which they understand to be necessary. The core of an issue is to evaluate leader and follower interaction, and to understand both sides, what leaders do and how followers are responding (Alvesson et al., 2017). Good leaders must possess the character of being social, relational, and processual. Leadership is mostly associated with the understanding of leaders *“doing the right thing or creating change”* (Alvesson et al., 2017, p.8). However, leadership can additionally be about *“maintaining morale, influencing meaning, ideas, values and emotions”* and this is to make sure that the days, in general, are functioning well. Creating change or doing the right thing is not what leadership always is about (Alvesson et al., 2017, p.9).

An important distinction is made between leadership and management in the context of this thesis.

The two concepts are often used in combination. *Management* could be distinguished from leadership by connecting it to direction and control as they come with formal rights, whereas leadership could be associated with meaning, feelings, and values. However, to have a title as a manager does not mean that one is purely doing management tasks, a manager can also symbolize leadership (Alvesson et al., 2017). This is also something that Northouse (2013) points out as he mentions that many activities that are related to leadership also relate to management. However, he relates planning, budgeting, organizing, staffing, controlling, and problem-solving to management whereas leadership is associated with establishing direction, aligning people, motivating, and inspiring others.

This distinction will be particularly important to understand collected data from people within organizations with formal rights (managers). Thus, having a clear distinction will allow separating the two and focus on what is essential for our research questions and aims. The situational approach to leadership is built on the principle that leadership needs to be adjusted according to the situation and focus of current environment. Adapting the style to the situation is what makes leaders effective, also, a leader is effective if can match his style to the level of commitment and competence of the subordinates. Hence, what needs to be done is for the leader to evaluate and assess subordinates' competences and commitments to perform tasks. Depending on the subordinates, who are in a constant flow of changes e.g. where skills and motivation change, the leader needs to adapt to how directive or supportive he/she should be (Northouse, 2013). Leaders who rely on more than one style, depending on the situation of the business, is suggested to be the ones showing the best results (Goleman, 2000).

Behavior patterns for the leader include *directive* behaviors, associated with tasks, and *supportive* behaviors connected to relationships. The former is a way to help people reach goals, setting timelines, making sure that the set goals are possible to achieve, etc. These behavior patterns are often one-way communication, it is a way to clarify tasks on how it should be reached and who is responsible for doing it. The latter behavioral pattern, is to make subordinates comfortable and this not only with themselves but also with the situation and with their colleagues. Ways to show supportive behavior is to listen to others, asking for input, helping others to solve problems. Four different leadership styles can be identified with different behavioral patterns (Northouse, 2013), which are described next.

The first one is the *directing* approach and it is a leadership style that scores high on directive behavior and low on supportive behavior. This indicates that focus lies on directing the subordinate to achieve the goal, giving them instructions on how to do. This could be connected to Goleman's (2000) '*Coercive Style*' which is appropriate during times of crisis. Hence, it is necessary to be very cautious as it fits best only in rare circumstances, it cannot be used for long-term success (Goleman, 2000). Possible negative effects occur when an employee wants to make a decision, because it will lead people to lose the sense of ownership, hence, they will start to care less about their performance. This style does not bring clarity nor enhance commitment as it does not motivate people, and as people do not get motivated it is hard for them to comprehend how they will fit into the bigger picture (Goleman, 2000).

Leadership styles in virtual teams

Research has identified transformational leadership as effective in VTs (Purvanova and Bono, 2009;

Ruggieri, 2009; Maduka et al., 2018). This might be because this leadership style motivates people to do more than expected as they impact on peoples' feelings and how they are thinking (Alvesson et al., 2017). It has been shown that transformational leaders, if doing well, have a positive effect on a team as they are able to come up with more original solutions and put more effort into the work than if the team was guided by a low transformational leadership (Mukherjee et al., 2012). It is also claimed that this leadership style has a good effect on the team's performance under circumstances that are ambiguous (Maduka et al., 2018). This leadership style has four characteristics (Alvesson et al., 2017): *idealized influence*, here the leader is seen as a role model and in this way shows moral support to the subordinate. Second, *inspirational motivation*, occurs when the leader is able to increase enthusiasm and make followers see things in a positive way, which also leads to increased team spirit. Third, *intellectual stimulation*, occurs when leaders make employees to solve tasks involving critical thinking which stimulates innovation. Fourth and last characteristic is the *individualized consideration*, and this is a way for the leader to guide the follower through coaching based on their own needs and desires (Alvesson et al., 2017). Consequently, this leadership style can be understood as very demanding, and if only looking at the effects that a leadership style has on their followers it can become problematic. Problematic in a way that it can overpromote positive effects that in reality can be hard to acquire. Transformational leadership is sometimes seen as "*the secret of effective leadership*" (Alvesson et al., 2017, p.59).

However, transformational leadership was proved to improve virtual teams' trust and compassion, through using certain activities namely, frequent communication and coaching. If the leader is showing that he/she cares about the individuals, it can affect the groups' emotions and attitudes (Kelley and Kelloway, 2012). Hence, coaching could be a way for virtual members to perform well and have a great micro climate within group. Also, due to dislocation of the group, then virtual coaching is the way to help people reach their goals, but here the leader and the team must be competent in using technology effectively. (Kerfoot, 2010). Previous research has not investigated the transition of co-located teams and what they encounter when becoming a VT due to a crisis. We found this interesting to investigate, as this topic is very timely. Our focus is the work relation between leader and follower in a new environment where offline format gets replaced by an online one. In our literature review, we have therefore discussed leadership, virtual teams, and leadership in virtual teams as these are important to understand if we want to explore how leader and follower work relations have transformed.

Leadership can be understood in different ways, in this paper in particular, it is assumed to be relational. For instance, we found the concept of co-production useful where we proactive followers who build leadership system along with the leader. Also, the situational approach to leadership will be valuable as this will make it possible to indicate how leadership will possibly change when leading a VT. The different leadership styles are representing different behavior patterns in different situations and are dependent on the follower and the situation. However, even though these styles are based on a more traditional environment, we believe that this will give us a good foundation when it comes to leadership styles in a new virtual environment.

Then, VT comes with new challenges that bring new demands on communication, relations, and social interactions as these occur less in an offline setting. This challenges the more traditional way of working and interacting with others. The understanding of challenges that a VT encounter will be useful as it will enable us to explore how leader and follower work relations might shift when co-located teams become VT.

It is argued that virtual leadership will not be possible to transfer your own behavior into a virtual environment and make it function well. Furthermore, virtual leaders will have to understand human dynamics without face-to-face interactions and be able to motivate followers with constraints of communication possibilities. They also have to adapt and enable autonomy rather than controlling management style. Additionally, we have elaborated on transformational leadership as this leadership style often is assumed to apply well in a virtual environment. However, we will only focus on some specific behaviors that this style brings such as frequent communication and coaching.

Research methodology and data collection tool

There cannot be any universal laws for the social world of human beings as its complexity denies generalizations (Saunders et al., 2019). Within this philosophy, physical phenomena and humans are separated (Saunders et al., 2019; Bryman and Bell, 2017). It is important to understand this as the assumptions are that humans create meaning which the physical phenomena does not, thus, these cannot be studied in the same way. Hence, the purpose of research taking on this philosophy is then to “*create new, richer understandings and interpretations of social worlds and context*” (Saunders et al., 2019, p.149). Therefore, interpretivism emphasizes language, culture, and history to be significant as these shape the understandings of the social world which shapes individuals’ experiences and interpretations (Saunders et al., 2019). We have taken an interpretivist stance with this research as we were concerned with understanding the participants’ experiences of a social phenomenon that cannot be generalized but explored and interpreted.

Similarly, qualitative method is characterized by focusing upon the relationship between participants and their communication and perception. The strengths of using qualitative method are that an individual’s experiences can be understood in-depth as information of what that person experiences and how it is interpreted can be unfolded. The use of qualitative method is furthermore a good way to discover processes that are hard to comprehend by only looking at its surface in, for example, observing teams and individuals (Bluhm et al., 2010). Our main intention with this research was to explore the changes in work relations between leader and follower that occurred when moving teams online, which altered the working practices for both leaders and followers. It was important to consider both perspectives of how and why their relationship changed due to the new work mode. Therefore, a mono method qualitative study was selected in order to gain an in-depth understanding of how moving previously co-located teams online due to a crisis affected the leader-follower work relations. A mono method qualitative study is when there is only one technique used when collecting data, e.g., conducting semi-structured interviews (Saunders et al., 2019).

Data analysis with critical thinking and discussion

This kind of analysis is conducted by collecting primary data as well as conducting semi-structured interviews. These kinds of interviews are often carried out face-to-face and the interviewer guides the interviewee with a list of predetermined themes and related key questions (Saunders et al., 2019). In the thesis’ appendix (A and B) these themes and key questions can be found. Thus, when following an interpretivist approach there is not a fixed order on how to follow the themes or when to ask the predetermined questions, these are instead being asked in relation to what responses the interviewee gives (Saunders et al., 2019;

Bryman and Bell, 2017). As we followed an interpretivist approach, the semi-structured interviews became very flexible as we carefully listened to their answers and asked follow-up questions depending on what was being said. We did not conduct any interviews face-to-face, but instead, we used other available options, suitable for times of social distancing for example, telephone and internet-mediated interview alternatives. Yet, these alternatives do not come without disadvantages as, for instance, telephone interviews are associated with limited personal contact and reliance on what is being said (Saunders et al., 2019). In other words, trust issues can occur, and it is not possible to take nonverbal cues or body language into consideration. Telephone interviews have nevertheless some advantages such as access, cost, and speed (Saunders et al., 2019). If failing to establish trust the research's reliability might suffer. Internet-mediated tools are then called electronic interviews where synchronous ones are carried out in real-time (Saunders et al., 2019). *“Electronic interviews featuring vision and sound may be conducted using Voice over Internet Protocol (VoIP)”* (Saunders et al., 2019, p.478). Conducting the interviews with software such as ‘Skype’ is, therefore, a viable option that has the same advantages as telephone interviews as discussed above (Saunders et al., 2019). Furthermore, this option can also be comparable to normal face-to-face interviews as this can be conducted in a very similar way, the only difference is that it is done at a distance (Denscombe, 2014). Additionally, by utilizing both internet-mediated and telephone tools, it will be possible for both the interviewer and interviewee to stay in their safe environments during the interview (Saunders et al., 2019; Bryman and Bell, 2017).

We collected primary data from teams that normally did not engage in virtual teams or distant leadership but were temporarily involved with it due to the covid-19 crisis. At first, we intended to interview the participants in person, but due to the very situation that caused the increase of working out of office, we used internet-mediated tools such as ‘Zoom’ and ‘Microsoft Teams’ to conduct our interviews. Using these tools, we understood being advantageous as these communication channels now are being frequently used between superiors and subordinates. The advantage is that it made us understand their reality in a better way, as we also faced some difficulties using these tools in the beginning. One interviewee chose not to have the web camera on, and this made it more like a phone call which some of our participants also mentioned when we collected data. We asked the participants for permission to record the interviews in order to transcribe them and we only conducted interviews if we were allowed to record. Additionally, we took notes during the interviews because of the advantages it can assist in staying concentrated and enable follow-up questions. This was a way of interviewing that was appropriate during a pandemic where people got used to work remotely. However, Saunders et al. (2019) explain that there are several ethical issues concerning these interviews such as personal data issues. Hence, we considered GDPR and other data protection legislation when we were conducting this research. The time limit of this project made us decide to conduct a multiple case study as it suited the time frame. Case studies do not aim to statistically generalize a population (Gibbert and Ruigrok, 2010). Our intention with this multiple case study was, however, not to generalize but to explore in-depth how previously co-located teams handle becoming VTs in times of crisis. We intend to develop an understanding of how the team leaders and members that are participating in the study are handling the current situation. They are not to be seen as representative for all Swedish teams becoming virtual due to covid-19. The insights gained from the data are to be interpreted by the authors. Such in-depth knowledge is according to Saunders et al. (2019) of more interest from an interpretivism point of view. We can thereby

argue that the trade-off with low generalizability is an acceptable limitation since the contribution of this research is of another kind.

Summary, conclusion and recommendations

Previously co-located teams becoming VTs in times of crisis face changes in leader-follower work relations. The transition into a VT initially entails an increased use of management whereas leadership behavior is put on hold until management is fully set. Virtual leaders face several challenges when entering a virtual environment due to the loss of social interactions. Virtual leaders must be highly adaptive to the situation at hand and be able to identify followers' emotions and needs through computer-mediated tools. Since leaders cannot possibly observe followers on their conventional working space, the followers' role in the co-production of leadership becomes evident. Therefore, followers have to take a more proactive position and inform the leaders of what is needed for them to be able to endure and impact the changes. If not, they will be led in a manner that is satisfactory for leaders, and this will more likely result in management than in leadership, where control and structure exceed supportive behaviors. The degree of team members' independence determines to what extent this transition impacts followers' motivation and well-being. Less independent followers may struggle to adjust to new environment, as in the past they needed the presence of team to operate well. Hence, leader and follower work relations have changed as their teams have transitioned into a virtual environment.

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Cultural Barriers in Development of Sustainable Entrepreneurship in Kazakhstan

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Abstract

According to current scientists, the "conventional corporate structure" has harmed the world economy severely. This method of chasing an improved GDP level has put humanity in grave jeopardy. The United Nations, as well as a number of other international organizations, are now encouraging people to switch from the existing economic system to a more sustainable one. This research paper was dedicated to analysis of Sustainable Entrepreneurship opportunity, which rises from the world tendency of switching to the Sustainable economy, and cultural challenges, which are based on the example of the Republic of Kazakhstan. This work considers three factors which may affect Sustainable entrepreneurship development in the country, that are (1) Perceived Opportunity, (2) Role Model and (3) Community and Social Motivation. The main objective of this research was to identify the Sustainable entrepreneurship intention among university students in Kazakhstan and check which factors have a significant effect on this variable.

Keywords: Sustainable entrepreneurship intention, Sustainable economy, Sustainability.

Introduction and objective

In today's world, the state of the global and local ecology is vitally significant. Various government agencies motivate businesses, enterprises, and the private sector to pay more attention to the environment and decrease the harm caused by human activity. Furthermore, the modern Sustainable movement encourages individuals to pay attention to the contents and materials used in their favored products. Consumers may reject a product because it lacks environmentally friendly elements or, on the contrary, contains dangerous substances. People make an effort to sort recyclable materials and dispose them in designated trash bins. For instance, there are special separated trash cans for the plastic waste in the number of countries including Kazakhstan. Another noteworthy example is the H&M company's marketing effort, which encourages consumers to bring an old fabric to any H&M store throughout the world. The materials are then recycled and repurposed in future H&M clothing. This move draws customers by giving them the opportunity to participate in environmental efforts. On the other side, the corporation profits from such operations because it can use free materials and decrease costs as a result.

The chairman of the board of "The coalition of Sustainable economy and development G-Global", Saltanat Rakhimbekovna, stated that the overall ecological situation in Kazakhstan has showed no major improvement regardless of vast investments poured in the past several decades (Strategy 2050, 2020). The Ministry of Ecology, Geology and Natural Resources of Kazakhstan republic has mentioned some issues that the government will challenge. Firstly, there is a decrease in the amount of drinking water available due to concerns of increasing waste. According to data provided by certain

independent experts, the level of illnesses in areas affected by water and soil pollution is 40 percent greater than in other parts of the country. (Information and Analytical Center of the Environmental Protection, 2020). Second, Kazakhstan's ecological system is severely affected by oil-producing stations that pollute vast territories. In addition, all other techniques of gathering natural resources pollute the Kazakh ecosystem. Third, Almaty, the country's largest city in terms of population and area, has long been plagued by severe levels of air pollution. Because the mountains act as a barrier to the air streams, the geological structure of the city prevents natural air cleaning. A combination of these factors creates a challenge to the production of healthy food, increasing health conditions in the country. However, this problem has different levels of importance and may vary from country to country. So, the developed countries try to pay a higher attention to the environmental problems and solve them productively. On the other hand, the developing countries such as Kazakhstan and other Central Asian countries are either tend to avoid this topic, or do not promote it actively within the country.

Business growth and increase in the entrepreneurship sector has been one of the main drivers towards the stable, positive economic growth. Enterprises create new job opportunities for the population, stimulate productivity growth and encourage development of the innovative products and modifications. The Global Entrepreneurship and Development Institute publishes the annual Global Entrepreneurship Index by each country. This statistic covers 137 countries all over the world and provides the best visualisation of countries' performance regarding both domestic and international markets (GEDI, 2020).

According to the GEDI, the Global Entrepreneurship Index of Kazakhstan in 2019 was 31. The overall dynamics which cover a period from 2015 to 2019 is negative. It can be noticed that there were several fluctuations over the years from the rapid growth to a dramatic decline. 9 out of 12 Commonwealth of Independent States (CIS) countries are showed in the Figure 1 below (Kazakhstan, Russia, Ukraine, Azerbaijan, Georgia, Tajikistan, Kyrgyzstan, Moldova and Armenia).

Objective of the study

The objective of the study is to understand which factors have a negative effect on the Sustainable entrepreneurship in Kazakhstan, and how potentially profitable is the Sustainable entrepreneurship development in this region.

State-of the-art literature review

Global Economy

According to the European Committee, the world economic progress has made a huge growth during the last fifty years. There is no doubt that such significant economic growth has generated high financial advantages to the countries all over the world. Based on the information provided by OECD, some researches, which analyzed the difference between the experience of the emerging countries in terms of the development progress, have shown that sustainable growth is the best provider of poverty reduction among the population. A lot of scientists state that there is a positive connection between the growth and the decreasing poverty rate. However, there are also some disadvantages that appeared on this basis. The majority of countries tried to benefit from growth in output without paying attention to other criteria that may influence the society (Department for International Development, 2016).

Environmental problems become more and more common these years. There is a rise of the socioeconomic forces that take place in the world and local economy (Dunlap & Jorgenson, 2012). Some sources state that the current environmental problems that are faced by humanity have occurred because of the rapid industrialization and urbanization of the global market.

For the first time in a while, sustainable development was introduced in the early 80's. Firstly, the conversation regarding the environmental problems and the risks of the ecological crisis were raised in 1983 by the United Nations (WCED, 2020). During that conference, a decision regarding the introduction of a new commission was made. This commission is now known as the World Nations Commission on Environment and Development. Its major goal is to scan the global ecological condition, analyze it, and offer potential answers to the problems that have arisen.

In 2011 European Committee underlined the problem that had been faced by the majority of the developed and emerging countries. The experts claimed in the study that the financial and environmental crises demonstrate the need for significant adjustments in the global economic system. To put it another way, governments should pay more attention not only to the economic and financial aspects of the country, but also to the country's sustainability and environmental challenges. For example, Bina and La Camera (2011) mentioned that the Sustainable economy has been introduced during the financial crisis as a solution to the problems in local, regional and world markets.

According to Stern (2006), scientists all over the world share a mutual opinion regarding the fact that the danger rising from the environmental issues can be solved only by applying "collective economic adjustments" to the global economy (as cited in Georgeson, Maslin & Poessinouw, 2017). Based on the summary of the seventy-fourth session of the United Nations General Assembly, the main aim today is to achieve economic, environmental and social sustainability growth (Zhemin, 2020). On this basis Bina (2013) states that the majority of the international organizations and institutions agree that Sustainable economic growth acts as the best way to overcome crisis, both financial and environmental ones.

Some authors outline the main benefits from the introduction of the world economy. For example, Janicke (2012) states that the Sustainable economy will help the current traditional industry to move from the "downstream environmental protection technology to resource-saving technologies" by taking into account innovations and competitive environment in the global market. The "Sustainable Growth Strategy" was firstly introduced in 2011 during the OECD forum (Kasztelan, 2017). This strategy entails taking actions to generate economic growth and advantages while minimizing environmental harm while still utilizing natural resources to boost countries' prosperity. The concept of sustainable growth is inextricably linked to the concept of sustainable economy. Both promote "social welfare and social justice," as well as the risk of growing on the basis of environmental issues and environmental protection. (UNEP, 2011).

Entrepreneurship Benefits

In recent years, research on the issue of entrepreneurship have underlined the key benefits of entrepreneurship, which include the innovations given by new businesses and the jobs created by them. Entrepreneurship is a source of economic growth, higher profit, and the promotion of wealth among the population. As mentioned by Luke, Verreynne and Kearins (2007), some authors in the past year's studies have identified the fact that entrepreneurship itself is a combination of activities or processes that can be implemented to all kinds of businesses' forms.

According to Zahra and Wright (2015), there are five factors affecting entrepreneurship, which also should be considered in terms of the social role it carries. The first factor are the people who are involved in entrepreneurship both directly and indirectly (Autio, Pathak & Wennberg, 2013). It means that there is an “entrepreneurial ecosystem” that includes not only the entrepreneur but also the rest of the society which is somehow affected by business activities of the enterprises. For instance, new firms that start their business in the energy-related industry face the challenge to deal with the number of political and economic institutions and other organizations, as well as with the shareholders’ interest, that may confront each other. This fact may shape the “entrepreneurial ecosystem” and its behavior in the world economy.

The second force is based on the characteristics of the entrepreneurship in terms of its productivity. Shane (2009) state that the majority of the entrepreneurial activities do not provide enough productivity and benefits to the economy (as mentioned in Autio, Pathak & Wennberg, 2013). These groups, on the other hand, continue to provide more job opportunities, which is seen as an important social benefit. The third consideration is format. In other words, format refers to the company's official activity. However, there are some unofficial activities that may be detrimental to the sustainability concept and the humanistic approach to the Sustainable Economy. Human trafficking, drug dealing, and the sale of exotic animals are just a few examples. (Zahra, Pati & Zhao, 2013).

The most significant aspect is the fourth. It defines the domains that are influenced by entrepreneurship and where the impact that can be felt. There is another side to entrepreneurship despite the traditional wealth-creation goal of directing businesses and the entire economy toward higher GDP growth and increases in other macroeconomic indicators. Today's entrepreneurs are working to solve environmental and social issues by developing sustainable inventions and technology that provide a better future. Take, for example, the growing pollution crisis or the global food and water deficit.

The fifth force is about measurement criteria of the effects that are caused by the entrepreneurs. Traditionally, it takes into account the financial and economic criteria that may show the economic state of the company. However, some other additional measures should be also included here, such as the impact made by the company on the social development, satisfaction level and benefits gained by society.

Effect of air pollution on economy

Countries all over the world have faced a number of problems in the 21st century. Several systems have suffered during the past years, including economy, ecology and social disciplines. According to the OECD, air pollution is considered as the most serious ecological problem that may have a huge number of consequences in the economic context. There is no doubt that air pollution has a harmful effect on the overall health level of the society, agricultural sector and its development, and also generate a number of other problems that are faced by humanity during the last several decades.

According to OECD forecasts, air pollution levels are likely to rise in the near future as a result of rapid economic expansion, which increases demand for energy sources. This fact could operate as a driving force for higher emissions in the atmosphere. The same study, done by the Organization for Economic Cooperation and Development, estimated that by 2060, the population's healthcare costs would rise (due to pollution and terrible ecology). This figure is about eight times higher than in 2015.. The rise is going to be from 21 billion in 2015 to 176 billion in forty years from today. Such a huge

increase of costs in the healthcare system may also have a negative effect on the work productivity due to the rising number of the lost working hours. This will result in “global economic costs that gradually increase to 1% of global GDP by 2060”.

Another detrimental outcome of rising air pollution could be an increase in the number of deaths caused by environmental issues. In 2010, for example, 3 million people died as a result of environmental issues. In fifty years, statistics predicting from 6 to 9 million fatalities worldwide due to the same cause. "A considerable number of deaths occur in densely populated regions with high PM2.5 and ozone concentrations, particularly in China and India, and in regions with aging populations, such as China and Eastern Europe," says the report. (OECD, 2016).

Results and Findings

As it was previously said, one hundred survey links have been distributed to general public in Kazakhstan. Finally, 84 responses were received. Thus the response rate is 84%, since 84 out of 100 have agreed to participate in the research. All respondents are either permanent residents or citizens of the Republic of Kazakhstan. In addition, the only criteria was an actual student status in one of the local universities or institutes. The degree level varied from Bachelor and Master’s degrees to Doctoral degree, and did not matter during the data collection.

The first three questions collect demographic data such as gender, age range, and educational attainment. The rest of the questions focused on one of the three elements discussed in this research report and took the form of statements with responses on a likert scale. The likert scale was used to determine whether there was a significant positive effect in this study. If the majority of respondents "Agree" or "Strongly agree" with all of the statements in one factor, then the factor's effect is regarded significant and positive. The elements are assessed from a statistical standpoint by taking into account the Mean value determined based on the data collection findings.

Each respondent's average answer is referred to as the mean. It displays an average value for each sentence in the form of a consensus among the sample population. This number is used as the primary criterion for determining the significance level of each element. The criteria are based on the mean's numerical result. If the mathematically rounded means of all five statements in a factor are greater than or equal to "4", which appears as "Agree," the factor is considered important. If the mathematically rounded means of all five assertions in one factor are less than "4", which corresponds to "Agree," the factor is considered non-significant.

Hypothesis 1: Perceived opportunity has a significant positive effect on Sustainable entrepreneurship intention among students in Kazakhstan.

According to SPSS calculations, the first factor (Perceived Opportunity) which was presented by PO1, PO2, PO3, PO4 and PO5 variables. The table below shows statistical measures regarding the collected results. *Mean (PO1) = 3.99 ≈ 4.00, Mean (PO2) = 3.50 ≈ 4.00, Mean (PO3) = 4.14 ≈ 4.00, Mean (PO4) = 4.14 ≈ 4.00 and Mean (PO5) = 3.95 ≈ 4.00.* The average mean for all means of Perceived Opportunity variables equals to 4.00. **Since all the mathematically rounded means of all five statements that are PO1, PO2, PO3, PO4 and PO5 are equal to “4”, then the factor “Perceived Opportunity” is considered as a significant one. Hypothesis 1 is accepted.**

Summary, conclusion and recommendations

Throughout the years, economic and social reforms toward a more sustainable society have remained significant. Traditional corporate practices have resulted in a number of important environmental issues that humanity is currently dealing with and that may have a severe impact on future generations' well-being. According to Farinelli et al. (2013), developed countries are more concerned with sustainable development than developing countries. However, it also emphasizes the importance of integrating sustainable entrepreneurship into developing markets. At this stage in the economy, sustainable entrepreneurs have a unique opportunity to develop new sustainable ideas and promote sustainable technologies.

Sometimes it is more efficient to find the factors which may affect a particular intention among the local population. According to the United Nations the direction of local economy towards the sustainable development should be a priority for the governmental institutions. This fact may help the global economy and humanity as a whole to overcome both financial and environmental crises and promote eco-friendly way of doing business.

Since this research paper was focused on the analysis of Sustainable entrepreneurship intention among students in Kazakhstan based on three factors, that are: “Perceived Opportunity”, “Role Model” and “Social and Community Motivation”. It was assumed that all three factors have a positive sufficient effect on the Sustainable entrepreneurship intention. However, the results have showed that only two out of three factors can be considered as significant ones. So, “Perceived Opportunity” and “Social and Community Motivation” have showed a positive results. The hypotheses regarding these two factors were accepted. On the other hand, “Role Model” factor has a small motivational effect on the students, since the majority of respondents have not agreed with the provided statements.

By interpreting the results, it can be said that students in Kazakhstan, who are considered as the more active and entrepreneurship-minded part of the population, are mostly forced by the internal willingness to respond to the provided opportunity. In other words, students have an internal motivation to start a new business or they have some other personal characteristics which push an individual to take a particular risk and became a Sustainable entrepreneur.

External motivation, which is typically developed on the basis of social duty to improve the local community, is another element that demonstrated a substantial positive relationship. This aspect is more specific to the Sustainable Entrepreneurship concept, as it emphasizes the primary goal of a sustainable economy. If someone wants to develop a sustainable business idea, they should have a high level of social and community motivation.

This study has identified the relationship between “Perceived Opportunity”, “Role Model” and “Social and Community Motivation” factors and Sustainable entrepreneurship intention among students in Kazakhstan. To sum up, the internal motivation to catch the potential business opportunity has a significant effect on the individual intention to open a new business. In addition, a sense of the social responsibility and improving of the welfare in the local community remains accurate among the potential or future entrepreneurs.

At the same time, it can be assumed that the “Role Model” concept did not play an important role in the current research, because Sustainable entrepreneurship is comparatively a new movement that had not been popular in the last century or among the older generation. This fact may exclude the existence

of the role model or, in other words, an example for behavioural imitation of a Sustainable entrepreneur among the younger generation.

Generally, the research has provided a better understanding of the motivational factors and the overall intention that is shared by the students in Kazakhstan regarding the future Sustainable entrepreneurship business opportunity. The overall results has showed that students are mostly motivated to open their own business and develop the idea towards the global sustainability. This is a positive signal for the future economic development.

Recommendations for future studies

As previously stated, the present pandemic scenario and financial crisis in 2020 may have a significant impact on the research findings throughout this time period. Despite this, the findings revealed the impact of each of the criteria on the students' intention to begin a sustainable company development in their home country. In the near future, sustainable entrepreneurship could be a solution to solving both environmental and economic concerns and challenges.

Entrepreneurship itself is an important driver of economic development and financial stability in the country. It also plays a significant role in the promotion of innovations and implementation of new technologies as well as the new products and services in the life of the local population. Sustainable business development, on the other hand, serves as good solution to reduce air and water pollution problems generated by traditional business units, improve the public health in the country and support the global movement towards a limited harm to the surrounding environment. This topic remains important for the potential entrepreneurs as well as to the governmental institutions, which are expected to direct the economy towards the sustainable growth.

Due to limited time and funding, this study was confined to three factors that were thought to be the most closely related to sustainable entrepreneurship. It was suggested that future research in this field should focus on a broader variety of motivating factors that may have a major impact on the intention to engage in sustainable entrepreneurship. Because not all of them will have the same significance for the researchers. For example, the findings of this study found no significant link between the "Role Model" factor and students' intentions to pursue sustainable entrepreneurship.

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The impact of the leadership styles on Crisis management: Kazakhstani Private and Public institution

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Abstract

One of the most effective ways to prevent and respond to crises is by integrating crisis management into a comprehensive and ongoing effort that considers the interests of all stakeholders at each stage of a crisis (Santana, 2004). Despite the importance of crisis management for an organization's performance and survival, particularly in today's quickly changing environment, various symptoms indicate a lack of effective crisis management strategy and execution. There has been a decline in Kazakhstan's public and private sectors during 2011's economic crisis, with losses of up to \$17 billion in the private sector from December 2010 to August 2011. According to IMF (2014).

Gross Domestic Product (GDP) has fallen by 15%, causing payroll delays, job losses, and lower real salaries because of the substantial inflation that has occurred (World Bank, 2012).

Consequently, Crisis management is viewed as one of the ways to control and mitigate the effects of a crisis when it is paired with effective leadership (Wooten & James 2008). As an added benefit, crisis management enables businesses to continue operating normally while dealing with the problem (Darling, 1994).

Key words: crisis management, effective leadership

Introduction and objective:

Crisis management is critical to an organization's existence, but little emphasis has been paid to the role of leadership style as a crucial predictor of crisis management. These strategic aspects have been examined in many prior studies in crisis management (organizational crisis history, organizational size, strategic leadership, and human skills) (Wilson & Waiganjo, 2013). Another study examined the impact of crisis management on organizations' human resources (Myer, Conte, & Peterson, 2007). Besides the role of organizational learning in crisis management, Wang (2008) also examined the importance of this. Because of this, the goal of this study is to bridge the gap between crisis management and leadership style.

Problem statement: It is the objective of crisis management to decrease the effect of an unforeseen event on an organization's survival. Planning for, coordinating, and reacting to potential operational risks are all part of this process. This may have a tremendous impact on organizations, resulting in economic, social, and environmental consequences. (Herbane, 2013). Another way to regulate and mitigate the effects of a crisis is via crisis management, which is linked to effective leadership (Wooten & James 2008). Industrialized and growing countries like the United States, Britain, Kazakhstan, and China are all tied to successful leaders (Wai, Sandhu & Kishore, 2009). After a crisis, effective crisis leadership entails recognizing dangers and taking action to mitigate them, as well as

creating a sense of normalcy after the crisis is over (Boin, Hart, TmccConnell & Preston, 2010).

However, the governing parties and leadership of Kazakhstan have changed. The country is still plagued by high rates of unemployment, poor economic conditions, and a high level of corruption (Smith, 2012). The 2011 economic crisis has a direct impact on Kazakhstan's workforce, small and medium-sized businesses (SMEs), product and food prices, and the availability of essential services. An estimated 15% of private-sector employees and 30%–40% of factory workers lost their jobs, while most employees had their incomes slashed by around 20% and were required to take up to six months of unpaid leave (World Bank, 2012). Kazakhstan's Deputy Prime Minister Al-Alimi has said that one of Kazakhstan's tasks is to increase the existing level of leadership talents, especially in the public sector (Ahmad & Gelaidan, 2011).

It has been stated that crisis study containment is becoming more relevant for future research by Kaltenstadler and Ksiazkiewicz (2011). In addition to developing crisis leadership skills during a crisis, this might involve techniques for avoiding crises and spotting warning signals. Furthermore, Jacobsen (2010) proposed that future studies may examine the characteristics of successful crisis leadership. Transformational leadership has been studied by Cho and Tseng (2009), Alsamaray (2014), and Kaltenstadler and ksiazkiewicz (2014), among others, during financial crises (2011). Again, the topic of transformational leadership in the face of a natural catastrophe was studied by Zhang et al. (2012) in detail.

Research question: There were two key study questions: "Which leadership style is more successful in crisis management?" and "Which leadership style is more effective in crisis prevention?" and "Which crisis management leadership style is more effective?" among other questions. These questions served as the foundation for the focus of the investigation. In order to completely grasp the following concepts:

1. Does transformative leadership have a substantial influence on crisis management (CM)?
2. Is transactional leadership (TL) a crucial factor in crisis management?
3. Does charismatic leadership have a substantial effect on crisis management (CM)?
4. What is the most effective crisis management leadership style?

State-of the-art literature review

This chapter contains a review of the literature on crisis management and leadership style in order to support the present study. To begin, the chapter surveys the existing literature on the backdrop of the Kazakhstan issue before addressing both crisis management and leadership style (transformational, transactional, and charismatic), as well as developing a framework and hypothesis.

Many of Kazakhstan's present problems stem from a lack of economic development. In Kazakhstan's economy, there are a number of problems. Only a few of the issues addressed include dwindling oil production, declining net oil exports, rising inflation, and persistently high unemployment. For a long time, Kazakhstan has been plagued by security difficulties.

According to Person and Mitroff (1993), companies may be affected by a broad spectrum of crises. As a result, today's organizations are much more vulnerable to disasters than they were in the past. There are no organizations exempt from the possibility of a crisis at any time, and it often takes the form of an onslaught of urgent, unanticipated occurrences (Al-Ghamdi, 2013). As a result, crisis management is concerned with minimizing the effect of an unanticipated event on an organization's daily operations. In addition to preparing for and reacting to any threats that might restrict or impede operational activities, it also comprises organizing and coordinating resources (Herbane, 2013). It is no

longer a matter of whether we can handle the crisis and turn it into opportunities. It is not an issue of whether or not a corporation will experience a crisis; rather, it is a matter of "when will a crisis occur," "what sort of crisis will occur," and "how to prepare for it" (Kash & Darling, 1998). While the issue is being handled, crisis management allows the company to go about its business (Darling, 1994). As a result, the researcher argues that the biggest problem for Kazakhstani corporate and governmental organizations in avoiding devastating effects during the present crisis is a lack of appropriate leadership style and efficient crisis management.

The Greek word "krisis," which means "judgment, selection, or option," is the origin of the phrase crisis. How the phrase is used, the context and the discipline of the researcher all impact the way the word is employed (Preble, 1997). An alternative definition of crisis is one in which "the underlying structures or core principles and norms of the system are threatened to such an extent that critical decisions must be made under time limitations and severely uncertain situations." (source) (Rosenthal, Boin, & Comfort, 2001). The difficulty is that no one has been able to put together an integrated scenario for how to react and solve the crisis despite the fact that it is anticipated given certain symptoms, according to Alsamaray (2014). Risk events may range from the relatively ordinary (such as an earthquake), to the more catastrophic (such as a political crisis), as in recent memory we have seen in situations like the Ukrainian one. Pearson and Clair (1998) describe a crisis in the organization as "a low-probability, high-impact occurrence that threatens the organizational survival and is distinguished by the uncertainty of cause, influence, and methods of resolution, as well as a feeling that choices must be taken swiftly."

Managers were asked to describe the characteristics of a crisis, and they came up with the following: large size, quick attention, a sense of surprise, the necessity for action, and being outside of the control of the organization. Each of these characteristics describes a crisis. A crisis must also pose a danger to the organization's reputation and long-term existence (Person & Mitroff, 1993). There are several factors that contribute to any crisis, including human defects, organizational failures, and environmental variances (Rosenthal et al., 2001).

Studies on crisis and contingency management, as well as evaluations of how crises are managed and how they might be recovered, have accumulated during the preceding two decades in significant numbers and depths.

One of the most common ways that experts categorize crises is either natural or human-induced. There have been a number of study programs for crisis scenarios across academic fields as a consequence of these efforts (Hutchins, 2008). "Natural and human-induced crisis" is how Hutchins (2008) attempts to categorize crisis:

1. Natural disasters, including earthquakes, tsunamis, cyclones, wildfires, and hurricanes, as well as other threats to public health and safety, fall under this category (such as unsafe health practices or diseases).
2. A crisis that was driven on by individuals or organizations is referred to as a human-caused crisis. There are seven types of crises, according to Lerbinger (1997).

1. Natural Disaster: There is a common misconception that management is immune from responsibility for damage caused by natural catastrophes. Contrary to many other forms of crises, the timing and severity of natural disasters may be foreseen. While disaster recovery relies heavily on emergency services, management also has a role to play in being aware of and ready for potential threats.

