ISSN Print 1990-5580
ISSN Online 2518-7961
DOI - 10.47703/ejebs.v3i57
#3 (57)-2020

Eurasian Journal of **ECONOMIC & BUSINESS STUDIES**

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Registration number – ISSN 1990-5580.

e-mail: info@ejebs.com

Address: Almaty city, Abay avenue 8a
(corner of Nazarbayev St.)

Phone: +7 (727) 259-80-33

Fax: +7 (727) 259-63-20

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DOI – 10.47703/ejebs.v3i57.17

IRSTI 16.01.17

Language Resources and Multiethnic Central Asian Economies

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Abstract

The objective of this research is to shed light on the multiethnicity of the Central Asian countries and their language plurality and examine the development of their broadly dispersed and boundary-spanning language capabilities from the economic perspective

This paper reviews and analyses secondary sources and primary data qualitatively.

The findings illustrate that the Central Asian countries possess a notable language-resource base that can serve as a crucial asset in connecting economies via trade and collaboration, i.e. contribute to the national competitiveness

Studies addressing the economic impact of Central Asian language heritage are very limited, this is among the few examinations that link these language assets with economic relations and development

The study points out that regional and minority languages are potentially relevant assets to be considered - beyond cultural heritage - especially regarding international economic and trade relations, not only dominant global business languages. It also suggests that minorities and diasporas are important boundary spanners and connectors across economies with their language and communication resources.

Keywords: Central Asia, language, multiethnic, heritage, minority, diaspora, economy, international trade

Introduction

Central Asian area as an economic context is less well known. However, the Belt and Road Initiative (BRI) has raised interest in the area and its development. BRI is seen as a massive infrastructure project that links Central Asia better to the global economy and increases the mobility and economic activity in the area. In particular, Central Asia is seen as a valued neighbor and partner in building a trade corridor between China and Europe (Dave & Kobayashi, 2018). Furthermore, being part of the former Soviet Union, Central Asia has historically close economic relations with Russia, thus being an essential part of what has been labeled as "greater Eurasia", which spans former Soviet territories, China, Afghanistan, Iran, and India (ibid.) In this setting, the dynamics related to the multiethnic populations of Central Asia play an important but neglected role. In particular, language has usually not been considered as important for economics (Grin & Vaillancourt, 1997), while research shows that, for example, 9% of Switzerland's GDP is generated by its multilingualism (Bel Habib, 2011). This paper reviews the ethnic populations and diasporas and current views on the role of their multilingual resources in the regional economy. Regionalization and globalization set additional importance for addressing ethnic, mobile, and boundary-spanning populations and diasporas, and as the recent Special Issue of Regional Studies illustrates, this is also highly relevant for innovation and economy (see e.g. D'Ambrosio, Montresor, Parrilli & Quatraro, 2019). Language is essential in connecting business actors internationally as it offers layers of cultural, social, and even political understanding for shaping economic relations within and outside organizational settings (e.g. Marschan-Piekkari, Welch & Welch, 1999). Following the work of prominent scholars on language in the organizational and international business context (Harzing & Maznevski, 2002; Marschan-Piekkari, Welch & Welch, 1999) the multilingual people of Central Asia are addressed here as an economic resource and value, an untapped resource for international activities (Newland & Tanaka, 2010).

The Central Asian countries Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan were parts of the Soviet Union and became independent states in 1991. These countries have followed different economic development policies after their

independence. They have faced diverse political and societal challenges, even ethnic cleansing and civil war, but also notable outflows of migration and ethnic complexity. Although the region is often perceived in a simplistic manner, e.g. dominantly Muslim countries, the region represents a rich mosaic of different ethnicities and populations that have distinct cultures, traditions, and languages. This multiethnic nature of these countries represents a valuable asset and social capital for economic and trade relations, especially in terms of rich language resources. Multiethnic- multilingual populations act as boundary spanners and connectors that can communicate and bridge interests across locations (cf. Cross & Prusak, 2002). Both, the role of Central Asian diasporas in linking the landlocked countries to international trade and the role of Asian diasporas in co-developing the Belt and Road project locally are of interest. Furthermore, the research on the central Asian languages often employs political or cultural approaches and focuses on negative aspects, such as oppression through language, while the positive side, the business enabling dimensions of the languages remain underexplored. This study takes a look at the Central Asian language landscape and resource base asking what kind of languages are spoken in the area and how these resources evolve. This understanding is important for educational policies, but also for the economy and society as a whole on the national and regional levels. We contribute to a better understanding of the language richness in the area, specifically to the different ways to approach minority and diaspora language assets as well as languages that may carry historical-political loadedness. For example, prior research has not considered the role of diaspora connectedness and language resources, e.g. for entrepreneurial activities in an adequate manner (Elo & Dana, 2019). We illuminate the potential and richness of the international and intercultural communication that is enabled by the Central Asian language landscape and usage.

Literature Review

Social and language capital are essential assets when communicating, networking, and connecting with trading partners and other markets or venturing internationally (e.g. Coviello, 2006; Dana, 2007). Language is seen as a central

aspect of the research agenda for international business (Tenzer, Terjesen & Harzing, 2017). Typically, dominant languages, such as English, are considered a must-have for any international business, but also regional languages can be assets (CILT, 2006). Especially, the cross-border and international business in the Central Asian economies illustrates a special case, partly due to the Soviet Union footprint in the regional business and partly due to highly diverse language heritage in the area. Diasporas often act as intermediaries and change agents employing their diverse capitals in border-crossing and their multiple embeddedness in cultural, economic, and political settings (Cohen, 2008; De Lange, 2013; Brinkerhoff, 2009, 2016; Elo & Dana, 2019). There is evidence of diasporic ties and entrepreneurial features that allow and foster bridging of institutional divides and diverse voids and create positive economic impact via entrepreneurship and capacity building (Riddle & Brinkerhoff, 2011; Riddle, Hrivnak & Nielsen, 2010; Minto-Coy, Elo, & Chrysostome, 2019). The role of language capabilities and resources that diasporas possess, both in overall communication and in terms of linguistic superdiversity-related assets, are of economic interest (Sahradyan & Elo, 2018). The language resources of individuals can be seen to aggregate into national-level assets and competitiveness, furthermore, it is important to notice that they are dynamic and mobile resources (Tung, 2008).

Languages can be addressed as overarching resources and they need to be captured more instrumentally in the economic context, as languages can be employed in a hybrid manner and can cross all boundaries (Gaibrois, 2018). There are linguistic plurality and hybridism in Central Asia due to the multiethnic regional context and its history, making it interest and evolving context of rich language resources. Languages are often considered as human capital in the form of bilingual and multilingual competences and abilities that then contribute to the social and economic contexts in which these individuals are embedded and active (see e.g. Brannen, Piekkari & Tietze, 2017; Cohen & Kassis-Henderson, 2017). The types of language "mixes" differ. For example, there are yet limited research findings on the rich Central Asian multilingualism and the respective resource mixes, especially from the business and economic perspective (Ahn & Smagulova, 2016).

Beyond the individual, human capital level, there is also the aggregated level of the languages and their users in the ethnic and regional context. This is particularly relevant as a view to rich multilingual-multiethnic nations. Bahry et al. (2017) present the complex multiethnic language ecology of Central Asia that includes many languages besides each republic's titular languages: Kazakh, Kyrgyz, Tajik, Turkmen, and Uzbek. In their work, they examine multilingualism, languages, and education in the region from pre-Soviet to Soviet and post-Soviet periods while focusing on informal and formal approaches to bi-/multilingualism. Their study points out the post-independence Russian vs. titular language dilemma in language education and overall approach to language policies that are highly relevant for maintaining their communication competences and language diversity (Bahry et al., 2017). The balance between the languages and their role in education, culture, and economy has been debated. The unbalanced situation has led to the elite learning Russian language in e.g. boarding schools and as a consequence losing their bilingualism abilities and at the same time "acquiring an attitude of condescending superiority over rural residents due to their lower proficiency in Russian (Bahry, 2016, p. 7). Historically, the region as part of the historical silk road has benefitted from trading in diverse languages and communicating across cultural boundaries. In particular, the growing trade between China and Central Asia are largely conducted by the multiethnic diasporas of the region, e.g. Uighurs, Uzbek, Dungan, etc. (Bahry, 2016)

In recent decades the language landscape and policies have been under transformations. The Soviet Era added a new dimension of dominant Russian language that became the administrative and commercial language linking all Soviet Union member states (Lähteenmäki & Vanhala-Aniszewski, 2010). After the fall of the Soviet Union, the member states aimed at derussification, thus leaning towards the preservation of local languages and English as a new lingua franca (Pavlenko, 2009). However, Russian, despite losing its official status, is to these days used by various groups of population in the former member states, from government officials and industry to educational facilities (Suleymenova, 2010). This Russophone world outside and inside the previous Soviet Union context

maintains economic ties, often digitally (Morgunova, 2012). The communication is no longer limited to a particular physical space or region, which enables diasporic communication and participation and more intense links to the country of origin. Hence, digital diasporas can efficiently relate and act in shaping the economic ties and activities across cultures (Brinkerhoff, 2009; Hepp, Bozdag & Suna, 2011). However, the plurality and superdiversity as well as the length/generations of diaspora may also inhibit efficient communication forcing partial communication to take place or selecting an adopted common language (Sahradyan & Elo, 2018)

Languages, traditions, and culturally-specific communication schemes have not disappeared despite the internet and digital communication (e.g. Hepp et al., 2011; Brinkerhoff, 2009). However, these layers of communication set new pressures for language asset management and governing cultural-linguistic capital.

The newly established independent states developed language-related policies with multiple aims; for example, there was a need to raise the status of the titular language relative to Russian in the education system, they also kept providing education for proficiency in Russian as a second/foreign language and they increased other foreign language education, like English. These policies illustrate the aim to cherish their bi-and multicultural heritage via education regarding the language as this was perceived as a potential for both nation-building as well as for economic and cultural relations (e.g. Bahry et al., 2017). Since the early policies and modifications in education programs, times have changed and especially many young people perceive higher the potential of English or other western languages than the Russian language. These trends influence the ability of entrepreneurial people to conduct business in the region (e.g. Elo, 2016). This shift in perceptions, if not revisited, leads to a deteriorating level of regional language capabilities and communication.

