CENTRAL ASIA BUSINESS JOURNAL
SUMMER-FALL 2021

CALL FOR PAPERS

The *Central Asia Business Journal*, published by KIMEP University quarterly, promotes understanding of business issues (broadly defined) in the region. As we see it, the region includes the post-Soviet "stans" (Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan and Turkmenistan) as well as the post-Soviet states of the trans-Caucasus area (including Armenia, Azerbaijan and Georgia). The ISSN number is 1991-0002. The *Journal* is registered with the Ministry of Information and Communication in Kazakhstan; its registration number is KZ05RVV00009497.

Central Asia is a fertile area for research. It prospers from rich natural resources and high commodity prices as well as from its location at the crossroads of East and West. But its open economy is vulnerable to such external shocks as the global financial crisis of 2008, and its Soviet legacy complicates its transition to markets.

Authors may submit research papers, case studies, and book reviews. We also invite students' papers. All submissions must be in English. All submissions are peer-reviewed, usually on a double-blind basis. The deadline for submissions to the Winter 2021 issue is October 15; we will consider later submissions for later issues.

The journal is open to all methodologies, but it especially welcomes papers that are conceptually and analytically strong and that relate to the real world. We prefer papers with new findings but also publish surveys. All papers should discuss applications to Central Asia.

The journal's interests include:

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Symposium. This consists of several commentaries on a recent issue of interest – for example, the August 2015 float of the tenge. A typical commentary may run 1,500 to 2,500 words. Usually, the journal commissions commentaries, but you may propose a symposium to the managing editor.

We try to give the author a decision on her submission in six weeks.

The *Journal*'s website, www.kimep.kz/bang-college-of-business/central-asia-business-journal, provides guidelines for authors and recent issues.

The *Journal* is published by KIMEP University, 4 Abai Prospekt, Almaty, Kazakhstan 050010. For further information and submissions, please write to the Journal's managing editor, Leon Taylor, at ltaylor@kimep.kz.

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Table of Contents (Volume 12, Issues 2 and 3)

Guest editor: Jungmin Jang

Jungmin Jang: Introduction to the special issues: Best papers presented at the student sessions of the 18th KIRC 2021 ..... **6**

Balnur Umeyeva (adviser: Alimshan Faizulaev): Influence of the international financial reporting standards implementation on the attraction of investment to the Eurasian Union countries **8**

Nurlan Tilepov (adviser: Muhammad Arslan): Covid-19 and stock market volatility: An industry-level analysis **15**

Aida Akhmetbek (adviser: Vladimir Garkavenko): The role of marketing in the world of pandemics **22**

Akzhan Sailau (adviser: Muhammad Arslan): An empirical analysis of overconfident behavior in the Russian stock market **27**

Kamila Aitkulova (adviser: Leon Taylor): Determinants of political stability—The empirical study of foreign aid to the former USSR states: Regression analysis **42**

Zaure Mederkhanova (adviser: Gulnara Dadabayeva): The role of social media in the image formation of Kazakhstan **48**

Kamila Nassyrova (adviser: Nicolás Zambrana-Tévar): Consumer protection rights in transnational contracts (abstract) **55**

Introduction to the Special Issues: Best Papers Presented at the Student Sessions of the 18th KIRC 2021

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The 18th KIMEP International Research Conference (KIRC) was held on 09-10 April, 2021. In this academic conference, first held in 2004, scholars exchanged valuable knowledge in multi-disciplinary areas such as business, economics, management, taxation, social science, humanities, law, literature, and linguistics. Traditionally, the KIRC has fostered connections among scholars, business leaders, NGOs, journalists, policy-makers, and regulators in all academic fields.

Starting last year, a part of the annual KIRC has consisted of presentations of master's students, based on their theses. Of 77 papers, 36 were presented at the student session this year. The seven articles selected for this special issue represent the best of these papers, as determined by the conference session chairs and the conference chair of KIRC 2021. In accordance with the main purpose of the conference, the seven articles in this special double-issue represent a wide variety of topics.

In the lead article, "Influence of the International Financial Reporting Standards Implementation on Investment Attraction in the Eurasian Union Countries," Balnur Umeyeva and her supervisor Alimshan Faizulaev found that International Financial Reporting Standards are critical and fundamental determinants that positively influence foreign direct investment.