2. Technological Disaster: a natural disaster may hit with such much power that it results in a large number of deaths. Science and technology have caused a huge increase in the number and intensity of crises." There is a major difference between the two. No one is held responsible for natural calamities. Only the way they are handled is important. When it comes to technology disasters, however, the blame will be assigned to those who made the mistakes.
3. Crises of confrontation: It's very uncommon for persons or organizations to purposely create confrontational crisis situations in order to get support for their demands and expectations. Some of them may be laborers, protestors, or single-issue activists; others may be everyday citizens.
4. Acts of malevolence: When someone is being malicious or aggressive, it may lead to a variety of problems. Things like product tampering, terrorist threats, kidnappings, and corporate espionage are just some of the things that are difficult to forecast and avoid.
5. Misplaced management values: Misplaced managerial values are to blame for this kind of crisis. As a result, it prioritizes shareholders above other stakeholders, seeing the latter's interests "not just as a subsidiary but as highly insignificant."
6. Acts of deception: Deliberate acts of concealment or deception, like negligence, are the result of "skewed" management ideas, much like negligence.
7. Management misconduct: In addition to "skewed" beliefs, there are acts of "deliberate morality and criminality" by management. As soon as they are made public, these outstanding achievements have no redeeming features and quickly become public scandals. Examples of such actions include fraud, bribery, embezzlement, extortion, and other swindles.

Research methodology and data collection tool

This chapter explains the research approach and processes used to address the research questions. There is a statistically substantial correlation between the three variables of transformational, transactional, charismatic, and crisis management leadership styles. Quantitative methods are used to study this issue in this chapter. Data collection methods, research equipment, and data processing procedures are all included in the research.

When doing research, you need a plan that details how you will collect and analyse the data you need (Zikmund et al., 2010). To achieve research objectives such as data type, data collection methodology and sampling strategy according to Sekaran and Bougie (2010), study design is crucial.

However, according to Sekaran and Bougie (2010), there are a number of different study designs, including exploratory, descriptive, hypothesis testing, and case studies. This research aims to examine the relationship between three independent variables: the style of leadership (transformation, transactional, and charismatic) and the dependent variable (crisis management). Consequently, in this study, a descriptive investigation was undertaken to identify the characteristics of the participants.

There were two methods utilized to get at the relationship between the independent and dependent variables: questionnaires and hypothesis testing (also known as "casual research"). In addition, this study employed a cross-sectional survey since it required less time, money, and effort. For research purposes, cross-sectional studies collect data just once over a short period of time (a few days, weeks, or even months) (Sekaran & Bougie, 2010). In addition, a survey technique was utilized in this

research, which used a quantitative approach. There are a variety of methods for acquiring primary data, including the survey method, that are widely utilized (Zikmund et al., 2009). In addition, a recent study found that survey design is one of the best methods for obtaining primary data from a large number of individuals (Hair et al., 2006). Kazakhstan's governmental and private organizations were used as a sample for this study, and the unit of analysis was the individual.

In order to gather information, a specific questionnaire was employed. Leadership styles such as charismatic, transactional, and transformational were all included in the survey, as were crisis management stages. The questionnaire consists of 81 questions, which are broken down into five sections. Each section of the survey is filled with questions. (7) Categories, such as gender, age, educational level, institution type, career, and experience, are included in the first section of the report. There are twenty questions in the second half that evaluate transformational leadership, and twelve questions in the third segment that evaluate transactional leadership. Charisma leadership is assessed in the fourth segment, which includes 20 aspects. The last section is in the fifth section. A total of 29 factors are used to determine the effectiveness of crisis management.

Data analysis with critical thinking and discussion the data was correctly analysed using the statistical SPSS tool, which was version 21 at the time of writing. For the purposes of evaluating the reliability and validity of the study, the SPSS (Statistical Software Package for Social Science) software version 21.0 was used. Data analysis and hypothesis testing were carried out using SPSS software, which included calculating the response rate and demographic profile of respondents, describing respondents' characteristics with descriptive statistics, and conducting both linear and multiple regression analyses to determine the impact of leadership styles on crisis management in Kazakhstan public and private institutions.

Descriptive statistics

These approaches are used to describe the features of a sample, check variables for any inference-related violations, and answer specific research questions (Pallant, 2001). Describing a set of data via the use of charts and tables is an important part of the descriptive statistics method. In order to prepare data, clean data and test for normality, descriptive statistics such as the mean, standard deviation, range, skewness and kurtosis are utilised (Coake, Steed & Dzidic, 2006).

Factor analysis

As a result of this requirement, factor analysis was required to assign the scales used from prior research a satisfactory match. Alternatively, component analysis is used to cut down on the number of variables measured in order to limit the amount of information that is lost (Hair, Black, Babin, Anderson, & Tatham 2010).

Sphericity is tested using the Barlett criterion in order to establish whether or not component analysis may be used successfully. You may be certain that at least some of the variables in your correlation matrix have a meaningful link with one another because of this information" (Hair et al., 2010). Analyzing data's factor ability may be done using a variety of statistical indicators. For the factor analysis to be useful, the results of Bartlett's sphericity analysis must be significant (p.05)

Correlation Analysis

It is possible to determine the strength and direction of an association between two variables using the correlation analysis. In addition, it demonstrates the link between the study's variables in terms of

direction, intensity, and relevance (Sekaran & Bougie, 2010). In other words, a positive correlation suggests that as one variable rises, so does the other. When one variable rises, the other variables decline. This is called a negative correlation (Sekaran, 2006). It is possible to precisely predict the value of one variable by knowing the value of the other. A correlation of 0 indicates that there is no relationship between the two variables. When you say "Pallant" in the plural, you're referring to a number of different years.

Regressions Analysis

The correlation between a number of variables may be examined in more detail using multiple regressions. All of the independent variables may be used in multiple regressions to determine how much variance there is in the dependent variable scores (Pallant, 2001). A typical assumption could be verified before hypothesis testing to ensure that the multiple regression test tool was used correctly. Tests such as the normality and linearity tests, the heteroscedasticity and the multicollinearity tests are part of the classical assumption test (Hair et al., 2010).

Summary, conclusion and recommendations

This study examined the impact of leadership styles such as transformational, transactional, and charismatic on crisis management. Each hypothesis test was explained in great detail, as well as the study's objectives. With this study's help, we can achieve the following objectives:

1. Examine the function of crisis management transformational leadership.
2. To learn more about the impact of transactional leadership on crisis management strategies.
3. For the purpose of determining how charismatic leadership impacts crisis management.
4. Decide which leadership style is most effective in dealing with crises.

First objective: The study's major objective is to evaluate how crisis management is affected by transformational leadership. Each additional unit of transformative leadership is anticipated to raise crisis management by .561 points, according to table 4.9. This found a strong link between transformational leadership and crisis management in Kazakhstan's business and governmental organizations. Kazakhstan's commercial and government leaders, meantime, demonstrate strong leadership, increasing the chance of a quick reaction to a crisis and inspiring subordinates to follow the leader's instructions more successfully. This study is consistent with the findings of Boin et al (2003). This supports the conclusions of the research. One of the most frequent leadership styles, transformational leadership, has been extensively studied in the literature on leadership. Leaders with "charisma," which is generally related with high morals, trust, integrity, honesty, and purpose, are regarded to have idealized impact (both attributed and behavior) because they serve as role models for their followers. As a result, followers pick and pursue their leaders because they are admired and respected by their followers. This finding is supported by the notion of transformative leadership, as well as previous studies like Kirkbride (2006) and Bass et al (2003).

To demonstrate how inspiring leaders can encourage others via giving them with a clear vision and optimistic thinking for the future, the leaders of Kazakhstan's public and commercial organizations employed aspirational motivation as part of their transformational leadership

style. This is especially critical when leaders are dealing with crisis situations. As a result, a positive work environment or climate is fostered in Kazakhstan's public and private institutions through intellectual stimulation of transformational leaders, which emphasizes intelligent and creative problem-solving and rationality while also encouraging rethinking, reframing and re-examining assumptions. Ahmad et al. results were also in agreement with this (2011). It is important to note, however, that in Kazakhstan's business and government sectors, crisis management relies heavily on transformational leadership.

Second objective: This study supports the second hypothesis (H2), which states that transactional leadership and crisis management are strongly linked in Kazakhstan's business and government sectors. A.698 increase in crisis management is projected for every unit increase in transactional leadership, according to Table 4.10.

Research shows that transactional leadership style may assist commercial and government organizations in Kazakhstan overcome crises by ensuring that followers accomplish duties on time and according to specifications in uncertain times, as shown by the results of this investigation. Researchers like Zohar et al. (2004) and Carlijn et al. (2006) have already done this (2010).

The transactional leadership style has a positive effect on crisis outcomes, as shown by the prevalence of contingent compensation among Kazakhstani business and government executives. In addition, transactional leadership enables businesses to do more complex operational tasks. According to Zohar et al. (2004) and transactional leadership theory, these findings are in accord with earlier findings. When a leader is transactional, he or she takes corrective action when a follower makes a mistake or fails to fulfil their assigned responsibilities. According to Zhang et al. and other studies conducted in developing countries, transformational leadership may be a better predictor of organizational success than transactional leadership (2012). When a situation is stable and predictably predictable, transactional leadership arises, but transformational leadership emerges when the situation is ambiguous and uncertain. Transactional leadership approaches seem to be more effective in crisis management in Kazakhstan commercial and public organization's than transformational and charismatic leadership styles, according to this study. Transactional leadership has a larger influence on crisis management than transformational or charismatic leadership, according to empirical studies. Kazakhstan's ability to deal with the crisis in both private and public sectors will be enhanced by this conclusion, or at the very least its negative ramifications will be limited. On the other hand, this finding was theoretically and practically confirmed, as was Zohar et al.

Third objective: The third objective of this study is to examine the influence of charismatic leadership on crisis management. As shown in Table 4.11, charismatic leadership has a significant value of.004, which is smaller than.05, indicating that it has a favorable effect on crisis management. In addition, the findings of this research are in accordance with those of Pillai and Meindl (1998), who indicated that times of crisis provide leaders the opportunity to take bold and meaningful action, which followers perceive in charismatic terms and may boost their readiness to follow. As an added benefit, charismatic executives have the ability to communicate clearly and to create a compelling vision for their organisations. As a result, the company was aligned behind a strategic objective as a result of the leader's convincing vision of what the future holds. While the crises in Kazakhstan's business and governmental sectors may benefit from charismatic leadership, this research found.

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Agripreneurship opportunities in Kazakhstan and cultural challenges associated with it.

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Abstract

Further development of agripreneurship in the country remains extremely important in the modern world. Governments are helping farmers to become agripreneurs by launching educational programs; in addition, they are reducing the tax rate for farmers which is intended to increase the attractiveness of this field. However, there is a significant difference between a farmer and agripreneurs. For traditional farmers the knowledge of agriculture was enough, people would buy his/her products because the market was not big compared to nowadays, but right now they need to be curious, persistent, and innovative, show communicative with strong management and organizational skills, and always search for suitable marketing opportunities that would increase the brand recognition.

Key words: *agripreneurship, organizational skills, opportunities*

Introduction

Kazakhstan as a young country and as a nation that were introduced to agriculture (crop) only hundred years ago and has a long journey ahead. Before the full occupation of Soviet Union kazakhs were nomads that used to roam from one place to another depending on the season. All these movements were done for the livestock that needed fresh grass to feed; considering all those reasons agriculture was not developed, and after Soviet Union came, kazakhs were forced to transfer to settled way of living.

The development of agripreneurship in Kazakhstan is associated with improving the interaction of its industries with other industries economy, and the implementation of governmental programs aimed at solving problems of improving the quality of life of the population. Solving these problems associated with the rational use of resources, that is, improvement of financial instruments of the state regulation of agricultural production. To determine the state support, various methods of calculating costs are used: for maintaining land and leasing funds, subventions, subsidies and compensations, as well as concessional loans and others.

The business oriented agricultural education is another long-term goal that has to be achieved since the agripreneurship consists of not only producing the goods, but also marketing, sales, management and effective decision making. Nowadays, there are no educational programs that could teach students or even agripreneurs on how to manage agribusiness; what factors to consider before choosing the field of interest, how to plan the launch and develop the company. Most of the educational programs provided by local universities are outdated, and does not meet the fast changing pace of the agribusiness, which is, as earlier stated, already implementing cutting edge technologies to improve the production rates.

In summary, Kazakhstan needs to address and solve both political and educational issues to become the developed country. Kazakhstan has all the recourses to become one, but the approach has to be agile and precisely measured since the advances in technology do not stand at one place.

Problem Statement

Since agriprenurship and entrepreneurship are so closely linked, an examination of the state of entrepreneurship in Kazakhstan as a whole is required. The establishment of enterprises and the entrepreneurial sector have been important drivers of consistent, positive economic growth. Enterprises create new jobs for the general public, increase production, and promote the creation of new products and innovations. The Global Entrepreneurship and Development Institute publishes an annual Global Entrepreneurship Index for each country. This statistic covers 137 countries around the world and gives the most accurate representation of a country's performance on domestic and international markets (GEDI, 2020).

Kazakhstan's Global Entrepreneurship Index for 2019 was 31 according to the GEDI. The overall trend, which spans the years 2015 through 2019, is negative. There have been various variations over the years, ranging from tremendous expansion to a severe decrease.

Kazakhstan is ranked 59th out of 136 countries on the global list for 2019. In compared to other CIS countries, it is nearly the best, coming in second only to Azerbaijan. However, this region's total performance is not as good as that of Western countries. As a result, this element may pose a new obstacle to the development of agriprenurship in Kazakhstan and other CIS nations.

At the same time, agricultural challenges have become increasingly relevant over time. Political institutions in Kazakhstan devote more effort to developing agricultural campaigns, implementing cutting edge technologies, and improving the country's overall agricultural state. Also, Kazakhstan is getting more inclined towards the agriprenurship and not towards the agricultural development solely dependent on governmental help. Government is supporting the entrepreneurship intensions and prioritizing the development of agrisector by improving the education system better suited for entrepreneurship.

The ability of intentions to predict human behavior is the central thesis of entrepreneurial intention studies. The theory of planned behavior (Ajzen, 1985) and the entrepreneurial event model are two conflicting intention models that have been used in a large number of intention studies (Shapero & Sokol, 1982). Intention can be defined as a mental sign of a person's readiness to carry out a specific behavior (Shook & Bratianu, 2010). As a result, agriprenurial intention (AI) can be described as a person's willingness to work for themselves by starting a new agricultural business endeavor in order to make money.

Kazakhstan's agro-industrial complex has promising future prospects: export positions in the oilseed and meat sectors are improving, and Kazakhstan has quickly become one of the world's leading grain and flour exporters. Kazakhstan's membership in the Eurasian Economic Union (hence referred to as the EAEU) and the World Trade Organization (hereinafter referred to as the WTO) provides opportunities while also imposing high competitiveness criteria in both domestic and international markets (Bota D. Baitarakova and others, 2018).

During the independence period, nine policy documents were developed on the basis on which the state's agricultural policy was implemented: Program of socioeconomic development "Aul" for 1991-

1995 and up to 2000, Conceptual program of agricultural development for 1993-1995 and up to 2000, Program of agricultural production development for 2000-2002, State agri-food program for 2003-2005, State program of rural development for 2004-2010, Concept of sustainable agriculture development for 2006-2010, The program of priority measures for implementing Kazakhstan's Concept of Sustainable Agriculture Development for 2006-2010, the Agriculture Development Program for 2010-2014, and Kazakhstan's Agriculture Development Program "Agribusiness - 2017."

In order to increase agricultural production volume, with a focus on the most popular types of food and the development of processed agricultural product exports, it will be necessary to ensure maximum coverage of agricultural producers (hereinafter - AP) state support in the coming period by creating favorable conditions and infrastructure for primary processing, storage, and marketing of competitive products.

The current State program for Kazakhstan's agricultural development for 2017-2021 (hereinafter referred to as the Program) was developed in accordance with the order of the Head of State, given at the enlarged meeting of the Government of Kazakhstan on September 9, 2016, and in accordance with Kazakhstan's strategic development goals, as outlined in the national Plan "100 concrete steps" and the Strategy "Kazakhstan-2050."

As a result, the goal of this program will be to ensure that the population's internal needs for popular agricultural goods are met, as well as the establishment of a planned export policy.

The purpose of this article is to examine Kazakhstan as an appealing market for agripreneurship by looking at potential problems related with the country's declining entrepreneurship rate and agribusiness intentions, such as governmental assistance and the state of agriculture in general. The primary goal of this study is to paint a comprehensive image of current conditions, both agricultural and social, and to conduct a critical analysis of the benefits and drawbacks of future agribusiness development in Kazakhstan.

According to certain studies, motivation theories can be thought of as a theoretical explanation for the individual's desire to pursue entrepreneurship. It could be financial concerns, security, social status, personal fulfillment, a desire for accomplishments or challenges, or any other personal motivator that drives a person to become an entrepreneur (Stephan, Hart & Drews, 2015). This study focuses on three elements that are likely to have a substantial positive relationship with students' intentions to engage in green entrepreneurship in Kazakhstan:

- 1) Perceived Opportunity.** The main drivers that are regarded in terms of agripreneurship, according to recent studies, are social and environmental ones. Individual and cultural influences, however, play a role in the level of entrepreneurial development among the population. For example, as Kirzner (1979) points out, a force in the face of "imagined opportunity" arises from a personal desire to be aware of new opportunities (as cited in Nhemachena & Murimbika, 2018). As a result, certain people are more prone than others to take up new challenges. However, the overall significance of this element is dependent on the proportion of this type of person in a given population.
- 2) Role Model.** The second aspect is the "role model," which, according to motivational theory, is a psychological method of motivating people to attain goals by using a community as the primary motivator (Morganroth, Ryan & Peters, 2015). This component is mostly determined by the socio-cultural characteristics of the society in which one lives. Individuals "observe the conduct of

others in specific contexts, then note the effects of those behaviors," according to Singh, Vinnicombe, and James (2006), who are based on the social learning theory. To put it another way, a person tends to follow the same style of conduct that is prevalent in the culture in which they live. The role model factor is employed in this study to assess the extent to which social and cultural structures impact potential entrepreneurs.

- 3) Community and Social Motivations Factor.** The "community and social incentives component" is the final aspect examined in the Kazakhstan market. Stephan, Hart, and Drews (2015) consider this aspect to be one of the agribusiness incentive forces. The authors calculate intention based on "an entrepreneur's motivation to contribute to his or her community" by pursuing sustainable business prospects.

These three elements (perceived opportunity, role model, and community and social motives) are thought to be the most powerful potential drivers in Kazakhstan culture, and they can either catalyze or hinder agripreneurship.

Methodology

This research is based on quantitative data. A quantitative research approach, according to Aliaga and Ganderson (2002), is one that employs numerical data to explain any relevant concerns using a variety of mathematical and statistical methods. Due to the definitive answers that are frequently offered in the form of a fixed-answer survey, such as multiple-choice questions, quantitative data is easier to analyze. The numerical data acquired from the population is the emphasis of this type of research method. The hypotheses that are identified through the study model and its dependent and independent variables are used to generate the questions.

The sample approach used in this study is non-probability sampling. The data collection participants are all volunteers who were picked at random based on their current 'student' status. A total of one hundred survey URLs were sent out to potential respondents. The sample size was established based on the response rate of the one hundred samples delivered to the general public with a 'student' status, due to the current pandemic scenario in 2021 and physical limits of conducting the research job. The total number of people who completed the survey and submitted their responses was 93.

Data Collection

Physical data collection is problematic in the present global pandemic scenario. As a result, the online non-contact strategy was modified for this study by utilizing the Google Forms platform. This strategy provided participants with a sense of security and ease. The data collection technique for this study's google form may be found at the following link: https://docs.google.com/forms/d/e/1FAIpQLScOdYxWsP_PrgQX-DD9a6S-FKc9Es9ScPjL3UgIFKQZzmadhA/viewform?usp=sf_link

Analysis and Findings

The likert scale was used to assess the significant positive influence in this study. If the majority of respondents "Agree" or "Strongly agree" with all of the statements in a factor, the factor's effect is regarded significant and positive. The factors are studied from a statistical perspective by using the Mean value computed from the data gathering results.

Each respondent's average response is referred to as the mean. It displays an average value for each sentence in the form of a consensus among the sample population. This number is used as the primary criterion for determining the significance level of each element. The criteria are based on the mean's numerical result. If the mathematically rounded means of all five statements in a factor are greater than or equal to "4", which appears as "Agree," the factor is considered important. If the mathematically rounded means of all five statements in a factor are less than "4", which corresponds to "Agree," the factor is considered non-significant.

Hypothesis 1: Perceived opportunity has a significant positive effect on agripreneurship intention among students in Kazakhstan.

According to calculations, the first factor (Perceived Opportunity) which was presented by PO1, PO2, PO3, PO4 and PO5 variables. The table below shows statistical measures regarding the collected results. $Mean (PO1) = 3.95 \approx 4.00$, $Mean (PO2) = 3.67 \approx 4.00$, $Mean (PO3) = 4.1 \approx 4.00$, $Mean (PO4) = 4.08 \approx 4.00$ and $Mean (PO5) = 4.15 \approx 4.00$. The average mean for all means of Perceived Opportunity variables equals to 4.00. **Since all the mathematically rounded means of all five statements that are PO1, PO2, PO3, PO4 and PO5 are equal to "4", then the factor "Perceived Opportunity" is considered as a significant one.** *Hypothesis 1 is accepted.*

Hypothesis 2: Role model has a significant positive effect on agripreneurship intention among students in Kazakhstan.

According to SPSS calculations, the second factor (Role Model) which was presented by RM1, RM2, RM3, RM4 and RM5 variables. The table below shows statistical measures regarding the collected results. $Mean (RM1) = 3.8 \approx 4.00$, $Mean (RM2) = 3.84 \approx 4.00$, $Mean (RM3) = 4.00 \approx 4.00$, $Mean (RM4) = 2.95 \approx 3.00$ and $Mean (RM5) = 2.6 \approx 3.00$. The average mean for all means of Role Model variables equals to 3.60. **Since all the mathematically rounded means of all five statements that are RM1, RM2, RM3, RM4 and RM5 are less than "4.00", then the factor "Role Model" is not considered as a significant one.** *Hypothesis 2 is rejected.*

Hypothesis 3: Community and social motivation has a significant positive effect on agripreneurship intention among students in Kazakhstan.

According to SPSS calculations, the third factor (Community and Social Motivation) which was presented by CSM1, CSM2, CSM3, CSM4 and CSM5 variables. The table below shows statistical measures regarding the collected results. $Mean (CSM1) = 4.2 \approx 4.00$, $Mean (CSM2) = 4.10 \approx 4.00$, $Mean (CSM3) = 4.23 \approx 4.00$, $Mean (CSM4) = 3.78 \approx 4.00$ and $Mean (CSM5) = 4.15 \approx 4.00$. The average mean for all means of Role Model variables equals to 3.60. **Since all the mathematically rounded means of all five statements that are CSM1, CSM2, CSM3, CSM4 and CSM5 are equal to "4.00", then the factor "Community and Social Motivation" is considered as a significant one.** *Hypothesis 3 is accepted.*

Recommendation

As previously stated, the present pandemic scenario and financial crisis in 2021 may have a significant impact on the research findings throughout this time period. Despite this, the findings revealed the impact of each of the criteria on the students' intention to begin a sustainable company development in their home country. In the near future, agripreneurship could be a key to solving both poverty and economic difficulties and concerns.

In addition, a larger portion of the population should be evaluated in order to obtain a more accurate picture of the country's status. The participants in this study are all Almaty residents. Due to a range of environmental influences and certain variances in the psychology of people in different parts of the country, it is predicted that responses will differ from the rest of the population. However, because Almaty is one of Kazakhstan's most developed cities in terms of infrastructure, the study's findings are still extremely important on a local and worldwide level.

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Leadership Strategy to manage virtual teams

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Abstract

The corona virus disease (COVID-19) pandemic has caused havoc across the globe. In the realm of education, this emergency has resulted in the widespread suspension of face-to-face operations at educational institutions in over 190 countries in order to limit the virus's spread and reduce its effects. According to the United Nations Educational, Scientific, and Cultural Organization (UNESCO), more than 1.2 billion students at all levels of education have quit attending face-to-face lessons by mid-May 2020. In the meantime, UNESCO has identified significant gaps in educational outcomes that are linked to unequal distribution of teachers in general. However, the shortage of qualified teachers in particular, damages low-income countries and regions, as well as rural areas, where socially vulnerable segments of the population are concentrated (UNESCO, 2016a; Messina and Garca, 2020). Many of the measures adopted by the region's countries in response to the crisis in the education sector are related to the suspension of face-to-face classes at all levels, which has given rise to three main areas of action: the deployment of distance learning modalities through a variety of formats and platforms (with or without the use of technology); and the deployment of distance learning modalities through a variety of formats and platforms (with or without the use of technology); concern for students' health and overall well-being; and support and mobilization of education workers and communities.

Key words: COVID-19, leadership, education

Introduction

According to the OECD, covid-19 is the greatest economic threat this century. Beyond from the deaths, the pandemic has caused an economic crisis that will affect society for foreseeable future. With its lack of testing and intensive-care beds, insufficient manpower, and inability to offer the right technology, the pandemic demonstrated how ill-equipped nations' healthcare systems are to handle severe crises (Gurra, 2020). Furthermore, as many as 800.000 Swedish jobs were thought to be in jeopardy as early as March 23rd, due to a massive drop in demand in key industries. Curfews were already being enforced over the world (Kotsambouikidis, 2020; SVT, 2020). The Swedish government hasn't quite required that residents work from home or imposed curfews, but its public health service has stated that people should work from home if they have the option (Eriksson and Falkirk, 2020). Despite this, the infection forces harsh measures to be performed. For example, all hospitals in the Stockholm region are employing a military decision-making system purchased from NATO as a result of the Covid-19 problem (Röstlund and Gustafsson, 2020). Some organizations may have extra choices to navigate the problem as location-bound organizations are forced to change their leadership styles (e.g., hospitals) or face a significant drop in demand (e.g., hotels and airlines).

Globalization and technology advancements have provided us new work practices and the ability to collaborate in virtual teams (Cameron and Green, 2020). A virtual team (VT) is described as a group

of dispersed coworkers who work together to complete an organizational job using various computer-mediated tools or other technical instruments. These groups rarely meet face to face (Townsend et al., 1998). Are corporations eligible to move previously co-located teams online in some cases? This indicates that many people will experience a new working environment as a result of this change, which may have an impact on leader-follower work relationships.

Problem Statement

VT leaders have the same responsibilities as co-located leaders in that they must inspire and motivate VT members to achieve specific objectives, but they do so in a virtual setting where communication is limited (Mehtab et al., 2017). Virtual leaders operate in a much more ad hoc setting in which it might be more difficult to observe as well as to motivate people in accordance with the organization's mission (Kuscu and Arslan, 2016). As a result, VTs require additional abilities, as conduct in co-located teams cannot be presumed to be successful in a virtual situation. (Zigurs, 2003).

It has shown that the frequency of communication is more important for VTs than for other kinds of teams. VTs often lack the more traditional way of communicating and sharing information face-to-face, they might also lack the tone of voice and other nonverbal cues (Schmidt, 2014). The environment for leadership in VT is characterized by vague communication and self-leadership among members is a necessity. For leaders to successfully manage VTs they have to facilitate, communicate more frequently, and raise the visibility of VT members' activities (Zigurs, 2003).

As a result, leadership as a relational phenomenon between leaders and followers wherein they co-produce leadership are yet to be explored in the context of formerly co-located teams deciding, or being forced, to relocate online during a crisis. This is still an issue that needs to be addressed. We discovered a research gap in how organizational members who do not generally engage in virtual work modes deal with the situation of having to engage in VTs due to a crisis. This is only temporary, as they will most likely resume their normal work modes once the dust has settled. We find this interesting since this research would add to the body of knowledge with insights regarding how to handle the current situation and what additional demands leaders and followers face in times of crisis when transitioning into a virtual environment. Thus, we believe this research could be useful when encountering other critical situations in the future. Therefore, this research is of theoretical relevance.

Methodology

Exploratory researches are used to get insight into a topic, and they allow you to learn more about it by asking open questions. Research inquiries frequently begin with the words "what" and "how," as do questions gathered through interviews. These inquiries are then enabling one to clarify a problem, issue, or occurrence which might not be clear to its nature (Saunders et al., 2019). (Saunders et al., 2019). As a result, because we believe that leaders and followers work together to build leadership, we wanted to investigate how and why the change from a co-located to a virtual team affected their working relationships. Even though the new scenario is uncertain, these relationships must continue to function. Thus, it made sense to explore, and we did this by asking participants open-ended questions.

Following that, three different approaches can be adhered to develop a theory, namely: abduction, deduction, and induction, (Bryman and Bell, 2017). Abduction flows back and forth between data and theory, whereas deduction moves from theory to data in a more linear manner. Working from data to theory is the third approach, namely, induction. In comparison to the other two procedures, abduction is more flexible, and it has been suggested that pure induction or

deduction is difficult to achieve (Saunders et al., 2019). As a result, abduction could be used to get around the constraints that the other two procedures may have (Bryman and Bell, 2017). Abduction frequently begins with a unique insight or "surprising fact" that has been noticed, followed by a search for theory to explain how the "surprising fact" occurred. This new insight can arise at any time during the endeavor (Saunders et al., 2019). We reviewed the literature and created an interview guide. As we became more familiar with the subject, we were able to get more out of the interviews by asking useful follow-up questions. In addition, additional insights emerged during and after the interviews, allowing us to revise our theories. We operated abductively in this fashion, so we weren't confined to deduction or induction.

We have conducted a cross-sectional multiple case study which is centering its findings on a particular period of time. Hence, studies can be either longitudinal or cross-sectional, the former needs more time and it can enable one to study development, whereas the latter is focusing on a 'snapshot' of time (Saunders et al., 2019). Case studies are favored when research questions start with either 'how' and 'why' questions. Furthermore, it is preferable if what is being researched is difficult to manipulate, and when the events are contemporary, meaning, dealing with both the recent past and the present. It is also desirable to conduct this kind of study if the researcher has limited control (Yin, 2018). Other authors claim that there should be no attempts to control the context and that this is a key difference from other methods used (Gibbert and Ruigrok, 2010). For example, setting up an experiment one can manipulate easily as having some kind of control (Yin, 2018). "*A case study is an in-depth inquiry into a topic or phenomenon within its real-life setting*" and therefore it is possible to generate rich data when undertaking a case study (Saunders et al., 2019, p.196).

Our main research question starts with 'how', as well as the sub-questions do. Our primary goal is to explore the change in work relations between leaders and followers when moving online and how this relates to leadership styles used. The focus has been on a specific period of time as our focus has been on a contemporary issue that was brought with the crisis of covid-19. However, it may be argued that it deals with both the past and the present because we needed to know what factors influenced the shift in working relations. As a result, we determined that a case study technique would be ideal for this research because we want to investigate our cases in a real-world situation.

Furthermore, a case study can either be single or multiple case study (Saunders et al., 2019). Multiple-case studies are often favored over a single case study as the latter will make one "*put all your eggs in one basket*" (Yin, 2018, p.98), meaning that the tolerance for mistakes is lower as there will be no more cases to look into. Additionally, selecting more than one case will enable one to come up with analytical conclusions that are more valuable than selecting only one case. A reason to choose more cases is that it can offer one to contrast situations (Yin, 2018). Thus, having more than one case permits one to compare but also to find the uniqueness within each case (Bryman and Bell, 2017). We decided to conduct a multiple-case study as it allowed us to explore contrasting views, finding uniqueness and similarities of changes in working relations when co-located departments became VTs. A case can either be a location (e.g. shopping mall), an organization (e.g. commercial business), an event (e.g. music festival), etc. However, what is important is that the chosen case can be clearly distinguished from its environment. If that is not possible, then it cannot be defined as an eligible case (Denscombe, 2014). Hence, it is vital to pick a unique setting, as it will enable one to understand the context in more accurate way (Saunders et al., 2019). Our cases are composed of teams within organizational departments and the boundaries for this research were teams that had gone online because of the COVID-19 pandemic. Meaning that their normal way of meeting and interacting with one another had changed

Results and Findings

We have collected primary data through conducting semi-structured interviews. These kinds of interviews are often carried out face-to-face and the interviewer guides the interviewee with a list of predetermined themes and related key questions (Saunders et al., 2019). In the thesis' appendix (A and B) interview format and key questions can be found. Thus, when following an interpretivist approach there is not a fixed order on how to follow the topic or when to ask the predetermined questions, these depend on responses the interviewee gives (Saunders et al., 2019; Bryman and Bell, 2017). As we followed an interpretivist approach, the semi-structured interviews became very flexible, as we carefully listened to their answers and asked follow-up questions depending on what was being said.

We did not conduct any interviews face-to-face, but instead, we used other available options, suitable for times of social distancing. According to Saunders et al. (2019) telephone and internet-mediated interview could be the alternatives. Yet, these alternatives has their own downsides, for instance, telephone interviews are associated with limited personal contact and lack of respondent reactions (Saunders et al., 2019). In other words, trust issues can occur, and it is not possible to take nonverbal cues or body language into consideration. Telephone interviews have nevertheless some advantages such as access, cost, and speed (Saunders et al., 2019). Internet-mediated tools are then called electronic interviews where people connect through video conferencing tools (Saunders et al., 2019). *“Electronic interviews featuring vision and sound may be conducted using Voice over Internet Protocol (VoIP)”* (Saunders et al., 2019, p.478). Conducting the interviews with software such as ‘Skype’ is, therefore, a viable option

that has the same advantages as telephone interviews as discussed above (Saunders et al., 2019). Furthermore, this option can also be comparable to normal face-to-face interviews as this can be conducted in a very similar way, the only difference is that it is done at a distance (Denscombe, 2014). Additionally, applying to both internet-mediated and telephone tools, it will be possible for both the interviewer and interviewee to stay in their safe environments during the interview (Saunders et al., 2019; Bryman and Bell, 2017).

We gathered primary data from teams who did not normally work in virtual teams or with distant leadership, but were forced to do so because to the Covid-19 situation. We planned to interview the participants in person at first, but due to the very scenario, we conducted our interviews using internet-mediated applications such as 'Zoom' and 'Microsoft Teams.' We realized that using these tools was beneficial because these communication channels are now commonly used between superiors and subordinates. The positive is that it helped us better comprehend their reality, although we had some issues using these technologies at first. When we collected data, some of our participants have asked not to use the web camera, which made it feel more like a phone call. We sought for permission to record the interviews so that we could transcribe them, and we only conducted interviews if we were given permission. We also took notes throughout the interviews because of the benefits such as having a backup, being able to stay focused, and being able to ask follow-up questions. This was a method of interviewing that was useful during a pandemic that forced many to work from home. However, Saunders et al.(2019) explain that there are several ethical issues concerning these interviews such as personaldata issues. Hence, we considered GDPR and other data protection legislation when we were conducting this research.

Data analysis

Thematic analysis is commonly used when analyzing qualitative data and its objective is to find themes within a set of data. Thematic analysis entails coding qualitative data in order to discover patterns that can be analyzed. This method allows researchers to get in-depth understanding of the subject by analyzing qualitative data in a logical and organized manner (Saunders et al., 2019). There are no set standards for identifying distinct themes or how to do so, however certain guidelines have been created on how to search for themes, which can be done in the following three ways: to look for patterns, similarities and differences, or metaphors (Bryman and Bell, 2017). There are several analytical approaches that can be used, but we have used the key processes from thematic analysis. We have selected the thematic analytical approach in which five different key steps are required. The *first* step is to get familiar with data that has been collected and this includes writing down comments and ideas. The *second* step is where the initial codes are identified and here the whole dataset is coded in a systematic way. The *third* step is where one starts to search for possible themes. This is done by finding codes that are being similar which then are assembled into possible themes. The *fourth* step is to double-check the possible themes, here it is important to see if the dataset is aligning with the themes. The *fifth* and last step is the stage where themes are to be refined (Rapley, 2016).

Following the transcription of the interviews, we read and re-read the transcripts multiple times in order to develop the narratives in Chapter 4. As a result, we became more familiar with the data and had the opportunity to make notes on things we might want to investigate further. Then we began coding the data set; this procedure familiarized us with the data as it was scanned for initial codes, which were recorded in 'Microsoft Excel' for a full overview. As a result of coding the set of data, we were able to find patterns and themes, and codes that were related to one another were reconstructed into themes. This was followed by the construction and refining of the themes in a way that appreciated the set of data.

Recommendations

In times of crisis, previously co-located teams that become VTs encounter shifts in leader-follower work relationships. The transition to a VT involves a greater use of management at first, while leadership is placed on hold until management practices are in place. As a result, an increased task-orientation and a loss of the benefits that spontaneous social interactions bring which affect the possibility to socially construct leadership between leader and follower. This is just for a short time, as leaders are more likely to acquire a more supportive attitude over time. This research emphasizes the necessity of leadership as a relational process between leaders and followers, which still holds true in a virtual environment. However, leadership activities such as inspiring and motivating become more difficult to conduct in this kind of setting and seems to be of higher importance than when working in traditional 'offline' setting. Virtual leaders face several challenges when entering a virtual environment due to the loss of social interactions, and it is also through leader and follower interactions that they together can co-produce leadership. Virtual leaders must be highly adaptive to the situation at hand and be able to identify followers' emotions and needs through computer-mediated tools. Because leaders cannot examine followers as closely as they can while working in co-located work modes, the followers' participation in leadership co-production becomes clear. As a result, followers must adopt a more proactive approach and tell leaders of what is required of them in order to survive and effect the changes. If not, they will be led in a manner that is seen satisfactory by leaders,

which will most likely result in management rather than leadership, with control and structure taking precedence over supportive behaviors. The level to which this transition affects followers' motivation and well-being is determined by the degree of earlier team member independence. Under these conditions, less self-reliant followers may find it difficult to deal with. Hence, leader and follower work relations have changed as their teams have transitioned into a virtual environment.

Theoretical implications

Previous studies has not looked into how work interactions between leaders and followers change when formerly co-located teams become VTs in times of crises. However, according to Gilson et al. (2015), this research adds to the knowledge regarding the transitioning process to become a VT by providing an understanding of what to keep in mind when facing such a shift.

Maintaining relations in previously co-located teams becoming VTs is just as important as in 'traditional' VTs, in which team members are unknown to each other. It cannot be taken for granted that the already existing relations endure the transition without virtual leadership efforts. However, as co-produced leadership suggests, followers play an important role as leaders cannot fully appreciate what followers need without them being proactive enough and enlighten the leaders.

This study can confirm that the challenges VTs are facing presented by previous research such as communication (e.g. Dulebohn and Hoch, 2017; Munkvold and Zigurs, 2007; Saunders and Ahuja, 2006), creating and maintaining relationships (e.g. Breu and Hemingway, 2004; Pauleen and Yoong, 2001; Saunders and Ahuja, 2006), establishing trust (e.g. Brahm and Kunze, 2012; Chinowsky and Rojas, 2003); Ford et al., 2017) and the lack of social interaction among team members (e.g. Chinowsky and Rojas, 2003; Daim et al., 2012; Dulebohn and Hoch, 2017), to some extent applies to previously co-located teams becoming VTs in times of crisis as well. Creating relationships and establishing trust was, however, not addressed as the teams were already existing. Data did not suggest that it should have been addressed in this context. The challenge of swift task outcomes (e.g. Tong et al., 2013; Munkvold and Zigurs, 2007; Zigurs, 2003) is not expected by teams in the transition of becoming a VT during a crisis. However, data suggests additional challenges for virtual leaders to attend to when previously co-located teams become VTs in times of crisis, these are the challenges of maintaining work-life balance and working environment. These challenges might relate to virtual managers but must, nevertheless, also be addressed by virtual leaders.