Methods

This is a qualitative study that reviews and addresses language capabilities and assets in Central Asia by using secondary and primary research data. Here, the

Central Asian region and its diasporas construct the case context (Marschan-Piekkari & Welch, 2004). The data collection is based on previous research literature, academic publications, statistics, and articles, but also on other qualitative materials, such as interviews, observations, recordings, documents, online-sources, and field notes. The first round of analysis reviews the academic and other research literature on Central Asian languages and their employment in and out of the area. After that, the second round of analysis reviews the empirical data collected from Central Asia and Central Asian diasporas and analyses the content related to language. This progressive focusing-approach that systematically addresses the theme by narrowing it down and refining the research focus also of the fieldwork accommodates issues related to socio-cultural behavior, like language (Sinkovics & Alfoldi, 2012). We apply content analysis. The analysis follows the contents in terms of the type of language or mix/hybrid languages, the use of languages, and the entrepreneurial-business context of language use.

Findings and Discussions

The data presents language- and cultural plurality and superdiversity in the language ecology of Central Asia. This is linked to the multi-ethnic populations in the area as well as in the diaspora.

Language usage for governance and economy is an indicator of diverse meanings and purposes. For example, in Uzbekistan, a lack of respect for the state language among Uzbek officials has been pointed out. Although the Uzbek language is the only formal state language since 1995, the government has not been able to increase its status over the Russian language in total. As Russian is more powerful as a language asset, it is no wonder that Tashkent elites get an education in Russian-schools in Uzbekistan (Hashimova, 2019). Similar kinds of language employment issues across ethnic populations, generations, and usages are debated in Kyrgyzstan, Tajikistan, and Turkmenistan (e.g. Huskey, 1995; Nourzhanov & Bleuer, 2013). However, these debates have a more political or linguistic nature and they do not engage in the economic meaning of the languages, choices, and usage of languages for entrepreneurship, business, or international or cross-border trade,

not to mention the lack of addresses cross-border investment that are carried out-usually- using foreign languages.

This study examined the formal and other languages used locally in Central Asian countries. The types of languages identified are presented in Table 1.

Table 1. Main languages in Central Asian countries

Countries	Formal languages	Minority languages	Languages used in the diaspora	Foreign languages in the country
Kazakhstan	Kazakh language as official, Russian designated as the "language of interethnic communication"	German, Ukrainian, Uzbek, Uighur, Russian (as special case spoken by 95 percent of the population in 2006)	Kazakh, Russian, German, Ukrainian, Uighur	English, German, also Chinese, and Turkish
Kyrgyzstan	Kyrgyz as an official language, Russian as the "language of interethnic communication"	Russian dominant minority language, Uzbek, Slavic languages, German, Turkish, Tajik	Kyrgyz, Russian, Tajik, other	English, Turkish, Chinese
Tajikistan	Tajik, similarly as the others, Russian as the "language of interethnic communication"	Russian, Uzbek, Buchori	Tajik, other Persian language variants, Russian	English
Turkmenistan	Turkmen is the formal and the dominant language, Russian as the "language of interethnic communication"	Russian, Uzbek, and other languages	Turkmen, Uzbek, and other languages, e.g. Turkic languages	English, Turkish

Uzbekistan	Uzbek language, Russian language (practically formal) There is an additional region-specific official language of Karakalpakstan in the Republic of Karakalpakstan which is part of Uzbekistan	Russian, Tajik, Kazakh, Karakalpak, Buchori (Bukharian, a Judeo-Tajik language), Iranian, Korean, German	Uzbek, Russian, Tajik, Buchori, Iranian, Korean, German	English, German

Thereafter, the study identified the key ethnic populations in the Central Asian countries that are the users and carriers of these languages. The country contexts are analyzed in terms of the populations and language heritages as well as language usage context, which indicates the language diversity in use, see Table 2.

Table 2. Ethnic groups and language diversity employment

Countries	Major ethnic groups	Minorities	Language heritage	Communication contexts beyond native language usage
Kazakhstan	Kazakhs as the dominant group, Russian as the second major group	More than 106 documented "nationalities" within the state. In 2009, 23.7 percent Russian, 2.1 percent Ukrainian, 2.9 percent Uzbek, 1.1 percent German, 1.4 percent Uyghur, 1.3 Tatars, 0.6 percent	Kazakhstan is an ethnically diverse, multiethnic country. In ethnocultural and linguistic terms it presents a mosaic of 126 local languages. Active language policy: The harmonious language policy is stated in the project "The functioning and	Internal and international communication in total, especially for successful integration in the world economy and science. A language and cultural program "The Trinity of Languages: Kazakh, Russian and English". In recent years, also

		Koreans, and 0.4 percent Belarusians. Between 1989 and 1999, 1.5 million Russians and 500,000 Germans (more than half the German population) left Kazakhstan, causing concern over the loss of technical expertise provided by those groups. The diaspora formation continues until today.	development of languages of Kazakhstan for 2011-2020." (art. 555) which provides the full-scale functioning of the state language as the most important factor for strengthening national unity and preserving the languages of all ethnic groups living in Kazakhstan. In the near future, the Kazakh language is expected to be the language of international communication. (Aksholakova & Ismailova, 2013, 1581)	Chinese and Turkish languages are growing in importance. Furthermore, French is widely taught in Kazakhstani schools as part of multilingual education and Korean is the language of one of the biggest Kazakh diasporas.
Kyrgyzstan	Kyrgyz Ethnic Kyrgyz were in mid-century only 40 percent of the population. A multi-ethnic state.	The significant minorities in 2019[1] have been Russians (5,5%), Uzbeks (14,7%), Dungan (1,1%), Uighurs (0,9%), Tajiks (0,7%), Germans (0,1%)	The shaping of educational, economic, and political opportunities in the country through language. "diglossia. ..the	International communication focuses on foreign relations and trade, language as an instrument of nation-building. Foreign aid and development

[1] Source http://www.stat.kg/ru/ retrieved 9.8.2020

		and other European and Asian peoples. Slavic linguistic groups.	asymmetric bilingual condition where matters of importance are the reserve of a 'high language'" (Huskey,1995, p.4) Multilingual education systems	programs require language competences too. Family and social relations, economic and business relations.
Tajikistan	Tajik	As of 2010: Tajik (84%), Uzbek (14%), Kyrgyz (0,8%), and Russian (0,5%) minorities, diverse Persian-speaking groups of people.	The Tajik language often refers to Persian language speakers of diverse origins. The language of the Tajiks is also called Persian, Farsi, and Dari in its variants. Dari itself has a Pashtun lineage (Nourzhanov & Bleuer, 2013). It also links to the Bukhori language.	Family and social life, business and international trade, entrepreneurship across-borders, foreign aid, investment, and capacity building
Turkmenistan	Turkmen	Russian, Uzbek, and other minority groups.	Turkic languages form a large group of diverse speakers, with proposed linkages to the Altai and Uralic language families. Turkmen populations in neighboring areas without formal acknowledgment,	Family and social relations, business relations and international trade, but also international relations, entrepreneurship, and investments

			relations to Azerbaijani, and other languages of similar origin.	
Uzbekistan	Uzbekistan is a multiethnic country. The majority of the population are Uzbeks (82%). Anthropologically these are mixed-origin people. Uzbeks are the representatives of the southern European ethnicity of Central Asian Mesopotamia. Uzbek ethnic formation was heavily influenced by Mongoloid race (MIFT 2020).	Representatives of other Turkic-speaking people also live in Uzbekistan: Kazakhs, Kirghiz (1,4%), Turkmens, Uighurs, and Tatars (0,7%). Besides there is a large community of Tajiks (4,8%) in the republic, who speak the Iranian language2. Russian and Russian-speaking people, the total number of which is about 2,6% of the total population of the republic, constitute a significant part of the population. Koreans, Arabs,	Literary Uzbek language belongs to the Karluk group of the Western branch of the Turkic languages. Spoken language has many different dialects. The Uzbek language has its profound historical link to the Tajik language, which can be observed in phonetics, syntax, and especially in vocabulary.	Family and social life, business, manufacturing and trade, entrepreneurship, investment, and knowledge sharing. Also, tourism is a growing area of language usage.

[2] This figure is debated between 4,7 percent and 30 percent, see more in Cordell, Karl (1998) *Ethnicity and Democratization in the New Europe*, Routledge, ISBN 0415173124, p. 201

		Central Asian Gypsies and Jews, Germans, and many others represent further local minorities.		

The data illustrate a rich set of diverse languages and a usage of languages that cross borders and ethnic boundaries, employs hybrid ways of communication, and has been open for multiculturalism and language pluralism. As a limitation of the research, it can be noted that there are diverse statistics and estimations across time and source, making it hard to produce accurate information. It is also likely that different sources have specific perspectives and data sets that influence the results. We have tried to alleviate these issues by employing multiple data sources.

Conclusion

The newly independent states employed language as an instrument of nation-building and language policies as tools to guide and harmonize situations in such multiethnic states, especially, as they were under the Russian influence regarding the ethnic Russian population within the countries. Language heritages in these Central Asian countries were not homogenously given, instead, they have been evolving under their particular historical and political circumstances. For example, in the beginning, Tajikistan introduced a standardized Tajik language as part of its national policy and expanded the reach of the media and formed 'national, political, cultural, and educational institutions' where this language was present. At the same time, Tajik intellectuals gave shape and substance to the Tajik heritage building. Educational institutions throughout Central Asia worked with policies supporting bi- and multilingual language education and society. Similar bi- and multilingual systems were built throughout the Central Asian states, although following diverse sets of aims towards cultural identity, unity, ethnic awareness, knowledge sharing as well as communicating for science and economy (e.g. Nourzhanov & Bleuer,

2013). Interestingly, the ethnic dimension of the multi-lingual society was acknowledged in the form of a national formal language. This was done regardless of the size of the speaker population and not by producing multiple formal national languages, instead, the Russian language typically held the position of the next most important language with a special status. This deviates from the Baltic response to the independence that created more exclusive policies for Russian-speakers (Järve, 2002). Despite the special status and role of the Russian language, many Central Asian countries have had outflows of skilled migrants, who are often Russian speaking. This has led to brain drain and economic vulnerabilities. Hence, language policies and capabilities gained importance.

The Central Asian idea of the language-related policymaking did not fully capture the ethnic sensitivities, cultural-linguistic capitals, or the full potential embedded in these multiple cultural and linguistic groups. These groups, e.g. Turkmen speakers, can per se connect in their own linguistic regions across borders. Such ability represents a form of capacity and an economically useful resource-base. Turkic languages' speakers stretch from Eastern Europe via Eurasia to North and East Asia. Hence, diverse people, like Tatars, Turkmens, or Azerbaijani may link through this language heritage. Many Bukharians from Uzbekistan can connect with Tajik, Persian speakers, Russian and Uzbek speakers as well as Hebrew speakers (Elo, 2016). These groups of people possess atypical but regionally highly relevant linguistic assets that can serve the economy and cross-border and international trade. The role of the minority languages could have been more instrumental for business and entrepreneurship if different policies had been developed early on. Even titular languages were not developed to their full potential in society and economy (Huskey, 1995).