The second article, "COVID-19 and Stock Market Volatility: An Industry-Level Analysis," by Nurlan Tilepov and his supervisor Muhammad Arslan, empirically explores how the COVID-19 pandemic has impacted the stock price volatility of financial services companies in Kazakhstan. The results show that the crisis did not significantly affect stock market volatility.

In "The Role of Marketing in the World of Pandemics," Aida Akhmetbek and her supervisor Vladimir Garkavenko examine how the COVID-19 pandemic has changed marketing-related spheres, such as marketing communications, digital marketing, consumer behavior, and marketing research. Analyses of primary data (interviews and surveys) and secondary data showed the greatest changes to be in marketing communication and consumer behavior, respectively.

In "An Empirical Analysis of Overconfident Behavior in the Russian Stock Market," Akzhan Sailau and her supervisor Muhammad Arslan investigate how the overconfidence of investors stimulates stock returns and stock market turnover in the Russian stock market. The empirical findings show that the overconfidence bias of investors about stock value facilitates a strong lead-lagging effect between stock return and market turnover.

The fifth article, "Determinants of Political Stability—The Empirical Study of Foreign Aid to the Former USSR States: Regression Analysis," is by Kamila Aitkulova. Her adviser was Leon Taylor. This exploratory study identifies the meaningful determinants among different socioeconomic and political variables to explain political stability in countries.

In the sixth article, "The Role of Social Media in the Image Formation of Kazakhstan," Zaure Mederkhanova and her supervisor Gulnara Dadabayeva demonstrate the role of social media in forming the image of Kazakhstan. Moreover, the authors suggest an effective way to use social media to promote the brand and image of Kazakhstan abroad.

Last but not least, Kamila Nassyrova and her supervisor Nicolás Zambrana-Tévar explore legal protection for consumers in "Consumer Protection Rights in Transnational Contracts." The authors believe that the consumer as the most vulnerable party needs legal protection more than the company, especially in transnational contracts. The authors conclude that the jurisdiction of the country of residence should be applied when there is a risk of a foreign jurisdiction in potential disputes.

The findings, conclusions, and commentary of these articles add significantly to our understanding of diverse disciplines. More importantly, all of the papers are excellent outcomes from the great effort of each student under the adviser's dedicated supervision.

As the editor of this special double-edition, I would like to acknowledge the efforts of a number of students as well as supervisors who made critical contributions to creating the articles for this issue. Overall, the special issues provide a great mix of covering current interesting areas in business, social science, and law while also exploring new directions. I hope readers of the CABJ enjoy these articles. I welcome any comments.

Dr. Jungmin Jang is an Assistant Professor of Marketing in the Bang College of Business at KIMEP University, Almaty, Republic of Kazakhstan. She was awarded her Ph.D in marketing from Korea University, Seoul, South Korea. She held the position of the Research Director of Bang College of Business at KIMEP University during the 2020-2021 academic year. As conference chair, she organized the 18th KIRC (KIMEP International Research Conference) in 2021. This special issue was proposed and designed by her as a part of the 18th KIRC.

As an active scholar, her research areas are congruency effects and cultural differences in marketing communication contexts. Her other research interests include behavioral decision-making such as variety seeking and context effects in advertising and retail settings and their impact on consumers. Dr. Jang's research has appeared in leading journals such as Journal of Advertising, International Journal of Advertising*, and* Marketing Letters*.*

Influence of the International Financial Reporting Standards Implementation on the Attraction of Investment to the Eurasian Economic Union Countries

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***Abstract**: This article studies the effect of International Financial Reporting Standards (IFRS) on inflows of foreign direct investment (FDI) into Eurasian Economic Union (EAEU) republics, by comparing data before and after integration of the Standards in particular countries. After monitoring conventional determining factors of FDI inflows and international trade, we found in an Ordinary Least Squares regression that IFRS affect FDI inflows.*

***JEL classifications:** M49, F43*

***Keywords:** International Financial Reporting Standards, The Eurasian Economic Union countries, foreign direct investment*

1. Introduction

In the globalization period, all countries seek investments from abroad. Since accounting is the language of business, we need common and understandable rules for tracking investments. International Financial Reporting Standards (IFRS) provide transparency and accountability of economic transactions. And if the capital market is effective, IFRS will encourage the mobility of investment by reducing the asymmetry of information and by increasing transparency and comprehensibility.