Practical implications

Once spontaneous social connections disappear when people go online, relational consequences emerge, which may lower employee motivation and commitment, for example. This research emphasizes the value of the workplace and the interpersonal benefits that can't be obtained in a virtual environment. Previously co-located teams becoming VTs may be acceptable for a short time, but it is not a long-term option. However, in times of crisis, using virtual work modes could mean the difference between staying in business and going out of business. However, some difficulties must be considered in order for it to work well. The indistinct borderlines of work-life balance in swiftly emerged VTs must be addressed in order to preserve the balance. Additionally, as there are no work environment guidelines for VTs, this has to be addressed for maintaining the well-being of employees and thereby their efficiency and motivation.

Because it is hard to predict when the covid-19 pandemic will end and because new crises can strike at any time, it is critical that procedures be devised to safeguard employee well-being. Furthermore, leaders in Cases B and C found it difficult to lead in a virtual environment, implying that organizations should train their leaders in virtual leadership as this may not be the last time they use virtual work

modes

Furthermore, independence is required because previously co-located teams became even more independent after becoming VTs. As a result, it is likely to suit teams with a moderate to high level of past independence.

Limitations and suggestions for future research

This research was undertaken during the covid-19 pandemic, when teams were in the midst of a sudden transition to a virtual environment. As a result, future study should look into how attitudes toward participating in virtual work modes change over time among teams that typically use co-located work modes.

This study needs to be replicated in other contexts with other team characteristics, for instance, with less independent teams. Furthermore, future research could explore how Zigurs' (2003) dimensions of cultural and organizational dispersion are affected by a transition into a virtual setting during a crisis. Our findings are related to times when the conventional teams transitioned to VTs. Hence, when the crisis is over, and teams can return to business as usual, it would be interesting to explore if work practices remain similar or if it was advantageous.

Research process and authors' contributions

The process of writing this thesis has been challenging with ups and downs and at times stressful, but it has also been very rewarding as we have learned a lot during these months. This thesis is the result of our combined efforts. We have both been involved with and discussed its entire parts. Even if we have written separate sections within the thesis, we cannot disconnect our efforts from the whole. We both believe that the workload has been distributed equally.

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Спорт и лидерство: роль в формировании личности и общества

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Аннотация:

Фаза развития человеческого общества на данном историческом этапе характеризуется высокой динамичностью, изменчивостью и предъявляет высокие требования к человеку. В повседневной жизни – на работе, в быту, в общении перед нами постоянно появляются новые вызовы, возникают стрессы и задачи, требующие незамедлительно решения, определения верных путей и достижения поставленных целей.

Человек, обладающий лидерскими качествами, имеет конкурентное преимущество, по сравнению с другими, равно как и общество, имеющее большее количество лидеров, здоровое и ментально сильное, более конкурентоспособно на мировой карте.

Теория лидерства подразумевает, что лидеры – это локомотивы движения и развития, и именно лидеры увлекают общество вперед.

В этой плоскости весьма любопытным представляется посмотреть на такую сферу человеческой жизни как спорт, как на инструмент формирования лидерских качеств у человека, с последующим проецированием на жизнь и развитие общества и страны.

Ключевые слова:

Лидерство, спорт, команда, виды спорта, конкурентоспособность, результат, развитие.

Основная часть

Введение.

В XX веке роль и значение спорта, бывшего ранее развлечением для состоятельной части общества, обязанностью для военных и профессией лишь для немногих, кардинально изменилась.

Как известно, в природе большинства изменений, связанных с вкусами и запросами людей, лежат экономические причины. Спорт не стал исключением. Его популяризация, широкое распространение, обретение статуса и глубокое погружение в жизнь человечества явились результатами повышения благосостояния жизни человеческого социума.

Общество, не имеющее главной целью выжить и прокормиться, жаждет развлечений, зрелища, шоу. Спорт сполна удовлетворял эти элементарные потребности с самого момента своего зарождения, ведь, как гласят красивые античные мифы, даже войны останавливались на время Олимпийских игр.

Естественно, что с глубоким проникновением в массы, спорт не мог не влиять на эволюционные процессы, протекающие в обществе, и в дальнейшем, приняв глобальные размеры, послужил катализатором и даже основой для многих социально-значимых явлений.

На сегодняшний день Спорт уже перестал быть развлечением, став самостоятельным достаточно объемным и значимым явлением не только в повседневной жизни, но и уже носит приобрел черты исторического значения. Сегодня спорт - это огромная масса людей, регулярно занимающихся людей, это бизнес, это развлечение, это шоу, это огромная по своей финансовой

и социально-культурной емкости индустрия. Естественно, что, приобретая такое значение, спорт имеет прямое влияние на становление и развитие как отдельной Личности, так и Общества.

Более того, спорт стал значимым элементом «мягкой политики», и его политическое значение уже давно перестало соответствовать утверждению: «спорт – вне политики», потеряв свою актуальность в силу значимости спорта, как всеобщего явления, в жизни человечества.

Лично занимаясь спортом на протяжении всей осознанной жизни, я естественно обращал внимание на роль спорта в собственной судьбе и на то, как спорт влияет на те или иные явления, процессы, протекающие как в моменте, так и имеющие признак прочной тенденции.

В моем понимании спортсмены – это, чаще всего, люди с такими выраженными чертами и качествами, как: воля, характер, самоорганизация, целеустремленность, стрессоустойчивость, пунктуальность. Т.е. это одни из тех качеств, которые обычно ассоциируются с Лидерством и Лидерами, в обычном понимании этих слов. Известный всем олимпийский девиз: Быстрее! Выше! Сильнее! – это явно о человеке, которого смело можно назвать Лидером.

В данной статье я постараюсь раскрыть некоторые собственные соображения касательно того, какую роль играет и может играть спорт в процессе формирования Человека-Лидера, формировании Общества Лидеров, формировании Страны-Лидера.

Обзор современной литературы;

Изучение феномена лидерства началось в начале XX века. Ученые-психологи сформировали концепции происхождения лидерства: «теория черт» - значительный вклад в развитие этой теории внесли американские ученые К. Бэрд и Р. Стогдилл, которые пытались определить набор качеств необходимых лидеру.

Кроме разработки концепций лидерства ученые исследовали стили лидерства. Американские ученые К. Левин, Р. Липпит, Р. Уайт провели ряд экспериментов, в результате которых было выделено 3 основных стиля лидерства – авторитарного, демократического и либерального, которые стали традиционными для социальной психологии.

Согласно одному из современных определений, Лидерство – искусство влияния на людей, вдохновения их на то, чтобы они по доброй воле стремились достичь неких целей. Лидер – это человек, который объединяет, направляет действия группы, принимающей и поддерживающей его действия. Это человек, за которым группа людей признает право принимать решения в значимых для нее ситуациях, т. е. наиболее авторитетная личность, реально играющая центральную роль в организации совместной деятельности и регулировании взаимоотношений в группе.

В части исследований по тематике спортивного лидерства и роли лидерства в спорте, в последнее время написано большое количество интересных работ, среди которых выделю исследования Бендас Т.В.: «Психология лидерства»; Тимушкина А.В., Кузьмина А.М.: «Определение лидера в профессиональном коллективе в процессе взаимоотношений в спортивной команде»; Головина А.А.: «Лидерство в процессах формирования и социализации спортивных команд»; Федоровой О.В., Фоминовой Е.Н.: «Лидерство в процессах формирования и социализации спортивных команд»; Белых А.К.: «Теория лидерства в спортивной команде».

Также достаточно интересный материал предоставляют автобиографии известных личностей: Майка Тайсона, Арнольда Шварценеггера, Владимира Путина, Джорджа Веа, раскрывающие психологические моменты спортивного лидерства и проецирования спортивных навыков на достижение результатов как в повседневной жизни, так и в большой политике.

Методология исследования и инструмент сбора данных;

Предметом исследования является нахождение взаимосвязи между занятием спортом и формированием лидерских качеств отдельной личности, а также нахождение доказательств прямого влияния спорта на формирование наиболее конкурентоспособного общества.

Задачи исследования – определение возможных действий, программных решений, направленных на формирование лидерских качеств в обществе через занятия спортом.

Методики исследования – наблюдение, сравнение, абстрагирование.

Анализ данных с критическим мышлением и обсуждением;

Любой человек, равнодушный к спорту, с легкостью проведет параллель между спортивной успешностью определенной страны с уровнем ее экономического и социального развития.

Ниже я приведу результаты главных спортивных стартов – Олимпийских Игр, летних и зимних. Для большего охвата, возьмем результаты четырех последних Олимпиад, и постараемся сделать некоторые выводы.

Летние Олимпийские Игры 2016 года в Рио-де-Жанейро, Бразилия.

№ п/п	Страна	Золото	Серебро	Бронза	Всего
1	США	46	37	38	121
2	Великобритания	27	23	17	67
3	Китай	26	18	26	70
4	Россия	19	18	19	56
5	Германия	17	10	15	42
6	Япония	12	8	21	41
7	Франция	10	18	14	42
8	Южная Корея	9	3	9	21
9	Италия	8	12	8	28
10	Австралия	8	11	10	29
22	Казахстан	3	5	10	18

Летние Олимпийские Игры 2021 года (2020, перенесены на год в связи с пандемией коронавируса) года в Токио, Япония.

№ п/п	Страна	Золото	Серебро	Бронза	Всего
1	США	39	41	33	113
2	Китай	38	32	18	88
3	Япония	27	14	17	58
4	Великобритания	22	21	22	65
5	Россия	20	28	23	71
6	Австралия	17	7	22	46
7	Нидерланды	10	12	14	36
8	Франция	10	12	11	33
9	Германия	10	11	16	37
10	Италия	10	10	20	40
83	Казахстан	0	0	8	8

Специфика медального зачета Олимпийских Игр состоит в том, что определяющим показателем успешности является количество первых мест и золотых медалей, а не общее количество наград. На самом деле, это достаточно спорная статистика, т.к. порой этот принцип может внести искажение в представление о фактическом состоянии спорта в стране. Например,

Казахстан с 8 медалями бронзового достоинства (бронзовая медаль вручается за занятое 3-е место), завоеванными в 4-х разных дисциплинах, в итоговой таблице оказался ниже Бермудских островов, Марокко и Пуэрто-Рико, завоевавших по одной золотой медали, и даже ниже Бахрейна, Литвы, Намибии и Туркменистана, в копилках которых было по одной серебряной медали. Но, как бы там ни было, при всей спорности данной методики подсчета, первые 10 строчек рейтинга за последние 8 лет выглядят стабильно – наибольшее количество медалей, и, соответственно, уровень спортивной успешности, показали страны, являющиеся лидерами в мировом политическом и социально-экономическом положении.

США, Великобритания, Япония, Австралия, Нидерланды, Италия, Германия, Франция, Китай и Россия. Ведущие державы, страны-лидеры не только в политическом значении, но и практически вся экономика мира. Отдельно хочу сказать, что лидерство Китая и России в этом списке тоже можно рассмотреть отдельно, т.к. в этих странах существуют специфичные системы подготовки спортсменов, не поддающиеся законам экономики и не связанные напрямую с индексами развития общества и экономики.

Теперь перейдем к Зимним Олимпийским Играм, и, опять же, для сравнения, возьмем результаты двух последних спортивных стартов.

Зимние Олимпийские Игры 2018 года в Пхенчхане, Южная Корея.

№ п/п	Страна	Золото	Серебро	Бронза	Всего
1	Норвегия	14	14	11	39
2	Германия	14	10	7	31
3	Канада	11	8	10	29
4	США	9	8	6	23
5	Нидерланды	8	6	6	20
6	Швеция	7	6	1	14
7	Южная Корея	5	8	4	17
8	Швейцария	5	6	4	15
9	Франция	5	4	6	15
10	Австрия	5	3	6	14

Зимние Олимпийские Игры 2022 года в Пекине, Китай.

№ п/п	Страна	Золото	Серебро	Бронза	Всего
1	Норвегия	16	8	13	37
2	Германия	12	10	5	27
3	Китай	9	4	2	15
4	США	8	10	7	25
5	Швеция	8	5	5	18
6	Австрия	7	7	4	18
7	Нидерланды	8	5	4	17
8	Швейцария	7	2	5	14
9	Россия	6	12	14	32
10	Франция	5	7	2	14

На примере Зимних Олимпийских Игр также отчетливо видно, что среди стран-лидеров нет «случайных прохожих», т.е. стран с развивающимися экономиками, за исключением России – по России и Китаю, как я уже говорил выше, не стоит выводить тенденции развития мирового спорта в силу специфичности системы подготовки спортсменов и явной «политической составляющей» спорта в данных странах (достаточно упомянуть, что с 2020

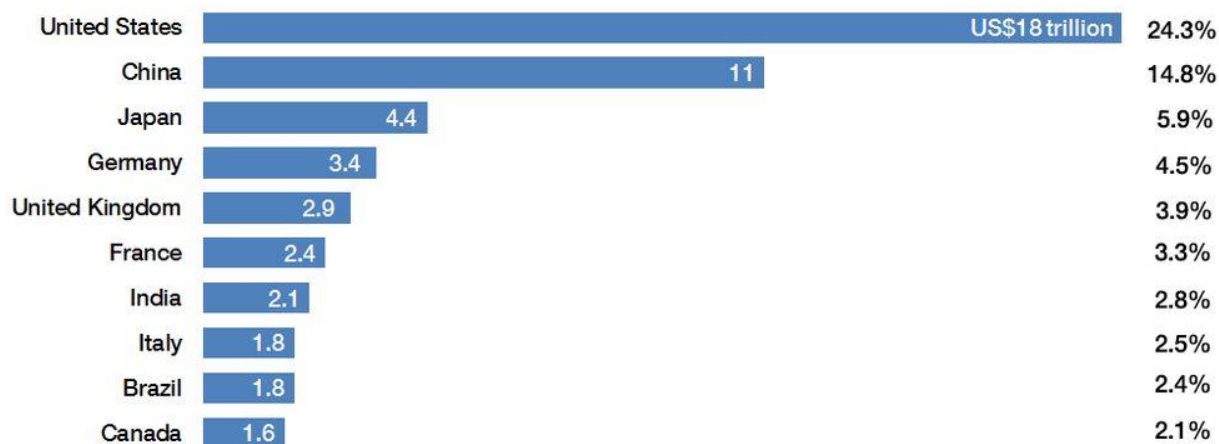
года российские атлеты лишены права выступать под своим флагом и гимном на всех международных соревнованиях в результате громких допинговых скандалов).

Норвегия, Швеция, Германия, Нидерланды, США, Канада, Южная Корея, Австрия, Швейцария – страны с высочайшим уровнем экономического и социального развития.

Для закрепления этой несложной параллели приведем рейтинг самых развитых экономик мира. США, Китай, Япония, Германия, Великобритания, Франция, Италия, Канада – постоянные лидеры мировой экономики последних десятилетий.

The world's biggest economies

GDP in current USD and share of global total, latest World Bank data, 2015



Source: World Bank and Visual Capitalist

Возьмем рейтинг уровня жизни* – видим те же самые страны.

Rank	Country	Score	Rank	Country	Score
1	Norway	92.73	14	Luxembourg	89.56
2	Denmark	92.11	15	Austria	89.50
3	Finland	91.89	16	Belgium	89.46
4	New Zealand	91.64	17	Korea, Republic of	89.06
5	Sweden	91.62	18	France	88.78
6	Switzerland	91.42	19	Spain	88.71
7	Canada	91.40	20	United Kingdom	88.54
8	Australia	91.29	21	Portugal	87.79
9	Iceland	91.09	22	Slovenia	87.71
10	Netherlands	91.06	23	Italy	87.36
11	Germany	90.56	24	Estonia	87.26
12	Ireland	90.35	25	Czechia	86.69
13	Japan	90.14			

* исследование уровня жизни в странах мира ежегодно проводится американской неправительственной организацией Social Progress Imperative при поддержке одного из крупнейших мировых аудиторов Deloitte.

Существует еще один любопытный рейтинг – градация стран по так называемому «индексу счастья», среди постоянных лидеров которой постоянно присутствуют такие страны как Финляндия, Дания, Швейцария, Исландия, Нидерланды, Норвегия, Швеция, Люксембург, Новая Зеландия, Австрия.

Все перечисленные «счастливые» страны отличаются высочайшим уровнем социально-экономического развития, а спорт в этих странах неотделим от ежедневной жизни для большинства населения. Ведь спорт, помимо спорта высших достижений, в своем повседневном смысле – это здоровье, сильный дух и позитивный настрой. При этом, необходимо отметить, что в указанных странах очень развиты как индивидуальные виды спорта, в основе которых лежит самоконтроль, воля и целеустремленность в достижении целей, так и командные виды спорта, закладывающие умение социализироваться и формирующие навыки неформального лидерства. Нидерланды – это футбол, плавание, велоспорт и конькобежный спорт, Швеция – это хоккей, футбол, и лыжные дисциплины. Финляндия – хоккей и все виды спорта, связанные со снегом и льдом. Норвегия – это лыжные виды, коньки и альпинизм. Швейцария – футбол и горные лыжи. Новая Зеландия – регби, единоборства и легкая атлетика.

О влиянии видов спорта на формирование лидерских качеств.

В целом, виды спорта, формирующие лидерские качества в человеке, я бы разделили на несколько основных направлений:

- командные игровые виды спорта;
- личные виды спорта;
- единоборства и силовые виды спорта.

В качестве примера командных игровых видов спорта возьмем самые распространенные и популярные – футбол, хоккей, баскетбол.

Лидером команды обычно является наиболее авторитетный, опытный, или же наиболее выдающийся по своим тактико-техническим характеристикам спортсмен из числа ее членов. В спорте высших достижений лидером является почти всегда один из сильнейших спортсменов команды.

При этом, следует иметь ввиду, что любая спортивная команда имеет как формального лидера – тренера, так и неформального – из числа состава игроков. Нередки ситуации, когда неформальных лидеров в одной команде может быть несколько, и каждый из них обладает теми или иными характеристиками, которые важны в различных ситуациях. Возможность участвовать в управлении спортивной командой у лидеров достаточно широка. Если лидер (лидеры) из числа членов команды действует в соответствии с планом и задачами тренера, то достигается, как правило, максимальный положительный эффект, который оказывает прямое действие на достижение командой целей и результатов, в спортивной среде такое явление называют «синергией» или «химией».

Отсутствие согласия, общего понимания целей между формальным лидером и неформальным чаще всего приводит к нарушению процессов управления в команде. В такой ситуации тренеру не всегда удается сразу найти наиболее оптимальный способ управления командой.

Я лично с детства, с 6 лет, играю в хоккей. Занимался профессионально, играл для удовольствия, в настоящее время, уже на протяжении 13 лет играю в любительской хоккейной команде. По своему личному опыту знаю, что команда не сможет существовать как без формального лидера (тренера), так и без ярко выраженного неформального лидера. Наличие сильного формального лидера необходимо для построения командной игры, постановки игрового и тренировочного процесса. Но влияние неформального лидера, вожака раздевалки и неустрашимого бойца на льду, не менее, а очень часто и намного важнее. Всегда нужен парень, который сплотит коллектив, поведет за собой своим примером, будет биться до конца за себя и своего партнера. Человек, бывший неформальным лидером в спортивной команде в юношестве и молодости, чаще всего является лидером и во взрослой жизни, являясь уже лидером коллектива.

Стиль лидерства в спортивной команде, чаще всего – авторитарный как для формального, так и для неформального лидера, но в случае с неформальным лидером, если в «раздевалке» присутствуют иные, зачастую, скрытые лидеры, то стиль лидерства в данном случае будет, скорее, демократичным, т.к. такая ситуация требует адаптационного поведения.

Знаменитые представители – Джордж Веа, Кен Драйдэн, Имран Хан, Кахабер Каладзе, Вячеслав Третьяк.

Личные виды спорта.

Хорошими примерами личных видов спорта я считаю конькобежный спорт, плавание, велоспорт (шоссе), теннис и легкую атлетику. Это так называемые аэробные виды, характеризующиеся цикличностью, продолжительностью тренировочного процесса и требующий сильных волевых качеств для достижения целей.

Спортсмен, занимающийся личными видами спорта, как правило, максимально нацелен на собственный результат, он не ставит цель достижения общего результата, характеризуется эгоистичностью. Это очень целеустремленные и волевые люди, педантичные и пунктуальные, зачастую, со своей собственной, не всем понятной системой ценностей.

Стиль лидерства – либеральный, нарциссический, иногда авторитарный, т.к. на стиль общения в обычной жизни накладывает отпечаток постоянное давление со стороны тренера, ориентированность на результат является четким следствием занятий личными видами спорта.

Обычно это вполне спокойные в обычной жизни ребята, которых очень сложно в чем-то переубедить.

Известные представители – Дуайт Эйзенхауэр, Пал Шмитт, Паоло Барелла, Болат Жамишев, Касымжомарт Токаев, Марат Сафин.

Единоборства и силовые виды спорта.

Очень сложная категория спортсменов, характеризующаяся нацеленностью на результат и заинтересованных в достижении личных целей. Эти ребята насквозь пропитаны тестостероном, что накладывает сильнейший отпечаток на поведение в обычной жизни. Зачастую неуравновешенность, конфликтность, агрессивность формируют авторитарный стиль лидерства, что вполне естественно. Такое поведение не является правилом, но встречается чаще всего, особенно, применительно к представителям единоборств. Представители силовых видов спорта являются своеобразным симбиозом личных неигровых видов спорта и единоборств. Характеризуются волевыми качествами и упорством, при этом достаточно импульсивны и способны на резкое проявление эмоций.

Известные представители – Владимир Путин, Халтмаагийн Баттулга, Виталий Кличко, Мэнни Пакьяо, Арнольд Шварценеггер.

Обществу всегда нужны лидеры, и спорт является достаточно эффективным инструментом в деле воспитания людей, обладающих лидерскими качествами. Чем больше в обществе лидеров, тем оно более конкурентоспособно, способно к развитию и доминированию в определенных областях.

Если сравнить спортивные результаты наиболее развитых в социально-экономическом плане стран и уровни развития спорта в этих странах, мне видится вполне логичной тенденция наличия глубокой культурой спорта и ментально сильного человеческого материала, общества, которому присущ дух лидерства, конкуренции и состязания.

Краткое изложение, выводы и рекомендации

Таким образом, мы провели достаточно осязаемые, на мой взгляд, параллели между развитием лидерства и серьезными занятиями спортом, при этом выявили взаимосвязь между обществом лидеров-спортсменов и социально-экономическим развитием страны.

Да, уровень развития спорта и сама культура спорта в отдельно взятой стране, обществе, во многом зависят от уровня социально-экономического развития. Но, при этом, для стран развивающихся экономик, спорт так же является вполне эффективным социальным лифтом.

На примере Казахстана наглядно видно, как экономическая ситуация в стране влияет на спорт и развитие общества. Кризис с середины 90-х и до начала 2000-х годов самым губительным образом сказалась на нашей спортивной культуре. Спорт высших достижений, по сути, существовал только в единоборствах, тогда как социально-значимые массовые игровые и личные виды спорта находились в упадке. Подъем экономики, восстановление и развитие инфраструктуры, улучшение социального и бытового уровня населения не замедлило сказаться на охвате населения спортом. Сегодня для детей доступны множество секций, спортивных школ во многих видах спорта, при этом, что очень немаловажно, очень многие из них бесплатны для населения, даже такие «статусные» прежде как теннис, плавание, гимнастика и хоккей.

Молодое поколение, помимо культурного и умственного развития занимающееся спортом, сегодня более конкурентоспособно, т.к. спорт прививает такие необходимые в современной жизни качества как целеустремленность, воля к победе, пунктуальность, стрессоустойчивость. И, конечно, же, спорт – это здоровье, а успешный человек это, как правило – здоровый человек.

Сегодняшние реалии ставят задачи и планки, которые по плечу сильным людям, а лучше всего с вызовами справляются лидеры.

Массовое занятие спортом обязательно будет способствовать появлению поколения лидеров.

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Coverage of the political life of Kazakhstan in the US media

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Introduction

People access information about the world outside their community through the mass media (Cho & Lacy, 2002). The news coverage about a nation increases awareness and knowledge, which will form public perception of that particular country. The perception of a country by a foreign audience can be either positive or negative. Public attitude about foreign countries, formed from perception, will influence a wide range of intercultural communications among people of different nations, an influx of foreign tourists, trade relations that affect export and import, foreign direct investments, and diplomacy. Countries try to build a good reputation because the country's image will influence the relations with other nations. Therefore, developing Kazakhstan needs a systematic approach to work on its international image and diplomacy. Kazakhstan is the leading country in Central Asia and has potential for international investments and tourism. After receiving independence from the Soviet Union in 1991, the Kazakhstani government is actively promoting its nation's recognition worldwide, this, Kazakhstan hosted several international significant events such as chairmanship in OSCE summit in 2010, the VII Asian Winter Games in 2011, chairmanship in the Organization of Islamic Cooperation in 2012, the World Expo in 2017, the Winter Universiade in 2017 and so on.

Statement of the problem

The research problem is the identification of frames that were applied in the creation of Kazakhstan's image in the U.S. media. From that perspective, there are three areas: media effects in international news coverage, media influence in the construction of social reality, and the impact of media on the creation of public perception.

Purpose of the study

The purpose of the study is to explore what frames have been used in coverage of Kazakhstan during the election period by The New York Times and Washington Post, starting from January 1 till December 30 of 2019. The research will focus only on news stories, which touch on the internal political processes of Kazakhstan. The coverage of political issues was selected because many socio-political indicators are sensitive to real-world events (Chakraborty, Venkataraman, Jagabathula & Subramanian, 2016).

The research will be conducted based on the two prominent U.S. news outlets, The New York Times and Washington Post. The research will analyze the news reports from January 1, 2019 till February 3, 2022. This period was chosen due to active political changes that happened at that time, such as the resignation of President Nazarbayev, who was the president of the country for 28 years, renaming of the capital city from Astana to Nur-Sultan, the presidential election, which was held on June 9, 2019 and protests that happened after that. Protesters were against renaming the capital, demanded political changes and socio-political improvements, while the government asserted that it

was an unauthorized rally and arrested its participants. Two U.S. media outlets' news reports were selected for the research. They are "Washington Post" and "The New York Times." These media outlets were chosen because they are the most published publications and the most respected media resources (McCombs, 2004) that influence other media due to their active coverage of the political life of countries worldwide.

For this purpose, the research will apply content analysis of the news that covered stories about Kazakhstan. First, the articles from two mainstream U.S. media outlets will be collected for one year and then analyzed. The benefits that will result from the study are that it will open up the understanding of Kazakhstan's perception by foreign auditory, which will help understand the attitude of foreign nations to communicate and interact by a business or other interests.

Research Questions

RQ1: What journalistic frames were used in the New York Times and the Washington Post to cover the political life of Kazakhstan from January 1, 2019, until February 3, 2022?

RQ2: What tone was mostly represented in the New York Times and the Washington Post to cover Kazakhstan's internal political processes, positive, neutral or negative?

Literature review

The number of researches was dedicated to evaluating and understanding various forms of media effects in news coverage. Through techniques such as setting agendas, setting and priming, the media constantly creates the picture in people's minds, in other words, creating social reality, building image and stereotypes. In this research, the author tries to have a close look into how political life of Kazakhstan was described in the main U.S. media outlets. Therefore, it was necessary to understand how media effects are created and influence people's perception of social reality.

Media effects in international news coverage.

Media effects in international news coverage are mostly affected by agenda setting. It is the theory that describes how news media influence to the topic as important on public agenda (McCombs & Shaw, 1972; McCombs & Reynolds, 2002). The media sets the public agenda by highlighting special effects (Happer & Philo, 2013). Media select certain issues that they define as important, and then public will be informed about it. The Agenda Setting in International News coverage was the topic for a number of researches (Wanta, Golan & Lee, 2004; Wanta & Hu, 1993). The research (McCombs & Shaw, 1972) examines the role of agenda-setting in the mass media that linked to the formation of opinions by the audience. The purpose of the research is understanding how agenda-setting functions in media. The authors conducted a research in which they examined the role of the media in influencing the behavior of college applications in voting on Election Day. The research suggests that the mass media considerably affect the perception of the outside world. The influence of the media on setting the agenda also has significant sense, in addition to people's perception of the outside world.

Influence of the media in the construction of social reality.

This area describes the impact of media in creating images of the world and how it is being used to construct meaning about political and social issues that are going around. People used to accept the general argument that gives the news information, and then they used it to raise questions and draw out implications. The social reality in people's minds is visually created through modes of conveying a larger frame through various news.

The impact of the media on the creation of public perception.

The term frame was first mentioned in 1972 in Gregory Bateson's work 'Steps to an Ecology of Mind', and then the theory was defined in mass communication by Entman in 1993. Gamson, Croteau, Hoynes, and Sasson (1992) wrote that 'we walk around with media-generated images of the world, using them to construct meaning about social issues' (p. 374). Lim and Seo (2009) found that people trust more to the news, which touches issues that they are not familiar with, like international news.

Methodology

The research will apply a qualitative approach because it requires content analysis and textual analysis. The content analysis approach allows assessing and extracting meaning from the texts (Brennen, 2017). The study utilizes content analysis. Content analysis is commonly used in mass media. Holsti (1969) defined it as "any technique for making inferences by objectively and systematically identifying specified characteristics of messages" (p.14). The research will be conducted by analyzing various articles on internal political processes in Kazakhstan. Therefore, the proposed method will be the most appropriate for the application. Cavanagh (1997) regarded content analysis as a flexible method for analyzing textual data.

Lincoln and Guba (1985) created the most widely used criteria for evaluating qualitative content analysis. In their research, they used the term "trustworthiness". The most commonly used method in content analysis studies is purposive sampling. In most research, content analysis is used as a qualitative rather than quantitative research method. In qualitative content analysis, a researcher counts words to classify a large amount of text representing similar meanings (Weber, 1990).

In conducting content analysis, Westbrook recommends relying on six methodological steps: the creation of problem and goals, selecting the message content and sample, development of content categories, the completion of the units of analysis, preparation of graphics coding, pilot testing and checking the reliability of the encoder, the study of collected data (Westbrook, 1994).

The study will analyze news features of two prominent U.S media outlets, The Washington Post and The New York Times. The Washington Post is a daily newspaper published in Washington, D.C., since 1877. It was recognized (Fallah & Moini, 2016) as one of the leading American newspapers emphasizing politics. The New York Times is also a U.S. daily newspaper published in New York City since 1851. Cabosky & Gibson (2021) defined it as traditional news media that puts agenda for other media outlets. The New York Times is a newspaper that was studied for framing research. Both newspapers are the top five internationally read newspapers and are most frequently used in communication and policy studies (Rudolph, 2019).

Sampling

The sampling process will be non-probability sampling because the articles only filling specific requirements will be chosen. On the other hand, the type of sampling will be purposive sampling because only articles with particular characteristics will be selected and then divided into two categories, such as 1) presidential elections; 2) protests. This is necessary to keep a balance of proportion by thematic.

Three criteria will be used to select appropriate samples: (1) articles should be about the internal political context of Kazakhstan; (2) published at The New York Times or Washington Post; and (3) within the time period from the 1st of January 2019 till the 31st of February 2022.

The approach will be discourse analysis. Discourse analysis is concerned with studying the relationship between language and the contexts in which it is used (Coulthard, 2014). Discourses are different representations of social life. One of the kinds of discourse analysis is critical discourse analysis (Van Dijk, 2001).

The articles will be downloaded through official websites of The New York Times (<https://www.nytimes.com/>) and The Washington Post (<https://www.washingtonpost.com/>). The author will buy a one-month subscription to The Washington Post for 10 USD and a one-month subscription to The New York Times for 8 USD. During the month, the author will collect the articles published on these platforms online from the 1st of January 2019 till the 3rd of February 2022.

The units of analysis are articles themselves. To identify relevant news stories, the following keywords were set: "Kazakhstan", "Kazakh", "Elections in Kazakhstan", "Nazarbayev", "Tokayev", "Astana", "Nur-Sultan", "Almaty" and "Nur-Otan". Only articles containing these words on the headline will be collected. To find news frames about Kazakhstan, the research excluded opinions, and only news articles are included into sample. In total, 30 articles were collected from The Washington Post, and 23 articles from The New York Times. The research aims to analyze all 53 articles.

Data Analysis

The author begins with close reading of the selected articles. Then the next step will be tracking themes, frames, and angles. After that, the author begins the coding process. To code the units of analysis, the author will develop a codebook. The codebook will define articles for characteristics, such as: article's headline, date of publication, type and length. In order to identify frames the codebook will contain questions regarding the topic of article, theme and certain words. Finally, the codebook will ask the tone of the articles analyzed.

Results

This research endeavoured to examine coverage of Kazakhstan's political life in the U.S through The New York Times and The Washington Post. 37 articles were analyzed, including 18 articles from The New York Times and 19 articles from The Washington Post. The articles published between January 1, 2019, and February 3, 2022, were analyzed for this research. The study applied manifest analysis. Manifest analysis requires focusing on the words as an actual unit of analysis to research what was written about a particular issue (Lune & Berg, 2017) and requires staying very close to the text (Fromm, 1969).

Answering the RQ1 the research found three frames. They are "An authoritarian country", "A country of brutal security forces", and "Kazakhstan is under Russian influence". The frame "An authoritarian country" frequently appeared in both newspapers. For example, Troianovski (2019), a journalist of The Washington Post, in his article "Kazakhstan President Nazarbayev to step down after nearly 30 years in power", outlines "domestic leadership has been decidedly authoritarian, with limited political dissent and media freedom." The New York Times published an article written by Higgins (2019) with the headline "Kazakhstan Gets New Leader, but Old System's Grip on Power Remains", reports that the country which had "the same authoritarian leader since the collapse of the Soviet Union".

Another frame, "A country of brutal security forces", frequently appeared in articles about protests in Kazakhstan. Most of the articles covering the protest emphasized the brutality of security forces in suppressing demonstrations. For instance, the article called "Kazakhstan president gives

shoot-to-kill order against protesters, dismissing calls for negotiations" (Ilyushina & Cheng, 2022) by The Washington Post says that the president "dismissed calls from abroad for negotiations as stupidity and vowed to crush the demonstrations". The New York Times has published an article "In Kazakh Uprising, Reports of Widespread Abuses by Security Forces" by Hopkins (2022), emphasizing crackdown as "a ruthless campaign of brutality and intimidation that quickly overpowered a surprising revolt".

The third frame, "Kazakhstan is under the Russian influence", was widely used by the newspapers after the deployment of CSTO (Collective Security Treaty Organization) troops in Kazakhstan in January 2022. The article, "Putin dreams of a Russian' sphere of influence.' Kazakhstan's protesters are the latest to push back" published in The Washington Post by Khurshudyan (2022) explains the military assistance of the CSTO as "Propping up Kazakhstan's regime also appears to be a longer-term play for Putin: to build even deeper loyalty to Moscow". Another article has been published in the same newspaper with the title "Russian troops intervene in protest-roiled Kazakhstan, where security forces have killed dozens of demonstrators" written by Khurshudyan and Cheng (2022) describes the growing influence of Russia in Kazakhstan as "the Kremlin deepened its role in the crisis". The second newspaper to be analyzed, The New York Times, also emphasizes that Russia enhanced its influence on Kazakhstan by sending troops to put down the rebellion. For example, in the article called "Amid Crisis, Kazakhstan's Leader Chose His Path: Embrace Russia" by Hopkins (2022) saying that "Mr Putin is intent on maintaining a sphere of Russian influence that includes former Soviet republics like Kazakhstan." The author also cited that after the so-called intervention Moscow might play a significant role in political change in Kazakhstan. Another journalist of The New York Times, Andrew Higgins, in his article "In Kazakhstan, Putin Again Seizes on Unrest to Try to Expand Influence" (2022), wrote that the opportunity to suppress the rebellion in Kazakhstan, was an excellent opportunity for Russia to restore its influence to Kazakhstan.

To answer the RQ2, the codebook asked whether the general tone of the article being analyzed was positive, neutral or critical. In particular, the codebook determines an article as "positive" if the story content reflect social cohesion, cooperation, stability, and strength. As "neutral" if the story content reflects neither positive nor negative conditions and if the report did not contain explicit evaluative references. The tone "critical" was determined if the story content reflects criticism, conflicts, disorganization, instability, and weakness. The analysis of articles found that 36 out of 37 articles had a critical tone, and only one article had a neutral tone. It means that critical tone dominated in coverage of Kazakhstan's internal political processes over positive and neutral.

Conclusion

This study attempted to examine the coverage of the political life of Kazakhstan in the US media. The study was needed because there is no academic research have done on the topic of coverage of Kazakhstan's political life by US media outlets. The study found that political life of Kazakhstan was covered mostly critically. In particular, 97% of all articles dedicated to political news was covered from the critical perspective. Three frames have been discovered, they are "An authoritarian country", "A country of brutal security forces", and "Kazakhstan is under Russian influence". Unfortunately, all the frames discovered have critical tone.

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Urbanization and crime rate in Almaty

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Abstract. Urbanization from an economic perspective has a positive impact on the growth of industries and the development of the economy. People move to urban areas, as they offer more job opportunities, a better standard of living, and better infrastructure. However, urbanization, considering socio-demographic factors, also influences crime rates, as it leads to a higher level of human mobility. According to the National Bureau of Statistics, Almaty is considered the most criminal city among others in Kazakhstan. In 2021, the largest number of criminal offenses was registered in Almaty, indicating 20 026 cases. This paper aims at analyzing the statistically significant differences between megacities in Kazakhstan in terms of crime rates, and the relationship between crime determinants and the crime rate in Almaty from 2000 to 2021. The data was taken from the National Bureau of Statistics of the Republic of Kazakhstan. To analyze the data, a linear regression model, Pearson's correlation, and a one-way ANOVA test were conducted by using IBM SPSS 28 software. According to the results of the study, there is a statistically significant relationship between crime determinants considered in this paper (population growth, poverty, per capita income, unemployment, education coverage) and the crime rate in Almaty.