The English language is considered as the prospective language of international trade with Central Asian countries, especially in light of the gradual transfer to Latin script in countries, such as Uzbekistan and Kazakhstan (Molodov, 2017). Especially among the youth, the English language has gained dominance over the Russian language, partly due to the global internalization and youth culture (Molodov,

2017). However, in terms of regional and international trade, the role of the Russian language has been and remains crucial as the instrument of interethnic communication and cross-border activities. It also serves as a language of Eurasian knowledge development and dissemination that is highly relevant for the economies. Furthermore, the example of Central Asian countries illustrates that it is not only English that is crucial for international business as regional economic powers such as Russia or China can also be considerable options in terms of their languages. It is interesting to notice that Russian is a very central common language connecting the post-Soviet diasporas around the world and hence an important asset for international business and trade relations. The German language resources could also be seen as a potential niche language for the future and the more connected trade and economy. Finally, it is highly interesting that despite the relatively young age of the independent states, the inherent economic and political turmoil following the collapse of the Soviet system, even civil wars, there has been a rather accommodating policy approach for language; bi- and multilingualism and citizenship building on multiethnicity in the Central Asian region. Such an accommodating and inclusive approach could be further cultivated to empower and develop diversity into an economic asset and forms of capacity building.

The next challenge relates to the development of the Belt and Road initiative and the accommodation of the new linguistic and cultural issues that follow such a massive project and the resulting business operations. The "interethnic" communication needs to be considered in a sustainable and locally legitimate manner that embraces the cultural diversity of the region, hence, research partnerships (see United Nations' sustainable development goals) can be useful in developing new and inclusive policies for language education and employment. Additionally, future research should examine how the potential of the Central Asian diasporas across the world could be engaged to advance, co-develop, and internationalize Central Asian entrepreneurship and business.

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IRSTI 10.21.01

The Importance of the Classification of Securities for Determining their Legal Status under the Legislation of the Republic of Kazakhstan

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Abstract

Legal regulation of the international financial system in General and the securities market in particular is a problem that has a certain degree of importance and timeliness due to its determining influence on the world economy. Therefore, the analysis of existing approaches to the classification of securities, which is the subject of this article, is an important component of the Institute of legal security of securities. In this article, the author attempted to analyze the number of financial instruments that are recognized as securities in accordance with the current civil legislation of the Republic of Kazakhstan. Given their considerable number, the question of their classification arises.

To achieve the goals of the study, the author widely used comparative legal analysis, which allowed us to identify the main differences and characteristics inherent in certain securities, according to the legislation of Kazakhstan.

The analysis carried out in this article is aimed at identifying the main classification features of securities, on the basis of which their legal status is determined under the national legislation of the Republic of Kazakhstan.

The main conclusions are concentrated on the table, the data of which are confirmed by both doctrinal sources and normative-legal ones.

A comprehensive study of the classification of securities will make it possible to better understand the main directions for determining the legal status of a particular security, which will solve many contradictions of modern legal regulation, which is characterized by incompleteness and the presence of extensive "gray" zones. Also, the conclusion on the classification of securities from the point of view

of the national legislation of the Republic of Kazakhstan will allow for comprehensive legal regulation of the needs of participants in civil turnover.
The novelty is determined by the fact that the data obtained as a result of the study can give an impetus to the further development of market relations in the country by restoring a number of forgotten legal instruments used in the securities market.

Keywords: securities, classification, differences, legal status.

Introduction

Any classification is based on the principle of logical integrity (striving to comprehensively cover all studied phenomena) and severity (inadmissibility of classifying the same phenomenon as different types). Classifications are usually created to describe and primary analysis of the subject being studied. In this aspect, they are based on the features of the analyzed phenomena. Also, based on the classification criteria logically formulated during the analysis, they serve as the basis for the creation of explanatory theories (Kanatov, 2013).

However, explaining reality is only one positive aspect of the existence of classifications. Classification can also have regulatory implications. To keep it simple, the attributes of an object, for example, a security, to a certain class (type) of securities should imply nothing more than the extension of a certain legal regime for them. With this approach, the object (security) becomes a backbone factor for the registration of certain legal communities.

This can be illustrated by the example of realizing the interests of subjects concerning the purchase of securities. If a person acquires a share of a Kazakh issuer, then this entails several legal consequences at once.

First, it acquires an object of civil rights that has the legal regime of a security.

Secondly, within the framework of the general legal regime of a security, a subject will acquire a document that has a specific legal regime that characterizes such a

paper (share) as an internal, issued, registered, non-documentary security, securing a set of corporate and liability rights. The person becomes a participant in corporate relations, within the framework of which the rights of corporate content are exercised; acquires the status of an investor and, accordingly, the opportunities that legislation provides in terms of satisfying its interests and protecting them.

Proceeding from this, when constructing (describing) classifications of securities, it is important not only to get carried away with the description, considering certain characteristic features, but to highlight the legal classifications that can be used for both regulatory and protective purposes. This is seen as consistency in the construction of legal regulation of the securities market. This would significantly reduce the scope of legal regulation, as well as make it more systemic. In this sense, it is advisable to develop the appropriate classification criteria and fix them at the level of general provisions of the Civil Code.

Literature Review

The problem under study is considered mostly from investments and economics, many works in the analyzed area are devoted to the analysis of individual problems (book-entry securities, equity securities, issues of protecting the rights of the owners of these securities, problems of the legal regime of shares, bonds, checks and especially bills of exchange) ... Meanwhile, the study of only a part of the problem, as well as the formulation, based on such studies, of proposals for improving individual institutions without addressing the main issues (legal regime of a security) is not a systematic approach.

In this regard, we can emphasize that there are very few works devoted to the civil regulation of relations concerning securities in the legislation of the Republic of Kazakhstan.

The works of scientists of the Republic of Kazakhstan and foreign countries are devoted to individual issues of the topic under study (Basin, 2003; Belov,2018; Gabov, 2010; Kanatov, 2013; Karagusov, 2013; Suleimenov, 2006).

Note that a rather serious approach to the study of the classification of securities can be traced in A.V. Gabov's dissertation research, in which the author proposes to change the existing approach of the legislator based on the classification of securities to determine the legal regime of a specific right to both a security, depending on from its belonging to one type or another.

The author rightly notes that it is through the legal classification of securities that it is possible to determine the legal regime of a particular type of security, to determine the totality of those actions that can be carried out with securities, as well as a possible range of methods (means) to protect the owner (Gabov, 2010).

However, if we talk exclusively about the national legislation of Kazakhstan, and, accordingly, about the national doctrine, there is currently no comprehensive and monographic study devoted to the classification of securities and the analysis of its role in determining the legal status of securities in Kazakhstan.

Methods

Any scientific research presupposes an accurate definition of not only its goals and objectives, but also techniques and methods for solving the scientific problem posed. The methodological basis of the research was formed by the systemic, comparative legal and other methods of scientific knowledge.

The use of the comparative-legal method will allow us to determine the problematic issues of creating the foundations for the classification of securities, which will allow us to determine the scope of their legal status. Accordingly, as a result of applying this method, the working group will open up practical opportunities to avoid mistakes made by the owners of securities.

In turn, the systemic method will logically structure the available data and existing legal classifications of securities, in order to form a more extended and logically structured approach to the classification of securities according to the legislation of the Republic of Kazakhstan.

Findings and Discussion

The current Civil Code gives only one example of this kind of construction: the classification of securities into registered, order, and bearer. The Code contains general rules about them, the imposition of which on the descriptions of specific documents, allows you to establish a certain legal regime of paper.

According to existing doctrinal sources, the division of all securities can be attributed to the number of legal classifications that can be used for regulatory and protective purposes: a) into registered order and bearer; b) for equity and securities that are not equity (non-equity); c) for documentary and non-documentary; d) depending on the type of rights granted; e) depending on the type of obliged person; f) for external and internal (foreign securities and Kazakhstani securities); g) derivatives and base; h) depending on the validity period; i) for liquid and illiquid (Belov, 2018).

However, it should be noted right away that in the presented approach to classification there is no indication of the classification criterion for distinguishing each of these species. The fact is that for most of the named classifications, the criteria are still the subject of serious controversy, so we will talk about them in relation to the consideration of each of the named classifications. We only note that the selection of the named classifications was carried out not only on the basis of the use of the relevant categories by law, but also due to the specifics of the legal regime, the various elements of which create the need for the selection of the corresponding groups of papers.

Some of these classifications have long been known, and there are a large number of sources of various kinds devoted to their analysis (nominal, order, and bearer; for example). Others, on the contrary, do not have a long history and have been singled out by legislation not so long ago (external and internal, as well as liquid and illiquid). In this sense, it should be noted that some of the named classifications are not fully established; some time must pass before it can be said that their presence has a significant regulatory value that allows them to be finally

institutionalized. The establishment of this list does not mean at all that other classifications cannot be distinguished, however, from our point of view, most of such classifications will be either very highly specialized, or all of the same descriptive character, but, in the end, will be "covered" by the framework of some from the already named classifications (Lapach, 2002).

When considering the issue of classification of securities, it is important to emphasize the existence of a legally significant classification of securities. According to the doctrine, scholars share the following classification criteria:

- registered order and bearer securities;
- issue-grade and non-issue-grade securities;
- documentary and non-documentary securities (Angelov, 2019);
- classification of securities depending on the type of rights granted;
- classification of securities depending on the type of obliged person;
- external and internal securities (foreign securities and national securities);
- derivatives and underlying securities;
- classification of securities depending on the period of existence;
- "Liquid" and "illiquid" securities (Kanatov, 2013).

The classification of securities is carried out according to certain criteria and is aimed at dividing securities into types (Handbook on securities statistics, 2015). The type of securities is understood as a set for which all essential features are common, the same. Classification of types of securities is the division of types of securities into subspecies, which, in turn, can be subdivided into smaller subspecies (Kanatov, 2013).

Thus, if we take as a basis such a classification feature as "main characteristics", then the securities provided for by the national legislation of the Republic of Kazakhstan can be classified as follows and shown in the table 1.