This article concerns the debate over implementing IFRS in light of two trends: Globalization of economic data; and the attraction of FDI into Eurasian Economic Union (EAEU) countries. We have used data from the two main EAEU countries, Kazakhstan and the Russian Federation.

The EAEU countries—Kazakhstan, the Russian Federation, Armenia, Kyrgyzstan, and Belarus—were constituents of the Soviet Union that began developing market economies after becoming independent. These economies depend on the export of raw materials, especially oil. To increase economic growth, these countries have tried to attract foreign direct investment with tax incentives and preferences, special conditions for export-import and foreign exchange transactions, and special rules for foreign labor. In addition, they offer transparency to investors. Hence their interest in IFRS.

According to surveys, businesses that have adopted IFRS face issues such as tax code contradictions, underdeveloped capital markets, and discrepancies in the financial system where banks are the primary consumers of financial statements. Other issues include ineffective software systems that cannot produce accounting information required for comprehensive IFRS and related disclosures, and a lack of experience in implementing IFRS. What is perhaps ignored by the proponents of internationalization of IFRS is that advanced countries have business characteristics that limit their opportunities to figure out the advantages of adopting IFRS. Although leading countries may find it reasonable to adopt IFRS, emerging countries might not have the same expected economic

advantages, due to their lack of accounting and business infrastructure—for instance, a lack of knowledge about accounting and a lack of international business executives, as well as small and undeveloped capital markets and weak governance.

The main problem is that re-educating financial specialists is expensive. The government must pass new laws to accommodate the new system, but business executives may not know enough to carry them out efficiently.

For this paper, the main research question is this: How does IFRS acceptance affect the main macroeconomic indicators in EAEU countries? As it turns out, results support the hypothesis that IFRS acceptance has increased the flow of foreign direct investment into EAEU countries.

2 Literature Review

Globalization, especially of stock markets, pressures countries to accept IFRS. This section summarizes the evidence about how IFRS affects macroeconomic indicators.

Foreign direct investment is the inflow of investment into a country from abroad. This inflow includes reinvestment of earnings, capital contributions, and lasting or near-term assets appearing in the balance of payments after mergers and acquisitions. We will say that the investment is foreign if foreigners own at least a tenth of the business in the host country.

2.1 IFRS and Accounting Quality

The principles of IFRSs are market-driven and require broad disclosure. Although International Financial Reporting Standards may affect reports of value in multiple ways, generally computing the change to fair value from historical worth requires excellent accounting (Armstrong et al., 2010; Urgin et al., 2017). On the other hand, the flexibility of basic standards may enable the firm to reduce income fluctuations, relate expense acceptance to revenue acceptance, and report accruals aggressively (Capkun et al., 2016).

Financial estimates, especially those related to the voluntary or compulsory implementation of International Financial Reporting Standards, should analyze fluctuations in earnings and the book value of equity. This analysis may prove that IFRS enhance the value of compliance relative to the carrying worth of equity and earnings (Chalmers et al., 2012). Indeed, this carrying worth turns out to be more relevant in the post-IFRS period when applying a pricing model (Chalmers et al., 2012). The literature recommends that, notwithstanding studies of the impact of IFRS, evidence of the effect of the financial statement obligation on the real level of prepared and stated data may produce incompatibilities. This shows that designing a model to clarify the impact of identical financial accounting rules within one or multiple states is complicated (Ball, 2016). The quality of financial reporting might depend not only on financial accounting rules, but on state institutions and the company's reporting incentives.

2.2 Outcome of IFRS Acceptance on Stock Market

Economic data is significant for the investment public. Among academic researchers, a widely advertised advantage of International Financial Reporting Standards is that they lower informational asymmetry for stock market players. Consequently, companies and investors face fewer doubts than before about financial data. Some research suggests that domestic investors have informational benefits when compared to foreigners (Golubeva, 2017). Moreover, some researchers claim that the reduction of informational asymmetry might cut the cost of capital. However, by taking into account global transparency, most companies would face a lower offered price of financial instruments in stock market. This would trigger the growth of demand for financial securities, assuming that the anticipated net effect of IFRS on the price of capital is slight.

In principle, one advantage of shifting from local rules for financial accounting to international rules is that the decreasing distinctions in accounting standards cut the cost of developing international statements for combined financial accounting. But despite the fundamental logic of integration, annual accounting and conformity expenses increased 20% or more for Australian companies when they adopted IFRS (Pawsey, 2017).