Keywords: urbanization, crime rate, human mobility, agglomeration, Almaty

Introduction

Urbanization is a process during which the industrial structure becomes increasingly oriented around secondary and tertiary industries instead of primary industries (McGranahan, 2015; Chaolin, 2020). In this respect, urbanization also engages shifts in the working population from agricultural to non-rural industrial and service occupations as well as changes in patterns of thinking, lifestyle, models of behavior, values, and culture. Therefore, urbanization is an integrated and multidimensional process comprising population migration from rural to urban regions, rural and urban land transformations, settlements' spatial reconfiguring, and altering governance and management.

The relationship between crime rates and the socio-economic improvements of society is tangible. Due to the complexity of the subject of crime, and its several causes and consequences, criminal activities are studied from different perspectives by numerous academic fields such as criminology, sociology, geography, psychology, and demography. For instance, the economics of crime attempts to determine the socio-economic causes and outcomes of criminal activities in society.

Urbanization is a worldwide trend. According to the United Nations, it is expected that more than half of the world's population now lives in towns and cities, and by 2030 this number will swell to about 5 billion (United Nations Population Fund, 2016). Urbanization has the potential to lead to a new epoch of well-being, efficiency of resources, and economic development. However, cities are also centers of high poverty concentrations. Inequality rise is more tangible in urban areas rather than in rural.

Urbanization has positive effects on the cities. The clustering of economic activities in urban areas promotes agglomeration economies, since it allows access to vast labor opportunities,

encourages information exchange, and allows input sharing, particularly as economic activities have become increasingly specialized and complex (Marshall, 2009). Regardless of these positive effects of urbanization, crime rates are much higher in big cities than in small cities and rural regions (Shelley, 1981; Glaeser & Sacerdote, 1999). Moreover, recent studies also indicated a positive correlation between urbanization and crime rates (Pu & Zhu, 2018; Zaman, 2021).

According to Statista (2020), the most dangerous cities are located in Latin America. The index was calculated by indicating the murder rate per 100,000 inhabitants. The highest murder rate in Los Cabos in Mexico was 138.26 for every 100,000 people living in the city. Another database named “Numbeo” provides information about crime index in cities. The index is calculated based on website visitors’ responses. According to this index, the highest crime index (84.27) is indicated in Caracas, Venezuela. Almaty is ranked 45th place, crime index is 65.24. Abu Dhabi has the lowest crime index (11.86).

In Kazakhstan, currently more than half of the population live in cities – 58,5% of the total population. Compared to other countries this indicator is relatively low. For instance, the share of the urban population in OECD countries is 81% (The World Bank, 2020). The sustainable urbanization rate is one of the priorities of the State Program of Regional Development for 2020-2025. According to this plan it is expected to have 62.6% of the urban population in Kazakhstan by 2025. However, according to “Ekonomist” online platform, from 1991 to 2020, the share of urban population increased by only 1,5%.

Notably, Almaty is ranked as highest in terms of crime rates among Kazakhstan megacities: Almaty, Nur-Sultan, and Shymkent. According to the Bureau of National Statistics of the RK, in 2021, there were 20 026 criminal offenses registered in Almaty, while in Shymkent the number was 8701, and 13 066 cases in Nur-Sultan, respectively (Figure 1).

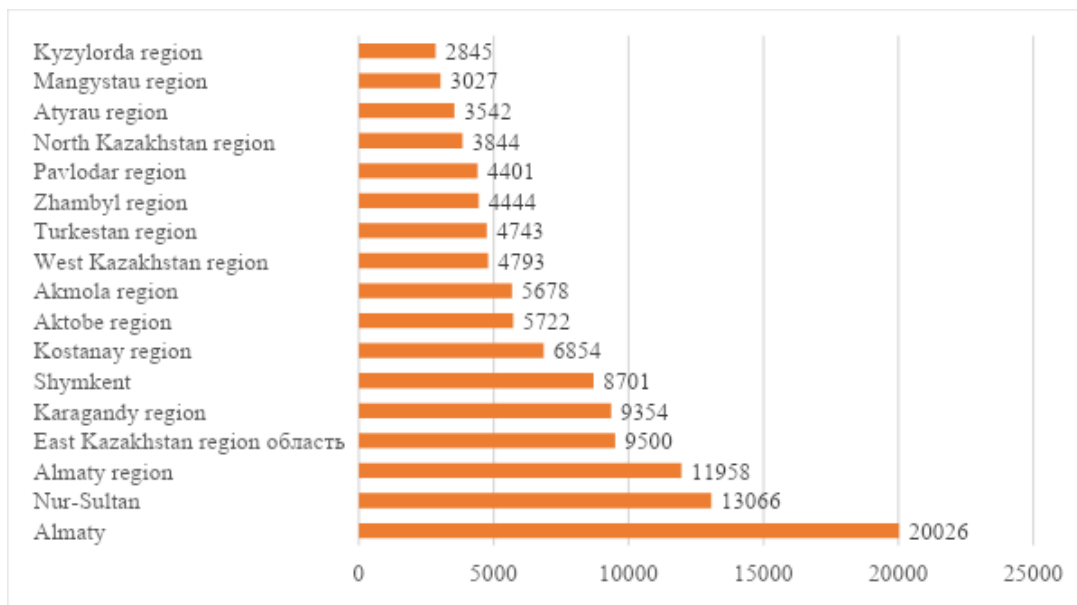


Figure 1. Criminal offenses in Kazakhstan for 2021

Note: Source – the Bureau of National Statistics of the RK

As it is shown in Figure 1, the largest cases were indicated in Almaty and Nur-Sultan, the biggest cities in Kazakhstan. Consequently, the objective of the study is to analyze the relationship between crime determinants and crime rates in Almaty; and to find statistically significant differences

in crime rates among big cities of Kazakhstan: Almaty, Nur-Sultan, and Shymkent. Therefore, the following research questions can be formulated:

- Do population size, unemployment rate, and the share of the low-income population affect the crime rate in Almaty?
- Is there a statistically significant difference in crime rates among big cities in Kazakhstan?

Literature review

There are several theories that analyze the higher crime rate in urban areas. Louis Wirth in his essay “Urbanism as a Way of Life” explained crime activities in urban areas by dividing group relationships into primary and secondary. Wirth argued that primary group relationship (among family and relatives, for example) is substituted by secondary group relationships (among neighbors and coworkers) in urban society. The secondary relationship is built on temporary, shallow, and impartial communications. Therefore, the urban lifestyle creates anonymity and remoteness among urban dwellers. For example, people rarely closely communicate even with those with whom they interact daily, such as shop owners, fellow commuters, coworkers, and even neighbors. Wirth claimed that secondary relations after all lead to family breakup, alcoholism, crime, and other negative aspects of urban life (Wirth, 1938).

According to Glaeser (1996), crime rates are much higher in large cities than in either small or rural regions, and this situation has been relatively pervasive for past centuries. The study outlines characteristics of crime in cities: lower arrest probabilities, lower probability of recognition.

Another study conducted by Glaeser and Sacerdote (1999) studied the problem in metropolitan areas in the United States. According to the study, there were 79% more violent crimes in metropolitan areas compared to other cities. They provided several explanations. Firstly, big cities offer more financial benefits for crime commitment, as the number of rich people whose houses might be robbed is higher in big cities. Secondly, the probability of getting arrested decreases in larger population settings. Finally, there are more female-headed households in metropolitan areas, and it is easier to break into their houses.

Ladbrook (1988), in his research conducted in Japan, provided three explanations of why rates of conventional crime are higher in urban than in rural areas: (1) the degree of urbanization and populated density, (2) the greater rates of migration and population growth in urban populations, and (3) the differences in demographic structures between urban and rural areas, urban areas having greater proportions of young people.

Sampson (1986) examined the structural determinants of robbery and homicide offending in American cities and presented macro-level social control focuses on the consequences for formal and informal social control of police aggressiveness, jail incarceration risk, state incarceration, and family structure. Several determinants of crime rates such as poverty, inequality, and racial composition are indicated in the study. In addition to these determinants of crime, Ogburn (1935) views the efficiency of the police force, the capability of judges, the effectiveness of the court system, and the union between politics and crime as determinants of crime.

Devine et. al. (1988) examine the effects of macroeconomic indicators and government social policy on criminal behavior. In particular, they use unemployment and inflation rates, and prison population as control variables.

Knox (1994) claimed that the increase in crime problems is correlated with the rapid development of urbanism. McIlwaine (1999) on the other hand in the opinion that the crime rate

increase, correlated with the increase in urban and industrialization process. Other scholars agreed that rapid growth in urbanization had a direct relationship with the increase in crime (Walmsley, 1988, Gold, 2002).

Another study by Meera et al. (1995) examined the determinants of crime dividing them into three main categories: deterrence, pecuniary, and socio-demographic categories. The deterrence variables considered in the study are per capita police rate, per capita police development expenditure, the prison overcrowding factor. The unemployment rate, urban-rural income disparity, and per capita GNP fall into the pecuniary category. Whereas urbanization index, the percentage of the population in the age range of 15 to 29, and the population size are regarded as socio-demographic variables. By using these variables authors developed a regression model.

Bechdolt (1975) investigates the relationship between macroeconomic indicators and crime rates in big cities such as Los Angeles and Chicago and finds that large population and high employment densities positively affect crime rates.

Several studies on the determinants of crime indicate educational attainment, employment level, wage income, income inequality, public expenditure on police (Buonanno & Montolio, 2008; Aaltonen et al., 2011; Cerulli et. al 2018)

Among recent studies, Hipp and Kane (2017) explored the relationship between cities and crime rates within the broader context in which the location of the city impacts the change in crime levels over the subsequent decade. The authors claim that although cities with a larger population and those surrounded by a county with a larger population typically experience larger increases in crime over the subsequent decade, cities experiencing an increase in population during the current decade experience crime decreases. The study also finds that the level of crime decreases in the cities with higher average income, whereas in cities with a higher unemployment rate the level of crime increases.

Li et al. (2019) found a positive correlation between income polarization index and crime in China by using provincial panel data.

Hashim et. al (2019) by using the OLS regression model to determine the factors influencing the crime patterns. According to the study, a combination of exploratory variable model rate of urbanization and population size contributes to variance in crime index rate incident.

For a better understanding of the literature on the researched topic, the visualization of bibliographic networks is presented on Figure 2.

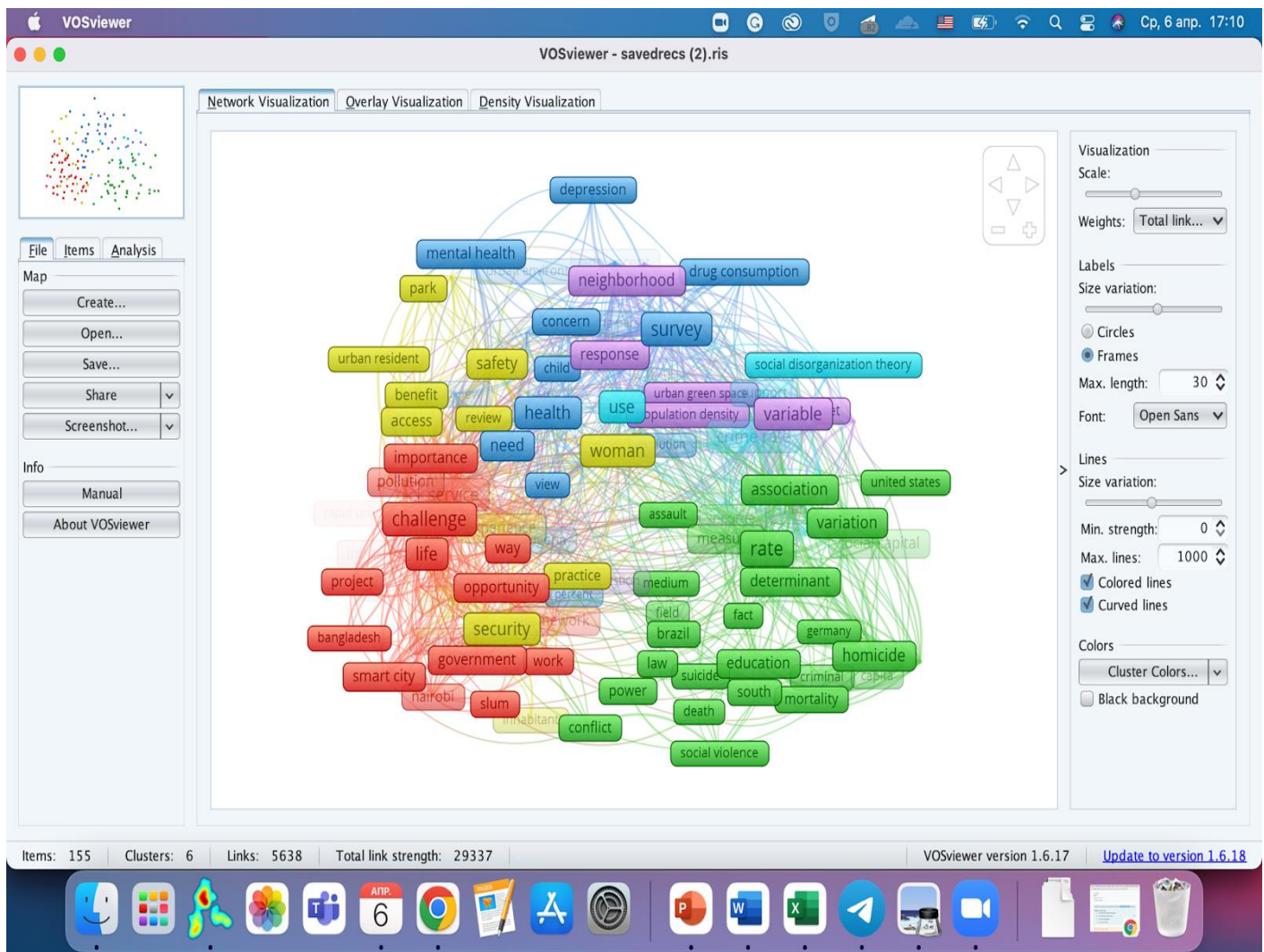


Figure 2. Visualization of bibliometric networks

Note: Compiled via VosViewer software by using Web of Science database

This visualization is constructed via “VosViewer” software by analyzing titles and abstracts of articles from the Web of Science database. These articles were searched by the following keywords: “urbanization”, “crime”, and “crime rate”. The most frequent words used in articles are indicated, each color represents the density, concentration, and link between words. For example, “assault”, “social violence”, “homicide” and “conflict” are used in one common context.

Methodology

For this study, the following data was taken from the Bureau of National Statistics of the RK for the available period from 2000 to 2021 on Almaty: population size, unemployment rate, average income per capita, education coverage, consumer price index, the share of the low-income population, and crime rate. These variables were chosen for the analysis in accordance with the literature review and the availability of the data.

To find the relationships between variables, the following multiple regression model was developed:

$$RO = \beta_0 + PS*\beta_1 + Un*\beta_2 + SLI*\beta_3 + \epsilon \quad (1)$$

Table 1. Variables

RO (Y)	dependent variable (registered offenses)
PS	population size
Un	unemployment
SLI	share of the low-income population
β	regression coefficients. Weights reflect the relationship between the explanatory and dependent variables.
β_0	the regression intercept. It represents the expected value for the dependent variable if all the independent (explanatory) variables are zero.
ϵ	residuals represented in the regression equation as the random error term and the value not explained by the model.

The collected data was analyzed via this formula by using IBM SPSS 28 software. Furthermore, the data on the registered offenses were analyzed via a one-way ANOVA test.

Results

According to the Bureau of National Statistics of the RK, in 2021, a total of 124,383 criminal offenses have been recorded in Kazakhstan. Almaty is a leader in terms of crime rates in Kazakhstan. In 2021, the prevalent criminal offenses are theft and fraud. Comparing crime in Almaty in 2017 and 2021, the number of crimes decreased by 61%. Nevertheless, the city remains the most dangerous in Kazakhstan. Notably, Almaty, Bostandyk and Alatau districts depict higher numbers of crimes.

Table 2. Registered criminal offenses in Almaty in 2021

Criminal offense	Registered number
Murder	13
Theft	1 856
Fraud	1 835
Robbery	119
Brigandage	9
Hooliganism	64
Extortion	13
Rape	14
Drugs	185

Note: Source – qamqor.gov.kz

Notably, the number of thefts dated in April 2022 increased by 2 times compared to the entire previous year. Whereas the number of murders increased by 6 times compared to 2021. It might be connected to the “January events” that occurred in Kazakhstan, as Almaty faced large-scale riots that caused numerous offenses.

To analyze the relationship between chosen variables statistical tests were carried out.

First, a one-way ANOVA test was conducted to find out statistically significant differences among big cities in Kazakhstan. Before conducting the test, it was necessary to identify whether the data on the crime rate in cities (Figure 3) were normally distributed (González-Estrada et al., 2022), therefore, a normality test was run. According to the normality test, the data was normally distributed, as both Kolmogorov-Smirnov and Shapiro-Wilk tests' p-value is less than 0.001.

After conducting the one-way ANOVA test, a statistically significant difference in crime rates among Almaty (with a higher mean), Shymkent, and Nur-Sultan was outlined ($F(2,53) = 8,01, p < 0,001$). However, according to post hoc Tukey reporting, Almaty's crime rate was not significantly different from Nur-Sultan's. The result of the comparison is presented in Table 1 and Table 2 respectively.

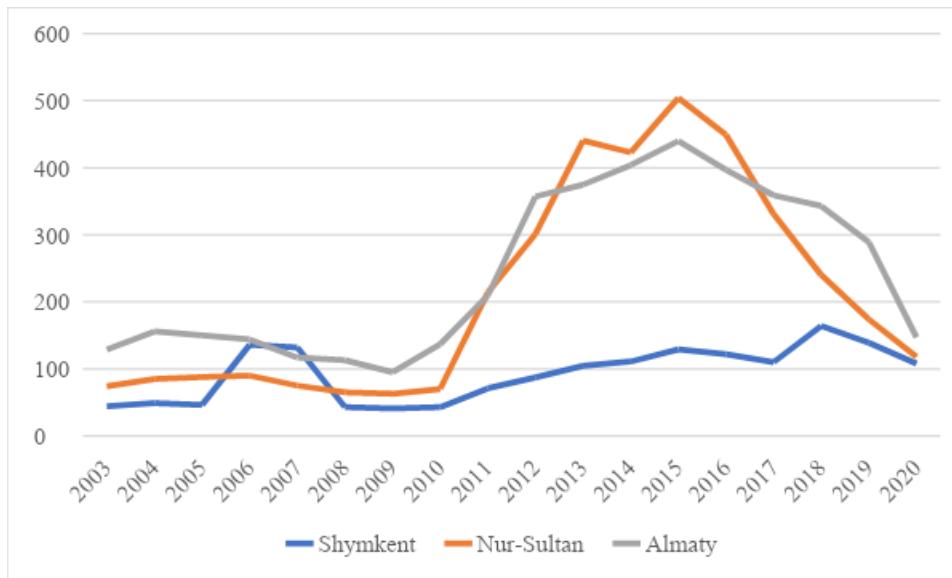


Figure 3. Crime rates of Almaty, Nur-Sultan, and Shymkent

Note: Source – the Bureau of National Statistics of the RK

These cities are chosen to analyze since they are the largest cities in Kazakhstan in terms of a population exceeding 1 million. The period from 2003 to 2020 was selected due to the availability of data. As can be seen in Figure 2, the highest crime rate in Almaty and Nur-Sultan was indicated in 2015, and after this year there was a significant decrease. Whereas Shymkent performed a relatively stable crime rate throughout the indicated period.

Table 2. Descriptive table of one-way ANOVA

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Shymkent	18	93,3	40,8	9,6	73,0	113,0	41,0	164,0
Nur-Sultan	18	211,3	157,0	37	133,0	289,0	63,0	503,9

Almaty	18	242,29	123,5	29,1	180,0	303,0	95,0	439,9
Total	54	182,33	132,4	18	146,0	218,0	41,0	503,9

Note: Source – the Bureau of National Statistics of the RK

Table 3. The results of ANOVA

ANOVA					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	222455,876	2	111227,938	8,017	<,001
Within Groups	707540,717	51	13873,347		
Total	929996,593	53			

Thereafter, multiple regression was run by using the above-mentioned formula. However, before conducting the test several assumptions should be checked. According to the normality test, the chosen variables were normally distributed, although the “population” variable indicated a slight discrepancy. Initially, such variables as “education coverage”, “average income per capita”, “consumer price index” were selected to check the relationships with the dependent variable. However, due to the failed normality test and VIF, they were excluded from the analysis. The relationship between variables is linear, and there is no multicollinearity in the data, as VIF scores are below 10 and tolerance scores above 0.2. Nevertheless, the Durbin-Watson statistic test obtained a value of 0,638, which is below 1, indicating autocorrelation among residuals. Finally, Cook’s distance values were all under 1, suggesting individual cases were not unduly influencing the model.

According to the results, there is a statistically significant relationship between population size, unemployment, the share of the low-income population, and registered offenses. Therefore, selected independent variables predict the dependent variable. The results are depicted in Tables 4 and 5.

Table 4. Regression Model Summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,805a	,648	,586	14126,626	,638
a. Predictors: (Constant), population, number of unemployed people, share of the low-income population					
b. Dependent Variable: registered offenses					

Table 5. Coefficients of the model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6494,267	40861,601		,159	,876		
	number of unemployed people	-336,701	512,010	-,109	-,658	,520	,759	1,318
	share of the low-income population	-1354,406	765,972	-,356	-1,768	,095	,512	1,954

	population	36,609	16,263	,456	2,251	,038	,504	1,982
a. Dependent Variable: registered offences								

As it is presented in the tables, the multiple correlation coefficient (R) is equal to 0.805, which indicated a very good prediction level. Independent variables statistically significantly predicted the dependent variable, $F(3, 920) = 10,423$, $p < .001$, $R^2 = 0.648$.

Conclusion

This study analyzed quantitative relations between population size, unemployment, the share of the low-income population, and the crime level in Almaty. According to the results, a statistically significant relationship was found, indicating that the multiple regression model predicts crime rates by selected independent variables. Moreover, there is a statistically significant difference in crime rates between Almaty, Nur-Sultan, and Shymkent. Almaty indicated the highest rates of offenses than other cities, although according to one-way ANOVA results Almaty does not significantly differ from Nur-Sultan. Nevertheless, the study has several limitations in terms of statistical analysis, it is expected that this paper contributes to existing quantitative studies on correlations between urbanization and crime rates and can be used by government entities.

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Appendix

Table. The descriptive statistics of selected variables from 2000 to 2021

Years	Registered offences	Gross education coverage	Number of unemployed people	Population	Average income per capita	Average monthly nominal salary	Share of the low-income population
2000	18719	113,04	75,5	1128,76	11382	18549	4,8
2001	19394	125,61	60	1132,42	14478	23386	19,4
2002	15458	138,97	54	1149,64	17243	28396	13,1
2003	14879	150,48	51,6	1175,21	20123	32622	12,1
2004	18521	166,5	52,7	1209,49	24235	39614	12,6
2005	18341	167,9	52,2	1247,89	29347	49201	10,6
2006	17721	173,76	52,9	1278,25	38190	59240	12,1
2007	14785	177,1	53	1324,74	51703	78021	8,5
2008	14830	156,11	51,9	1361,88	69881	90239	13,7
2009	12694	158,58	54,6	1390,6	71012	95139	3
2010	19002	121,44	45,5	1413,2	67190	106597	2,6
2011	29695	124,18	41,7	1449,4	76846	121674	2
2012	52022	131,75	43,6	1474,8	86733	134378	0,4
2013	55482	136,39	44,4	1506,9	95095	142310	0,6
2014	61391	124,52	44,7	1641,4	104832	155242	0,6
2015	73505	121,27	46,5	1702,7	111530	161845	0,6
2016	68702	129,47	48,4	1751,3	124281	178678	0,8

2017	63797	138,05	49,6	1802	129581	190875	1
2018	62646	163,57	49,8	1854,7	138927	200919	2,8
2019	50344	194,27	50	1916,8	150380	224158	2,8
2020	28673	199,9	52,2	1977,2	164721	247951	4,9
2021			52,9	2025	178214	292947	

Note: Source - Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, stat.gov.kz

Gender inequality and authoritarianism as an International Relation's problem. Case studies of Kazakhstan and Turkmenistan.

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Abstract

For centuries, the role of women in domestic politics and international relations has been underestimated. In fact, according to Kennedy (2013), questions about national security were only viewed through the lenses of traditional perspectives, and gender was highly dismissed. Gender equality matters were also overlooked in the discussions about state protection, wars, and terrorism (Cohen, 2013; Tickner, 2014). Nevertheless, with the emergence of Feminism as an International Relations (IR) theory, initiatives emphasizing gender equality became predominant in the IR system (Kennedy, 2013). Feminism also led to re-focusing on the questions of gender in domestic politics, national economy, international affairs, and peacemaking (Kennedy, 2013). Although Feminism was quite popular and well-based in the Western world, its influence was slow and hesitant in the post-Soviet area. This research seeks to use Feminism as an IR approach to determine the correlation between gender inequality and authoritarianism as a regime of the government in the Republics of Kazakhstan and Turkmenistan.

Keywords

Gender inequality, authoritarianism, Central Asia, Kazakhstan, Turkmenistan, feminism

Introduction

For centuries, the role of women in domestic politics and international relations has been underestimated. In fact, according to Kennedy (2013), questions about national security were only viewed through the lenses of traditional perspectives, and gender was highly dismissed. Gender equality matters were also overlooked in the discussions about state protection, wars, and terrorism (Cohen, 2013; Tickner, 2014). Nevertheless, with the emergence of Feminism as an International Relations (IR) theory, initiatives emphasizing gender equality became predominant in the IR system (Kennedy, 2013). Feminism also led to re-focusing on the questions of gender in domestic politics, national economy, international affairs, and peacemaking (Kennedy, 2013). The importance of gender equality increased with the United Nations' former General Secretary Ban Ki-Moon's new initiative known as UNITE to end violence against women, followed by the Inter-Parliamentary Union (IPU)'s initiative known as the Bureau of Women Parliamentarians to encourage gender parity in higher politics. With more women in higher positions, a direct link between women's roles in a country and this country's regime type and behavior in the international area was demonstrated.

Regardless of the above-mentioned facts, gender parity is still far from perfect. Despite the fact that decades have passed since the introduction of both initiatives, we can still see a low representation of women in decision-making. Most importantly, the more we neglect a connection between gender inequality and countries' regimes, the more we allow continuation and creation of autocratic regimes. Owing to that fact, Duncan, Peterson, and Winter (1970) illustrated the correlation between gender inequality and authoritarianism as early as 1970. The authors applied Altemeyer's Right-Wing Authoritarianism (RWA) Scale and discovered that more conservative communities lead to more autocratic regimes. Brandt and Henry

(2012) followed a similar approach and used Facsim (F) Scale. They identified that both men and women tend to be more authoritative if they experience stigmatization in society. Therefore, by ignoring gender inequality, and stigmatizing or confining women to certain roles and positions, authoritarianism thrives creating more autocratic male and female leaders. Duncan, Peterson, and Winter's RWA Scale and Brandt and Henry's F-Scale can be applied to current global gender inequality and authoritarianism. Their discovery of a direct link between gender inequality and authoritarianism can be seen in the following figures. Figures 1 and 2 demonstrate the levels of democracy and the proportion of seats held by women, respectively. According to World Bank (WB) statistics, only 25.5 percent of countries have female parliamentarians, and only 22 countries have female leaders. One of the most democratic regions, Western Europe, accounts for 14 female leaders. Consequently, there is a direct link between gender equality and democracy. Similarly, Oceania illustrates similar patterns. Australia and New Zealand have full democracies, and their national parliaments are consistent with 30 and 48 percent of female parliamentarians, respectively. Female representation of the Fijian government is 20 percent, and the country is a semi-democracy. Whereas, the Islands of Solomon, Marshall, Palau, and Tuvalu show a low representation (6-8 percent), hence they are quasi-democracies.

Most countries of North, Central, and South America show 25-35 percent of women's representation; as a result, these countries are either full-democracies or semi-democracies. Countries such as Venezuela and Bolivia have lower representation of women; thus, they are hybrid democracies. Countries of the African continent and the Middle East show similar results when searching for the link between gender equality and democracy. The most authoritative regimes of Africa, such as Libya, Chad, the Central African Republic, and the Democratic Republic of Congo, all have the lowest female ratios and the least liberal governments (15, 15, 8, and 12.8 percent, respectively). Namibia (43 percent), South Africa (46 percent), and Mozambique (42 percent) have either semi or hybrid democracies and show high levels of female representation in the national parliament.

Countries of the former Soviet Union are no exception - the lower the gender equality, the lower the democracy in the country. For instance, the female share of the Baltic countries is considered appropriate from the total number. Estonia has a ratio of 30:71, Latvia - 31:69, and Lithuania 38:103 women to men representatives in the parliament [□]. As a result, the Baltic countries demonstrate quasi or full democracies. On the other hand, the Central Asian countries have either a lower number of female representatives or a reduced role of women elected to the parliament. Consequently, Central Asia still remains as an autocratic regime. The least liberal countries, Turkmenistan, Tajikistan, and Uzbekistan have the lowest female representation and the highest authoritarianism in the region. The Tajik government has 15, the Turkmen - 14, and the Uzbek - 48 women in the lower chamber[□]. The hybrid regimes of the region, Kyrgyzstan and Kazakhstan, also have a low ratio of women. Kyrgyzstan has 18 women and 70 men in the Supreme Council, while Kazakhstan bears 29 women and 78 men in the lower chamber [□]. Women in both lower and higher chambers of these parliaments either have nominal functions or are related to the leaders of these countries. Consequently, the region shows an abysmal level of nepotism and gender inequality, proving once more a direct and strong link between gender inequality and authoritarianism experienced in the country.

Viewing gender inequality as the main source of autocracy has long been overdue. Consequently, through this research, I plan to shed light on the widespread inequality experienced in Kazakhstan and Turkmenistan explaining the maintenance of the countries' autocratic regimes with the purpose of raising awareness and calling for a reassessment.

Figure 1:

Regime types by country (The Economist Intelligence Unit)

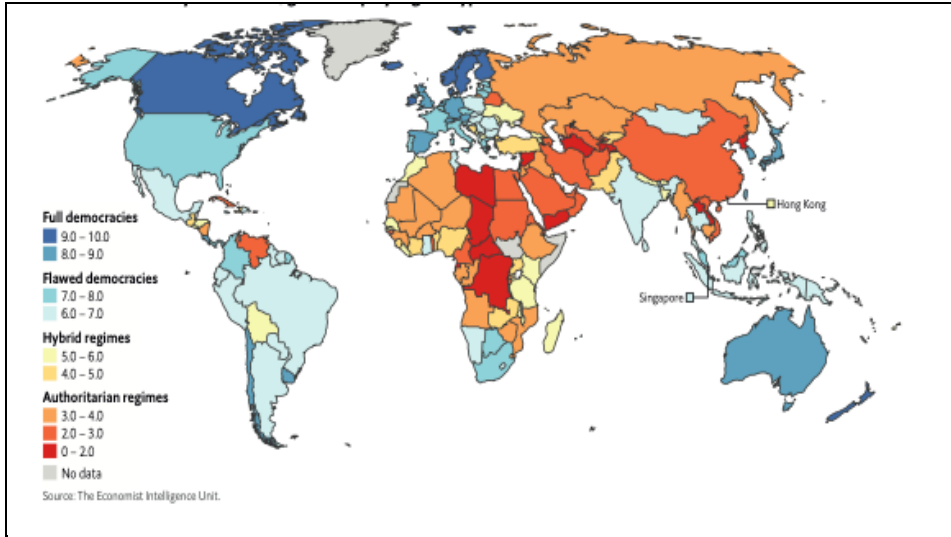
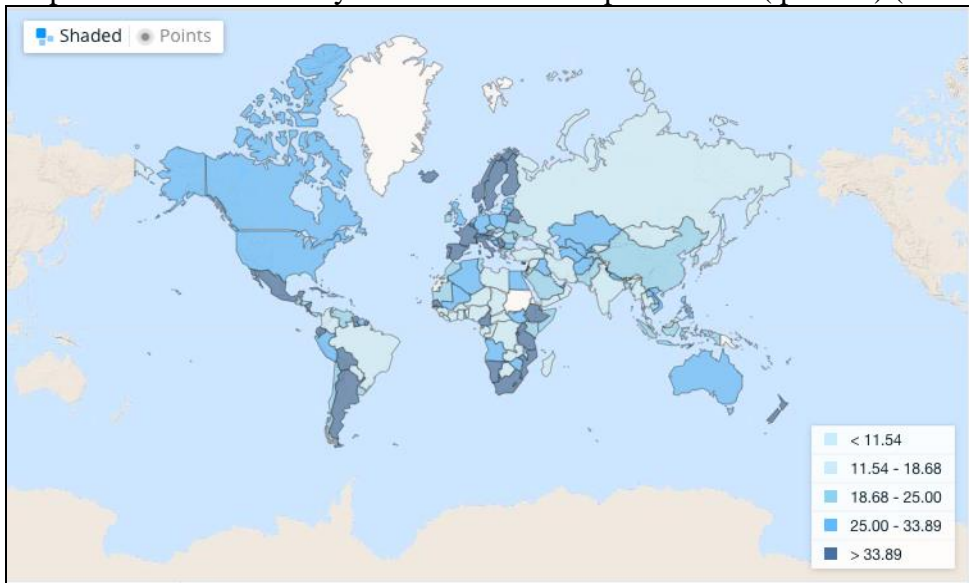


Figure 2:
Proportion of seats held by women in national parliaments (percent) (World Bank)



Problem Statement

Theorists and policy-makers attempted to identify and address the origins of authoritarian states. Adorno, Frenkel-Brunswik, Levinson, and Sanford (1950) see authoritarianism as a rooted personality changeable through different socialization practices. Followers of liberalism saw the lack of trade-economic relations and economic inequality as the factors of authoritarianism and suggested modernization to eliminate autocracy (Solt, 2012). As a result, viewing gender inequality as a possible cause of authoritarianism was neglected. Similarly, scholars connect current Central Asian authoritarianism with various factors. Cameron and Orenstein (2013) explain existing regional authoritarianism with Russia's autocratic influence. Hasanova and Mambetova (2020) see the high-income gap as a reason for authoritarianism. In such a way, scholars constantly dismiss gender inequality elements and disregard a connection between infamous authoritarianism and dominant gender inequality in Central Asia. Negligence of the correlation is a problem since inequality leads to the endurance of autocratic regimes. Therefore, the purpose of this research is to re-focus on the

under-researched and neglected but the direct and robust connection between gender inequality and authoritarianism in Central Asia. In other words, I will research a direct correlation between gender inequality and authoritarianism in Kazakhstan and Turkmenistan. As I come from Turkmenistan and have lived in Kazakhstan, I have the necessary networking system to develop research in this region.

The presence of gender inequality contributes to authoritarianism in Kazakhstan and Turkmenistan. In other words, although Kazakhstan and Turkmenistan declared democracy, they have not achieved the pledged words. According to the Freedom House Reports (2021), Turkmenistan is one of the worst cases of autocracy in the post-Soviet Union territory. Stronski (2017) places Turkmenistan's authoritarianism concurrently with North Korea, Sudan, and Syria. The majority of the citizens, especially women and the middle class, suffer from discrimination, nepotism, and inequality. The unfairness is present in all dimensions. For instance, according to the Norwegian Helsinki Committee, women are second-class citizens in Turkmenistan, and domestic violence against women is a tabooed private matter (2012). Secondly, fair participation in politics and equal representation of women are unattainable ambitions for Turkmen citizens. Similarly, 14 female representatives in the parliament have ostentatious functions and are under the control of the ruling personality cult (Rozanskij, 2021).

Kazakhstan has shown better results in Central Asia in democratization and gender parity. However, according to the Freedom House, Kazakhstan ranked 23 out of 100 in the global freedom score. Political rights ranked 5 out of 40, while civil liberties - 18 out of 60. Similarly, the proportion of seats held by women has remained the same since 2016 - 27.1 percent. After the resignation of Nursultan Nazarbayev, Kassym-Jomart Tokayev introduced legislative changes. In May 2020, a quota of 30 percent for women in the parliament was introduced (Shaukenova, 2020). However, critics claim that the women's share is a "lip service" to bypass Western critics. Widespread and infamous nepotism in Kazakhstan also demonstrates gender inequality in the country. Kazakhstani women in power have either direct or indirect connections with the family of the first President. For instance, daughters of the first President, Dariga, Dinara, and Aliya Nazarbayeva are successful businesswomen and have assets outside the country. Aigul Omarova, Akmaral Arystanbekova, Madina Dzharbusynova, Byrganym Aitimova, and Gulshara Abdykalikova have held their steady political positions since the Soviet times due to their well-balanced relations with the Nazarbayev family. According to independent news, the former first ladies, Sara Nazarbayeva, Assel Kurmanbayeva, and Gulnara Rakisheva, have assets inside or outside the country (Kazmedia, 2021). Thus, the cult of the family is a decisive factor in Kazakhstan worsening gender equality and limiting women's opportunities. Furthermore, gender inequality questions have been absent from the beginning of the independence of Kazakhstan and Turkmenistan. During the reign of Saparmurat Niyazov, stereotypes about gender in the workplace, a decrease of mandatory high school to nine years, and oppression of non-governmental organizations started gruesome discrimination of women in Turkmenistan that continued to current days. In patriarchal Kazakhstan, 75 percent of Kazakhstanis believe that men are better suited to be political leaders, 67.5 percent claim men to be better at business than women, and 68.5 percent accept domestic violence against women. Neither Kazakhstan nor Turkmenistan has ratified the Istanbul Convention. Although countries have ratified international treaties for the equal rights of women, there is non-compliance by both governments. Women of Kazakhstan and Turkmenistan struggle with sexism and inequality. Inasmuch as female success is possible through connections, and their roles are stereotyped, Kazakhstan and Turkmenistan will be authoritative. Consequently, this work is dedicated to developing a direct link between gender inequality and authoritarianism of Kazakhstan and Turkmenistan to reassess and refocus on the matter. In Turkmenistan and Kazakhstan, access to politics is achieved through different means. Consequently, as long as the route to women's success in politics and business lies through family connections, gender inequality, and the autocratic regime will remain in both countries.

Overall, research will have several impacts. Firstly the actual connection between gender inequality and authoritarianism in Kazakhstan and Turkmenistan is under-researched; thus, it will be a valuable addition to the literature of Central Asia. Secondly, there is limited access to Turkmenistan; hence my networks and insights will provide reliable data on Turkmenistan and Kazakhstan. Lastly, the paper will be based on the following research questions to develop the inseparable connection between gender inequality and authoritarianism in Kazakhstan and Turkmenistan.