Table 1. Classification of securities

Classifying feature	Type of security
	Urgent - having a certain period of existence
	Perpetual - existing forever

By the period of existence	
By origin	Primary - Asset-based
	Secondary - issued on the basis of primary securities
By the form of existence	Paper / documentary
	Paperless
By belonging to national legal system	National
	Foreign
By type of use	Investment / capital - which are the object of capital investment
	Non-investment - they serve money settlements in the markets.
By degree of ownership	Bearer - do not fix the owner's name;
	Nominal - containing the name of the owner and registered in the registry
	Order - registered securities transferred to another person by endorsement
By release form	Securities issued in large series
	Non-equity securities, the issue of which is limited
By ownership	Government securities
	Non-government / commercial securities
By the nature of the appeal	Freely tradable - market
	Restricted circulation - non-market
By risk level	Risk-free securities
	Low-risk securities
	Risky securities
By profitability	Profitable securities
	Non-profitable securities
By the form of investment	Debt (bonds, bills) securities
	Ownership equity securities
Essentially economic	Stocks, bonds, bills, etc.
By the degree of primacy	Underlying securities
	Derivative securities
By the type of fixation as an object of civil rights	Regulated
	Unregulated

Source: compiled by the author based on Belov (2018), Gabov (2010), Kanatov (2013).

Moreover, each of the presented group of securities includes their subtypes. This stratification is based on the existing features of the stock market, and the norms of current legislation.

So, if we pay attention to the legal category of securities, then such legal categories as: possession of a security; certification of property and liability rights; management right; certificate of transfer/receipt of property.

If we take economic categories of securities as a basis, then we will see such properties and characteristics as liquidity; profitability; course; reliability; the presence of an independent turnover; the potential for growth in market value.

Article 129 of the Civil Code of the Republic of Kazakhstan lists the main types of securities, depending on the content of the property right certified by them: bond, bill of lading, share and other documents that are classified as securities by legislative acts or in the manner established by them.

Most often, securities confirm the relationship of investing money in an enterprise. For the owner of a security, the purpose of its acquisition is to periodically receive income in the form of dividends on shares or other remuneration - on bonds and other types of debt securities that are the subject of mass issues. For the issuers of the above-mentioned financial instruments, the main thing is to attract, through the issue and placement of securities, those resources that are necessary for doing business. These types of securities are called equity. From the point of view of legislative regulation, their special emphasis is justified by the need to regulate the specific decision-making process on their issuance into circulation, the procedure for state registration of the issue, the procedure for distributing income for these types of securities, etc. (Karagusov, 2013).

Particularly distinguished are those types of securities that are circulated exclusively as proof of short-term credit relations, and in business turnover play the role of a means of payment. These are checks and commercial bills. The process of issuing and circulating these documents also has its own characteristics. For example, state registration of their issue is not required, and the issue itself takes place, as a rule,

only by agreement of the parties to a specific legal relationship when concluding a particular civil law transaction (Law "On circulation of bills in the Republic of Kazakhstan"). A bill and a check are not traded on organized securities markets, they cannot be items of nominal holding.

By the law of July 11, 1997, Articles 137 and 138, which defined the concepts of a bill and a check, were excluded from the Civil Code. It is believed that from now on, a bill and a check represent a means of payment and are not securities since Article 129 of the Civil Code determines that documents can be classified as securities only by legislative acts or in the manner established by them. This approach seems to be erroneous, since in this case no distinction is made between the function, for example, of a bill of exchange as a means of payment or a short-term loan, on the one hand, and its form, which is used as a security, on the other. It should be noted that both a bill and a check, as varieties of monetary obligations, are so closely related to their form that when they lose the form of security, they also lose their function, since they cease to be circulating. It is not for nothing that the US Uniform Commercial Code calls them negotiable instruments. The shape of a security is specifically inherent in the function of a bill of exchange and a check. It is impossible to replace the form of security with any other form here (Karagusov, 2013).

The Civil Code in the number of securities calls a bill of lading, which by its nature is a commodity administrative document, i.e. the owner of the bill of lading has the right, presented by the document, to receive the goods indicated in its content. Law "On mortgages of real estate").

Commodity administrative papers are somewhat different from documents circulating on the securities market. They confirm the right of ownership of things - the right of ownership (bill of lading, warehouse receipt), as well as the right of pledge (pledge certificates). The sphere of their circulation is commodity markets. The legal regime of securities can be fully extended to commercial paper only if the legislative establishment of the absence of a relationship between the commercial paper and the concluded agreement on the basis of which the relevant document

was drawn up. In the event that the regime of trade administrative documents will differ from the regime of securities proper.

The second most important classification is provided by Article 129 of the Civil Code on the distribution of securities into types of activities based on the possibilities of legitimizing the entitled person. That is, it is confirmed by the owner of the security.

As already noted, security is inextricably linked with the right expressed in it. This is evidence of legitimation (confirmation of the right of attraction). There are three different ways of transferring rights to securities, and therefore, three types of securities themselves. In addition, there is a risk that this price will be confirmed.

A bearer security is such if it follows from its content that it (and the property right certified by it) belongs to a person who possesses the original document and is capable of presenting this original to exercise or transfer his authority. Thus, the name of a specific person is not indicated in the text of a bearer security, but only it is noted that this document is a bearer security (for example, a bond). At the same time, it seems that it is permissible to circulate securities, the text of which does not indicate their type and names of their holders. In such a situation, these documents should be recognized as bearer securities, unless otherwise specifically prescribed by law (Yakovlev, 2003; Efimova, 1998).

A specific risk that falls on the shoulders of the owner of the bearer security is that if the document is removed from the authority of this entity, the latter will not receive any performance on this security. It is about the physical destruction of paper. If it was lost, the call-out procedure gives little chance of restoring ownership of the paper. And if this right has been restored, then no one is guaranteed that the person who found the lost paper will not present it for execution earlier than the entitled subject presents the restored document. In such a situation, the debtor is only obliged to execute on paper, and at the same time he has no right to object to anything that is not reflected in the text of the document. The situation is similar when the bearer security is stolen. Even if the thief is found, the actual subject of

the law will be placed in very difficult conditions of proving the illegality of the disposal of the security from under his authority.

Order security is a document according to which the obliged subject must provide execution to the person specified in the text of the document or to the one whom this person, in compliance with the established rules, will also indicate in the text of the document.

An order paper is issued in the name of a certain person, who is the entitled subject. At the same time, in order to increase the turnover of property rights for the circulation of order securities, a special mechanism for their transfer has been established. The debtor is obliged to fulfill the obligation properly to the person to whom the previous owner transfers the document under the transfer notation (endorsement), which is an order to the debtor to provide everything owed on paper to a certain person.

Endorsement is carried out on the document itself (as a rule, on its reverse side) and is of two types:

- nominal, i.e. containing the name of the assignee.
- blank, i.e. indicating only the fact that the paper was transferred, but not naming the new owner of the document.
- The owner of an order security with a blank endorsement has the right to perform the following actions to transfer the document:
- transfer the paper in a manner similar to the transfer of bearer securities - by simple delivery.
- transfer the paper to another person under a registered endorsement.
- enter name or the name of another person on the endorsement.

Until the moment someone's name is entered into a blank endorsement or a document is handed over under a registered endorsement, the order paper is circulated in the same way as bearer securities.

Transfer by endorsements, and in such a way that a number of these inscriptions are not interrupted, is a method of transferring property rights that is specifically

inherent in order securities. That is when the owner of the document presents its original for execution, the obliged person has the right to refuse to provide performance because several endorsements were interrupted somewhere. The continuity of this series is determined by purely formal criteria - the name of the person transmitting the document under this endorsement in the previous transfer inscription should be indicated as the name of the person receiving the rights on the paper (Pavlova, 2008).

The risk of losing the order security is borne by its holder (Article 96 of the Law "On circulation of bills in the Republic of Kazakhstan"). The owner of the order paper with the last registered endorsement, knowing who holds the document, has the right to file a vindication claim demanding the return of the document. If the last endorsement is blank, the opportunity to prove ownership of the lost document becomes almost unrealistic. The loss of such paper leaves virtually no hope of getting execution on it. The physical destruction of the order paper generally excludes the possibility of issuing a duplicate of the document, and, therefore, obtaining execution on it becomes impossible.

In the form of order documents, practically nothing is said about issuing documents – bills of exchange, checks, and commodity administrative documents (bill of lading, mortgage certificate).

A registered security is a property document, the right to refer had only that person, when in this document mentioned persons name.

Clause 3 of Article 130 of the Civil Code provides the possibility of issuing securities. Law "On the Securities Market", which requires the constant presence of holders of registered securities.

The classification of equity securities into government and non-government is also of legal importance. In accordance with the legislation "On the budgetary system" and "On the appearance and management of external debt." Government or bank institution. The issue of government securities is carried out only to finance the deficit of the republican budget. These securities are long-term securities. In the

euro area (Eurobonds), as well as in treasury bonds and treasury bonds circulating on the territory of Kazakhstan. According to articles 14 of the Law "On the Securities Market", the procedure for providing government securities is regulated by law (Basin, 2003; Basin and Suleimenov, 2003).

As for non-government equity securities, they are issued to form the authorized fund of the issuer or to attract borrowed funds, and the procedure for their issue is regulated by the Law on the Securities Market.

The current legislation on securities also operates with the concept of uncertificated securities, the legal nature of which is currently, however, not yet finally determined.

It seems that uncertified securities provided for in Article 135 of the Civil Code are a kind of property rights. In essence, uncertified securities are those property rights that are certified by the content of the security. However, the Civil Code understands uncertificated securities in a narrower sense - as property rights, which are certified only by an entry in computerized or book registers. This is not entirely justified, since the mentioned record is an independent way of confirming the same property rights that can be certified by securities.

When applying (transferring into ownership, pledge, etc.) of property rights that are uncertified securities, it is necessary and sufficient only to make the appropriate entries in the register. Undocumented securities have no other relation to securities proper.

Thus, uncertified securities are no longer a document (not a security), but rather the legal relationship itself. Only those property rights that can be certified by registered securities can exist as uncertificated securities, for it is difficult to imagine uncertified bearer securities.

The Civil Code in Article 135 says that order securities can also be used as uncertified securities. But if the rights of the holders are confirmed only by an entry in the register, then such an entry will in any case be exclusively personal. The word

"order" actually refers to the method of transferring a document by means of endorsements, and the transfer of rights certified by registered securities and entries in the register of securities is possible only through a transfer. In this case, it makes no sense to dematerialize order securities, because all the signs of the institution of securities proper is lost, intended to simplify and simultaneously make the circulation of property rights clearer and more mobile.