Implementation of IFRS as a basis for developing and demonstrating financial statements requires a detailed expense-effectiveness analysis. Some papers endorse IFRS because they reduce data asymmetry and increase the precision of financial estimates. Other papers contradict this conclusion. In general, the evidence for the claim that IFRS benefit capital market investors is mixed.

2.3 IFRS and FDIs: IFRS and Profitability

External stockholders encounter three sorts of information expenses that IFRS acceptance will probably affect: Confusion about the excellence of financial statements, confusion concerning allocation of upcoming cash movements, and data processing expenses. Research suggests a positive connection between the implementation of IFRS and an increase in FDI if the International Financial Reporting Standards decrease expenses (Beneish & Yohn, 2017).

H: The acceptance of IFRS affects positively FDI net inflow to Kazakhstan and the Russian Federation.

3. Research Methodology

We chose the Russian Federation and Kazakhstan because their economies dominate the region. Our regressions used ordinary least squares.

Table 1
Independent Variables

lnFDI	Net inflows of foreign direct investment
IFRSSCORE	International Financial Reporting Standards implementation status
GDPGR	GDP per capita growth
GDP	GDP
INV FR	Investment freedom
EC FR	Economic freedom
EXCHANGE	Official exchange rate
EDU	School enrollment
GOV INDEX	Score on the aggregate indicator of accountability and voice, rule of law, political stability, corruption regulation, government effectiveness, and regulatory quality.

$$\mathbf{lnFDI_{i,t} = b0+b1IFRS_{i,t} + b2GDP\ GR_{i,t-1} + b3logGDP_{i,t-1} +b4\ INV\ FR_{i,t-1} +b5\ ECFR_{i,t-1} +b6\ EXCHANGE_{i,t-1}+b7\ EDU_{i,t-1} + +b8GOV\ INDEX_{i,t-1} + 1i,t.}$$

The Republic of Kazakhstan's Law on Accounting and Financial Reporting, No. 234, dated February 28, 2007, Article 16, states that companies must develop financial statements in accordance with

international requirements for medium and small companies, in Kazakh and Russian. The Russian Federation required firms to adopt IFRS beginning in 2012. Table 2 gives the scores that a nation can achieve by putting IFRS into effect. The score was 6 for the Russian Federation and 10 for Kazakhstan.

Table 2
IFRS Implementation Scores

Score	IFRS adoption characteristics for countries
0	Standards are not obliged, not allowed
1	Standards are allowed for integrated financial reports, and are not allowed for separate reports
2	Standards are allowed for integrated financial reports, and allowed for separate reports
3	Standards are not allowed for other domestic organizations and obliged for integrated financial reports of banks, large organizations and financial organizations
4	Standards are obliged for individual and integrated financial reports of banks, large organizations and financial organizations, and not allowed for other domestic organizations
5	Standards are allowed for integrated reports of other companies, individual statements and obliged for integrated financial statements of banks, large organizations and financial organizations.
6	Standards are obliged for integrated statements of banks, large organizations and financial organizations, and allowed for consolidated financial reports and separate financial reports of other organizations
7	Standards are allowed for individual financial reports, and obliged for consolidated financial reports
8	Standards are allowed for individual financial reports, and obliged for consolidated financial reports
9	Standards are allowed for individual financial statements of other companies and obliged for consolidated financial reports , large organizations and financial organizations, obliged for individual financial reports of banks
10	Standards are obliged for separated and integrated financial reports.

4 Results

According to Table 3, the regression model performs better than a model that contains only a constant (Prob > F = 0.0006). R-squared is 71.7%; that is, the regression model can account for about 72% of the variation in foreign direct investment over time in Kazakhstan. Only IFRS and Economic Freedom are statistically significant at the 5% level; Investment Freedom is almost significant at the 10% level. "Statistical significance" means that the independent variable probably affects foreign direct investment outside of the sample.