1. Which model of state and nation-building was selected by the regimes of Turkmenistan, and Kazakhstan?
 1. Was the gender equality segment in the state-building model of Kazakhstan and Turkmenistan?
2. How does authoritarianism generate or worsen gender inequality in Turkmenistan and Kazakhstan, and, in return, how does gender inequality reinforce authoritarianism?
 1. To what extent gender inequality has spread in Kazakhstan and Turkmenistan?
 2. How democratic or authoritarian are Kazakhstan and Turkmenistan?
3. What kind of practical strategies are there to implement?
 1. What approach can be exemplified as a model country to reach gender equality and democracy in Kazakhstan and Turkmenistan?

The thesis structure will proceed as follows. There will be three parts subdivided into chapters. Part I will have three chapters focusing on nation-building and gender equality segments. Chapter one will be on the nation-building model that Kazakhstan and Turkmenistan followed after gaining independence. In this chapter, I will search for the segments of gender equality and gender norms in the early years of nation-building processes of three post-communist countries. I will start by clarifying the nation-building in Eurasia, followed by gender equality segments during nation-building in Kazakhstan and Turkmenistan. Chapter two will focus on women's roles during and after the collapse of the Soviet Union. I will search for the Soviet legacy that may have influenced gender questions in independent Kazakhstan and Turkmenistan. Chapter three will dive into each country separately and search for gender equality questions in the process of nation-building. Part II will have two chapters focusing on the statistical correlation of gender inequality and authoritarianism. Chapter four will include previous theorists' works proving or refuting the connection between two factors. I will develop a theoretical basis for the correlation in chapter five. Part III will include the methodological process of data collection (chapter six) and data analysis (chapter seven). I will conclude this thesis with a discussion, summary, and recommendation.

Part I. Nation-building and gender equality segments

Although the questions of overall equality were considered in the nation- and state-building processes of the countries, issues of gender equality and women's rights were not explicitly given. Scholars and policy-makers, who are concerned about this issue, claim that the government policies and laws should specifically indicate notes on gender equality for better results. Their argument is based upon the practices of some countries which are democratic, yet negligent about women's rights due to various factors. Nevertheless, provided gender equality segments were specifically indicated in the nation- and state-building processes of the countries, alternative futures could be observed. Consequently, the following chapters feature existing works of scholars on the nation-building process in Eurasia and the presence or absence of gender equality segments in the process.

Chapter 1. Nation-building in Eurasia: Kazakh and Turkmen models

Bremmer (2003) explains that nation and state can exist independently. For instance, the state of France existed long before the French came together, while the Estonians shared national identity before the establishment of the state of Estonia. Consequently, the collapse of the Soviet Union with fifteen various republics and tens of nations complicated state and nation ideologies (pp. 30-31). Russia, Lithuania, Latvia, and Estonia already had a state apparatus; thus after becoming independent republics, they enjoyed some advantages compared to other republics. In other words, Baltic republics and Russia did not struggle with forging national identity and exercising it with state-building. Ukraine had a larger and more incoherent population, and in combination with the weak state apparatus, independent Ukraine faced difficulties with nation and state-building. Up to now, Ukraine has had a disjointed population of Ukrainian-speaking Ukrainians, Russian-speaking Ukrainians, and Russian-speaking Russians (p. 32). Armenia, Georgia, and Moldova have always had a strong sense of national identity; yet, as independent republics, they struggled with common state-building due to vast and diverse ethnicities living in those countries (p. 33). Countries of Central Asia, Azerbaijan, and Belarus faced different problems as the Soviet Union had arbitrarily determined their borders and uprooted their cultures. Leaders of these countries came from the Communist parties and single-handedly built personality cults. Niyazov in Turkmenistan, Nazarbayev in Kazakhstan, Karimov in Uzbekistan, Rakhmanov in Tajikistan, Lukashenko in Belarus, and Aliiev in Azerbaijan have associated nation-building of their countries with their personality cults (p. 34). The exception to a cult-building was Akayev in Kyrgyzstan, who sought more open means as an independent republic.

Former socialist republics pursued different models of state and nation-building. The Baltic states sought western standards of democracy that included freedom of expression, human rights, including children and women's rights. Central Asian states pursued personality cults, while the Caucasus region became nations in transit. Neither of the Eurasian republics focused on human rights and gender equality segments except for the states of the Baltic region. Hence, this factor has played a crucial role in the development of these republics. Caprioli, Douglass, and Douglas (2008) argue that the nation-building process is gender-neutral. The peacemakers assume that democracy will bring opportunities for men and women similarly. Yet democratic nation-building does not always provide gender equality unless the gender equality segments are explicitly included in the process. The authors exemplify democratic India, where women's security is at risk. The community leaders in Rajasthan, India, gang-raped a female leader of the Women's Development Program as she opposed child marriage in India. This case demonstrates that democracy does not provide gender equality and women's security all the time. Caprioli, Douglass, and Douglas (2008) analyze El Salvador, Mozambique, Namibia, Cambodia, Haiti, and Somalia. The interventions to build a democratic nation were successful in El Salvador, Mozambique, and Namibia, while the opposite was in Cambodia, Haiti, and Somalia. Nevertheless, because the initial nation-building process excluded gender equality segments, women's security and equality are still in danger in the listed countries. Consequently, Caprioli, Douglass, and Douglas (2008) claim that nation-building should include gender equality and women's security segments as a part of its charter.

Chapter 2. Women's "emancipation" during and after the Soviet Union

Adrienne Edgar (2006) demonstrates the "emancipation" of women from pan-Islam and the higher roles of women during the Soviet Union in the interwar period. She specifically focuses on Central Asia and exposes that current inequality between men and women in Central Asia is not the product of Soviet policies. On the other hand, Soviet policies aimed at increasing the economic independence and education of Central Asian women. Soviet gender policies of the 1920-1930s competed with the European models of gender policies. As a result, radical transformations such as massive unveiling or Zhenotdel (the women's departments) were created. The head of the Women's department of the Turkmen Communist Party, Halmyrat

Sahetmyradov, noted that the Soviet efforts prevented women from forced marriage and expanded education and career opportunities, especially for rural women. Sahetmyradov concluded that more measures were necessary to avert Turkmen women from being allured by kulaks and mullahs of Turkey, Iran, and Afghanistan (252). Edgar (2006) clarifies that undoubtedly Soviet gender policies sought to increase Soviet nation-building and socialism rather than the rights of individual women, yet the policies brought positive results. Soviet policies on women believed that economic equity would provide gender equality. Similarly, the policies failed to include political, social, and cultural norms when assessing gender equality. Regardless, when discussing current gender inequality spread in Kazakhstan and Turkmenistan, we cannot automatically align it with the radical Soviet policies. The gender policies of the Soviet Union may not have been an essential aspect of state and nation-building, yet they indeed brought imperial effects.

Isaacs and Polese (2016) explore the nation-building process in the post-Soviet space by giving exploratory analysis for the former Soviet Union states. They explain the Soviet nation-building as a “nationless” political strategy that aimed to increase anti-Tsarist notions throughout the country. The authors see the Bolshevik nation-building policies as focused on class rather than nationality; therefore, the Soviet Union tolerated multi-nationalism. After the end of the Tsarist regime, the ideology of the Soviet Nation (Sovetskiy Narod) emerged. Hence the post-Soviet nation-building in Central Asia was an outcome of the political, social, and cultural institutionalization of the Soviet elite. Isaacs and Polese (2016) explain that Kazakh nation-building was advanced through cinema. Films, such as *Nomad* had the Kazakh ethnic narrative, while *Kelin* - the religious one (206; 211). Yet, throughout the Kazakh nation-building process, which is still ongoing, the gender segment is absent. Isaacs and Polese (2016) associate the Turkmen nation-building with personality cults (221). The authors explain that the Turkmen nation-building was a reconstruction and reinterpretation of history so that it would focus on Turkmenbashi and Arkadag. During the Niyazov period, the Golden Age of Turkmenistan and the Holy book of Rukhnama became the reimagined symbols of Turkmen nation-building. With the advancement of Berdymukhammedov, Turkmenistan had a new set of nation-building symbols. The Epoch of the Great Renaissance was given to describe the nation-building process from 2007 (227). The narrative of the Turkmen nation-building expanded along with Berdymukhammedov’s interests. For instance, sport, Turkmen Akhal-Teke horses, Alabai-dogs, carpet, melon, etc. were the new symbols of the Turkmen nation-building. The Berdymukhammedov cult replaced the Niyazov cult, yet the women’s role as independent individuals did not appear in the process of Turkmen nation-building. Isaacs and Polese (2016) have developed inclusive research to understand nation-building in the post-Soviet space. They apply different prisms, such as ethnic, civic, pre-Islam, etc. to assess nation-building in Kazakhstan and Turkmenistan after their independence. Each independent state followed various paths, yet neither has applied gender equality or women’s security segments in nation-building.

Chapter 3. Gender questions in independent Kazakhstan and Turkmenistan

The Kazakh nation-building was achieved through various approaches. As noted by Isaacs and Polese (2016), the narrative of what it means to be Kazakh was largely expressed via cinema and was mainly focused on the Kazakh nationality. Local scholars, Aitymbetov, Toktarov, and Ormakhanova (2015), also research the narrative of Kazakh nation-building to understand what it means to be Kazakh. The researchers view political, ethical, and cultural aspects, yet their work lacks gender segment. Similarly, the work of the scholars demonstrates the national ideology of being Kazakh and Kazakhstani. The authors expose contradicting views of ethnic Kazakhs and other citizens residing in Kazakhstan. The majority of the ethnic Kazakhs claim that the term Kazakhstani is obsolete, and only the term Kazakh should play a role in Kazakh nation-building. The work of Aitymbetov, Toktarov, and Ormakhanova (2015) solely focus on the matter of being a Kazakh,

building the Kazakh nation-state. Their work is immensely helpful, yet lacks gender or women questions demonstrating the deficiency of gender segments in Kazakh nation-building.

Shakirova (2016) also claims that gender policies are absent in the nation-building of an independent Kazakhstan. She explains that the modern Kazakh nation can be viewed as a mixture of ideological factors, one with a Nomadic culture, a Turkic language, Islam as a religion, a market economy, a leader of the Central Asian region, and a post-Soviet state. Yet, this inclusive description has ambiguous gender features and prominent male symbols (p. 1). According to Shakirova (2016), organizing beauty contests and naming a few towns after female leaders do not solve existing gender inequality. The author argues that gender equality segments should not have been dismissed during the process of Kazakh nation-building. The current lack of women's representation is justified by the traditionalism of Kazakhstan. In the process of Kazakh nation-building, women were depicted as mothers, wives, sisters, and homemakers. Shakirova (2016) explains that current trends in gender roles have developed. For instance, on average women get married at the age of 23.7, most couples exercise co-habitation and sexual intercourse before marriage. Kazakhstan women continue to be one of the most emancipated females in Central Asia, however, male dominance and inequality are still persistent in Kazakhstan. Specifically, Shakirova (2016) points out women's underrepresentation in politics, and public administration. The author notes that before 2012, there was no female representation in the Senate. After the elections of 2012, Mazhilis had 24.2 percent females, and as of 2021- 27.4 percent. Women do not hold the highest political positions in the country, for instance, the president, prime minister, heads of provinces, or bank managers have usually been men. Three women heads of the ministries are related to labor, health, and education. Hence, there is not only gender inequality but also a clear breach of discrimination based on gender. Shakirova (2016) also shows national policies on gender issues. For instance, Kazakhstan established the Council on the Family and Women Affairs and Demographic Policy (1993) and the National Commissions on Family and Women Affairs (1997). Kazakhstan implemented the Beijing Platform National Action Plan on improving the status of women in 1997. Regardless of the policies, acknowledgment of gender equality and women's rights lack on the executive and legislative levels. For instance, people implementing national programs, civil servants, and employers view gender policy with resistance. The government itself was slow to adopt the Convention on Eliminating All forms of Women Discrimination (1998), Equal Rights of Women and Men in Kazakhstan (2009), and Counteracting and Preventing Domestic Violence (2009). Shakirova (2016) also explains that after the independence, Kazakhstan cared the least about gender questions. In 2004, when Nazarbayev declared the Kazakhstani nation, outrage by the majority of the citizens spread. As a result, gender policy is a new phenomenon in Kazakh nation-building. Most importantly, Shakirova (2016) clarifies gender equality policies that contradict Kazakh nation-building policies since the Kazakh original intellectuals emphasize the factors that dismiss gender equality. For instance, the intellectuals pursue ethnocentrism, lingua-centrism, patriarchal conservatism, and Islam. These factors oppose gender equality, and individualism purported by the supporters of equality. They as well prevent Kazakhstan's aim of establishing a market economy and leading the Central Asian region. Consequently, Shakirova (2016) emphasizes that strong state and nation-building is problematic without the active participation of women.

Turkmenistan's nation formation addressed the legitimization of the personality cult of Saparmyrat Niyazov. Kumar (2005) explains that Niyazov's policies for Turkmen nation-building included the rewriting of the history and reimagination of Turkmenistan. The Department of Independence and History of Turkmenistan sees the Soviet Union as an imperial colonizer that destroyed vast and rich Turkmen history. It may have been right to some degree; however, retrieval of Turkmen history and nation-building solely focused on the Niyazov cult. For instance, the calendar months were renamed after the family members of Niyazov, while his books were taught at schools. The knowledge of the Holy Book of Rukhanama was a requirement at an entrance exam to universities and colleges. In the rewritten history of the Turkmen nation,

inter-wars fought between the tribes and the existence of non-Turkmen nations were omitted to unify the Turkmen national ideology. Turkmen elite contributed to an arbitrary creation of new Turkmen history as well. The new image of the Turkmen nation eliminated works of non-Turkmen minorities (Uzbeks, Russians, Kazakhs, and Armenians). The minorities were discriminated against and uprooted from their jobs and neighborhoods. The Russian-spoken school branches are being closed, while the Parliament belongs to Turkmen nationals only. Currently, Turkmen comprise 85 percent, Uzbeks - 5 percent, Russians- 4 percent, and small minorities include the Kazakhs, Tatars, Ukrainians, Kurds, Armenians, Azeris, Balochs, and Pashtuns. Non-citizens of Turkmenistan were required to pay 50 thousand USD to the government if they married a Turkmen citizen. The citizens of the CIS were required visas to enter Turkmenistan in 1999. As a result, the Turkmen nation-building took quite a severe form of cult-building and homogenization of the state and nation formation. Undoubtedly, the initial state and nation-building of independent Turkmenistan lacked gender and human factors.

Sullivan (2016) explores Turkmenistan after the Niyazov regime. Overall, the political transition of Turkmenistan is described as “continuity of discontinuity” as one personality cult replaced another. Although Western viewers saw the opening-up of a repressive Turkmenistan after the death of Niyazov, hope for democracy faded soon. According to Sullivan (2016), the autocratic rule continues due to three factors. The first is the massive use of coercion by the Turkmen government. The second is a constant rearrangement of the Cabinet members of the Parliament. The third is the country's positive neutrality which prevents foreign countries' meddling in Turkmenistan. Sullivan (2016) explains once again that even after the death of Niyazov, Turkmen state and nation-building was solely connected with the legitimacy of the president. The Berdymukhammedov cult prevents new policies or ideologies common in neighboring countries. It also maintains positive neutrality by isolating itself from regional organizations, such as the Collective Security Treaty Organization, or Shanghai Security Cooperation. Moscow and China are major partners that buy natural resources from Turkmenistan due to the country's restrictiveness. American interest significantly decreased after the 11 September 2001 attack and only addressed American security questions. Consequently, political transition in Turkmenistan did not affect the acknowledgement of gender segments.

After the extraordinary session of the upper house of Turkmenistan's parliament, the Western news was mildly shocked by Gurbanguly Berdymukhammedov's decision. On 11 February of this year, the current president declared that Turkmenistan should be led by “young leaders” (Putz, 2022). Three days after the session, Serdar Berdymukhammedov, son and current Deputy Prime Minister and Chairman of the Supreme Control Chamber of Turkmenistan, announced his candidacy as a nominee of the Democratic Party of Turkmenistan. Consequently, Berdymukhammedov Senior will resign before his end-term set for 2024, and undoubtedly Berdymukhammedov Junior will succeed (Peyrouse, 2022). The Agrarian Party nominated Agadzhan Bekmyradov on 16 February, while the Party of Industrialists and Entrepreneurs of Turkmenistan appointed Babamurat Meredov. Similarly, each province, locally known as welayat, and the capital city, Ashgabat, nominated one candidate. Overall, there are nine candidates running at the 2020 early presidential elections of Turkmenistan (Chronicles of Turkmenistan, 2022). Peyrouse (2022) writes that it is too early to predict the policies of the future president of Turkmenistan. It is most likely that the current president would still have leverage in domestic and foreign politics, as did his counterpart Nazarbayev after resigning in 2019 (Putz, 2022). Yet, Serdar Berdymukhammedov will be a far more experienced president than his father when he became the president in 2007. Putz (2022) gives hope by clarifying that Serdar Berdymukhammedov belongs to a different and more open generation. Putz (2022) also notes that Serdar has studied at the Russian Foreign Ministry's Diplomatic Academy and Geneva Center for Security Policy (Peyrouse, 2022). Therefore, seeking better policies and human rights under Serdar Berdymukhammedov is worthwhile. Nonetheless, female candidates have not been nominated or considered for the March elections of 2022. Consequently,

during the Niyazov and Berdymukhammedov regimes, neither gender equality nor women's representation has been an imperial question. Whether or not gender equality segments will have importance under the Serdar Berdymukhammedov rule requires patience and perseverance.

Part II. Mutual reinforcement between gender equality and democracy

Caprioli, Douglass, and Douglas (2008) claim that simple democracy cannot provide gender equality. While Edgar (2006) explains that countries with better economic opportunities improve women's conditions. On the other hand, Rizzo, Abdel-Latif, and Meyer (2007) claim that economic development alone cannot provide gender equality and those notions of democracy and tolerance are necessary to improve women's rights. Since there are different views on the correlation between democracy and gender equality, the following chapter illustrates that democracy and gender equality function at their best when converged together.

Chapter 4. Linking two variables (gender inequality and authoritarianism)

Duncan, Peterson, and Winter (1997) find a direct link between gender norms and authoritarianism. The authors apply the Right-Wing Authoritarianism (RWA) Scale of Altemeyer, developed by Robert Altemeyer in 1981, to identify authoritarian personalities. Duncan, Peterson, and Winter (1997) calculate that theoretically, individuals with high political conservatism, authoritarian submission, and authoritarian regression were more likely to accept autocracy and dismiss gender equality. The authors determine that authoritarian personalities come from prejudice, racism, and extremism. As a result, the more traditional gender roles are encouraged, the more authoritarian leaders emerge. Duncan, Peterson, and Winter (1997) also demonstrate that in the presence of economic, cultural, and security challenges, the level of authoritarianism of the leader rises. As a result, people that challenge traditional norms (gender equality or LGBTQ rights) experience repression as they are inconsistent with traditionally defined gender roles that submit to authoritarianism. Existing authoritarianism in Kazakhstan and Turkmenistan follows the patterns demonstrated by Duncan, Peterson, and Winter. Both countries pursue accepted views on women's roles as mothers, wives, and homemakers, while men as breadwinners. As a result, women experience inequality under the autocratic regimes of Kazakhstan and Turkmenistan. Reynolds (1999) refers to John Stuart Mill to demonstrate that gender equality leads to democracy and development. Mill noted that an efficient government would include the representatives of the majority and the minority (as mentioned in Reynolds, 1999). In times of Mill, women were also a disenfranchised minority; as a result, Reynolds (1999) urges that the inclusion of women in decision-making structures would ensure democracy. The author provides normative cases of the openness to "minorities" and the government's performances. For instance, the presence of African-Americans in the American legislature made racism less dominant, while female mayors brought better opportunities for women and children. Moreover, countries with a higher level of women legislators implemented more international treaties on the wellbeing of women, children, and minorities. Consequently, the inefficiency and weakness of the Kazakh and Turkmen governments domestically and internationally can be linked with the lack of female representation. Reynolds (1999) demonstrates how inclusive democracy leads to gender equality and development. Fish (2002), on the other hand, claims that gender equality leads to democracy and development. His analysis illustrates that the more women are included to the public, the more country is democratic and developed the country is. Fish (2002) also finds different patterns in the countries which are the former colonies of the British and the Soviet heritages. In other words, "the British tradition of" limiting the government and holding the government accountable is practiced in the territories of the former colonies (p. 9). The Communist heritage has always been viewed negatively by the West due to its totalitarianism and authoritarianism, however, Fish (2002) finds no clear and direct relationship between the Soviet legacy and gender inequality.

Beer (2009) provides a cross-national time-series statistical data analysis. The data shows a positive relationship between female suffrage and democratization. The author conceptualizes democratization and gender equality by party mobilization and electoral accountability. Hence, she argues that the more democratic the countries are, the more chances women (and other previously marginalized groups) have for mobilizing their campaigns and requiring electoral accountability. Beer (2009) as well emphasizes the type of authoritarian governments. In other words, not all autocratic regimes view gender issues similarly. Autocracies with religious and nationalistic ideologies discourage women's equality, while communistic and secular autocracies plead to improve women's rights. Left-wing authoritarians are more open to women's representations, and Fidel Castro's communistic Cuba is a "good" example of improving gender equality through the socialist revolution (Beer, 2009). Beer's left-right authoritarianism and gender equality comparison can be applied to Kazakhstan and Turkmenistan. Kazakhstan is a less aggressive authoritarian regime that allows women through nepotism, whereas Turkmenistan is a consolidated autocracy that aims at eliminating "others."

Inglehart, Norris, and Welzel (2004) link culture and democratization with gender equality and claim that equal distribution of opportunities and representation in decision-making creates an inevitable democracy. From the 1920s, the majority of the independent states experienced suffrage. Although a century has passed since the suffrage movements, women still experience discrimination and inequality across the countries. Existing inequality is due to cultural aspects. According to the cultural explanations, women will be more hesitant to run for higher office due to the predetermined social and cultural roles. And even if women run for higher office, traditional views of society will prevent them (women) from gaining the necessary quota votes for the office. As a result, cultural theories explain that both on the supply- and demand-side of the equation women are reluctant to run for higher office and are less likely to gain votes. Cultural theories can explain the success of women in office as well. For instance, women in the Nordic countries have a better success rate of being in the office compared to countries like Switzerland, France, or Belgium. All these countries share similar European history and development; yet due to the cultural differences (Nordic countries are more open and accepting, while Switzerland, France, and Belgium are less), advancement varies. Similarly, despite the wealth of countries, Islamic countries, such as Kuwait, Saudi Arabia, have the lowest score of women's representation in decision-making structures. Although a direct correlation has not been found, countries with the religions of Islam, Buddhism, Judaism, Confucianism, and Hinduism have lower gender ratios compared to the Christian dominant countries. Furthermore, the correlation between gender equality and democracy can be seen through the process of modernization. Industrialization, followed by modernization creates more occupational positions, raises the educational level, and equalizes gender ratio; the movements bring change in cultural norms. Existing elites will oppose the change as they will lose their dominant positions, therefore, if opportunities and roles are spread evenly, the voices of the minority elites can be suppressed by the voices of the marginalized majority. Once cultural change appears, stereotypes about men making better politicians than women will disappear. Consequently, gender equality yields democracy. This statement can be tested against the statistics as well, in other words, citizens of the less democratic countries still hold the idea that men are better politicians than women, whereas citizens of the more democratic countries reject this belief.

A strong, but indirect correlation between gender equality, democracy, and security has been developed through a detailed survey by the Brookings researchers over two decades (Piccone, 2017). According to the research, gender equality and democracy reinforce one another and are interconnected. For instance, Piccone (2017) writes that the higher the level of democracy, the higher the level of equality among all; additionally, the higher the level of gender equality, the higher the number of peaceful interactions in the foreign policy. Furthermore, countries with liberal democracy show better gender parity in terms of political and economic equality compared to countries with weak democracies or autocracies. The correlation suggests

that gender equality and democracy work together. However, some former Soviet Union states and some South American countries with weak democracy still show less consistency in gender equality. It suggests that gender equality and democracy are intimately interconnected and reinforce each other. Piccone (2017) also examines physical security and violence against women as an additional measure to demonstrate the correlation. There is a strong link between lower levels of violence against women and higher levels of democracy and GDP per capita. A correlation between gender equality and national security is also observed in the research. In other words, the physical well-being and security of women are predictors of the peacefulness of a state. Some scholars believe that gender equality is not a sign of democracy and development. They tend to exemplify the most developed countries of the Middle East, Qatar, Kuwait, United Arab Emirates, Saudi Arabia, and Bahrain, and argue that economic growth is the key to modernization. Rizzo, Abdel-Latif, and Meyer (2007) argue the opposite by providing a comparison study between Arab and Non-Arab Muslim countries and the role of gender. According to the authors, although the richest countries of the Middle East may have economic modernization, their political and civil liberties equal almost null, proving the point that gender equality is a key driver of democratization. Similarly, Rizzo, Abdel-Latif, and Meyer (2007) argue that non-democratic non-Arab Muslim countries are more willing to support the effort for gender equality demonstrating that religion does not necessarily limit gender equality and democratization. Lastly, the authors argue that for a democracy and complete development, the Arab Middle East should employ a rule of law that would protect the rights of all and lead to inevitable gender equality.

Previous literature on the correlation between gender equality and democracy exists. As observed from the articles, democracy and gender equality reinforce each other mutually. That is to say, one cannot assume that by overthrowing the authoritative regime and establishing democracy, both men and women will have the same advantage. Similarly, having fair economic opportunities for men and women does not boost gender equality in other dimensions of life. Consequently, democracy and gender equality work well together and strengthen each other. Most importantly, unless gender equality segments are specifically given in the principles of a specific state, they will be neglected, worsening the opportunities of women.

Chapter 5. Feminism, gender equality and democracy

The absence of women from the traditional International Relations theory and practice has bewildered many (Smith, 2017). The realist approach explains absence with the irrelevance of gender questions in higher politics. On the contrary, the feminist approach argues that any public policy has either direct or indirect implications on a woman's life. Thus, feminist theory contributes to deconstructing gender roles and reassessing masculinity and femininity in social, political, and cultural dimensions. Consequently, in search of identifying the correlation between gender inequality and authoritarianism, I will apply the feminist theory.

Feminist scholars highly agree on the correlation between gender equality and democracy. The basics of feminism dictate that the approach has equally contributed to the betterment of the lives of men and women, children and elderly. The first contribution of feminism is making women more visible (Smith, 2017). Smith (2017) explains that by drawing attention to gender questions, domestically and internationally accepted and normalized crimes against women have been addressed and eliminated (p. 62). For instance, seven out of ten women experience gender-based violence or discrimination in their lives. Approximately 600 million women live in countries where domestic violence is not criminalized. As a result, by refocusing on the issues of gender equality through drafting resolutions or establishing NGOs, women and men receive better treatment. Feminism also challenges the hypernormalized dichotomy of high and low politics. The traditional focus is gender-neutral and isolates the matters of gender from the affairs of sovereignty, state, military, and security. By separating women from high politics, the traditional perspective overlooks the contributions of women to global politics. As gender and security are interconnected, if the role of women in state security,

wars, and terrorism is reassessed, a better understanding of the nature, causes, and consequences of conflicts can be achieved (Bjarnegard, Melander, Bardall, Brouneus, Forsberg, Johansson, Sellstrom and Olsson, 2013). Bjarnegard et al. (2013) also note that by associating masculinity with high politics only, traditionalists risk the security of women and men. In other words, the research on civilian victimization of Balkan wars (1992-1995) demonstrates that civilian men are more vulnerable to die from armed attacks than civilian women. This data shows a fallacy of a socially constructed view of men being protectors and women being victims. As a result, the gendered nature of wars dismisses not only the importance of women's roles but the lives of men as well (Bjarnegard et al., 2013). Although gender equality is pivotal for peacemaking, American-based research has found that men are more inclined to cruelty than women. Yet Bjarnegard et al. (2013) claim that being violent is not attributable to one's sex. It rather depends on the socially constructed environment, and gender-equal parliaments are prone to be more peaceful regardless of the sex of the Head of State or government. Lastly, the gender-equal governments have fewer international conflicts, armed civil conflicts, and less human rights abuse due to the overall understanding, acceptance, and respect to humanity (Caprioli, 2000). Thus, feminism pushes to the acknowledgment of women's role in politics since the presence of women leads to unique, unexplored, and out-of-box ideas that advantage global politics. Consequently, the feminist approach seeks to eliminate all possible imperfections by making women more visible locally and internationally.

The second contribution of the feminist approach is deconstructing and reassessing gender norms (Smith, 2017-63). It is instrumental to comprehend 'sex' as a biological attribution, while 'gender' is a socially constructed idea. Our society molds 'appropriate' masculine and feminine norms and behaviors that either man or woman should follow. This society generates men to be virile, rational, powerful, independent, and public. On the other hand, femininity refers to irrationality, weakness, fragility, and domesticity. These socially created gender identities influence gender roles in the public sphere. For instance, men are encouraged to be leaders, while women are bred to be best wives and mothers. Traditionalists still follow predominant gender identities and exclude women from politics. Yet feminism is not confined to widely accepted gender norms. It seeks intersectionality of the International Relations discipline, hence bringing the significance of class, race, and ethnicity to the table. As a result, the feminist approach urges to view questions of state security, democracy, and development through intersectionality in which marginalized groups can reach equality. Consequently, feminism as an International Relations theory offers a more comprehensive image of global politics by considering an expansive scope of actors and actions.

Part III. Methodological process

Initial chapter of this part focuses on the secondary data on two former Soviet Republics, Kazakhstan and Turkmenistan, to show the statistical connection between two factors. Afterwards, the process of primary data collection will be provided, while the last chapter will analyze gathered data from primary and secondary sources, and demonstrate preliminary results.

Chapter 6. Secondary data collection on gender in Kazakhstan and Turkmenistan

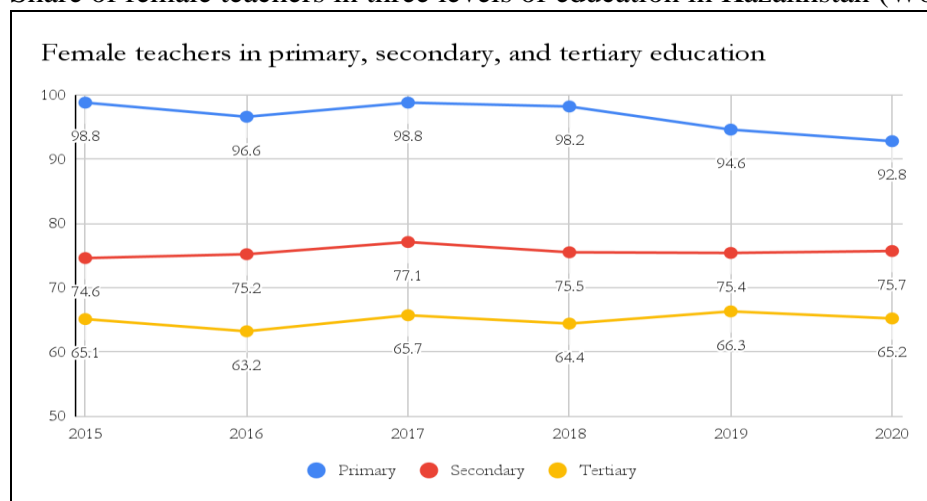
Authoritativeness deteriorates the discrimination based on gender, whereas gender inequality strengthens the autocracy. Once a mutual reinforcement of two factors is acknowledged, we can notice existing negative patterns in a semi-authoritative Kazakhstan and an illiberal Turkmenistan.

According to the Asian Development Bank (2018) Kazakhstan shows better results of the Millenium Development Goals (MDGs). For instance, Kazakhstan reduced its poverty, improved primary education, and decreased the death of toddlers and their mothers. Nevertheless, women face difficulties in all aspects of life

compared to men. Economically, women experience 2.7 percent, while men - 2.6 percent of poverty in Kazakhstan. Similarly, although Kazakhstan has gender equality-oriented policies, the transition towards practical gender parity in employment is infrequent. Financial hardships are experienced more by women than men as segregation in employment is widespread. Thus, the share of women and men in different positions in Kazakhstan illustrates unequal distribution. For instance, women have dominated as teachers at primary, secondary, and tertiary levels of education in Kazakhstan. The World Bank provides a female share of teachers, whereas data on male teachers are absent. Figure 3 demonstrates that female teachers' percentage has been above 70 percent in primary and secondary education. As of 2020, primary female teachers account for 92.8, secondary - 75.7, and tertiary - 65.2 percent.

Figure 3:

Share of female teachers in three levels of education in Kazakhstan (World Bank)



Kazakhstani women also suffer from unequal labor distribution, for instance, according to the United Nations Development Program, female labor participation is 65.2, while male - 77.1 percent for the citizens above the age of 15 (Figure 4). Unequal distribution is also experienced in unpaid work completed by men and women. According to the United Nations Economic Commission for Europe (UNECE 2021), on average men spend 1.90 hours, while women spend 4.12 hours per day on unpaid domestic work (Figure 5).

Figure 4:

Labor participation of women and men (UNDP 2018)

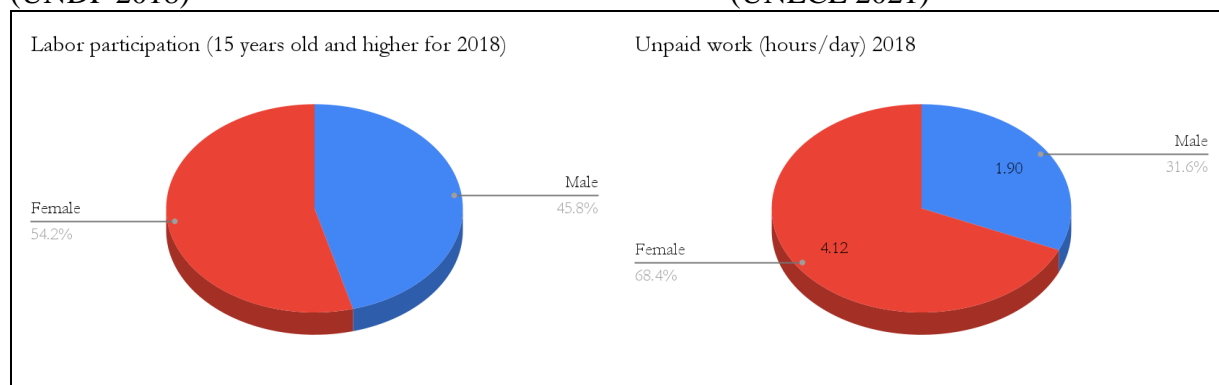


Figure 5:

Percentage and hours of unpaid work (UNECE 2021)

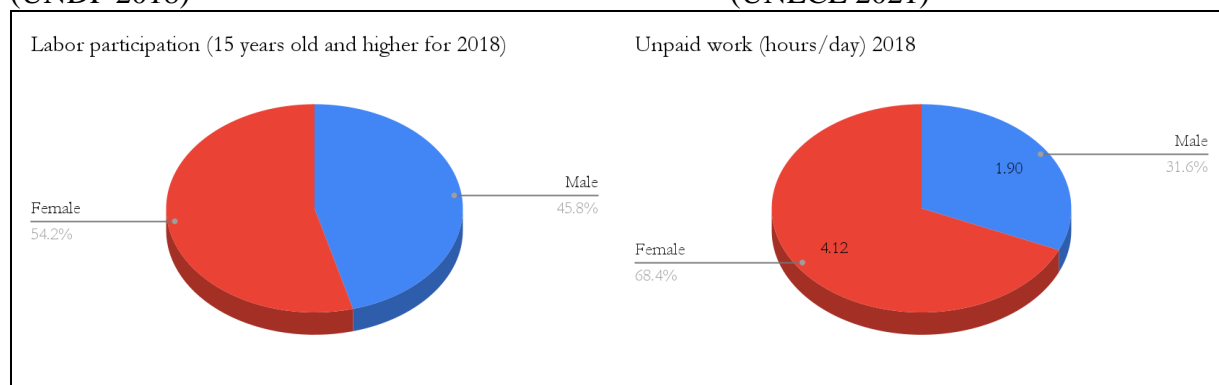
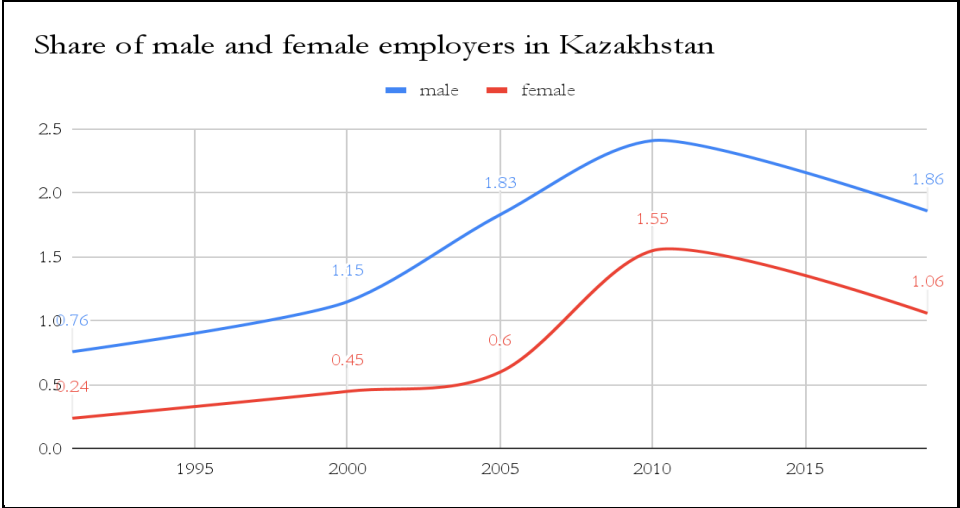


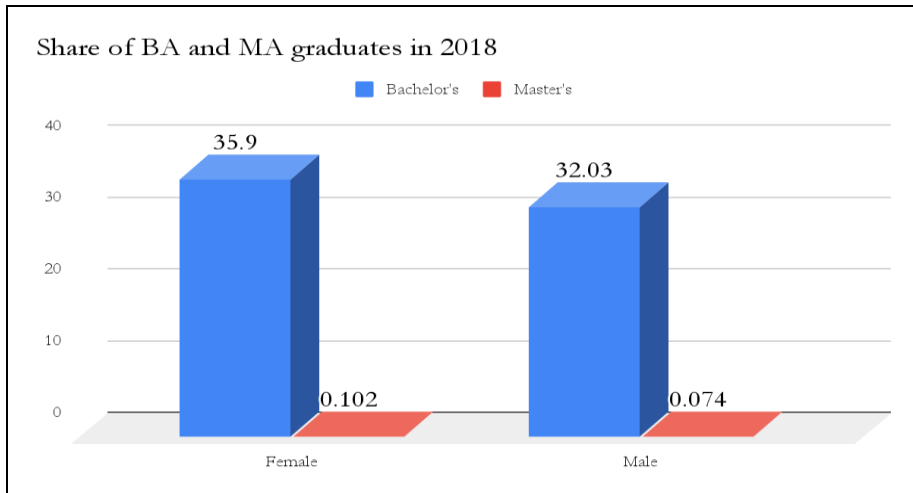
Figure 6 demonstrates the share of male to female employers in Kazakhstan. The overall percentage of employers equals 1.48 percent in Kazakhstan. In this sector, male dominance is higher than their female colleagues as men are more thought to be fit in the business. As of 2020, male employers account for 1.86 percent, whereas female employers - for 1.06 percent. Therefore, women are underrepresented in the private business sector of the country.