The consolidation of the rights of investors in the securities market in the form of uncertified securities (by recording in ordinary or computerized registers) is sufficient for the exercise and transfer of these rights. It is inadmissible to issue securities confirming at the same time the same rights, which are confirmed by the content of the respective registers. However, in the case of the issue of uncertified securities at the request of their owners, it is allowed to issue them certificates or extracts from registers that do not have the force of securities, but in the event of a dispute, the court may recognize it as one of the proofs of the existence of property legal relations. The transfer of a certificate or an extract from the register does not mean the transfer of property rights.

At the same time, the legislation of the republic does not define the concept of payment instruments. For example, the Law "On circulation of bills in the Republic of Kazakhstan" calls a bill of exchange a payment document. If we draw analogies here, then, in essence, payment instruments can be defined as securities traded in money markets. If the denomination or value of any securities is expressed in foreign currency, they are recognized as currency values (Suleimenov, 2006).

Conclusion

Summing up, we concluded that despite the powerful development of an independent branch of legislation on the securities market, which, among other things, is based on the rejection of the classical theory of securities and the creation of a new institution of uncertificated securities, the traditional legal institution of securities as a special kind of legal documents does not become a "legal

monument". The current Kazakhstani legislation specifically regulates the circulation of certain categories of subjective property rights, the most acceptable form of which is precisely a security. The development of market relations in Kazakhstan has revived such forgotten legal instruments as warehouse receipt, grain certificate, mortgage certificate, bill of lading, check, etc.

It is believed that the importance of classification is gaining importance in law enforcement practice. Thus, the same quantity (standard) is valid for all equity securities. Investment fund investment, mortgage participation certificate. For the majority of non-equity securities (other than those mentioned), the situation should be resolved.

Thus, we must conclude that a legislatively secured regulatory framework is required for the classification of securities. Moreover, this classification must be confirmed by the relevant requirements.

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IRSTI 06.54.51

The Importance of Implementing Digitalization in Kazakhstan

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Abstract

The goal of the article is to analyze the international experience in implementing digitalization, both in the private and public sectors of the economy. The objectives of the article are the analysis of the digitalization implementation algorithm in foreign enterprises and the adaptation of this algorithm for most Kazakhstani entrepreneurs, taking into account the specifics of doing business in Kazakhstan. Investigation of logical chain, which introduces digitalization in large world companies. It begins from the first department that has undergone digitalization to obtaining the final result from the process for the company.

To solve the tasks set in the article we used system, logical, comparative-analytical methods. The provisions and conclusions are illustrated by statistical data presented in tables, diagrams, diagrams, accompanied by references to scientific literature and legal acts.

The conclusion is made about the importance of implementing digitalization in business, regardless of the size of the enterprise itself. The examples of digitalization implementation in foreign companies are analyzed. Based on the analysis of foreign experience, an algorithm for the introduction of digitalization for most businesses in Kazakhstan has been compiled.

there are several factors that allow increasing digital technologies in all areas of industry in Kazakhstan. Digital technologies provide an incentive for the development of new areas in SMEs. This fact pushes to review legislation of the country and develop a transit direction in trade.

The digitalization implementation algorithms discussed in the article in foreign companies and the algorithm for domestic entrepreneurs can be used both to improve business strategies by company leaders and government agencies in Kazakhstan to create an internal development program and encourage the introduction of new technologies and digitalization in state enterprises.

Keywords: digitalization, "Digital Kazakhstan" program, digital economy, digitalization of the business, E-commerce.

Introduction

In modern world the development and implementation of digitalization in all spheres of human life and activities is a necessity of the time in which we live and allows us to achieve maximum efficiency in all processes. Today technology no longer only is the engine of development of new industries, but also acquired important roles in society. Technology as well brought a significant contribution to solving society problems such as: social disintegration, environmental disasters and climate change. With the help of advanced science and technology, an "intelligent" society arises, based on new values of a person's needs and his creativity. Labor market, health and education spheres are changing drastically with the help of digitalization. As well as people influenced by digitalization are developing spatially.

Literature Review

Information in the modern post-industrial era acts as one of the bases of social processes. Moreover, information exchange is a trigger for the relationship between social processes. The information space, namely, the global network, expands human capabilities and allows people to overcome political and geographical boundaries, making cultural values of different nations accessible for contemplation to everyone via "visualization" of the economic environment of each individual's life (Kedrovsky, 1994). The high speed of information flows

dissemination leads to a situation of total digitalization of social processes and lives of individuals.

Digitalization has led to the emergence of more technically complex processes and disappearance of traditional professions due to the automation of the corresponding labor operations. At the same time digitalization has led to creation of new professions and the growing demand for non-algorithmic work and creativity. A significant part of labor relations and entire segments of employment enters the virtual environment, the flexibility of forms of which increases significantly: the proportion of non-standard, partial, unstable and one-time employment increase. Digitalization requires the formation of new competencies in the labor market, which entails the restructuring of the entire education system (Kuzminov, 2018). Transnational forms of education are developing, and a highly competitive environment is being formed in the rapidly growing global education market. The number of students entering universities in another country after graduation is growing by 10% per year and in 2019 reached more than 7 million people. Many countries have adopted and are implementing education export support programs. In the near future, the labor market will experience an increasing influence of young workers, representatives of Generation Z, using digital technologies almost from birth and having unlimited access to information and developed digital competencies. By 2025, their share will reach 25% of the total number of people employed in the world. The key motivating factor for them is the possibility of personal development (including those not related to work).

Methodology

The research methodology is based on general scientific methods of knowledge, principles and criteria of objectivity in their versatility and inconsistency, based on the totality of works of domestic and foreign scientists, statistical indicators that correspond to the truth and general laws of state and socio-political development at the historical stage under study.

Findings and Discussion

In 2017, the "Digital Kazakhstan" program was developed. The "Digital Kazakhstan" program is based on five main areas, namely, digitalization of economic sectors - the transformation of traditional economic sectors using breakthrough technologies and opportunities that will increase labor productivity and lead to an increase in capitalization. The main areas include:

At the present time, the basis of **manufacturing sector** in Kazakhstan economy constitute – subsoil use, mining, manufacturing and electric power industries. However, the manufacturing sector is still underdeveloped. The electric power industry meets the needs of the population and production, but requires a transition to a more technological and resource-saving level. In the mining and manufacturing industries, the key trend is the transition to a new technological level in accordance with the concept Industry 4.0 (Korovin, 2018). Today, in comparison with world leaders the mining industry of Kazakhstan has insufficient technological equipment, which in general leads to low labor productivity and competitiveness. The main global trend in the energy sector is the introduction of various Smart technologies in order to ensure effective information exchange between all network participants to protect and provide self-repair from major failures, natural disasters and external threats.

High-quality transport and logistics infrastructure gives a powerful impetus to the development of the economy by increasing the connectivity in certain territory and reducing the overhead costs of delivering goods to their destination.

In order to obtain the maximum effect from the development of the infrastructure of communication networks, it is necessary to simultaneously develop the transport connectivity in certain territory both via the development of all types of transport communication and the reduction of its cost, and via the development of the infrastructure for the forwarding and delivering goods. Currently, Kazakhstan has a highly developed network of railways, but an underdeveloped network of roads and excessively expensive air transportation. Multimodal transcontinental

transportation of goods between Europe and Asia is developing and do have great future growth potential. The experience of foreign countries demonstrates that an increase in freight traffic can be achieved through the optimization of paper workflow, using the international standard “E-freight” in the process of air cargo transportation, as well as the development of multimodal transportation.

Agriculture is one of the key sectors of the Kazakhstan economy, which provides food and economic security, as well as the labor potential of the country, especially in rural areas. Experience shows that digital technologies are fundamentally changing this traditional industry. Modern systems and big data obtained from various sources contribute to high yields without depletion of the soil, and with the rational use of resources. Integration of the Internet into the industry allows creating automated farms with remote control. A developed logistics system and electronic commerce can reduce the cost of delivering agricultural products to the final consumer, even to small farms while maintaining its quality.

E-commerce and the financial sector. The share of wholesale and retail trade, car and motorcycle repair in Kazakhstan's GDP for 2018 amounted to 18.6% (Galiev, 2018). At the same time, the share of e-commerce is a relatively small part of retail turnover - 1.3% in 2018. E-commerce is rapidly expanding in developed and developing countries. Its positive impact extends not only to the business sector, but also to the quality of life of the population in the country as a whole. In terms of impact on business, it should be takes into account that the growing popularity of e-commerce leads to an increase in the number of people who want to open their own business in this area. Thanks to e-commerce, the population gets access to more goods at lower prices, for example, due to involvement in international trade. A leap in the development of e-commerce can be achieved through the development of delivery services, wide customer analytics, expanding the range of products and the introduction of mobile commerce.

IT industry development. Three large segments should be distinguished in the structure of the IT market: equipment, licensed software and IT services. The major problems and at the same time the main direction of development are now

considered to be - low efficiency of investments in IT, low level of cybersecurity and the need to take measures to promote local content. According to the ALE "Kazakhstan Association of IT companies" 2 840 companies operating in the field of information technology are registered in the country at the end of 2018. These companies carry out various types of activities, and 770 of them are engaged in software development.

World experience shows that the creation of conditions for the development of IT companies and the formation of a full start-up support cycle are provided by technology parks. However, the technology parks operating in the country did not receive proper development due to the low efficiency of work in the segment of information technologies and development institutions. Also, the Institute of Venture Financing in Kazakhstan did not receive proper development. It should be noted that support of domestic IT companies working to increase value added in the information technology sector ensures technological development and the country's cybersecurity. At the same time, the conditions for development are the formation and development of a start-up area involving technology entrepreneurs from around the world on mutually beneficial conditions.

Digital services and a modern approach to the development of “smart” spaces are changing the human’s life condition for a more comfortable one. A “smart” space is a physical or digital environment in which people and technological systems openly interact in connected and coordinated intelligent ecosystems (Balandin, 2015). Examples of this space include smart cities, smart homes, digital jobs, and factories. Today, the world is entering a period of accelerated provision of reliable “smart” spaces, when technology is becoming an integral part of a person’s daily life in any of his roles - employee, client, community member, citizen. The development of digital spaces challenges the traditional principles of territoriality, geographically sound communities and sovereignty. Policies based on geographical principles, such as rules of origin or specific markets need to be revised to adapt to real value creation and distribution processes.