Table 3
Results of the Analysis of Kazakhstani Data

Source	SS	df	MS		
				Number of obs	= 28
				F(8, 19)	= 6.01
Model	5.7159e+20	8	7.1449e+19	Prob > F	= 0.0006
Residual	2.2585e+20	19	1.1887e+19	R-squared	= 0.7168
				Adj R-squared	= 0.5975
Total	7.9745e+20	27	2.9535e+19	Root MSE	= 3.4e+09

lnFDI	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
IFRS	1.34e+09	4.19e+08	3.21	0.005	4.68e+08	2.22e+09
LOGGDP	-.033282	.0249694	-1.33	0.198	-.0855436	.0189795
GDP_GR	-1.02e+08	2.26e+08	-0.45	0.658	-5.76e+08	3.72e+08
EXCHANGE	-1.63e+07	1.24e+07	-1.31	0.205	-4.23e+07	9690457
EC_FR	1.95e+08	9.14e+07	2.14	0.046	4015260	3.87e+08
INV_FR	-2.16e+08	1.27e+08	-1.71	0.104	-4.82e+08	4.87e+07
GOV_INDEX	-1.94e+09	3.18e+09	-0.61	0.549	-8.60e+09	4.71e+09
EDU	-2.03e+07	1.42e+08	-0.14	0.888	-3.18e+08	2.77e+08
_cons	3.83e+09	1.55e+10	0.25	0.807	-2.86e+10	3.62e+10

Table 4
Results of the Analysis of Russian Federation Data

Source	SS	df	MS		
				Number of obs	= 28
				F(8, 19)	= 11.28
Model	1.1659e+22	8	1.4574e+21	Prob > F	= 0.0000
Residual	2.4538e+21	19	1.2915e+20	R-squared	= 0.8261
				Adj R-squared	= 0.7529
Total	1.4113e+22	27	5.2271e+20	Root MSE	= 1.1e+10

lnFDI	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
IFRS	-3.86e+09	1.84e+09	-2.10	0.049	-7.70e+09	-1.14e+07
LOGGDP	.035252	.0082763	4.26	0.000	.0179296	.0525745
GDP_GR	5.69e+08	5.33e+08	1.07	0.299	-5.46e+08	1.68e+09
EXCHANGE	-1.27e+08	2.98e+08	-0.43	0.674	-7.50e+08	4.96e+08
EC_FR	1.17e+08	5.53e+08	0.21	0.835	-1.04e+09	1.27e+09
INV_FR	-1.36e+08	4.13e+08	-0.33	0.746	-9.99e+08	7.28e+08
GOV_INDEX	-3.61e+09	1.01e+10	-0.36	0.726	-2.48e+10	1.76e+10
EDU	6968426	7.15e+07	0.10	0.923	-1.43e+08	1.57e+08
_cons	-7.57e+09	1.30e+10	-0.58	0.566	-3.47e+10	1.96e+10

Table 4 shows the regression model for the Russian Federation. Like the Kazakhstani regression, the Russian one out-performs a model that has only a constant as an explanatory variable

(Prob > F = 0.0000). R-squared is 82. 6%. IFTS and LOGGDP are statistically significant at the 5% level; that is, the probability that IFRS or gross domestic product does *not* affect foreign direct investment outside of the sample is less than 5%. The negative sign on the IFRS coefficient is unexpected.

5. Discussion

Judging from the regressions for Kazakhstan and the Russian Federation, IFRS affects foreign direct investment, but not always positively. Judging from the literature, other factors that may influence financial development include the style of philosophy or the type of governmental, but these were not in my investigation model. Upcoming investigation must focus on the business impacts of the transition to IFRS, and expand the dataset by including other EAEU countries. The potential for a bi-directional connection between FDI capital influxes and IFRS acceptance should be resolved.

Based on results for Kazakhstan, one could recommend protecting economic freedom in Kazakhstan, because this increases the attraction of FDI. Other research has argued that reducing informational asymmetry and increasing transparency and comprehensibility attract investment.

The results for the Russian Federation suggest that increasing transparency and comprehensibility by accepting IFRS may enable the country to attract more investments. Indeed, one might recommend requiring IFRS for all companies to reduce informational asymmetry.

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Covid-19 and Stock Market Volatility: An Industry-Level Analysis

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***Abstract**: The spread of the novel coronavirus has increased global economic uncertainty. The development of the virus crisis into a pandemic, as well as the shift of the epicenter from China to Europe and later to the United States, had increased stock market volatility in market economies. Increased uncertainty, investor panic, and sudden withdrawal of insurance funds by corporations all pressured banks and other financial institutions that have seen unprecedented levels of credit demand during the pandemic.*

This study analyzes the impact of COVID-19 on stock price volatility among banks and financial services companies in Kazakhstan. The linear regression used metadata about daily stock price changes covering the period of March 20, 2020-March 20, 2021. No previous work has tried to explain COVID-19's impact on stock price volatility. The primary reason for selecting the banking and finance sector is that it ensures the financial liquidity of the economy; banks are lenders of first resort in Kazakhstan.