Figure 6:
Share of male and female employers in Kazakhstan (1991-2019) (World Bank)



The disparity can be felt in so-called masculine fields. In other words, there are only 31.6 percent of female graduates from science, technology, engineering, and mathematics programs, while male graduates account for 68.4 percent. The low representation of women in technical schools can be attributed to the labels and social gender norms. Nevertheless, despite the fact that women’s share of bachelor’s and master’s degrees in Kazakhstan exceeds men’s share, women are less encouraged to pursue further education, such as doctoral degrees, or careers in their specialization. Figure 7 demonstrates that for the year 2018, more women have acquired bachelor’s and master’s degrees than male mates. Nevertheless, the female share of employees and employers remains low.

Figure 7:
Female and male graduates of bachelor and master’s degrees in 2018 (World Bank)



Parliament, decision-making, and public administration remain unattainable for the majority of women in Kazakhstan. The lower house of the Parliament, the Majlis, has 29 women and 78 men (27 percent), while the upper house, the Senate, has only 5 women and 42 men (10.6 percent). Local municipalities have various shares of women, for instance, the Mangistau region has the highest number of female deputies, 35 percent, while the East Kazakhstan region demonstrates the lowest representation, 2 percent. Moreover, there has been only one female akim [mayor] in the history of independent Kazakhstan, Gulshara Abdykalikova, as of March 2020. Despite her high position as an akim of the Karaganda region, Mrs. Abdykalikova faces a gender pay gap compared to her male counterpart, Umirzak Shukeev, akim of the Turkestan region. The Civil Service of Kazakhstan is mainly female-dominated due to the necessary soft skills to manage the field. Such stereotypes are applied in appointing the ministries or other higher executive positions. Fields that require communication, people, or cultural skills are female-dominated. Consequently, 58 percent of the Kazakh Civil Service is made up of women, whereas only 10.7 percent of executive political positions are held by women. Furthermore, as of March 2022, there are 18 Ministries in Kazakhstan, and only the Ministry of Health of the RK is led by a woman Minister.

The most common ignorance and discrimination against women exist at the societal level, though. In other words, 17 percent of Kazakhstani women aged 18-75 face physical and/or sexual abuse, while 21 percent experience psychological abuse at least once in their life. On average, eight women and two children are raped every day, whereas sharing such traumatic experiences is taboo in Kazakhstan. Violence against women is a widespread and normalized phenomenon in Kazakhstan (and in Central Asia) due to cultural norms, patriarchal views, and 'uyat' or shame notions limiting necessary help for women who have faced discrimination, sexual harassment, or violence. As a result, reports to the police or other authorities regarding domestic violence are mostly neglected since the act is considered a 'family business'. Moreover, under the Decree of the former President, domestic violence was decriminalized and downgraded to an administrative offense. Nevertheless, with Tokayev's new Decree, domestic violence was criminalized in 2019, yet the first-time offenders are solely punished with a warning to maintain family unity (Duisenova, 2020).

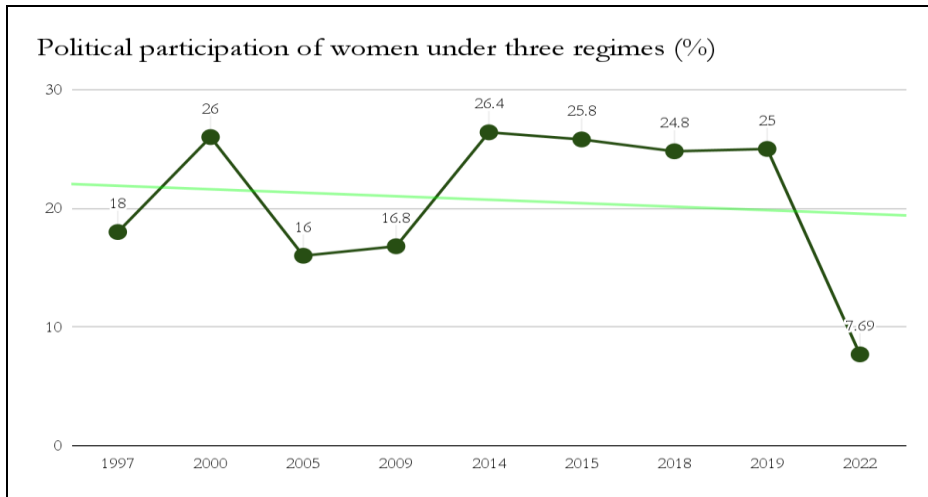
Kazakhstan still has room to grow, yet women still enjoy some levels of opportunities unlike their counterparts in Turkmenistan. According to governmental reports, Turkmenistan is one of the leading countries in terms of achieving gender equality. Permanent Representative of Turkmenistan to the UN, Aksoltan Atayeva, claims that the country consistently promotes gender equality, whereas non-governmental and independent studies report a violation of human rights directed at men and women at all levels of life. On a legal basis, the Constitution of Turkmenistan provides equal rights and opportunities for both men and

women of Turkmenistan. Yet, in reality, women face discrimination, inequality, and violence not only from their partners, but also from their supervisors, in-laws, and relatives. For instance, Radio Free Liberty illustrates widespread and normalized domestic violence in Turkmenistan. Cases of a victim of domestic violence being rejected for help by her in-laws, followed by her parents, and by the local police is a habit of occurrence. The main notion of being neglected is that women must endure harassment and violence otherwise there are no true mothers or wives. Similar to the case of Kazakhstan, Turkmen's society uses gender norms and family unity to hide and ignore domestic violence mainly experienced by females. Turkmenistan has ratified various international conventions on discrimination against women, however, in reality, women face inequality in their daily lives. Following statistics gathered from independent sources demonstrate the level of discrimination and violence experienced by women of Turkmenistan.

The overall Human Development Index of Turkmenistan equals 0.715 positioning the country in 111th place in the world. Relevant and valid gender or any statistics of Turkmenistan is hard to obtain, therefore, some data might be from as early as the 2000s. As a result, the UNDP 2004 reports highlight several fields in which women of Turkmenistan face inequality the most. The first area of disparity belongs to the participation of women in the decision-making and politics of the country. Women are meticulously appointed to higher executive positions and those who are employed face gender pay gaps at the workplace. During the leadership of the first president, Saparmurat Niyazov, women politicians held positions as the Minister of Culture and Information, Gozel Nuraliyeva, and the Minister of Education, Shemshat Annagylyjova. The stereotypes of appointing women to soft positions persisted with the new president. Well-known female politicians during President Gurbanguly Berdimukhammedov include Aksoltan Atayeva (the Permanent Representative of Turkmenistan to the UN), Mahrijemal Mammedova (Deputy Chairperson of the Ministry of Culture and Mass Media), Gulshat Mammedova (Speaker of the Lower house of the Parliament of Turkmenistan), and Akja Nurberdiyeva (Chairperson of the Assembly of Turkmenistan). After the presidential election of 2022, Serdar Berdymukhammedov is expected to reorganize the Cabinet Members. As of March, the new President has appointed some members, as a result, currently, there are 16 Ministries, and only one female Minister leads the Ministry of Education, Gurbangul Atayeva. Similarly, among ten Deputy Chairmen, only one female representative is responsible for the Deputy Chairwoman responsible for Culture and Media, Mahrijemal Mammedova. The following figure illustrates the female representation of the Cabinet Ministers of Turkmenistan during three regimes - Saparmurat Niyazov (1997-2005) Gurbanguly Berdymukhammedov (2009-2019), and Serdar Berdymukhammedov (2022).

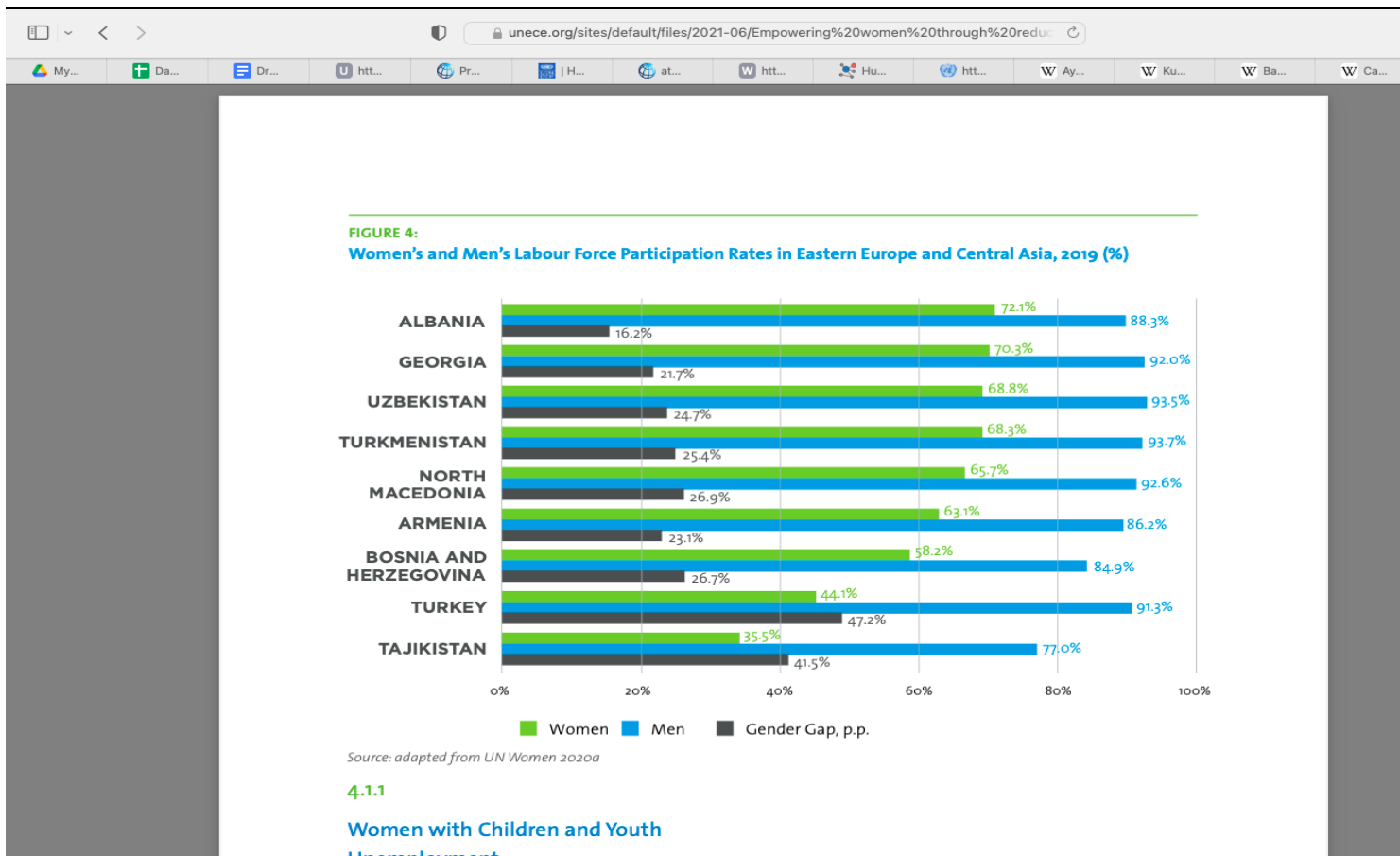
Figure 8:

Percentage of women in Turkmen parliament under three regimes (World Bank)



Another problematic occurrence that mitigates women’s chances to grow is their heavy involvement in informal and unpaid work compared to men. Women can earn informally by selling hand-made attires as in Turkmen society most women wear them. Yet, this employment is temporary and informal, thus, women remain financially dependent on their partners. This financial dependency makes women more vulnerable creating men’s exploitation and domestic violence toward their female partners. Likewise, women spend substantially more time on unpaid domestic work, limiting their time for self-development, education, career, etc. The following figure demonstrates female and male participation in the paid labor force in the post-Soviet territory. The data is adopted from the UNECE 2020 corresponding to the statistics of 2019. In Turkmenistan, 68.3 percent of women are officially employed compared to 93.7 percent of men creating a gender gap of 25.4 percent.

Figure 9:
Labor Force Participation Rates in Eastern Europe and Central Asia (UNECE 2021)



Turkmenistan suffers from the negligence of human rights, yet females face the majority of the violation of human rights from the authorities, partners, in-laws, and relatives. According to the UN Economic and Social Commission for Asia and the Pacific (UNESCAP) 2020, domestic violence against women is quite common in Turkmenistan. Women are subject to physical abuse if a woman leaves the house without informing the husband, neglects children, burns food, refuses intimacy, disagrees, or argues with the husband. Simultaneously, 26 percent of women residing in Turkmenistan justify domestic violence if a woman fails to provide her motherly or wifely duties. The UNESCAP also provides the following figure illustrating the attitudes towards domestic violence against women in Turkmenistan. Forty-nine percent of female and male citizens of Turkmenistan, aged 15-49 years old, condone or tolerate domestic violence against women. The red box shows the worst case of justification of domestic violence, usually expressed in the rural areas of the country among badly-educated residents of the country. On the other hand, the green box demonstrates the intolerance of domestic violence mostly expressed by the citizens with secondary or higher education degrees, 23 percent. The figure also shows that the higher the urbanization and education, the lower the tolerance toward domestic violence against women in Turkmenistan.

Figure 10:

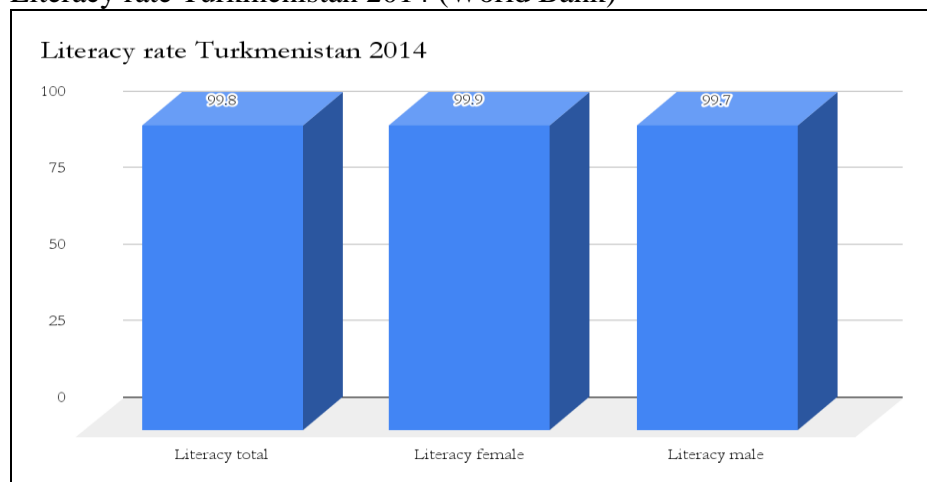
Violence justified against women, Turkmenistan 2019 (UNESCAP 2020)

Official literacy level in Turkmenistan for both men and women equals above 90 percent, while other sources, such as the World Bank, do not have open access to obtain more valid and relevant statistics. Yet, overall female participation in all levels of education is higher than male's. Nevertheless, due to existing

inequality in social life, employment, business, and politics, qualified and educated women are denied equal opportunities. Figure 11 illustrates the literacy rate of Turkmenistan for the year of 2014. Nevertheless, the semi-relevant statistics show that female literacy is 99.9, whereas male literacy is 99.7 percent.

Figure 11:

Literacy rate Turkmenistan 2014 (World Bank)



Since its independence, Turkmenistan has been a fairly close and authoritative country. A dramatic replacement of the first presidents and a smooth transition of father-son leadership have affected women's rights and gender equality negatively. Despite the fact that Turkmenistan is one of the world's richest countries in terms of natural resources, poverty remains substantial. Moreover, it influences women and men differently, yet women suffer the most due to patriarchal notions, gender inequality, and cultural norms. A newly elected President of Turkmenistan brings hope for the overall improvement of diplomatic and international relations, yet it is unlikely that women's rights will be affected positively and massively. As a result, in spite of electing a more open-minded President who belongs to a new generation, provided gender equality remains undressed, Turkmenistan would maintain its strict authoritativeness.

Chapter 7. Primary data collection

Already existing data on two countries provides a link between authoritarianism and gender inequality, and vice-versa. In order to confirm the validity and actuality of the link, I have conducted and gathered primary data as well. The primary data was gathered at three levels. The first level interviews included online and offline meetings with experts in the field of gender issues in Kazakhstan and Turkmenistan. So far, I have been able to conduct two, one offline and one online, interviews with experts from Kazakhstan. My first interviewee was Miss Svetlana Shakirova, a supervisor of the monitoring department for research publications at the Kazakh National Women's Teacher Training University, based in Almaty. Interview was conducted in the Russian language and recorded with the consent of the interviewee. Secondly, I have interviewed Miss Saule Yusupova, an activist and feminist who is currently a professor at Turan University, Almaty. The interview was conducted online and in English language as it was more convenient for the interviewee to hold an online meeting. In the future, I plan to conduct an online interview with a Western expert on gender questions in Central Asia who is currently residing in Nur-Sultan, Kazakhstan. Due to lack of information, I have been unable to reach and connect with experts who specifically focus on Turkmenistan. Nevertheless, Kazakhstani based experts have mentioned Turkmenistan, as two countries share similar history, culture, language, gender, and political segments.

The second level data collection encompassed flexible format interviews either in Russian or in English with professors of the College of Social Sciences of KIMEP University. I have interviewed two professors already, Dr. Aigul Adibayeva and Nigmat Ibadildin. In the future I will interview the following professors, Nurseit Niyazbekov, Rustem Kurmanguzhin, Jeong-Won Bourdais Park, Zhanar Sekerbayeva, and Aslan Tenekov. Interviews will be conducted either online or offline, and either in English or Russian, at the convenience of my interviewees. All meetings will be recorded with the consent of the participants.

The third level of data collection is online surveys conducted through google forms. Google forms were distributed in English and Russian through official KIMEP emails, Whatsapp messenger groups, Facebook broadcasting, and via snowball method. Surveys are aimed at predicting the predisposition of people towards gender questions and authoritarianism. In other words, the question may help to determine the factors that play an important role in viewing gender and regime, such as educational level, marital status, social status, community or country people grew up in, etc. Questions also seek for the approval or disapproval of the patterns found in the secondary data collection. Sampling for the survey was rather inclusive. In other words, there was not a limitation to age or citizenship. On the other hand, by thorough analysis and via inclusive survey, I will be able to determine the inclinations and patterns important for two factors. Surveys will be open until April 20, 2022, and after which, I will start a deep analysis of the collected data.

Chapter 8. Preliminary results

With the purpose of searching for the roots of authoritarianism in the post Soviet Republic of Kazakhstan and Turkmenistan, I have collected data on the prevalence of gender norms and stereotypes in these countries. As a result, the secondary data on Kazakhstan demonstrates that gender division in the workplace still exists. Not only does the division create a glass ceiling for women, but also pressures men to carry the burden of family alone. Psychological influence of such division at work has an impact both on men and women triggering them to be more authoritarian at home towards their children or spouses. The gap between unpaid domestic work is getting smaller, yet exists in Kazakhstan. Preventing or eliminating the gap is one of the first steps to achieve a better gender equal society. At the higher level, men and women entrepreneurs of Kazakhstan do not enjoy similar opportunities. For instance, men are more encouraged to be in business, decision-making, and politics, while women are motivated to be ‘domesticated’. This gender division influences the business model of the country that could favor the male share of Kazakhstan. Similarly, the division limits the government and the state by ignoring more than 50% of Kazakhstan’s voice and opinion. Moreover, statistics show that women in Kazakhstan achieve better results at schools and universities and obtain higher degrees than their men counterparts. Yet, their opinions are either silenced or neglected. As a result, Kazakhstan’s deeply rooted authoritarianism continues to exist. After conducting the first and the second levels of primary data collection, I can conclude that educated half of the population somewhat see the correlation between gender inequality and authoritarianism. Four correspondents, two experts and two professors out of which three female and one male answered that by creating space for gender equality in Kazakhstan, long awaited democracy and freedom come closer to be achieved. Consequently, the link between two factors can be seen as a result of the primary and secondary data collection. Since the third level data collection remains open, validity of the analysis is questionable, hence will not be provided in this paper. Lastly, as Kazakhstan posits itself as the leader of Central Asia and seeks to be the leader of the Commonwealth of Independent States along with Russia, the current Kazakh government has refocused on the issues of gender equality at school, workplace, business, and politics.

Turkmenistan, on the other hand, shows negative results. First and foremost, it is limited to gather either secondary or primary data on the country. Nevertheless, it can be concluded that similar patterns exist

in Turkmenistan as well. For instance, during the first President of Turkmenistan, the number of female members at the Parliament was higher than today. As the grip of authoritarianism tightens in the country, rights and freedoms of ordinary people tighten as well. This positive link demonstrates the correlation between gender inequality and authoritarianism in Turkmenistan. In other words, gender questions focus not only on women's issues, but also on the matters of children, elderly, LGBT community, and other marginalized communities. Consequently, the stricter the regime of the country, the tighter the rights and freedoms of ordinary people. Another acute problem spread in Turkmenistan is negligence of domestic and other forms of violence towards women. Previous interviewees have expressed that regardless of the country, if domestic violence is practiced at home, an aggressor is most likely to use violence as the means at workplace. Therefore, there is a direct link between the justification of domestic violence and the country's regime type in the international arena. Such a link proves that eradication of all forms of violence and discrimination affects not only men and women, but also higher politics of the country.

Conclusion

Practice has shown that the questions on gender and women's rights have been sidelined for years, whereas history has shown that the dominance of men in politics and international relations has not written the most positive stories for the future generation. As early as the 1970s, the Western scholars, such as Altmeyer, Duncan, Peterson, and Winter have discovered a psychological correlation between one's tendency to dismiss alternative approaches and country's authoritativeness as a political regime type. With the advance of the new world order, initiatives such as UNITE and the Inter-Parliamentary Union for women parliamentarians emerged. Although these actions brought immense attention to women's issues and aided to decrease the struggle, at the higher level women still face inequalities. These inequalities at the workplace, business, finance, politics, and global affairs can be felt all over the world, yet more acutely in the developing world. Despite the economic and political development of Kazakhstan, the country is still categorized as a developing higher middle-income country. Kazakhstan is also considered authoritative, limiting certain freedoms. Turkmenistan comes as the top country in terms of its totalitarianism and dictative regime that has been in place since 1991. With the election of the second President, country leveled with North Korea and Eritrea due to its massive violation of human rights, women's rights, child labor, unlawful detention, and labor rights. Both Kazakhstan and Turkmenistan considered consolidated authoritative regimes and have various causes of the rooted autocratic regimes.

The causes of authoritarianism in these two countries were also aligned with the Soviet legacy and current influence of the Russian Federation. Nevertheless, the practices of the Baltic countries prove the opposite. Despite sharing similar fate, the Baltic countries have "returned to Europe," developed economically, and democratized politically. Along with Europe, the Baltic countries experienced the financial crisis of 2008, the Ukrainian crisis of 2014, the refugee crisis of 2015, and Covid-2019. Hence, similar to other countries, gender questions and women's rights in Latvia, Lithuania, and Estonia are work in progress. Nevertheless, due to their appliances to gender standards, all three countries were able to democratize and spread gender equality in the region. For instance, Latvia shows the lowest scores among the Baltic states, yet, Freedom House puts Latvia as a free country, with civil and political rights equalling 89. Furthermore, despite having stringent nation-building strategies and focusing on the revival of their national language and culture, the Baltic governments did not suppress other freedoms (Rutland, 2021). Post-communist Baltic countries established far more favorable policies for women. After the accession to the European Union and NATO, the region pursued European standards of gender equality quotas. As a result, despite having similar history, the Baltic countries were successful in their route to democracy in which gender equality segments played one of

the crucial roles. Consequently, having gender segments in the nation-building process and the regulations of Baltic countries, the region chose a more democratic path.

Yet, studies on Central Asia have overlooked gender inequality as one of the causes and inevitably has yielded more inequality and autocracy. Nonetheless, existing literature, secondary and primary data collections on Kazakhstan and Turkmenistan have illustrated in the 21st century dividing the society into men and women creates imbalance. The imbalance in the family leads to imbalance in the school system, followed by workplace, business structures, local municipalities, political regimes of the country. The link may seem weak or nonexistent, however, studies of two decades have proved a direct and positive link between gender inequality and authoritarianism. This research duplicated some features and revealed the correlation in Kazakhstan and Turkmenistan. Consequently, in order to decrease and eliminate the existing mild authoritarianism of Kazakhstan and total autocracy of Turkmenistan, along with other factors, gender inequality and women's rights should be prioritized. As long as gender inequality and women's rights are considered as the second priority problem not only in Kazakhstan or Turkmenistan, but also in the world, authoritarianism will thrive and gender inequality as an International Relation's problem will exist.

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Analysis of Kazakhstan’s New Environmental Code: Focus on environmental awareness aspects

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Abstract

Environmental codes are crucial documents containing a collection of environmental regulations. Such documents unify and consolidate legal provisions related to environmental aspects into one single document. An environmental code discusses a vast spectrum of legal environmental aspects, ranging from biodiversity and environmental pollution to environmental education and awareness-raising issues. It should be noted that each new environmental code replaces the previous one with new legal amendments and novelties. In the context of Kazakhstan, so far only two environmental codes were adopted, namely in 2007 and the recent one in 2021. The most recent environmental code has improved and introduced numerous new legal provisions, such as with the introduction of new environmental terms (e.g. environmental responsibility; environmental damage; polluters pay principle) or legal amendments related to aspects of environmental permits, public participation processes, categorization of harmful industrial enterprises and state environmental monitoring procedures. By now, no particular study has attempted to analyze particularly the aspects related to environmental awareness and ecological education processes. Therefore, the aim of this paper is to evaluate sections and chapters within the new environmental code that touch upon legal aspects related to environmental awareness and ecological education. For that, the paper focuses on five main sections from the new code: 1) environmental culture, education and awareness-building; 2) public environmental control; 3) public and state environmental review; 4) environmental information; and 5) environmental research. As a research method, a comparative content analysis approach is applied, where the researcher evaluates the new legal provisions, amendments and main highlights of the new code in comparison to the older code. This paper will prove to be a very useful for local environmental researchers and experts working for both government-affiliated organizations and civil society organizations focusing on environmental awareness-raising policy measures, as they can use such detailed data information to understand how environmental laws have changed in Kazakhstan throughout the last fourteen years.

Keywords: Kazakhstan; environmental code; content analysis; environmental awareness; environmental law.

Introduction

An Environmental Code is a crucial legal documents that contains numerous legal acts touching upon various environmental aspects in a specific country. It should be noted that in some countries the term ‘environmental code’ is replaced by ‘ecological code’, meaning that the latter is also often used to describe the document. By the definition, an environmental code is a collection of environmental regulations, or as some also call it a ‘frame law’. Every environmental code is

supplemented with administrative provisions and legal ordinances. Thus, every new environmental code that is introduced replaced the previous code with new legal amendments; introduces new legal provisions and sometimes removes outdated ones. An environmental code unifies and consolidates legal provisions and regulatory frameworks related to environmental aspects into a single code. The main aim of each environmental code is to reform the previous code by creating a more user-friendly, integrated and well-updated single document.

Generally speaking, each environmental code provides a vast range of legal provisions that regulate environmental aspects ranging from protection, reproduction and conservation of the environment; management and reproduction of natural resources; regulation of environmental impact on the national territory; to legal provisions on how the state, public community and the public can address various environmental issues ranging from air pollution to wild fauna aspects or natural ecosystem matters. Apart from that, environmental codes also provide detailed information about other specific section related of environmental efforts. For instance, these also include state policies regarding the implementation of environmental education processes; procedures and regulations about state environmental audits, environmental impact assessment processes and public hearings; technical regulations in the field of environmental protection; issuance of environmental permits; state environmental monitoring and standardization; involvement of the public in environmental monitoring processes; regulations concerning environmental research directions and environmental information; system of financing of environmental protection measures; or approaches regulating state compensation of environmental damages. In this regard, environmental codes touch upon a broad range of environmental aspects in a single code.

In the context of the Republic of Kazakhstan, which is a Central Asian state known for having on the one hand a vast territory and harboring numerous environmental issues, only two environmental code were published since the country had gained its independence on December 16, 1991. Here, the first one was published in 2007 while the most recent one was adopted in 2021. For now, no studies have analyzed in detail the aspects of environmental awareness mentioned within the new code. In this regard, the main aim of this paper is to analyze the most recent environmental code in the country of Kazakhstan by dissecting the information related to environmental awareness aspects, particularly on environmental education, environmental culture, awareness-building measures, public environmental control, public and state environmental review, access to environmental information and new directions of environmental research.

Environmental Issues

Republic of Kazakhstan

Kazakhstan, being one of the Central Asian states, is known for having been plagued for many years by numerous environmental issues, most notably known with the example of the Aral Sea and the Caspian Sea problem. Among one of the most serious environmental problems in the country are also matters related to air pollution (Netalieva et al., 2005; Salnikov & Karatayev, 2011; Kennessariyev et al., 2013; Brody & Golub, 2014; Kerimray et al., 2018; Kerimray et al., 2019; Kennessary et al., 2019); water pollution (Uralbekov et al., 2011; Ibragimova et al., 2016; Nugumanova et al., 2017; White, 2019); waste management and conversation approaches (Nugumanova et al., 2017; Noya et al., 2018; Inglezakis et al., 2018; Lygina et al., 2021); threatened wildlife problems (Adam, 2006; Morgan et al., 2005; White, 2019; Ivanova, 2021); water resource shortages (Kukeyeva et al., 2015; Issanova et al., 2018; Omarova et al., 2019); regional border environmental problems (Kukeeva & Sembekov, 2014; Mavlyanova et al., 2015); and radioactive nuclear site (Uralbekov et al., 2011; Bersimbaev & Bulgakova, 2015; Grosche et al., 2015; White,

2019). For instance, in terms of air pollution issues, cities such as Karaganda, Temirtau, Almaty or Shymkent are nowadays known for leading the ranks of most polluted cities in the country (Shakhova et al., 2016; Aiman et al., 2018; Alimbaev et al., 2020). On the one hand Karaganda is known for holding a complex of industrial enterprises, while on the other side Temirtau is known for the existence of enterprises of metallurgical and chemical complexes (Alimbaev, 2020). These industrial complexes release harmful chemical substances to the air, from which the local population and environment have suffered and still suffer greatly (Aiman et al., 2018; Alimbaev et al., 2020a). According to Alimbaev et al. (2020), the industrial growth in the early 1990's alongside the overall growth of the economy with the process of urbanization after the collapse of the Soviet Union has brought a burden to the environment, and which as a result has worsened the environment situation in the country. However, some problems such as the issue with the Aral Sea problem or the Caspian Sea problem have already existed during the times of the Soviet Union, while other problems such as an issue with the water resource shortage issue or the waste management problems have originated after Kazakhstan transitioned from a planned-economy to a market-economy as a result of the global marketization process (Alimbaev et al., 2020).

Literature Review

Definition & Research Scope: Environmental Awareness Studies

Studies on environmental awareness have originated way back since the early 1970's, especially vibrant after the environmental activist movements that have kick-started in the USA as a result of awareness raising social movements by ecological activists (Kokkinen, 2013). Since then, many scholars have attempted to conceptualize and define it. Kokkinen (2013) defined environmental awareness as a social concept that explains the phenomenon of the "state of a person's awareness" for environmental aspects and issues. Other scholars have defined environmental awareness from a different point of view and provided a more detailed explanation and conceptualization. For instance, Kollmuss & Agyeman (2002) provided their own understanding by conceptualizing it as the collection of an individual's perception and attitude on how he or she understands or perceives the environment. Alike Kollmuss & Agyeman (2002), Handoyo et al. (2021) have defined it as the aggregate collection of pro-environmental elements of an individual.

In terms of research scope, there are different studies on environmental awareness, such as in relationship with ecological education processes (Noordin & Sulaiman, 2010; Nazarenko & Kolesnik, 2018; Yessenamanova et al., 2020; Aigul & Gaukhar, 2020); in relation to corporate companies (Zsoka, 2007; Gadenne et al., 2009; Flammer, 2013); within the context of social media (Scholtz et al., 2016; Saikia, 2017; Hamid et al., 2017; Mallick & Bajpai, 2019); or sustainable development approaches (Iizuka, 2016; Labog, 2017; Amran et al., 2019). Hence, the scope of the research on environmental awareness is quite rich and influences everyday life aspects from business to public policy matters.

Research Context in Kazakhstan

In the context of Kazakhstan, research progress on environmental awareness can be considered as an emerging area for scholarly works. Local and international scholars discuss environmental awareness issues in the context of various aspects. For instance, these include research focus dedicated to environmental education processes (Momyntbaev, 2003; Dlimbetova et al., 2015; Sitarov & Urekeshova, 2017; Litvishko et al., 2020; Yessenamanova et al., 2020; Aigul & Gaukhar, 2020); the influence of media outlets (Zhurtbay, 2018; Tursynbayeva et al., 2020); environmental journalism (Freedman, 2011); and role of NGOs and civil society organizations (Watters, 2000; Weinthal &

Luong, 2002; Wilkomirski et al., 2008; Soltys & Orynassarova, 2013; Soltys, 2014). In terms of popular recent research topics concern studies on the relationship of environmental awareness and health problems (Karaca et al., 2019); impact of environmental problems on environmental awareness levels (Karaca et al., 2019; Sarbassov et al., 2019); and in relation to environmental activism aspects (Kuzembayeva et al., 2019).

Definition & Research Scope: Environmental Code Studies

By the definition, an environmental code represents a set of laws or “frame” of laws regulating environmental regulations in a country. It can also be defined as a set of laws that regulates the public relations in the field of human and nature interaction. Environmental Codes also regulate public relations in monitoring the state of the environment; use, conservation, restoration and reproduction of natural resources; regulation of environmental protection matters, etc. Environmental codes have the objective to regulate, form and promote sustainable development aspects for the sake of present and future generations of citizens of the country. Each environmental code can be divided into different chapters dedicated to addressing various regulatory frameworks and legislative elements, such as general provisions about goals and objectives of the environmental legislation; rights and obligations of the legal person in relation to environmental protection; water and marine regulations; forestry and wildlife regulations; environmental information; public administration in environmental protection; environmental assessment; environmental review; environmental permits; economic regulations of environmental protection; remediation of consequences of activities at installations with a negative environmental impact; state monitoring of environment and natural resources; environmental culture and education; protection of ambient air; land protection; climate and ozone layer; penalties and liabilities for enterprises; and many other aspects. Thus, environmental code documents pertain and cover numerous aspects regarding environmental regulations.

Studies on environmental codes are present within different contexts. For instance, in the context of Germany (Sangenstedt, 2007; Gabriel, 2009); Sweden (SME, 1998; Rubenson, 1999; Michanek, 2008); France (Boulet et al., 2009); Australia (Greiner, 2014); Kyrgyz Republic (Murzabekova, 2018); Kazakhstan (Ministry of Justice of the Republic of Kazakhstan, 2007). In terms of research focus, different scholars approached it from different research angles, where these included studies from the context of prawn farmers (Donovan, 1997); problems of creating an environmental code (Mustafina, 2017; Gergel, 1997); code of conduct for activities in outer space (Sterns & Tennen, 2011); or in context of community awareness campaign for whale watches (Olesinski, 1993).

Research Context in Kazakhstan

In the academic research context of Kazakhstan, research studies covering specifically the Environmental Code are few. One of the most extensive work was done by Buribayev et al. (2021), who has studied in detail the possibilities for improving the environmental legislation based on the newly adopted environmental code in 2021. According to the research article, the author analyzed various aspects of the new Environmental Code, such as principles of legal regulation in the field of environmental protection; quality of the environment; aspects of environmental control and enforcement; social impact tools and analytical framework for violations; elements of environmental responsibility; environmental monitoring; and aspects pertaining to environmental information and public access to environmental information (Buribayev et al., 2021). According to the findings, the environmental legislation of the Republic of Kazakhstan do not clearly define the purpose of regulating public relations in the fields of environmental protection, as they do not align with the principles of international environmental law (Buribayev et al., 2021). Besides that, the author

criticized to a certain degree of strong re-adoption of the legislative frameworks established by the new environmental code from OECD countries, meaning that Kazakhstan does not officially have its own national and independent environmental standards (Buribayev et al., 2021).

Other papers also have touched upon aspects of environmental code, particularly in terms of the previous 2007 version, where some analyzed it in the context of access to environmental information (Ni, 2007; Tynybekov et al., 2014); comparative analysis of Kazakhstani and foreign environmental legislations (Khamidullina & Hu, 2014); implementation challenges of international standards for environmental audit (Kudysheva & Tovma, 2016); or in regards to theoretical aspects of national environmental law (Bekisheva, 2009; Baideldinov et al., 2013; Rzabay et al., 2018). Lastly, a group of researchers studied the Central Asian region altogether and researched specific environmental aspects from the environmental code in relation to policy initiatives. To name a few, scholars such as Heinen et al. (2001) have studied legislation and policy initiatives towards biodiversity conservation, while some others like Krasnova et al. (2010) researched the comparative legislative differences of legislative regulatory frameworks between Russia and the Central Asian countries, including Kazakhstan. Despite these numerous lists of different research papers, no paper has attempted to critically examine the environmental awareness aspects within the New Environmental Code that was published in 2021.

Research Method

This paper applied a critical content analysis on a specific official document, namely environmental code. For the purpose of the research, we analyzed only the most recent environmental code that was published by the Republic of Kazakhstan. This environmental code was obtained from the official website of the government of Kazakhstan in order to obtain official English translations. In this regard, the New Environmental Code from 2021 (Adilet, 2021) and the older 2007 version (Adilet, 2007) were obtained from the Legal Information System of Regulatory Legal Acts of the Republic of Kazakhstan.