The digital economy sets the path for the transformation of traditional sectors of the economy and the emergence of new markets and niches. New business models are customer-oriented, and this fact determines their structure: from the value proposal aimed at solving the predicted needs of the client, timely delivery to revenue streams based on the time the client used the product (Javetski, 2017). As transactions occur in real time and quiet often simultaneously, the key source of value creation is high-speed processing of big data. Technologies of big data analysis and Artificial Intelligence (hereinafter refer to as AI) help to find new sources of value creation through the study of digital portraits of consumers and patterns of their economic behavior (Song, 2018). Customer data is becoming the main asset of digital companies, and access to large arrays of them increases the assessment of market value. The current trend is the development of open data platforms, which stimulates the emergence and spreads innovative business models in the economy. In the financial sector the implementation of this concept is the Open Banking System, which provides third parties with the opportunity to analyze or use data, integrate various applications and services, thereby improving the quality of customer service.

New digital technologies expand business opportunities to optimize many processes and improve decision-making. So, the Internet and cloud computing optimize the collection and storage of data. In its turn technologies and methods of machine learning and AI build behavior algorithms, predictive models and allow collected data to be deeply processed. In retail, a new type of business model is associated with the transformation of e-commerce into a-commerce, in which the seller builds algorithms describing the customer's consumption model, and then automatically delivers the goods to him based on the predicted need. Predictive analytics technologies are aimed at constructing algorithms that describe the consumption of products and services, and automation, taking into account data from forecasts of the processes of production and delivery of goods to customers with the participation of partners. Block chain technology allows decentralizing the processes of data collection, transmission and storage, thereby increasing the reliability of transactions and contributing to the development of platform

technologies for interaction with partners and consumers. In this way, INS Ecosystem plans to launch a platform for direct interaction between manufacturers and consumers, bypassing traditional retail, based on deep personalization of offers and using block chain technologies. Accordingly, 7 of the top 20 global FMCG manufacturers collaborate with the platform (Gokhberg, 2019).

Internet applications are also a driver for the development of the servitization model, since they allow evaluating the parameters of product use and the effects achieved. The popular car-sharing models, payment of car insurance depending on the kilometers traveled are based on this principle. In industry the greatest example of internet applications use is payment of the time spent while using equipment or payment based on quantity of products manufactured on it.

The level of distribution of new business models in Kazakhstan varies significantly by industry: the most common are digital platforms in markets characterized by close interaction of suppliers and consumers - in retail, financial services, consumer goods and services.

Digitalization of the business, both small and large, is moving forward in big steps month by month. Thanks to world experience, there is a representation of the algorithm by which the implementation of business digitalization takes place:

The first stage is the introduction of small, riskless and independent from each other initiatives or products. The main goal of this stage is the creation of technological solutions without a radical revision of related business processes (Siebel, 2019).

The next stage is the transition from disparate initiatives to a wider transformation of the company's operating model. Several changes take place, such as: business processes, organizational structure, key performance indicators (hereinafter refer to as KPI) and staff skills. At this stage, full integration with the basic systems of the organization should be ensured. Such changes already require a comprehensive management program (Siebel, 2019).

The final stage of digitalization is a change in the way we interact with external suppliers, customers and contractors: new ways of positioning and promoting existing products and creating new ones. At this stage, digital technologies are "part of the DNA" of the entire organization and are aimed at creating new ecosystems and partnerships. There is a digital platform at the center of ecosystems that implements the unique competencies and know-how of an organization's business model (Siebel, 2019).

In different sectors, the implementation of digitalization is proceeding at different speeds. According to BCG analysis, B2C sectors are historically leading in the implementation of digital technologies: for example, the media, in which fundamental changes have already taken place, as well as retail, telecommunications, insurance and banking. According to Basel D. Industry 4.0 digitalization has already significantly affected these industries, but the final outcome remains to be determined. In turn, metallurgy, the oil and gas sector, electric power and engineering are lagging behind: the impact of digitalization in these sectors is mainly directed to internal improvements, it is difficult to evaluate it to the end, and dramatic changes are yet to come. Implementation of digitalization at once for the entire production is physically impossible. Digitalization applies to all areas of the company's business related to productivity: cost control and return on investment. As a rule, the first wave of digital changes in most companies concerns the management of production assets - predictive analytics for maintenance and repair, as well as the planning of production assets investments. This process is especially relevant for infrastructure companies with a large number of production assets, as well as the costs of their creation and operation, such as telecommunications, transportation and electricity companies. For example, the introduction of predictive analytics allows the organization to achieve new business growth opportunities; more accurately understand the opportunities for additional and cross-selling to existing customers. Many telecommunications companies, including Kazakhstan, are already applying predictive analytics in their performance. For small and medium businesses (hereinafter refer to as SMEs) digitalization is an effective tool for faster and easier

scaling and growth of the whole business. For example, the development of e-commerce opens up new sales channels for SMEs and also potentially reduces the volume of the 'grey' economy. According to a joint study by BCG and Samruk-Kazyna, at the beginning of 2017 the share of e-commerce in retail in Kazakhstan was less than 1%. In comparison to Kazakhstan e-commerce share amounted in Russia - 3% and in China - 8.3%. According to Samruk-Kazyna, Kazakhstan's retail e-commerce market will reach 750-800 million.

An important parameter of the effective implementation of digitalization is the development of e-commerce in the country.

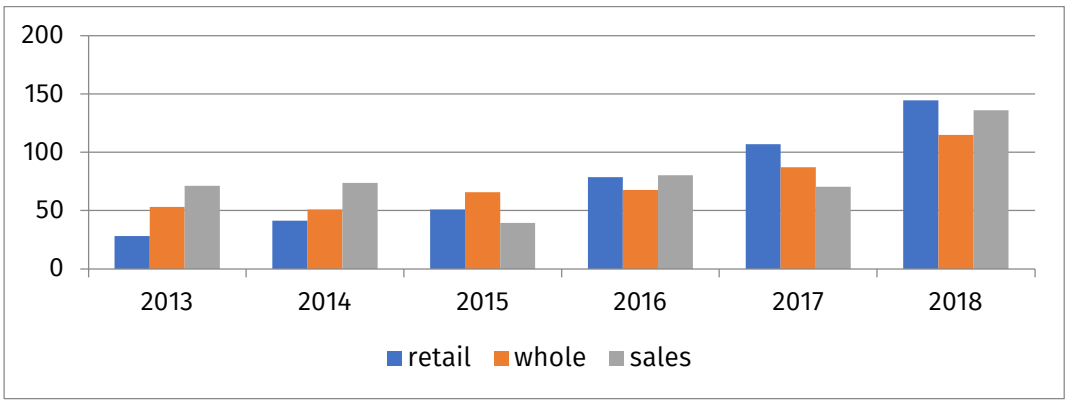

Figure 1. The volume of e-commerce in Kazakhstan, billion tenge.
(E-commerce report based on data from the MNE of Kazakhstan, 2019).

Over the past five years, Kazakhstan has seen an increase in e-commerce by an average of 26%. In gross value, the volume of transactions in 2018 reached 259.5 billion tenge. According to Figure 1 the volume of transactions of 144.6 billion tenge in retail and 114.9 billion tenge in wholesale. According to the forecasts of the Ministry of National Economy, by 2023 the volume of electronic retail trade will grow to 2 trillion tenge.

According to the E-commerce report based on data from the MNE of Kazakhstan the multiplier effect of e-commerce on the economy will provide the possibility to forecast an annual contribution to GDP of 1.1%. The development of e-commerce represents an enormous potential for economic growth. Firstly, it provides an unlimited increase in turnover. Secondly, it provides access to the market of any

country. And finally, it provides the development of transit potential. The Kazakhstani market is represented by over 1,700 independent online stores and about 20 electronic trading platforms, where over 1 million SMEs operate. The total number of consumers purchasing electronic goods and services is about 2.3 million people.

The structure of the e-commerce market consists of 68% of goods and 32% of services. Building materials, household appliances, cosmetics, clothes and shoes are in high demand in e-commerce platforms. The most popular among the services are sale of air and train tickets, payment for cultural events and utilities. E-commerce as a way of applying modern information technologies and the Internet is becoming an important strategic direction in the development of trading operations. For Kazakhstan, its development is especially relevant during its membership in the World Trade Organization, the Eurasian Economic Union.

One of the key factors determining the development of e-commerce is the population's access to information, communication technologies and the Internet. At the end of 2018, the share of Internet users was 81.3%. The key event of 2018 was the start of the construction of fiber-optic communication lines by Kazakhtelecom JSC under a project aimed at providing broadband access to rural settlements.

In its turn the volume of retail trade through the Internet in Kazakhstani market in 2018 reached 144.6 billion tenge and the share was 1.4% of the total retail trade. Most non-cash transactions are carried out via the Internet and mobile phone. For 8 months of 2019, the total amount of payments reached 4.6 trillion tenge - 66.5% of the total volume of non-cash payments.

The development of online trading is inextricably linked with the development of non-cash payment tools. According to the National Bank as of September 1, 2019 26.6 million people do have payment cards and there are 30,1 million payment cards in circulation. In contrast to the same date in 2018 these indicators increase by 39,6% and 49,5% respectively.

The most common are debit cards. Their share is 78.6%, at the same time the share of credit cards is 18.0%. The volume of transactions using payment cards in August 2019 increased up to 2.7 trillion tenge, which in percentage terms increased by 49,3% in comparison to 2018.

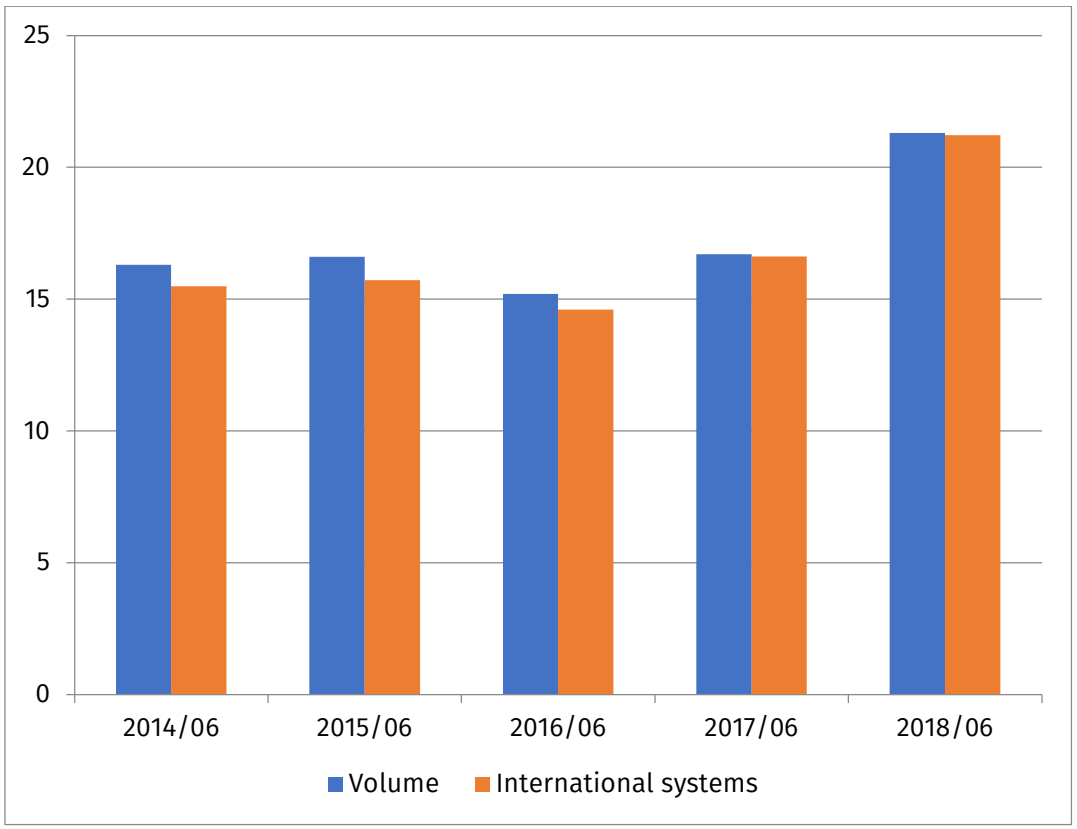

Figure 2. Dynamics of payment cards in circulation, mln units.
(E-commerce report based on data from the MNE of Kazakhstan, 2019).

According to the data provided in Figure 2, it can be concluded that e-commerce is developing rapidly in Kazakhstan. People's loyalty to online stores is growing dynamically. This is due precisely to the fact that in such stores there is less cost for the production, storage and realization of goods. In this regard, both, the number of consumers and the amount they are willing to spend in online stores are increasing.

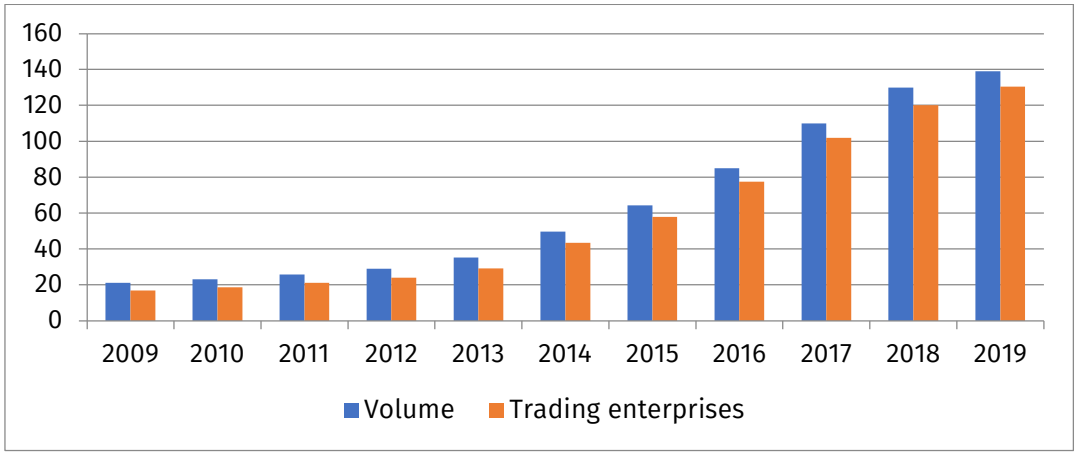

Figure 3. POS-terminals in Kazakhstan, thousand pieces.
(E-commerce report based on data from the MNE of Kazakhstan, 2019).

Conclusion

In conclusion, it should be noted that in Kazakhstan there are several factors that allow increasing digital technologies in all areas of industry. Digital technologies provide an incentive for the development of new areas in SMEs. This fact pushes to review legislation of the country and develop a transit direction in trade. Also, qualified people in SMEs sphere should be trained in order to properly use e-commerce tools in their work.

After analyzing the experience of foreign companies, it can be implemented at the enterprises of Kazakhstan with the following adjustments:

Algorithm of digitalization implementation for SMEs in Kazakhstan:

The first stage is the introduction of not large, independent of each other products or services. Due to the fact that the goods are independent of each other, an entrepreneur can find out how advantageous his offers are alone and whether they need to be supplemented. Regarding this information, entrepreneur is able to review related business processes.

The second stage is the transition from disparate initiatives to a wider transformation of the company's operating model. At this stage, full integration with the basic systems of the organization should be ensured. Such changes already require a comprehensive management program.

The third stage of digitalization is a change in the way we interact with external suppliers, customers and contractors: new ways of positioning and promoting existing products and creating new ones. At this stage, digital technologies are "part of the DNA" of the entire organization and are aimed at creating new ecosystems and partnerships. There is a digital platform at the center of ecosystems that implements the unique competencies and know-how of an organization's business model.

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IRSTI 06.81.12

To the Question of Corporate Governance Institutional Environment in Developing and Emerging Markets

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Abstract

This work is an attempt to contribute to thinking about the institutional framework of corporate governance in the context of its evolution in the developing and emerging markets (DEM). We raise the question whether the DEM countries adapt the mechanisms and practices of the corporate governance models of leading economies. We first introduce the concept and genealogy of the new institutional economy. Then we trace the specifics of the modern models of corporate governance and the main factors affecting these models. We finally engage in critical reflection on the problems in corporate governance in both developed and developing markets through the prism of the fundamental, institutional features of each country.

Keywords: new institutional economy, institutionalism, corporate governance, developing and emerging markets

Introduction

In the modern world, intensive research is being conducted on the development of the institutional environment of corporate governance. It is obvious that this environment, which includes various factors – economic, political, cultural, and

legal – is far from homogeneous. In countries with a developed market economy, the norms, rules, and standards of corporate governance, we can say, have been formed over the centuries, taking into account the peculiarities of the mentality, morals, and lifestyle of a particular region. But even despite such a long period of development, we see how imperfect the system of corporate governance is in those models that are now commonly called American or European. Corporate scandals, fraud and unfair business practices that shake the world occur regularly, despite the fact that the legislation in the field of corporate governance is constantly being improved. Countries with emerging markets that do not have much experience in regulating the corporate sector, with their own unique institutional environment, are trying to adapt existing corporate governance models, mainly American or British. Many scientists wonder about the possibility and necessity of this (Ngwu, Osuji and Stephen, 2017; Kurmanov, 2013; Arslan and Alqatan, 2020; Nazir and Afza, 2018; Rashid, 2018). This work is an attempt to contribute to thinking about the institutional framework of corporate governance in the context of its evolution in the developing and emerging markets (DEM).

Literature Review

Institutional Framework of Corporate Governance

Institutionalism, or Institutional Economics, which is considered the founder of the American scientist T. Veblen, is one of the schools of economic theory that studies the influence of social institutions on the economic behavior of people. Published in 1899, T. Veblen's work «The Theory of the Leisure Class: An Economic Study of Institutions», laid the foundation of the so-called «traditional» institutionalism (Veblen, 1899). Later, in the XX century, the concept of «modern» institutionalism appears, which is divided into Neo-institutionalism and the New institutional economy. According to Seligman, one of the most famous American economists, the birth and development of institutionalism is a kind of «revolt against formalism», since in addition to strict theories and rigidly verified models and methods, this theory takes into account a variety of life realities (Seligman, 1968).

American historian of economic thought Robert L. Heilbroner noted that «economic science has finally transcended the narrow confines of its former realm – the realm of production and distribution – and can now claim a vast territory stretching from family relations to sports, from anthropology to state law» (Vinogradova, 2012).

In the XX century, modern institutionalism made a revolutionary breakthrough in economic science, where, according to the Nobel laureate D. North, «institutions matter» (North, 1990). Institutional Economics has become the domain of «knowledge about the rules of economic behavior: how they «work», how they are formed and changed, and the costs and benefits associated with their creation, change, compliance, and violation» (Auzan, 2005). The main prerequisite for the emergence of this direction of economic science was the transition of Ricardian capitalism to the monopolistic stage. David Ricardo, a stockbroker married to a banker's daughter, introduced the term Capitalist, and breathed life into him and created a class for the creature to live with. Ricardian Capitalism means that the Capitalist owns the means of production and collects the residual while others get paid enough to regenerate the energy expended (Stiglitz and Sassen, 2002). Monopolistic capitalism, which is highly centralized capital and production, caused a sharp increase in the stratification of society into rich and poor and generated acute social contradictions. But the «old» institutionalists believed that only a high concentration of production would make it possible to offset the shortcomings of the spontaneous mechanism of market competition by bringing a greater strategic focus and innovation to the companies' activities.

The further development of monopoly capitalism led to the fact that, first in the United States and then in Europe, the entrepreneurial model of doing business began to change to a corporate one, which led to the formation of a new institutional environment. Published in 1932, and now become a classic book "Modern corporation and private property" by A. Berle and G. Means reveals the nature of the corporate form of ownership, when ownership is separated from management, ownership itself is blurred among a huge number of co-owners

(shareholders), and management is conducted by executive managers (Ricardo, 1821). The essence of relationships between shareholders and managers was discovered by Jensen and Meckling (1976) as a principal-agent problem and led to many institutional changes in trying to align managers behavior with shareholder interests (Berle and Means, 1932). In 1992 a committee chaired by Sir A. Cadbury in response to the series of corporate failures in the UK produced a report entitled *The Financial Aspects of Corporate Governance.* According to this code UK listed companies being required to comply with the code, otherwise explain the reasons for non-compliance (Jensen and Meckling, 1976). Since then, there have been many studies in the field of corporate governance, explaining what is "good" or what is "poor" corporate governance (Cadbury, 1992), what is "reasonable" or "rational" in corporate activities (Blok, 2020), published thousands of works, but as many scholars admit, "we still know very little about corporate governance" (Nordberg, 2018).

The Models of Corporate Governance

The term "Corporation", derived from the Latin word corpus, which means" body", is a set of persons who unite to achieve common goals, carry out joint activities and form an independent subject of law - a legal entity (Ahrens, Filatotchev and Thomsen, 2011).