According to Parveen & Showkat (2017), a content analysis analyzes either written or recorded documents. According to a content analysis, the content of the data of the given document is analyzed via the subjective interpretation or understanding of the researcher (Parveen & Showkat, 2017). Thus, the main tool of our research is the researcher itself who will analyze the official documents. Speaking of a content analysis approach, for this paper we apply a conceptual content analysis, meaning that the researcher evaluates both old and new words, phrases, word sense, sentence structures, themes and concepts.

The research objective of this paper is first to unpack the main contents of the environmental code by describing the document's main chapters and sections, and highlight its newly added legal novelties and amendments in comparison to the older environmental code. Then, the paper focuses particularly on the section that touches on legal aspects of environmental awareness and environmental education. For that, this paper mainly focuses on five main sections: 1) environmental culture, education and awareness-building; 2) public environmental control; 3) public and state environmental review; 4) environmental information; and 5) environmental research. Such an in-depth analysis would be beneficial for local environmental researchers, as local researchers will be able to understand the legal changes that were introduced and get a grasp on how perspectives of the government on environmental issues have changed over the last fourteen years.

Results & Discussion

Case Study: New Environmental Code of the Republic of Kazakhstan

As of 2nd January 2021, a new Environmental Code has been introduced in the Republic of Kazakhstan. This new version has replaced the previous outdated 2007 version with new legislative aspects that touched upon previous shortcomings. According to Makhmetova (2021), these shortcomings have included irrelevancy of legal norms such as in regards to waste management and waste conservation matters; existence of outdated legal norms about public participation mechanisms; and ineffective legislative frameworks concerning environmental control mechanisms and impact assessment methods. Another local expert named Eldos Abakhanov (2020) has mentioned that the new legislative reforms were originated mainly from the best environmental practices of OECD member states and European countries, with which the government of Kazakhstan aimed to readopt more effective and optimal legal frameworks.

In terms of the main content of the new Environmental Code, numerous new amendments, legal updates and novelties were introduced. First, it is worth mentioning that the size of the new Environmental Code has increased from previous 326 articles to a total of 418 articles. Thus, meaning that more than 92 new articles were added within 14 years since the adoption of the 2007 version. One of the most notable novelties added in the new Environmental Code is the introduction of legal principles regarding the responsibility of enterprises for restoring damage done on the environment. Hence, a new term and understanding of environmental responsibility has been introduced in the new Environmental Code. For instance, the introduction of the so-called “polluters pay” principle, which was re-adopted from the best practices of the OECD and European countries, now has made enterprises liable to their entrepreneurial activities affecting adversely the environment. Other new general new legal provisions were added within the sections regarding environmental impact assessment; environmental permits; waste management system; categorization of industries or enterprises into four groups that have a negative environmental impact; new methods of calculations of environmental damage and administrative fines; and introduction of assessment on cross-border impacts.

Analysis on Aspects of Environmental Awareness

Environmental Culture, Education & Awareness-Building (Article 191-194)

This particular section is covered in part 12 within chapter 14 of the new Environmental Code. One of the first notable differences between the older 2007 version and newer 2021 version is the introduction of new definitions in this particular section. Unlike in the 2007 version, the new version of the environmental code included a more comprehensive definition of the word ‘environmental culture’ and ‘environmental education’, notably at each start of the new article, namely within articles 191-192. Following that, the next visible difference between the older 2007 version and the newer version are the well-structured sentences, making the reading passages easy to understand as well as to grasp it in a logical sense. For instance, while in Article 191 the first point provides a comprehensive and complete definition of the term “environmental culture” with the following definition of “*Environmental culture is a system of knowledge, skills and value orientations, which expresses and specifies the relationship between people and nature, the measure and method of human involvement in activities for the natural environment preservation and development*”, the following four points discussed in detail 1) the reasons and importance of environmental culture (e.g. family education, upbringing and awareness-building efforts); 2) role of environmental culture as way for information dissemination efforts to citizens; and 3) people’s rights for active participate in the discussion process about environmental issues in the country. Here, the last point mentions that “*Everyone has the right to take an active part in the discussion of issues related to the environmental situation and state environmental policy and make appropriate proposals in the manner prescribed by the Administrative*

Procedural Code of the Republic of Kazakhstan and this Code.” Unlike in the older version, the latter point concerning “people’s right for active participation in discussion processes” has been added as a new aspect that needed serious government attention, stating that the public community within the new environmental code has been given a new and more active role and status than stipulated before. Moreover, the new term on ‘environmental culture’ was not present in the older version, stating that the new code

Following Article 191, in Article 192 concerning “goals, main areas, subjects and objects of environmental education” the following three legislative novelties were added in the new environmental code: 1) comprehensive definition about environmental education as “*Environmental education is a continuous integrated process of training, upbringing and personal development, aimed at forming an active life position for everyone and improving environmental culture in society as a whole, based on the principles of sustainable development*” and “*Environmental education is the dissemination of environmental knowledge, information about the state of environment and environmental safety, and other environmental information in order to form the foundations of environmental culture in the society*”; 2) their main target audiences (e.g. society as a whole; educational organizations; owners of housing and other real estate; and producers of goods, works and services and their consumers); and 3) specific state measures for raising public awareness about environmental issues and public participation processes. Unlike in the new version, the older version did not contain any comprehensive definition on environmental education and no specific target audiences, but instead simply defined it as “*education of active citizenship to the conservation of nature and respect for the natural resources*”. Apart from that, the older version in articles 181-183 did not stipulate and include legal provisions about public participation process and public awareness aspects, but instead gave more emphasis on the importance for ‘training of professional personnel’ and so-called ‘development of institutional frameworks’, with the latter being regarded as too wordy, ambiguous and misty. For instance, according to point five in Article 192 of the new Environmental Code, the state is obliged to 1) ‘ensure public access to environmental information’ on aspects such as air pollution, climate change, biodiversity, energy balance, waste management, state of water and land resources; 2) inform the public about environmental impact of quality of water, energy consumption and waste management efforts; 3) inform business entities and consumers about state efforts concerning resource-saving production and recycled resources; 4) ensure public participation in environmental control processes.

Next, in Article 193 the aspect regarding “environmental education in educational institutions” are discussed. Here, the new environmental code included more detailed information about the types of specialized educational institutions and scope of curricula that can be provided. While on the one hand according to the older version in Article 183 environmental education “shall cover all levels of education”, the newer version pinpointed more specific types of education provided by the state and educational programs. For instance, these include “*model curricula for vocational education with specialization in environmental protection, use of natural resources*”. Moreover, it is worth pointing out that the newer version integrated new curricula topics for educational institutions, such as topics on environmental technology, sustainable development goals, and climate change. In comparison to the newer version, the older version only included one priority curricula topic, namely the focus on ‘*study on education of active citizenship to the conservation of nature and respect for natural resources*’. Another novelty also included the introduction of more practice-based teaching approaches within academic disciplines provided by educational institutions.

One of the most notable legal novelties included the level of state support provided in Article 194. While in the previous 2007 version state support measures in Article 184 were described with

little legal specificities, the new version in Article 194 on “State support for environmental education and awareness” provided more specific and detailed government support efforts. For instance, one of such most notable new state support measures included the newly introduced focus on so-called “training climate change adaptation specialists”. This new novelty meant that the state acknowledged the issues of climate change as a serious national problem. Other new state measures also included financial support for development of organizations implementing environmental educational programs and activities; information dissemination campaigns for raising awareness about anthropogenic impacts, climate change issues and climate adaptation measures; provision of state support in creation of practice-based environmental awareness modules for the public; provision of state contracts for innovative methodological practices in sustainable development goals; provision of state social contracts in support for environmental-awareness raising projects by non-profit organizations; and financial support for retraining of environmental-awareness raising specialists. All in all, new state support measures in the new Environmental Code showed that more in-depth descriptions were provided about government support efforts, and it has also shown us that the government has widened its reach of support to new fields of ecological experts, such as climate change adaptation specialists.

Public Environmental Control (Article 190)

Another aspect that is worth discussing in terms of new legal amendments was regarding public participation in environmental control processes. Within the new environmental code, legal frameworks regarding public participation processes now were updated and citizens were now given more influential clout concerning environmental control and environmental monitoring processes. This is stipulated in Chapter 14 on “Public Environmental Control” in the New Environmental Code. A visible difference between the older and the newer version is that the newer version has changed the wording of the chapter title from “Public Ecological Control” to “Public Environmental Control”. Moreover, the newer version has provided more precise definition about the information by whom the public environmental control should be carried out, where it is stated that “non-profit environmental protection organizations created in accordance with the legislation of the Republic of Kazakhstan” are accredited as authorized bodies. Additionally, the new version also added the following new legal novelties: 1) detailed steps of the legal procedures and requirements for non-profit environmental protection agencies to be enlisted as authorized bodies; 2) obligatory publishing of the entire list of eligible non-profit environmental protection agencies on official government portal; and 3) detailed description of all functions of environmental control that non-profit organizations can carry out that range from informing the public about violations of environmental legislations and “*participation of non-profit organization representatives in the process of public discussion of results of the state environmental control*”. Lastly, it was also noticeable how the new version replaced several words with others (e.g. ‘authorized bodies’ instead ‘public associations), and introduced new terms, particularly what concerned the new word ‘non-profit organization’.

Public & State Environmental Review (Articles 85 - 105)

In chapter 8, the new code introduces and discusses in detail the public and state “Environmental Review” aspect. First notable novelty in the new environmental code is the introduction of a new environmental term called ‘environmental review’. In comparison to the older version, it replaced the word ‘environmental expertise’ It should be noted that the older version mostly discussed about aspects of ‘environmental review’ within the context of ‘environmental impact assessment’. Since the new version differentiates strongly between the terms ‘state environmental

review' from 'public environmental review', it provides in Articles 85-86 a well-defined explanation on what each term means and its principles of conduct.

Following the part regarding definition and principles of conduct, the new code discusses in Section 1 on "State environmental review" extensively the details about the procedures on how state environmental reviews are conducted (Article 89); on design and documentation of state environmental reviews (Articles 89-90); rights of heads of units performing the state environmental review (Article 91); detailed description of experts and external experts involvement in state environmental review process and their responsibilities and rights (Articles 92-93); and publicity of state environmental review and public hearings (Article 95-96). According to Article 89, the new code provided more in-depth information about the time limits for the state environmental reviews and expert's analysis. Furthermore, in Article 92 on "Expert of the state environmental review" more clear explanations of experts and better wordings were used in comparison to the older version. For instance, according to the older version, experts of state environmental review are mentioned as 'experts of environmental impact assessment', and the term 'liable' has been changed to 'responsible' in the new code. This is exemplified with the following sentence provided by the new code: "*The expert of the state environmental review is responsible (instead liable) for their review under the laws of the Republic of Kazakhstan.*" However, in terms of Article 95 on "Publicity of the state environmental review" in the new code, the wording became more concise and no new novelties were added.

Lastly, in terms of Section 2 on "Public environmental review", here no real huge updates or amendments were visible between the older and newer version. The only noticeable change was visible with the Article 102 on "Financing the public environmental review" aspects. While previously public environmental review was financed via three sources of own funds of public associations, donations and grants, and other sources not prohibited by law; the new code has provided a more concise but precise lists consisting of 1) own funds of non-profit organization; and 2) other sources of finances. Hence, the word 'public associations' was changed into 'non-profit organization' and the word donations and grants were removed from the list. Following that, the new code discusses in Article 103 the notification procedure about public environmental review, which previously was mentioned as 'procedure for registration' of public environmental review.

Environmental Information (Articles 17 - 25)

Information about environmental information is provided in Chapter 4 of the new Environmental Code and consists of nine articles (Articles 17-25). In comparison, the older environmental code consisted of only eight articles (Article 159-166), where 'ecological information' was used as a title chapter instead 'environmental information'. In regards to new novelties concerning the provision of environmental information (Article 17), the following were added: objects of the state nature reserve fund; biodiversity and ecosystem services; gene pool and genetic resources of living organisms; cost-benefit analysis; environmental legislation of the Republic of Kazakhstan reports on its administration; and vulnerability to climate change; current and future projected impacts of climate change; and climate change adaptation measures. It noteworthy to mention the fact that environmental information is now "*publicly available and it shall not be restricted or classified*", which is not stated that clearly in the older version, where environmental information "*can be expressed in written, electronic, audio-visual or other forms*". This shows that eight new environmental information types were added.

Following article 17, the next article, namely article 18, discusses the aspects of access to environmental information. Here, one of the notable differences between the newer and the older

version is the new legal stipulation about holders of environmental information in the new environmental code. According to it, the holders of environmental information are regarded as: 1) bodies and institutions of the legislative, executive and judicial branches of power as well as local public administration and self-government bodies; 2) environmental quasi-public sector entities 3) non-state body government agencies; and 4) individuals and legal entities possessing environmental information. In this particular part, the word “holder” replaced the previous usage of the word “subjects”, and more detailed description was provided concerning what type of state bodies environmental information could provide. Additional to that, the public now has 1) the right to get access to environmental information ‘free of charge’, which overwrote the previously stipulated legislation in Article 166 on “The fee for the provision of the ecological information”; and has 2) “*unrestricted access to publicly available state electronic environmental information resources*”.

Another legal novelty within the new version that is worthy of praise is the detailed description concerning the procedure for provision of environmental information (Article 19-20). While on the one hand no detailed description about the procedure was provided in the older version, the newer version even added additional information consisting of nine legally stipulated reasons (e.g. if request entails infringement of intellectual property rights; if content of request is does not allow to identify the requested environmental information; or when request does not comply with requirements of the Law on Access to Information of RK) on when access to environmental information shall not be granted. Indeed, introduction of such kind of legal novelties mean that public is now better informed about the procedure, but such stipulations may also discourage new requests as there might be the fear of the request being accepted and granted.

Another new legal introduction concerns the article on “*Collection and dissemination of environmental information*” (Article 21) that is added as a new section within the new version of the environmental code, which were not included in the older version of the code. This particular section provides information about the state efforts in collecting and disseminating environmental information via different ways. For instance, according to these legal points, the state is obliged to manage and make publicly available the pollutant release and transfer register of the Republic of Kazakhstan; maintain State Bank of Environmental Information for free access to the public; regular dissemination of environmental information and awareness-building measures via social media and other informational platforms. On top of that, this section also covers the role of local executive bodies related to oblasts and city of national significance in providing annual reports on the official websites about the following environmental issues: 1) implementation of local state environmental policies; 2) implementation of local environmental protection policy plans and budgeting matters; 3) assessment of environmental quality target indicators; 4) total evaluation of amount of payments for negative environmental impact received by the budget. The same analogue of annual reports and obligations of online provision of environmental information are also applied to authorized environmental protection bodies, who have to provide additionally environmental reports about expenditure on environmental protection measures, results of state environmental inspections, amount of penalty fees received by environmental violations, and environmental damage remediation efforts.

Last but not the least, another new legal update concerns the legal extension of the role of “*National Report on the State of the Environment and on the Use of Natural Resources of the Republic of Kazakhstan*” as stipulated in Article 23. While only four environmental aspects were reflected in the National Report in the older code, which included environmental information on qualitative and quantitative characteristics of environment and natural resources, anthropogenic impact on environment, regional ecological situations and aspects related to implementation of environmental policies in regards to environmental protection and use of natural resources, this list has been extended

by three additional environmental aspects. These included provision of environmental information regarding 1) climate change impacts, their adaptation measures and vulnerability factors; 2) country's adherence and fulfillment of international commitments regarding environmental protection measures; and 3) issues related to green economy and sustainable development measures.

Environmental Research (Articles 195 - 197)

This particular section is covered in part 13 within chapter 14 of the new Environmental Code. In terms of environmental research directions (Article 196), here crucial and necessary legal novelties were adopted. In comparison to previous 2007 version, new research directions that were newly added to the new environmental code included new research on economic valuation of ecosystem and biodiversity services; studies on scientific justification of measures to compensate for the loss of biodiversity; impact assessment studies of climate change issues and mitigation efforts; assessment of scientific support of environmental monitoring; studies on development and scientific justification of limits (allowances) on environmental emissions and the use of natural resources; studies related to zoning and ranking the territory ; studies regarding environmental safety regulations. However, no environmental research direction was given for studies related to environmental awareness aspects or ecological education. In terms of the goals and objectives of environmental research (Article 195), here one new novelty was added. This new novelty was about the inclusion of mandatory environmental research studies on provision of scientific basis for the development of climate impact mitigation and climate change adaptation measures.

It is also worth mentioning that in this particular section on environmental research, previous words such as “integrated”, “science-based regulations”, “legal person” and “scientific substantiation” were changed to words such as “multipurpose/comprehensive (instead integrated)”, “evidence-based laws and regulations (instead science-based regulations)”, “legal entities (instead legal person)”, and “scientific support (instead scientific substantiation)”. Thus, meaning that old, unclear and outdated words were replaced with more specific, clear and easily to understand words. However, some words such as “performance requirements” were completely removed in order to avoid usage of wrong words in the wrong context. Hence, some sentence structures have changed completely or partially. In one of the specific cases, the word “Kazakh” was replaced with the word “Kazakhstani” in order to avoid ethnic misunderstandings

Conclusion & Research Limitations

In conclusion, the new environmental code of Kazakhstan has included crucial legal amendments and novelties that have updated on the one hand the regulatory frameworks of the legislations, but also at the same time had brought new waves of legislative reforms that were deemed necessary for the government, non-governmental organizations and the public community. Thus, several new amendments and legal novelties can be highlighted.

First, in terms of the section on ‘environmental culture, education and awareness-building that covered articles 191-194, the terms ‘environmental culture’ and ‘environmental education’ were presented with a more comprehensive and well-constructed definition in comparison to the older 2007 version. Moreover, the new code also introduced the concept of ‘target audience’ and ‘specific state measures for raising public awareness about environmental issues and public participation processes’ in terms of environmental culture aspects, which were not stipulated in the previously published 2007 version. Speaking of newly introduced specific state measures on Article 192, these included four new state tasks such as ensuring public access to environmental information on air pollution or climate change aspects; informing both the public and the business entities about environmental impact of

quality of water, energy consumption, waste management efforts and resource-saving production efforts; and state support in public participation processes. Other state support measures also included training for climate change adaptation specialists and provision of financial support efforts for development of organizations implementing environmental education programs and informational dissemination campaigns in order to raise awareness for climate change issues and anthropogenic impacts, as stipulated in Article 194. Apart from that, other notable legal novelties also included the inclusion of new legal provisions by the state in Article 193 on ‘environmental education in educational institutions’, where new specialized educational institutions and scope of curricula were added. It is worth highlighting the fact that the new code introduced new environmental curricula topics that would address new environmental aspects such as environmental technology, sustainable development goals, and climate change impact and state efforts.

Second, in terms of the section on ‘Public Environmental Control’ in Article 190, new legal provisions were presented in terms of addressing public participation in environmental control processes. Here, new legal amendments have replaced outdated terms and words from the previous 2007 version of the environmental code. These included replacement of words such as ‘public associations’ or ‘public ecological control’. In terms of legal novelties, the new code within this section provided more detailed descriptions regarding the legal procedures and requirements for non-profit environmental protection agencies to be enlisted as authorized environmental bodies as well as their functions and obligations in regards to environmental control.

Third, what concerned ‘public and state environmental review’ that covered articles 85-104, this section introduces new environmental terms such as ‘environmental review’ and discusses in detail the principles of conduct, functions and elements pertaining to ‘state environmental review’ and ‘public environmental review’. Similarly, alike in the previous section on ‘Public Environmental Control’, old environmental terms and words were replaced with new ones. These included words such as ‘environmental expertise’ (changed to environmental review) and ‘liable’ (changed to responsible). Other new changes also were concerning the aspect on ‘state environmental review’, where more extensive details were provided in terms of procedures on how state environmental reviews were conducted; design and documentation of state environmental reviews; right of heads of units carrying out state environmental reviews; and rights and responsibilities of external expert reviewers. Here, more clear explanations of processes and procedures as well as clear-cut definitions were laid out in comparison to the older code. Last but not the least, in terms of ‘public environmental review’, here new updates or new legal provisions concerned the aspect on ‘financing the public environmental review’, where the new code provided a more precise and well-explained sources of funds.

Fourth, in regards to environmental information section that are discussed in Articles 17-25 in the new code, nine additional eight articles were added to this particular section. Furthermore, newly added legal provisions included the mandatory information provision to the public on environmental issues such as biodiversity ecosystem; gene pool and genetic resources of living organisms; climate change adaptation measures; or vulnerability to climate change. Following that, the section covered the aspect on access to environmental information. Here, notable legal changes were visible concerning ‘holders of environmental information’ and ‘public’s right to get access to environmental information’, as now people could acquire information free of charge. Another newly added legal provision concerning access of environmental information to the public is that the new code added other following novelties: description of numerous detailed reasons when access is not granted to the public; and new state efforts in collecting and disseminating environmental information via local executive bodies other authorized agencies such as State bank of Environmental Information and

social media. Speaking of local executive bodies, here extensive list of functions was outlined ranging from implementation function on local environmental policies to evaluation of budget payments from negative environmental impacts.

At last, in terms of the section on 'environmental research' within articles 195-197, several new research directions were added. For instance, these included economic valuation studies on aspects of biodiversity, impact assessment studies of climate change and mitigation efforts, or studies on environmental monitoring. It is also worth highlighting the fact that no environmental research directions were added in terms of studies related to environmental awareness, ecological education or awareness raising measures. As same as in other sections, this section also has removed certain outdated words and replaced them with new ones. Here, the following words were replaced: legal person, science-based regulations, integrated, or Kazakh.

All in all, our findings suggest that the new environmental code has indeed updated and reformed the code and legal regulations on environmental aspects in the country. Such new reforms did not only include new legal provisions and amendments, but also have improved conceptual definitions; provided a more comprehensive explanation of new and outdated environmental terms; and replaced outdated words, terms or phrases with new ones. One of the newest legal introductions for this new code concerned the legal provisions stipulating the importance to study and focus on climate change issues as well as public participation processes, particularly what concerned environmental monitoring process and environmental review aspects. With that said, it can be concluded that the state has in fact given more emphasis on the influence of the public playing a vital role to push forward a stronger citizen engagement or activism level in order to solve more complex, modern and demanding environmental problems. The new reforms of the new environmental code indeed reflect the positive changes the country has made in terms of understanding how crucial it is to address environmental issues in the country in comparison to fourteen years ago, when the first environmental code was adopted by the government. Besides that, the government has also understood on the one hand how crucial public participation processes are for any state efforts aimed in tackling environmental issues, but also at the same time has also acknowledged the importance of evolving further as a developing nation in order to strengthen its environmental regulatory frameworks over the years. Thus, an environmental code reflects the level of development of public-government relationships and the stage of environmental legal development of that particular time period for a country. With the new environmental code, it is fair to say that the public-government relationships in being able to solve a common problem, which in this case would be various aspects of environmental issues, have positively improved over the years. Apart from that, the government alongside the society has reached a higher level of environmental consciousness, meaning that environmental problems are seen as a serious threat to various aspects of life of the people as well as the state-governance system, suggesting that environmental issues are no longer issues of the government, but that of the society and are thus part of an integrated system of social problems.

One of the first research limitations of this particular paper concerns its usage of content analysis. Since content analysis involves the researcher's subjective analysis of the content of the document and is a research tool used to determine the presence of certain words, themes, or concepts with a given qualitative data, which in this case are the official environmental codes, it also reflects to a certain degree the researcher's own point of reference, level of interpretation and skills of being able to recommunicate qualitative data in a narrative and observational manner. Hence, the level of interpretation of a researcher plays an important role when analyzing qualitative data or documents, which often might result in interpretation errors due to low accuracy level of analysis.

Another limitation of this paper concerns the specific problem with the interpretation errors of qualitative data. Due to the existence of numerous concepts and different social terms describing various aspects within the environmental code, there is always a likelihood that the researcher might misunderstand certain concepts, social terms, phrases, or themes in a given context. As a result, the researcher could misinterpret as well as misinform the reader or his or her audience about the topic, concept and meaning of some specific aspect.

Future Research Suggestions

In terms of future research suggestions, it is worth mentioning the following important points. While this paper focused on a detailed analysis via a content analysis on aspects related to environmental awareness and ecological education, it might be also interesting to conduct a content analysis on other untouched sections and chapters of the new code. This would give us a better overview on other new legal provisions, amendments and uncovered interesting findings.

Another research suggestion is to conduct in the future a survey on how well different population groups perceive or understand different legal provisions of different environmental aspects provided by the new code. Since, most environmental codes are created, amended and adopted by the government, it would be very valuable to get an idea on the opinion of the general public towards the changes concerning legal provisions of the environmental code, and how they view these new legal changes or existing legal provisions as effective or ineffective in light with the state environmental public policy efforts. To be able to gather such an information would enlighten us on the public perception towards legal changes and give us a clue for how we could improve our regulatory frameworks and public policies.

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Securitization and Human Rights Discourse: Freedom of Expression during COVID-19 in Central Asia

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Abstract

Most constitutional rights have been affected by the pandemic, including political rights such as freedom of expression. The rationale for their restriction was the need to prevent collective fears from turning into mass panic (Khramova, 2020, HRW, 2020). Meanwhile, some states used the pandemic as an excuse to dampen public debate and halt protest activity (Khramova, 2020). This clearly demonstrates that leaders in semi-authoritarian regimes use an emergency situation to impinge upon one of the basic human rights: freedoms of expression and press, and access to information. Moreover, some governments, in the fight against "disinformation", have passed new laws that contravene some legal principles (Putz, 2020), whilst also, using already existing laws to suppress freedom of expression among activists and journalists (HRW, 2020). The right to freedom of information is linked to freedom of expression, which has long been recognised as an essential human right. It is fundamental precondition for the exercise of other rights and, in its own right, an essential component of human dignity (Ritcher, 2010). Significantly, questions of public access to information relate not only to seeking and obtaining documents and other information, but also to participation in events and meetings of public bodies, such as court and legislative sessions (Ritcher, 2010).

The main purpose of this study is to analyze the contemporary phenomenon in its real-life context - whether the state exceeds its authority in an emergency situation. The goal is to separate reasonable and necessary restrictions from those that are excessive and unacceptable by comparing the measures taken in within Central Asian region. The need for this study is dictated by the fact that the Central Asian countries do not provide enough information on Covid-19, yet they use it as a pretext to strengthen the regime in terms of access to information, surveillance, and suppression of opposition under the pretext of protecting the population and preventing panic associated with the virus.

This research deploys a comparative case study methodology where the unit of analysis is Central Asia, making this study an intra-regional comparison (Köllner et. al.,2018). The advantages of qualitative region-focused research are extremely valuable and necessary in order to move forward with any degree of confidence in comparative analysis. Exploratory or descriptive studies usually help to better study a problem when information and research done in the field is limited, like in the case of Central Asia. In the case of Central Asian countries, which are predominantly authoritarian, there have been only a few studies on the impact of Covid on political action and its consequences. This study requires both primary and secondary research methods. However, considering that many Central Asian countries have a law against spreading false information about the pandemic, which basically refers to any mention of Covid 19, only secondary research methods are used. However, in this particular case,

even the lack of access to and availability of interviewees, documents, and reports should itself be considered a meaningful result worth writing about.

The secondary research methods include reviews of already published articles, newspapers, reports from research organizations and international organizations, the number of press conferences, already conducted case studies, and available data from internet, etc. For this study, the secondary source will be information from official government websites and published interviews with politicians and key government officials. A discourse analysis of politicians' speeches, press conferences, and interviews, in turn, will help explore the existing discourse between securitization and human rights in Central Asia.

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“The role of women and children in the Syrian conflict”

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This work is devoted to the problem of the radicalization of Islam in Kazakhstan, as well as the role of women in the Syrian conflict. The role of women and children in the Syrian conflict is a huge force that carries significant weight in this war. Exploring this problem, this research aims to show how important it is to identify radicalization in Islam in time, as well as to pay attention to the fact that it is very important to find the right sources for self-education in religious terms. It is these circumstances that explain the problem of radicalization and further sending to fight for the faith in Syria.

The focus of this study will be to analyze the contemporary religious and political extremist movement in Central Asia and its impact on the political situation in the region. In this I was helped by the study of historical research materials on the problems of the penetration of Islam into Kazakhstan and the countries of Central Asia.

The following research goals have been set:

- 1) To highlight the main reasons and motives of Kazakhstanis who left for Syria to fight for ISIS.
- 2) To reveal how and by whom the recruitment of our citizens is carried out.
- 3) To study what happens to the people who went to Syria and how they got there.
- 4) To systematize the demographic indicators of recruited people.
- 5) To analyze the role of women and children in this war.
- 6) To reveal why our government decides to bring those people back.

The research methods were:

- o Multiple analysis of the literature on the radicalization of the Central Asian region.
- o Study and generalization of domestic and foreign practice.
- o Study of documentation and statistics.
- o Analysis of documentary video materials.

The practical significance of this research shows how important this topic is at the present time, since extremism and radicalism have become a major social problem that negatively affects many important aspects of state development. Conclusions are given for the preparation of analytical materials that are related to the main problem, as well as related topics. Also when solving questions that may arise during in-depth study of the material.

Extremism and terrorism are quite common, especially in the countries of Central Asia and in Kazakhstan, where Islam has its own religious and ethnic specificity along with other religious preferences. But Islam itself is not the cause of extremism. The very essence of the problem lies in the complexity of the socio-political situation in these very states where there is Islam, as well as the involvement of these countries in global conflicts, such as Iraq, Palestine, Syria, etc. Today, Central Asia is a territory that has a high potential for the development of false ideology, in view of its socio-economic conditions.

Key words: radicalization, women, Syrian conflict

Radicalization and ways to Syria

The Syrian crisis, which began as one of the episodes of the Arab Spring, quickly developed into a full-scale civil war, which had a direct impact on the regional balance of power, as well as on the structure of international relations in general. And it seems that this is nothing special, since such conflicts constantly occur in the world, affecting the world balance of power, but the war in Syria has become not only the longest, but also the most ambitious. Dozens of states became involved in this war. Various radical groups became mediators of interests in the dismantling of world and regional powers, which began to sort things out on someone else's playing field.

The ongoing fighting in the conflict zone has influenced the radicalization of citizens in other countries, thereby engaging more and more people in extremist activities.

An interesting feature in the Syrian conflict was that whole families traveled to the war zone. This later gave birth to a new term "Family Jihad". One of the first to use this term was the Western media, after the publication of the material in October 2013.

According to the National Security Committee of the Republic of Kazakhstan, the greatest peak of the departure of our fellow citizens fell on 2013-2015. In 2017, this flow was stopped. Today, according to experts, the National Security Committee and other relevant structures are trying to work proactively in order to nip in the bud any extremist activity in our country. Great importance is attached to educational work with young people, to promoting the values of a free society in a religious environment.

Experts link the problem of radicalization and the departure of our citizens to the epicenter of hostilities in Syria with the problem of national self-identification. According to them, after the collapse of the Soviet Union, an identity crisis began to emerge in the new republics, since mostly young people did not know what would happen next. In some countries, the question of building state foundations based on Sharia law began to be raised, such as in Uzbekistan. Later this issue was settled, but after the events in Uzbekistan, the first jihadist organization, the Islamic Movement of Uzbekistan, appeared.

There is also another reason why our citizens leave to fight in Syria - this is unfavorable socio-economic conditions. According to statistics, many who left for Syria were labor migrants from Uzbekistan, Tajikistan and Kyrgyzstan, who initially left for Russia. After they found themselves in a new reality for themselves, they easily believed new ideas that were introduced to them not only by new acquaintances, but also through social networks and popular messengers. Then they took their families and went with them to the Middle East in search of a better life according to Muslim laws.

Radicals from Kazakhstan were mainly from the western Kazakhstan region, where the region rich in oil and gas resources was much more expensive to live in. Cities such as Satpayev and Zhezkazgan are depressed regions. In these cities, against the background of falling volumes of mining, jobs began to decline and unemployment began to rise. But there is also an interesting fact that this economic factor is not the main reason for people who left. Earlier, among analysts and experts, the opinion was expressed that young people leave mainly to make money in the war. It was assumed that these people come from dysfunctional families. Social problems, poverty, and so on caused the outflow of young people from the country to the conflict zone.

Let's not forget that the psychological state of a person is also the basis for the issue of radicalization. Some of the radicals found their light in religion in those moments when life was harsh for them. Someone struggled with financial difficulties, someone lost loved ones, and someone experienced emotional stress due to difficulties with self-realization. All these people were looking for

moral support, which at the right time was provided by brothers in faith. Accordingly, a significant part of the people who left for Syria were lonely unstable people who accidentally fell under the wing of new mentors. In many ways, they did not have deep religious knowledge, so they easily accepted the new treatises of Islam. This is precisely the key to successfully involving people in sects, since such mentors are excellent psychologists.

The states, in response to the problem of involving their citizens in terrorist activities, as well as the risk that experienced fighters might return to their homeland in order to involve new people, tried to strengthen control over religion. For example, in 2014, Tajikistan issued an order stating that men are not allowed to wear a beard until they turn 50. And in Uzbekistan, the authorities banned persons under the age of 18 to appear at Friday prayers. In Kazakhstan, a similar bill was considered by the parliament, which was supposed to establish a ban on the demonstration of external signs of destructiveness. Later, the bill was removed from the agenda.

Of course, the tightening of measures to some extent helps the authorities to resolve the situation, but such cases can, on the contrary, cause a wave of hatred on the part of radicals. For them, such settlements serve as an argument, as if the countries of Central Asia are expressing their intolerance towards Muslims. Therefore, this became one of the factors why people began to more often leave for Syria and Iraq.

Also in the jihadist sermons a peculiar interpretation of the Syrian war played a role. In extremist propaganda, the Syrian conflict was presented as something sacred, as the position of the beginning of the apocalypse or Judgment Day. According to the Islamic concept, two warriors should appear before the end of the world, the successor of the Prophet Muhammad Mahdi and the false messiah Dajjal, between whom a decisive battle will take place in the lands of ancient Sham. In the modern world, Syria and Iraq served as the lands of Sham. Accordingly, many jihadists who come to Syria and enter the ISIS sincerely believe that they will participate in the battle with the messiah and fight for the Mahdi army. Of course, this sounds like a very beautiful fairy tale that these people believe in, but among marginal young people, this story holds a special place in their raging souls, as it is quite simple to understand even for those who do not understand it.

At present, it is difficult to give an exact answer to the question of what is the main factor in the radicalization of people and what exactly prompts them to leave their homes, work and go to such a dangerous region as Syria. According to an expert on countries emerging from violent conflict, Simon Haslock, the criteria can and will change in the future. He said in an interview that the reasons for radicalization can change and differ from today's. "For example, now we are talking about religious extremism, mainly associated with Islam. But the world is changing, and the reasons for radicalization can change. And now there is a tendency that in some countries racial identity is increasing, while in others it is decreasing. And societies are responding to this radicalization - they want an identity that they can be proud of. So, in the future, a decrease in religious extremism and the development of nationalist or ethnic radicalism are possible."

Convenient logistics have helped radicals move with their families. For example, to get to Afghanistan, the radicals had to travel through Ukraine to Iran, then through the mountains to Pakistan, while the travel time took from 15 to 45 days. They had to wait a long time to present fake visas and passports at every checkpoint. Accordingly, they had to wait weeks for forged documents. Passing through the mountains from Iran to Pakistan was also a difficult obstacle, as they had to reach the mountain trails on foot or by car. Having reached Waziristan, people experienced difficulties with housing, as there were many people.

Radical groups were based in overcrowded cities, naturally there was not enough housing for everyone. The militants lived in small barracks or rented houses for several families. Often, attempts

to ferry their wives through Bishkek turned out to be unsuccessful, as the security services monitored movements in the combat zones.

Therefore, it turned out to be easier to leave for Syria than for Afghanistan. All that was required was to get to Istanbul by plane, and then by bus to get to the Syrian border. Most Central Asian countries have a visa-free regime with Turkey, which greatly facilitated the task of the radicals.

This route to Syria was not only fast but also much cheaper. Jihadists mostly spent on transporting people to Istanbul and then by taxi or bus to the Syrian border. Whereas in order to get to Afghanistan in a roundabout way, the Jihadists had to spend more than 5 thousand dollars, which included the cost of a plane ticket, payment for the production of forged documents, accommodation at transfer points and payment of guides through mountain trails for their services. Radical men often traveled to Afghanistan on their own, while several months in advance they began to save money and prepare for a long journey.

As a result, several hundred families from Central Asia left for Syria. These people were driven by the desire to find a better life for themselves, as well as to help Muslim brothers realize themselves in the new Islamic land. According to the government's Committee on Women and Family Affairs, in early August 2016, there were 200 Tajik families in Syria and Iraq. Among them there were 73 families from Sughd region and 43 more families from Khatlon region.

In total, more than five thousand people left Central Asia. Many men died, leaving their wives and children in temporary camps. Over the course of several years, hundreds more children were born there, who did not know their native language, did not know where they came from and did not know the idea of their country and normal life.

From all of the above, it follows that the issue of religion plays a significant role in the radicalization of citizens, but they leave their country not only because of this. You can see how they are often dissatisfied with their social position in the country, and probably felt rejected. This prompted them to leave their country in search of a better life on Muslim land, which accordingly led them to Syria and Afghanistan or Iraq. It is impossible to identify what exactly prompted them to jihad, since all the criteria are very individual.

The role of women and children

International terrorism continues to develop, involving more and more people in its networks. The active participation of women and minors in this activity is a serious concern. Until now, the main objects of research are the chronicles of the radicalization of male militants. Many social portraits have been compiled of what a modern radical should be. National, ethnic and regional specificity was taken into account. Motivation of middle-aged men who purposefully stepped on this path. For a long time, it was believed that jihad is an activity for men, but it does not take into account that they take women and children with them, who become unwitting participants in this process of radicalization. The trend of feminization of radicalism is observed in everything, including due to the expansion of the borders of the Syrian conflict. Some believe that the Syrian war presented in a heroic light women with a gun in their hands.

A UN study cites the following data - since 2012, more and more women who support ISIS and who left for Syria have turned out to be women. The study was conducted using data from several countries, including Tajikistan and Kyrgyzstan. According to their data, extremism has involved 15-30% of women. The UN study concludes that too often women are perceived as mere "followers" of their husbands in the world of violent extremism, and less often as proactive supporters or recruiters. But the specific factors pushing women or attracting them to power groups are not well understood.

It is also noted that female recruits pose the same danger as men. From 2015 to 2017, the number of terrorist acts committed by women increased by 23%. For example, in Kyrgyzstan, every

fifth person convicted of crimes of an extremist and terrorist nature is a woman. Remarkable is the statistics announced at the end of 2015 by the head of the 10th department of the Ministry of Internal Affairs of the republic, Stalbek Rakhmanov. According to his testimony, women who have joined the ranks of terrorists and extremists are distinguished by their activity. Many of them, along with men, are involved in the propaganda of radical ideas, create women's groups, turning their eyes to the weak part of humanity. "If in 2005," the head of the department specified, "the share of women in extremist crimes was 1.1%, then in 2015 it increased by 25%. Today, 7.4% of all identified active members of extremist organizations are women. 24.9% of those who left for Syria, Iraq are women".

According to the law enforcement agencies of Kyrgyzstan, in the period from 2010 to 2016, 863 Kyrgyz citizens joined the ranks of international terrorist organizations fighting in these countries, including 188 (23.8%) women. The Kyrgyz authorities report 863 citizens traveling to Syria and Iraq from 2010 to 2016, including 188 (23.8%) women. Tajik officials note that between 2012 and mid-2016, 1,094 people left the country to join ISIS, among them 125 to 200 women (up 18%).

In a report from the International Center for Radicalization, women have recently been involved in conspiracies around the world. It states that 4,761 (13%) of the 41,490 foreign nationals who joined ISIS in Iraq and Syria between April 2013 and June 2018 were women. Another 4,640 (12%) were minors. The ranks of the Islamists include 680 women from Western Europe, most of all from France (320), Germany (190) and Great Britain (100).

Kheda Saratova, a member of the Council for Human Rights under the head of the Chechen Republic, calls on the Russian authorities to help the women whom their husbands took to Syria, to the territory controlled by the terrorist organization ISIS. "We are in touch with the people who are there. The guide who took the Russian women to a safe place told me that there are 7,000 Russian widows in Idlib alone. Among them are from the North Caucasus - 3-3.5 thousand women. And each has up to 4-5 children."

According to Human Rights Watch, provided to Present Time, from August to December 2017 - the time of the return program - 23 women and 68 children returned to Russia. Moreover, if the natives of Chechnya remained at large upon their return, the Dagestani women were detained already at the airport. All women were found guilty and sentenced to 4.5 to 8 years in prison. The court's ruling will take effect when their youngest children turn 14.

So why is the radicalization of women happening? What is behind the increase in female attacks? And how will the widespread involvement of women in terrorist activities affect the choice of their children? The reasons for each particular case are different. According to Kyrgyz researchers, one of the factors of radicalization is the decline in the economic activity of women. According to research data, in 1991, almost 90% of women in Kyrgyzstan were considered economically active, and by 2015 this figure had dropped to 41%. Unemployment among women was 20% higher, with 70% of women employed in the shadow labor market. The salaries of women in the republic are officially less than the salaries of men by at least a quarter. And this despite the fact that women spend 3.5 times more time than men on domestic work and childcare.

In a critical situation, women easily fell under the influence of extremist groups, which in turn provided social assistance, medical services, food supplies, and payment of debts. The low level of education among women was also affected.

According to Kazakh researchers, the radicalization of the female population is based on life and psychological problems. For many Kazakhstani women who went to fight in Syria, the syndrome of "Dagestan lover" is characteristic. Recruiters use social media to look for single disliked women and promise them love and money. It is profitable for radicals to make a terrorist, because she attracts less attention to herself. In addition, the threshold for the perception of violence and pain in women is

much higher. A woman is by nature more categorical, she can be cruel and unshakable when it is necessary to protect family or faith. Experienced recruiters know this and play precisely on such features of the female consciousness. That is why there are cases of female extremism, their participation in self-explosions and other terrorist acts.

According to official data, in the middle of summer, there were twice as many Kazakh women as men in terrorist locations in the Middle East, and four times as many children. The attitude of terrorists to the role of women in confronting the civilized world was gradually changing. From direct participants in the so-called jihad, women have gradually turned into servants of male militants and "professional mothers" who are supposed to educate a new generation of extremists.

There are not so many differences between men and women who decide to take the terrorist path. They are mainly affected by the same factors. At the same time, it is not so easy for people to realize that a woman can be violent. Many of them cannot become full-fledged fighters with weapons in their hands, so they wear a suicide belt.

If we talk about the Syrian conflict, then the majority of women had no choice, since all husbands decided for them. According to the radical ideology, "A woman should follow her husband." In this case, children also remain without the right to choose. It is not uncommon for a woman, having lost her husband, to marry again and again, considering it commonplace. The widows were forced to remain in the war zones, as there was no choice. Either follow the rules or die. ISIS rules allowed women to return home only on the condition that they left their children, and then the children became the property of ISIS and trained as new fighters. Of course, there have been cases when women voluntarily went into the war zone, got married and acquired the status of recruiters.

One Kazakh recruiter who was brought back during Operation Zhusan left for Syria when she was 18. At 17, she began practicing Islam and it took her only a year to completely radicalize. There she married a man from the North Caucasus. And this was not an isolated incident.

Currently, many of the women remain in temporary camps, including under the control of the UN Refugee Office in various provinces of Syria and Iraq, as well as in prisons. Most women found themselves in Syria under the influence of their husbands, without going into the essence of the events taking place. After their husbands died, they were left there alone with children in their arms, in extremely unfavorable conditions. If a militant died, in some cases the children were forcibly excommunicated from their mothers and sent to children's detachments or training camps, where they were taught from an early age to handle weapons or attend the death penalty. Those who wanted to return to their homeland were executed for attempting to leave the Islamic State, while others successfully escaped to their homeland. Those who still managed to escape to neighboring countries, and often Turkey and Egypt, remained there without the opportunity to cross the border. They turned to the special services for help to return to their homeland. Many women trapped in difficult socio-economic conditions after fleeing Syria, as well as without the care of their husbands, became vulnerable to a second wave of radicalization. In desperation, they could return to the war zone and take the path of suicide bombers.

Many women remain in temporary camps in the hope that their home state will take action to help them. Even after the fall of the Islamic Caliphate, some women remain influenced by radical ideas. Such women are ready to send their children to the ranks of the fighters of the Islamic State, so that they continue to fight for their faith.

Deteriorating socio-economic status, travel to third world countries, deprivation of citizenship and further uncertainty contribute to the fact that women really begin to consider themselves the wives of martyrs. This influences the further radicalization of women and their further involvement in

terrorist activities. Women who go to the conflict zone are much less likely to return to their homeland.

Various groups also violate the rights of women in the community. According to such communities, it is argued that jihad is not only the responsibility of men, women must also fulfill their role. Some resort to torture and murder of women who tried to escape or who did not comply with ISIS rules. Women often received dozens of lashes. The kidnapped girls were obliged to sexually satisfy the militants who returned from the battle. ISIS also forced widows to support militants, marry them and give birth to new offspring, so that in the future the children would also become new fighters. If the girl refused such rules, then the militants took turns rape her until she lost all will to live. Then she is given a suicide belt and sent to the combat point.

Although the image of a woman in the caliphate is often the image of a jihadist wife, where the woman plays a passive role, other factors should not be overlooked. Some girls have chosen to live in the caliphate on their own, and it is they who are the main recruiters who attract new fighters.

Suicide bombers are divided into three main groups. One of them can be conditionally called ideological. These are deeply religious young girls and women who fall under the influence of terrorists, their understanding of Islam is distorted, and they are ready to sacrifice themselves to religion. For militants, these are the most desirable sacrifices, since they are disinterested, but lately their number is decreasing. The second group - "shahids under force". Most often, these are young girls who have been kidnapped, bought or dishonored by the militants. In the latter case, women are raped so that their family will never accept them and they have nowhere to return. Girls from poor families sell themselves as shahids in order to feed their families. In this case, the militants pay the relatives of the suicide bomber from 2 to 25 thousand dollars, which most often turn out to be fake. Sometimes the militants promise life-long support for the family of the suicide bomber, but in fact they visit her every few months, leaving only a sack of flour. The third group of suicide bomber - "avengers". Relatives of the militants killed by the special services fall into it. For example, "black widows" in Chechnya. If the suicide bomber refuses to attack, she is killed. Recently, militants have increasingly used a different tactic: they are equipping the suicide bomber's belt with two fuses - one can be activated by the suicide bomber herself, and the other is remotely activated. If the suicide bomber changes her mind about committing a terrorist attack, the bomb will go off without her knowledge. The militants also changed the tactics of training suicide bombers. Now women are being made "living bombs" by pumping them with psychotropic substances and drugs. In this state, a person loses the feeling of fear, and he goes to murder with a clouded mind.

As a rule, it is easier for women and girls to be suicide bombers, as they are less suspected. It is also easier for them to carry weapons and bombs, as in many cultural traditions they are not searched.

In a war for the interests of others, innocent children always die on an equal basis with adults. More than 250,000 children today are fighting on the side of government forces and in the ranks of the rebels around the world. The average age of the fighters is 10-12 years. The Somali radio station, founded by the radical Islamist group Al-Shabab, organized a competition on general knowledge of Islam and reading of the Koran. Children from 10 to 17 years old were invited to participate in the competition dedicated to the holy month of Ramadan. The winners were presented with prizes in a solemn atmosphere: AK-47 assault rifles, hand grenades and several hundred dollars. In this group "Al-Shabab" (whose name means "youth") the share of minors is 80%. According to the UN Children's Fund, at least 900 children participated in hostilities in Syria in 2017, a quarter of them were under 15 years old. In the same year, 244 children in Syria were detained. During military conflicts, children remain the most vulnerable. Having lost their parents, they take up arms in order to

survive in the war zone. Since 2012, the number of minors who have been imprisoned because of participation in hostilities has grown fivefold.

The problem of child radicalization has always existed, but gained widespread popularity after the conflicts in Syria and Iraq. Most of the known terrorist groups have training camps where future fighters from all over the world are trained. A new generation of criminals is being raised there, who will then consider murder and violence the norm, since they did not know anything else in this life. From childhood, they are indoctrinated with radical ideas, forcing them to hate infidels and commit murder. Such children from childhood live in a different reality, where the simple norms of secular life seem to them an enemy way of life. Experts say that such terrorist groups devote a lot of money and effort to such education in order to raise a new generation of fighters. And it is this new generation, according to their theory, that should increase the chances of the continuation of the activities of these groups.

Employees of the international humanitarian organization "Save the Children" conducted a study. The purpose of this study was to study the psychological consequences of the Syrian conflict for children who have to return to their country and master a new society. The researchers spoke with 458 respondents - children, teenagers, adults. As a result:

- 80% reported that the behavior of children became more nervous, there is constant anxiety.
- 80% noted aggressive behavior in children and adolescents.
- 71% reported that children suffer from incontinence during sleep, which indicates post-traumatic stress disorder and constant stress.
- 51% of adolescents used drugs to cope with anxiety.
- 48% of children and adults have acquired a speech impairment.
- 59% of adults said they knew children who had been taken to training fighting squads.
- Everyone said that losing the opportunity to learn would have a huge psychological impact on the lives of children. 50% of children who can still go to school say they feel unsafe there.
- 50% of the respondents report that the level of domestic violence has increased.
- 25% of children do not have anyone to whom they can tell about their fear, pain or sadness.

It is still unknown how many underage children are in terrorist training camps. Experts believe that they all got there in different ways, such as: the implementation of free educational programs, family practices, where the parents themselves bring children. Also, institutional practices in which orphans are taken into foster care. And the voluntary decision of the children themselves to go there in order to earn money. Some children fell for not only ideological motives, but also peer pressure exerted an impact. Parents could also send their children to such camps in order to earn money. Children almost never have a choice. For them, this path comes from compulsion to terrorism.

In November 2015, 12 children were executed in Iraq for attempting to leave ISIS, media reported. Islamic State militants killed at least 12 children. These children were trained in a military camp and were arrested while trying to escape. The age of those executed was from 12 to 16 years old. The teenagers were executed in front of their peers - for edification.

There are also known cases in which the children of martyrs were taken away to be sold as slaves, subjected to sexual violence, or killed in order to later sell their organs for sale.

After such statements, the standard portrait of a radical person changes, because now any child or trained teenager will be a new fighter, which complicates the perception. In this case, the threat of terrorism will come from every minor child. Therefore, it is very important for the state to take all possible measures to de-radicalize children, as well as to promote well rehabilitation.

Conclusion

Summing up the results of this topic, people ask themselves whether it was necessary to return to their homeland people who betrayed their native country and left to fight for "a better life in faith." It would seem that these people can carry a threat after returning to Kazakhstan. There are no guarantees that these people will not take up arms and start to create disorder in their native land, against their compatriots. Of course, Kazakhstan was aware of the risks and threats.

Despite the humanitarian nature of the operation, in order to return the children to their homeland, the state made a decision based on national security issues. This work was carried out in order to prevent a potential threat from the same children if they stayed there. In the future, they could join the ranks of terrorist organizations. These radical groups view the children of the militants as potential recruits.

The number of children in ISIS was constantly increasing. If the husbands died, the women would remarry. Therefore, one such family had from 3 to 5 children. Such children grow up in unsanitary conditions, from an early age they already knew how to handle weapons. From the age of 12, on an equal footing with adult militants, they could participate in hostilities. Some even participated in ceremonial executions, which were recorded on video. This suggests that children of preschool age, after a few years, will take the place of their older brothers, who in the future will become fully combat-ready ISIS units.

Our special services understood that such a number of children would certainly not be left without the attention of terrorist groups. Radical groups understand that these women and children are very valuable to them, so they try to ransom women from Central Asia so that they can bring them more new recruits.

Kazakhstani children who grew up in those harsh conditions and had no idea what was happening, where they were from and where their homeland was. This makes them potential tools for destructive forces. The ethnicity of these children would be used against the countries of Central Asia. There is a possibility that a whole detachment could be assembled from such children. And after completing combat training, scatter them around the world. It would also be problematic to track the movement of children, since they do not have any documents. Accordingly, abandoning such a huge number of children was risky. The threat would multiply over time.

At the moment, the situation in Syria is not stable. At any moment, the prisons where the militants and their families are kept can be destroyed. In just one moment, they can escape and disperse around the world. In this case, it will be difficult for the special services to track all the militants, which will also become a threat to the whole of Central Asia. According to the National Security Committee, literally a couple of days after the operation, active hostilities began in the region. This suggests that the operation to evacuate Kazakhstanis was completed on time.

Why is this issue so acute for Central Asia and Kazakhstan as a whole. In our country, educational measures for religious studies are not provided enough. Many people believe that this is not necessary, since we live in a secular state and people themselves are responsible for what they study. But as practice has shown, people did not know about simple manipulations by extremist groups. Such a problem can bring many more problems at the state level.

As an example, a recent incident occurred in the city of Shymkent, where two women rights activists were attacked by a mob of 20 radical Muslim men. These men said that the activists, by their actions, undermine the traditional values of our people. And then they decide to beat them, thereby showing their true "values". On arrival, the police do not touch the angry radical Muslim crowd, but decide to arrest the two women.

Using this example, I want to show that although Kazakhstan declares itself to be a secular agency, but with such actions on the part of the police, it declares the opposite. People tend to follow the crowd.

Accordingly, people need always to study more material, visit the mosque and talk with the mullah on these topics. And also educate children from an early age, without creating pressure and give them freedom of religion.

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Legal framework for the derivatives market in Kazakhstan

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Abstract

A market standard approach to conduct an over-the-counter derivatives transaction occurs with the help of an International Swaps and Derivatives Association Master Agreement (hereinafter ISDA MA). It outlines the terms and conditions of derivative transactions and helps to address the legal risks around counterparty possible default. However, the implementation of ISDA MA has not been complete around the world, especially in emerging market countries. The imperfections of the legal framework for the derivatives market does not support the primary concepts of ISDA MA whose sole purpose is to mitigate default risk of the counterparty. A particular issue exists with the concept of “closeout netting,” a measure that permits the non-defaulting party to receive its payment in case of counterparty default. Therefore, the successful implementation of ISDA MA depends on legal reform to ensure the harmonization of main concepts with local laws. This paper provides an overview of Kazakhstan legislative acts that require clarification to ensure the applicability of ISDA MA concepts. If ISDA MA is to work in Kazakhstan, it has the capacity not only to revive the Kazakhstani financial market, but will call for closer integration with the world financial system and trigger further reforms of the local legislation in response to growing complexity of its and world financial markets.

Keywords: derivatives, ISDA, master agreement, emerging market, Kazakhstan

Legal framework for the derivatives market in Kazakhstan

Most cross-border OTC derivatives transactions are documented in the form of contract known as ISDA Master Agreements developed by the International Swaps and Derivatives Association, Inc. (hereinafter “ISDA”) (hereinafter “ISDA MA”)(Robertson and Perez-Giusti, 2010, p. 5). Such transactions may additionally provide for the use of the Annex to the ISDA MA on the provision of security (hereinafter referred to as the “Credit Support Annex”), which contains mechanisms for ensuring the fulfillment of obligation to post collateral and describe requirements (such timing of transfer, type of acceptable collateral and so on) (Robertson and Perez-Giusti, 2010, p. 7).

Despite the fact that the term ‘OTC derivatives’ is known in the Republic of Kazakhstan, the current legislation does not sufficiently contribute to the recognition of the validity and feasibility of cross-border transactions with OTC derivatives. Also, the legislation of the Republic of Kazakhstan does not recognize the concept of “close-out netting”, which is fundamental to all OTC derivatives.

As a result of this, many of the conditions of the ISDA MA, which are crucial for foreign investors, are not enforceable against Kazakhstani counterparties. The latter also leads to the

reluctance of many potential foreign investors to participate or otherwise contribute to the development of the local financial market.

The process of implementation of ISDA MA mainly depends on harmonization of local laws to the pillars of ISDA. The discussion covers such provisions of ISDA MA as “close-out netting” and “early termination” that are crucial to ISDA MA to govern OTC derivatives transactions. Also, it is important to be mindful of dispute resolutions for the OTC contracts such as Arbitrage proceedings.

Notes on methodology

The absence of notable case law and imperfection of emerging market legal system makes it difficult to define sole methods of research for this topic. Consider that ISDA as association was firstly founded in 1985 (About ISDA | International Swaps and Derivatives Association, 2020) and “ISDA’s initial primary function was to safeguard copyright to an industry-agreed standard form contract and definitions for OTC derivatives following painstaking negotiations between the main dealer banks in the early part of that decade” (Biggins & Scott, 2012, p.323), its role has grown since then significantly. Nowadays, ISDA has more than 900 members across 73 countries (“Membership | International Swaps and Derivatives Association”, 2020). The penetration of its standards into legal system of other countries is also evidenced through the legal opinions it commissioned (across 70 countries legal opinions on “netting” (“Opinions Overview | International Swaps and Derivatives Association”, 2020). Yet, among the post-soviet countries, the only country that has progressed adapting ISDA standards is now the Russian Federation (legal opinion on netting).

Russia expressed its strong commitment to develop OTC derivative market. Consider the statement of the “Strategy development of the financial market of the Russian Federation for the period until 2020” (hereafter “Strategy”) approved by the Decree of the Government of the Russian Federation. The Strategy highlighted that “The market for derivative financial instruments allows to reduce risks when making transactions with underlying assets, and also creates an additional opportunity for fair pricing of basic assets. [...] In order to improve the legal regulation of the derivatives market, it is necessary to complete work on a draft federal law aimed at introducing a liquidation netting mechanism.” (“Decree of the Government of the Russian Federation of December 29, 2008 No. 2043-r, p. 10).

Therefore, one way to establish the guidance for the research was to follow the news flow combined with industry knowledge over the last years. Consider that in 2011 “Russia legislators have approved close-out netting for derivatives--a move that should fuel growth in a market that has widely been seen as hampered by the issue.” (“Russia Takes Step Toward Netting, Readies Repository”, 2011). The news was related to adoption of Federal Law on February 7, 2011 that provided for the protection of creditors of a Russian company in case of insolvency.

In contrast to the Russian Federation, the results of developing financial markets of the Republic of Kazakhstan have been modest. For example, the ISDA MA has not received mass development in the country. Since 2006, the only member to ISDA was JSC Halyk Group (Karagusov, 2009), but it is not clear if it still the case as the only member associated with Kazakhstan is now Eurasian Development Bank (“Membership | International Swaps and Derivatives Association”, 2020), a supranational institution formed by states of Russia and Kazakhstan.

Literature review

Due to lack of academic writing in English on ISDA implementation in the post-soviet countries, the main sources for the literature were sources in Russian. The primary paper that

provides great overview of imperfection of Kazakhstani legislation is the publication written by PhD F.Karagusov in 2009, the Chief legal council and compliance officer in JSC Halyk Bank back then. The paper was published under the title “On legal support for development derivatives market in Kazakhstan using ISDA experience and some modern legal constructions” in 2009 by the local journal “Civil Legislation” Issue 33 (pp.145-180). In this paper, author Karagusov (2009) reviewed how the concept common to ISDA and OTC market could be compatible with Kazakhstani legislation. In his analysis he also reviewed Civil Code provisions (particularly articles 370, 372, 369) as analogues to ISDA concept of “close-out netting” or ‘liquidation netting” as well as Law on Bankruptcy. Therefore, the initial analysis has been started years ago, however, there have been no further development in Kazakhstan legislation since then towards ISDA. In this paper, back in 2009 Karagusov provides the valuable insight “...the current legislation of Kazakhstan allows us to consider derivatives, derivatives as separate types of civil law contracts, and provided that they are standardized, as a separate type of civil rights objects, applying the general provisions of the Civil Code regarding transactions, civil rights objects, obligations and contracts. To date, there is no special legislation on financial transactions and derivative financial instruments that would allow to single out qualified financial transactions and apply modern methods to ensure the property interests of their parties, including settlement netting mechanisms. Contractual provisions on settlement netting are not enforceable in the event of insolvency and bankruptcy of a Kazakhstan counterparty in transactions with derivatives.” (Karagusov, 2009 p.162). In combination with the reforms conducted in Russia in later years, it can be assumed that the main imperfections of the legal system across post-soviet countries have not been resolved. The most persistent issue seems to be an ability to recognize non-default party claim in case of default of counterparty residing and governed by local laws to pay out appropriate amount in relation to entered transactions. Another important source for the literature and analysis was available publication from ISDA that can be interpreted as commissioned report on “OTC derivatives transactions with Kazakh counterparties” (Rayson & Kornilov, 2011). The overview provided by White & Case lawyers is the summary of the main unclear areas with respect to OTC derivatives transacted with Kazakh counterparties.

ISDA concepts and its compatibility with Kazakhstani local legislation

It has already mentioned that ISDA MA is a form of documentation. The documentation helps to manage the relationship between investor and dealer i.e. the basic obligations under the transactions between them like date of payments, type of collateral, trigger events and default events (Robertson and Perez-Giusti, 2010). For the purposes of this paper, it is rationale to highlight the most burning issues that challenges implementation of ISDA in such country like Kazakhstan. Moreover, following news flow, European Bank for Reconstruction and Development actively promotes the topic of local reforms to accommodate ISDA concepts. Therefore, in the interest to frame the legal issues within local derivatives market that undermine the applicability of ISDA main concept, the paper will provide analysis of “close-out netting” issue and mechanism of dispute resolution. The paper will not attempt to capture full imperfections of local existing legislation in relation to transactions with Kazakh counterparties as suggested by White& Case lawyers memo submitted to ISDA.

Overview of the term “close-out netting”

ISDA MA describes the “close-out netting” with the following elements (“Legal Guidelines For Smart Derivatives Contracts: The Isda Master Agreement”, 2019, p. 25):

1. Occurrence of Event of Default or Termination Event
2. Designation of Early Termination Date
3. Cessation of Payment and Delivery Obligations
4. Occurrence of Early Termination Date
5. Calculation of Early Termination Amount
6. Delivery of Statement Detailing Net Termination Amount Payable
7. Payment of Net Termination Amount

The terms “netting” and “set-off” are often used interchangeably, since they can lead to the same economic result for the parties to the transaction.

The purpose of the “set-off” is to offset the debts of the parties of the same kind, the payment term of which has already come in relation to each other. As a result of the set-off, obligations of the parties with less debt are terminated, and the party with more debt is obliged to pay only the difference between their debt and the debt of the other party.

“Netting” is the agreement of the parties, according to which the parties having monetary claims among themselves agree to calculate the amounts they owe to each other on a net basis so that only one of the parties to the transaction remains with the monetary claim. It should be noted that in the ISDA MA, netting has two forms: “payment netting” and “close-out netting”.

The “Payment Netting” (“Legal Guidelines For Smart Derivatives Contracts: The Isda Master Agreement”, 2019, p. 20) provides for an agreement to calculate cash flows on a net basis in one payment for each currency on a given day. Payment netting takes place outside the context of insolvency (insolvency) (that is, when a legal entity has a favorable financial position) and, in essence, represents the same “set-off”.

“Close-out netting” (“Legal Guidelines For Smart Derivatives Contracts: The Isda Master Agreement”, 2019, p.28), in turn, provides for the termination of a number of open (uncompleted) contracts with future execution in the event of a default by one of the counterparties, as well as the offsetting of profit and loss resulting from the termination of contracts. In other words, when a certain event occurs (for example, counterparty's insolvency (default)), all existing transactions with derivatives that are concluded between the parties are terminated, and the obligations with respect to each terminated transaction are quantified in accordance with a predetermined valuation method. The performance by each of the parties of the respective monetary obligations at the time of termination is replaced by a new single net monetary obligation.

Therefore, the “close-out netting” includes the following stages. First of all, all existing transactions are terminated to prevent further losses. Second of all, the replacement value of all discontinued transactions is determined. Finally, a set-off is made between positive and negative values (those that are payable by the non-invasive party and those that are payable by the defaulting party) to determine the single net amount of payables or receivables (i.e. the liquidation amount).

This process leads to the two possible outcomes where:

- Defaulting party must pay out the liquidation amount to the non-defaulting party; or
- Non-defaulting party must pay out the liquidation amount to the defaulting party.

The defaulting party may also engage the value of financial collateral to settle the liquidation amount. If the non-defaulting party has to pay, it can counter settle its obligation to pay by amount owed to it by the defaulting party under different OTC transactions.

The “close-out netting” is, therefore, an internationally recognized concept adopted in many jurisdictions. This concept lies at the heart of the derivatives market and is the main starting point for any legal reform aimed at improving legal certainty regarding OTC derivatives.

Analysis of compatibility

The concept of netting within the legislation of the Republic of Kazakhstan is not contradicted by the Civil Code of the Republic of Kazakhstan, but also not defined firmly. As per the Civil Code of the Republic of Kazakhstan Article 370 the concept of "offset" exists, consider:

Article 370. Cessation of an Obligation by Offset

Unofficial translation

“1. An obligation shall be terminated fully or partially by offsetting a similar claim, the deadline for which has arrived, or the deadline wherefore is not specified or is defined as time of the claim. An application of one party shall be sufficient for an offset.

2. Offset of claims shall not be allowed in the following cases:

1) when pursuant to the application of one party, a claim is subject to statute of limitations, and the term of the statute has expired;

2) claims associated with compensation for harm caused to life or health;

3) claims associated with exacting alimony;

4) claims of life-long support;

4-1) claims to the bank, which revoked the license or is in the process of conservation or liquidation, if the creditor’s claims arise out of claim assignment contract;

4-1) claims to the bank, which revoked the license or is in the process of conservation or liquidation, if the creditor’s claims arise out of claim assignment contract;

5) in other cases provided for by legislation or agreement.

3. In the case of the re-assignment of a claim, the debtor shall have the right to offset his counter-claim to the initial debtor against the claim of the new creditor.

Offset shall be carried out when a claim emerged on the basis which existed by the moment when the debtor received the notice of assignment of the claim, and the time for the claim arrived prior to its receipt, or this deadline is not indicated, or it is defined as whenever called.”

According to clause 1 of Article 370 of the Civil Code, the obligation is terminated in whole or in part by offsetting a counterclaim of uniform claim, the date of which has either come or is not specified or determined at the time of claim and it is sufficient to apply as per the demand of one party. The second clause lists all exceptions. Together with the third clause, the conclusion to arrive based on that Article is that the legislation of the Republic of Kazakhstan allows offsetting in cases not related to bankruptcy or rehabilitation proceedings.

Based on the principle of “freedom of contract” (Clause 2 of Article 380 of the Civil Code of the RK), the parties can conclude a contract both provided and not provided for by law. Thus, despite the fact that the concept of netting is not provided for in the legislation of the Republic of Kazakhstan, the parties can use such a concept by concluding a corresponding agreement on netting. This further allows to conclude that in cases not related to bankruptcy or rehabilitation proceedings, the netting agreement will be enforced on the territory of the Republic of Kazakhstan.

The enforceability of “close-out netting” as per ISDA MA breaks down on The Law on Rehabilitation and Bankruptcy of the Republic of Kazakhstan. Since, the Civil Code does not contain firm clause on netting, in case of insolvency (default) of the Kazakhstan counterparty, any netting contractual agreements will either be completely unenforceable (due to a general ban on

managing the debtor's assets or fulfillment of obligations under commercial agreements), or they will be subject to execution only in cases provided for by the procedures offsets that apply after the initiation of bankruptcy or rehabilitation proceedings. Moreover, for different types of Kazakhstani counterparties, there are different set-off procedures that are applied after the initiation of bankruptcy or rehabilitation proceedings. For example, there are different procedures that are applied to insurance companies, pension funds, cotton processing organizations, grain warehouses, natural monopolies, state-owned companies and organizations or organizations that are classified as strategic assets.

According to the bankruptcy and rehabilitation procedures in the Republic of Kazakhstan:

“From the date of initiation of case on rehabilitation or bankruptcy and until entering into force of the court ruling on termination of the case on rehabilitation or bankruptcy or court decision on applying rehabilitation procedure to the debtor or declaration of the debtor as bankrupt, the offset of mutual requirements between the debtor and its creditors shall not be allowed.

Rehabilitation or bankrupt manager shall be obliged to declare on offset of requirements to the creditor, if the offset of requirements do not violate the order of priority of satisfying the requirements of creditors, is direct, mutual and without involvement of other persons. Offset shall be allowed only upon requirements on paying money.”

Once the rehabilitation or bankruptcy case has initiated and until there is court ruling on the termination of the rehabilitation or bankruptcy case or the court ruling on applying the rehabilitation procedure to the debtor or declaring the debtor bankrupt, the offset of the mutual claims between debtor and its creditors will not be allowed.

Furthermore, as per the Article 50 of the ‘The Law of the Republic of Kazakhstan On Rehabilitation and Bankruptcy‘ that explains the consequences of initiating proceedings in a rehabilitation or bankruptcy case and Article 55 if the Civil Code of the Republic of Kazakhstan, the performance of its obligation under the commercial agreements or any alienation of debtor's assets are not possible for the exception of ordinary course of business. The settlement of any obligations in relation to netting of the OTC derivative transactions are within the scope of those clause.

In the event of bankruptcy, the offset is allowed in respect of the debtor company, but the creditor will have to wait for the distribution of assets in accordance with the sequence established by law to satisfy the claims of creditors. For instance, claims by a creditor must be presented to the appropriate rehabilitation / bankruptcy manager. In particular, the creditor must file a claim with the trustee no later than within one month from the date of publication of the notice on the procedure for making claims by creditors (clause 2 of article 72 and clause 3 of article 90 of the Bankruptcy Law). The manager has the right to accept or reject the claim. If the claim is recognized, then it is included in the register of creditors' claims (clause 4 of article 72 and clause 5 of article 90 of the Bankruptcy Law).

The committee of creditors makes a decision on whether a particular claim between the debtor and its specific creditor is subject to offset. In conclusion, the set-off of claims after bankruptcy or rehabilitation proceedings: (a) is possible, but does not occur automatically, (b) requires prior approval by the committee of creditors, and (c) must comply with the statutory order of satisfaction of the claims of creditors.

Based on the above analysis, the legislation of the Republic of Kazakhstan only partly allows for the concept of netting to work:

a) the set-off before the initiation of bankruptcy or rehabilitation proceedings is recognized and enforceable;

- b) netting is not prohibited before the initiation of bankruptcy or rehabilitation proceedings and, based on the principle of freedom of contract, may be enforced;
- c) offset after bankruptcy or rehabilitation proceedings is possible only in limited cases and does not occur automatically; and
- d) Netting after bankruptcy or rehabilitation proceedings is not recognized and therefore not allowed.

Therefore, The Law of the Republic of Kazakhstan dated March 7, 2014 No. 176-V “On rehabilitation and bankruptcy” requires an amendment to reflect necessary concept for the “close-out netting” to work once bankruptcy and rehabilitation proceedings are recognized.

Another important element of “close-out netting” is the “early termination date” (“Legal Guidelines For Smart Derivatives Contracts: The Isda Master Agreement”, 2019). ISDA MA allows the parties to transactions to decide if “Automatic early termination” will apply.

This means that:

“... In the case of an event of default, all transactions outstanding under the relevant ISDA Master Agreement will be terminated if the non-defaulting party decides to proceed with the close out. In the case of a termination event, and unless otherwise stated within the ISDA Master Agreement, only those transactions affected by the event will be capable of being terminated.

When the close-out right becomes exercisable, one or both of the parties may have the right to designate an **early termination date in respect of all or some of the outstanding transactions by sending a notice to the other party.**” (“Legal Guidelines For Smart Derivatives Contracts: The Isda Master Agreement”, 2019, p. 25)

However, legislation of the Republic of Kazakhstan, under Article 8 clause 1 that says: The initiation of a bankruptcy case is not the basis for a unilateral refusal to execute an agreement concluded by the debtor before the institution of bankruptcy proceedings, on the initiative of the debtor’s counterparty and does not entail the termination of this agreement. The agreement of the parties concluded before the initiation of bankruptcy proceedings on the refusal to execute the contract and on the termination of this contract due to the initiation of bankruptcy proceedings is not valid.

Implies that the initiation of the proceeding does not give the right to proceed with concepts of “early termination” and subsequent “close-out netting” which granted by ISDA MA to parties to the transactions since the local insolvency laws limit the effectiveness of ISDA MA provision.

The conclusion to the discussion on “close-out netting” is self-evident. The legislation of the Republic of Kazakhstan requires an amendment to its Law on Rehabilitation and Bankruptcy, otherwise the ambiguity of whether ISDA MA provision can be enforced in Kazakhstan will not be resolved.

Dispute Settlement

Another important element to contribute to implementation of ISDA MA on the territory of the Kazakhstan is to review whether current mechanisms for dispute settlement are strong enough to support its enforceability.

This mainly concerns the Law on Arbitration of the Republic of Kazakhstan.

In accordance with the preamble to the Law on Arbitration, it regulates: (i) public relations arising in the process of arbitration in the territory of the Republic of Kazakhstan, as well as (ii) the procedure and conditions for the recognition and enforcement of arbitral awards in the Republic of Kazakhstan. Therefore, foreign arbitrations are not subject to this Law on Arbitration, but the recognition and enforcement of arbitral awards made by foreign arbitrations is subject to this Law.

In relation to foreign investors that could be party to OTC derivative transaction under ISDA MA that include the arbitration as the dispute resolution mechanism, there are provisions with the Law that can suggest that arbitral decision will not be recognized and enforced by local courts.

The grounds for refusing enforcement of arbitral awards under the Arbitration Act are very similar to those set forth in the New York Arbitration Convention on the Recognition and Enforcement of Foreign Arbitral Awards, New York, 10 June 1958. The close analysis of the grounds allows to conclude that local court may still do not recognize the foreign arbitral award if it contradicts public policy:

Unofficial translation. Article 57. “Grounds for refusing recognition and (or) enforcement of an arbitral award 2) the court will establish that the recognition and (or) enforcement of this arbitral award is contrary to the public policy of the Republic of Kazakhstan or that the dispute over which the arbitral award is made cannot be the subject of arbitration in accordance with this Law.” The Law of the Republic of Kazakhstan dated April 8, 2016 No. 488-V “On Arbitration” (as amended on 01/21/2019)

In addition, such Articles as Article 8 clause 8 which impose jurisdiction limits and Article 8 clause 10 that requires obtaining preliminary approval for arbitration between legal entities where one is state body or has state as majority shareholder or 50% or more participation:

Unofficial translation. Article 8. Submission of a dispute to arbitration, clause 8: “8 Arbitration is not subject to disputes in which the interests of minors, persons recognized in the manner established by law, incompetent or partially capable, regarding rehabilitation and bankruptcy, between natural monopolies and their consumers, between state bodies, quasi-public sector entities are affected.” The Law of the Republic of Kazakhstan dated April 8, 2016 No. 488-V “On Arbitration” (as amended on 01/21/2019)

Unofficial translation. Article 8 clause 10. “Arbitration is not entitled to consider disputes between individuals and (or) legal entities of the Republic of Kazakhstan on the one hand and state bodies, state enterprises, as well as legal entities, fifty or more percent of voting shares (participatory interests in the authorized capital) of which are directly or indirectly owned to the state, on the other hand, in the absence of the consent of the authorized body of the relevant industry (in relation to republican property) or the local executive body (in relation to communal property CTBA).” The Law of the Republic of Kazakhstan dated April 8, 2016 No. 488-V “On Arbitration” (as amended on 01/21/2019)

Therefore if there is (a) a cross-border agreement is concluded between a foreign entity and a subject of the Republic of Kazakhstan, which is directly or indirectly owned by the state, (b) the arbitral tribunal resolves the dispute between the parties on the basis of foreign law, (c) the foreign person applies to the Kazakhstan court for recognition and Enforcement of the arbitral award on the territory of the Republic of Kazakhstan, there is a risk that the Kazakh court may refuse to recognize and (or) enforce such an arbitral award.

Conclusion

The “close-out netting” is crucial to ISDA MA implementation in Kazakhstan. As per ISDA Research paper, “close-out netting” under ISDA MA allowed to mitigate credit exposure by 85% in mid-2009 and similar measure to US banks was at 90% based on market-to-market (Mengle, 2010).

Therefore, Kazakhstan effort introducing the necessary changes to the Law on Rehabilitation and Bankruptcy and Law on Arbitration can help to efficient harmonization of ISDA MA to Kazakhstani financial markets.

According to data from April 2017, about 50 countries have adopted netting legislation. The following countries with significant direct investment in Kazakhstan have adopted relevant netting legislation:

Australia, Austria, Belgium, United Kingdom, Hungary, Germany, Israel, Ireland, Italy, Canada, Luxembourg, United Arab Emirates (in DIFC and ADGM free zones), Russia, USA, Finland, France, Czech Republic, Switzerland and Japan ("Status of Netting Legislation | International Swaps and Derivatives Association", 2020). Thus, the efforts to implement ISDA MA provisions on territory of Kazakhstan will be positive change for the development of financial markets in Kazakhstan.

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