The organization for economic cooperation and development (OECD) defines corporate governance as the system by which companies are managed and controlled (Wikipedia). This applies to how rights and responsibilities are distributed among the Board of Directors, Executive managers, shareholders, and other stakeholders, as well as how decisions are made regarding the company's operations.

Today, there are several models of corporate governance. One of the major experts in this field, B. Tracker, believes that there are five of them:

1. The US rules-based model
2. The UK/Commonwealth principles-based models

3. The continental European two-tier model
4. The Japanese business network model
5. The Asian family-based model

Many factors in the economic, legal, social, and cultural environments in which these models were created influenced the formation and development of these models (OECD Council, 1998). The most important ones include patterns of ownership, financing of corporate entities, markets for corporate control, and customs and traditions. Particularly, ownership in listed companies around the world varies, from the highly dispersed to the singularly concentrated. For example, in the US, 92 percent, and in the UK, 77 percent of all shares are owned by individuals or institutional investors, meaning that title is dispersed among multiple shareholders. In Japan or Germany, on the contrary, there is a high concentration of assets in the hands of banks and holding companies (more than 51 percent of all shares). Accordingly, in those countries where ownership rights have a high level of dispersion, the stock market is usually well developed, and as a result, the company's activities are financed through it. And in countries where the stock market is relatively small, companies are financed through non-equity loan capital. Consequently, the role of banks and holding companies becomes significant, and power and influence is concentrated in their hands. As for the markets for corporate control factor, it is very strong in countries such as the US or the UK. As a result, merger and acquisition activity is likely to be widespread as well as a hostile takeover bid. On the contrary, in Germany the first contested hostile takeover bid was registered in the 1990s (Almaskati, Bird and Lu, 2020).

Methodology: assessing strengths of the corporate governance models

Now let us take a closer look at each of the above corporate governance models. Many experts often tend to combine the US and UK corporate governance models into a single, so-called Anglo-American model. We agree that the environment in which these company management practices were formed and the models

themselves have a lot in common. This includes a unitary board, with a predomination of independent outside directors; mandatory audit, remuneration, and nomination committees of the board; little influence of shareholders on board membership, etc. However, the models have many fundamental differences between them. The most important difference is that the American corporate governance model is rule-based. This means that government regulatory agencies, including the Security Exchange Commission, have developed rules and regulations that must be strictly followed.

In contrast, the British model is principle-based, or it is also called the «comply or explain» model. Its essence is that there are no strict rules, you need to follow the recommendations or the corporate governance code, and if you cannot follow them, you need to explain the reason. So, the UK model is more based on a self-regulation approach, where the main purpose is to ensure that investors or potential investors have accurate information on which to base their judgments.

The continental European two-tier model is also ruled-based, but it is dominated by the fact that the title is concentrated in the hands of banks and holding companies, as in Germany or the Netherlands, or family clans and the state, as in France or Italy. The continental European model is also characterized by a two-tier Board of Directors, which consists of the upper, supervisory board, and the lower, management board or committee. The supervisory board is comprised entirely of outside directors and the management board entirely of executive directors. The continental European model also has a significant social component. For example, 50 percent of the supervisory board should be made up of representatives of employees of the company who will protect their interests.

The Japanese business network model has many similarities with the continental European two-tier model in terms of a large concentration of assets in holdings and banks, but in the Japanese model, in most cases this occurs through crossholdings and interlocking directorship. This creates a network of companies which is called in Japan Keiretsu. Another feature of the Japanese model is the large number of people on the Board of Directors. While a 15-member Board of Directors

is considered too large for American or British companies, a 30-or even 50-member Board of Directors in Japan is common and considered normal. And only 13.5 percent of them are outside directors, the rest are insiders.

The next is the Asian family-based model, which shares similarities with the previous model in terms of company management styles and methods, such as centralized decision making and paternalistic management style. But the peculiarity of this model is that most shares are owned by certain families, and, consequently, companies are controlled by families. This model of corporate governance is typical for South Korea, Hong Kong, Singapore, Malaysia, and some other countries in Southeast Asia.

Thus, each of the presented models has its own characteristics and fits the conditions of the country in which it originated. Therefore, the Japanese model, for example, is not suitable for the United States or Canada, and the European model is not suitable for Southeast Asian countries (Tricker, 2015).

Findings and Discussions

Corporate Governance in the Developing and Emerging Markets

Developing and emerging market countries include countries such as the former socialist camp, Turkey, Latin America, India, and many others. As you can see from this list, these are completely different countries, each with its own history, economic and political background, as well as social and cultural characteristics. Nevertheless, many of them have been adopting the American or British corporate governance models. The main reason of this is because of the socio-economic and political influence of the United States and the United Kingdom even despite the fact that, over the past twenty years, the world has been shaken by corporate scandals, fraud, and bankruptcy among American companies.

Due to the fact that, as previously mentioned, the title of ownership is dispersed among many shareholders, equity markets are relatively large, with high liquidity

and significant turnover, boards of directors and executive managers can wield significant power over their companies. Even though ultimate power lies with the voting shareholders, de-facto they act not as owners of the company. They act simply as investors what means they are interested only in their returns on invested capital (El-Hodiri and Zhussupova, 2020; Kultys, 2016; Chan and Cheung, 2012; Zhussupova and Nurmagambetova, 2016). Real company's owners, first of all, take care about future perspectives, company's strategies and long-term market capitalization. To act as real principals, shareholders do not have full access to company's financial records as executive managers do. This deep asymmetry in access to information allows executive officers act in their own interests. Thorstein Veblen in his "Theory of Business enterprise", alerted us to the fact that the business enterprise has one and only one purpose: to make money (Lojpur and Draskovich, 2013). Never mind the American myth that the firm makes money by adding value and that the owner collects the money. One look to the end of the year account of any American corporation is enough to convince us that production is not the main source of income to the corporation nor do the profits go to the shareholders. It goes to the CEO, in the form of bonuses and hence the shocking rise in share prices.

Despite these systemic shortcomings of the American corporate governance model, many developing countries are trying to adopt it at home and work based on US principles. However, as we see in practice, despite many years of work in this direction, the corporate governance system in developing countries is far from the original, as corporations in China, India, Latin American countries, CIS countries, including Kazakhstan, work in their own realities. In many of these countries, the stock market is underdeveloped, the profitability of companies is dictated by political forces, and the rights of minority shareholders are not respected. In addition, there are failures in the legal regulation of corporate governance, lack of qualified personnel, excessive bureaucratic system, and much more. The neoliberal orientation of the Anglo-American model does not consider the fundamental, institutional features of each developing country. It is possible that the Anglo-

American model of corporate governance does not fit the formal and informal institutional conditions of these countries.

Corporate Governance Institutional Reforms in Kazakhstan

In Kazakhstan, as in other republics of the USSR, almost all property belonged to the state, which owned, disposed of, and carried out operational management of it, including all income and profits of enterprises. The state independently redistributed goods between economic entities in accordance with the principles of social justice. The state centrally developed strategic and tactical plans for enterprises considering economies of scale. With the transition to a market economy, new forms of ownership and new ownership relationships have emerged, including for natural resources. By the way, the transition to a market economy was carried out, in our opinion, by barbaric methods, the key component of which was privatization. Thus, privatization became one of the main elements of institutional changes in the former Soviet republics, which laid the foundation for the corporate governance system. According to J. Stiglitz, privatization was accompanied by a massive stripping of assets of enterprises, which, for example, was avoided in Poland. Poland was more focused on corporatization (Stiglitz and Sassen, 2002). In addition, for various reasons, the relevant institutional environment was not created in a timely manner, which allowed manipulating rental income in favor of the investor. Subsequently, a system of inefficient institutions took the place of an institutional vacuum (Vinogradova, 2012). Only in recent years, in our opinion, there have been some positive changes in the field of corporate governance in Kazakhstan, such as:

- conducting systematic audits;
- the presence of at least one third of independent Directors on the Boards of Directors;
- development of corporate codes and introduction of standards of corporate behavior;

- implementation of information disclosure rules and regulations.

When carrying out further corporate governance reforms in our country, we need to consider the fact that despite the massive privatization of the 90s, the state still owns the production giants of our economy. In our opinion, they should go through the process of denationalization using the IPO system, and turn to public companies, and citizens of the country should become real co-owners of property that is initially public.

It has long been known that state-owned holding entities such as Samruk-Kazyna, Baiterek, and others operate inefficiently. Over the course of its existence, state-owned holdings have turned into large structures with bloated staff, which mainly include individuals affiliated with high-ranking officials in one way or another, and thus consume huge budget resources. Many subsidiaries spin off from them, creating a so-called quasi-public sector, which also receives its benefits. Thus, the form of state property management through the creation of state holdings that have a controlling stake or full control over the assets of state-owned companies has demonstrated its insolvency.

The Government should try to involve most of the country's population in the process of denationalization (possibly through attracting pension savings). Otherwise, the corporate governance practice that currently exists in Russia may develop. The specifics of privatization mechanisms in the Russian Federation determined the so-called insider nature of corporate governance mechanisms, which involves the concentration of share capital in the hands of a limited number of people, a high level of competition between shareholders, top managers and external stakeholders in order to maintain control over the company, the lack of development of the institute of independent directors and market control over the corporation, etc. (Veblen, 2017).

One more our suggestion is to expand the powers of the Supervisory Board of joint-stock companies, whose members should only be independent directors. If their affiliation with the company is established, the joint-stock company should be

subject to strict penalties. Despite the rapid development of this Institute, its effectiveness, however, leaves much to be desired. This is primarily due to the lack of a clear definition of an independent director in the legislation, as well as the fact that quite often an independent director in a company performs decorative functions. Besides independent directors, we think each Board should contain representatives of the companies' employees like Worker directors in German corporations. Then the corporate form will really have a democratic character, along with the fact that a wide range of people, including employees of the company, become shareholders, and holding shares makes it possible to participate in generating additional income and managing the company through participation in the General meeting of shareholders (Moskovtsev, 2008).

Conclusion

In this paper, we have tried to analyze the essence of corporate governance in modern institutional conditions, critically comprehend the advantages and disadvantages of each model of corporate governance, realize the fact that each country has its own historically established institutions, and blind copying of someone else's model will not lead to the desired results.

J. Wolfensohn, the former president of the World Bank said that proper management of companies will be as critical to the global economy as proper management of countries. Today's realities show the validity of these words. To ensure the sustainability of economic growth during the third industrial revolution, and later in the era of Industry 4.0, it is necessary to build an effective system of corporate governance in an institutional environment that would provide reliable guarantees of property rights, transparency and availability of information, information disclosure, and respect for the rights of shareholders.

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