The regression revealed that the financial sector was not harmed by the spread of the virus.

***JEL classifications:** G19, G21, G01*

***Keywords:** Covid-19, pandemic, stock market volatility, indexes, regression analysis, Covid-19 metadata, virus-induced crisis, short-term liquidity.*

1. Introduction

The COVID-19 outbreak that started in the end of 2019 and spread across the world has affected all aspects of life. Most importantly, it has affected economies, as countries enforced mass lockdowns to control the spread of the virus. Indeed, the COVID-19 outbreak increased uncertainty. As a result, stock markets have become highly volatile (Erdem, 2020). Indeed, the virus outbreak has had a negative impact on most world economies, with decreasing output, rising unemployment, and decreasing growth rates in gross domestic product. One prominent stock market crash during the pandemic was in March 2020 in the United States. The Dow Jones Industrial Average plunged 26% due to the government reaction to the virus outbreak (Mazur et al., 2020). Strict policy responses led to the suspension of production, especially in manufacturing, which adversely affected the stock performance of publicly listed companies. As an important and dynamic player in the world economy, Kazakhstan has also been affected by COVID-19, resulting in increased pressure on the economy as overall output levels have decreased when the pandemic affected the country in March 2020. Given that the impact of the virus outbreak tended to vary from the sector to sector, and considering the lack of works addressing the impact of COVID-19 on the stock market performance in Kazakhstan, this paper may have enhanced

value, particularly as the basis for future research. This paper assesses the impact of COVID-19 on stock price volatility by focusing on the banking and finance sector, which provides liquidity to the economy.

Systematic and liquidity problems of the banks during the economic downturns have motivated us to analyze how financial behavior affects volatility. Assessing the impact of the pandemic on Kazakhstani sectors and on its stock market is relevant to global stock markets. COVID-19 may influence different sectors in different ways. In particular, it will identify the pandemic's impact on the Kazakhstani Stock Index, especially its long-run impact.

This will have practical implications for investors holding portfolios in Kazakhstani publicly traded companies. Sagatbekovich (2019) argued that the main transmission channel of the global financial crisis in 2007-2008 was banks with international loans. Their failure induced the government to try to rehabilitate them. This paper will address stock market performance of the largest commercial banks in Kazakhstan to determine their responsiveness to a virus-induced recession. The findings may serve as a foundation for work on stock market volatility.

Moreover, the study will attempt to determine market-specific as well as virus-induced patterns in stock price movements. We need academic studies on how the novel coronavirus affects stock volatility.

2. Literature Review

The pandemic has injured stock markets around the world, since lockdowns have deprived companies of revenues. The degree of the impact varies from country to country. This literature review will analyze the impact on developed and emerging markets.

Baek et al. (2020) studied the impact of COVID-19 on U.S. stock market via the Markov Switching AR Model, thus focusing on lower as well as higher volatilities in the stock market. The analysis included economic variables that related directly to stock market performance in line with machine learning. The study included several industries—utilities, tourism, tobacco, petroleum and natural gas, consumer goods, food production, telecom and broadcasting, business equipment, personal and business services, steel, fabricated products & machinery, electrical equipment, automobiles and trucks, and healthcare. Industries were classified into Panels A and B and analyzed by regression.

Overall, with the increasing number of infections and deaths, the U.S. stock market became riskier. Systematic and idiosyncratic risk in all observed industries have increased. However, industry-level analysis revealed that systematic risk increased in case of defensive industries namely telecommunication and utilities. However, it was lower in case of aggressive industries such as automobiles and business equipment. Analysis of total risk across industries via combining economic variables as well as COVID-related variables demonstrated that stock market performance was more sensitive in case of news on COVID-related deaths as recoveries. Namely, news about the deaths were more influential in comparison with positive news on recoveries (Baek et al., 2020).

Evidence from the Australian stock market reveals that COVID-19 has had an adverse impact on the Australian economy as well as on stock market performance (Alam et al., 2020). The negative impact was not evenly distributed across sectors. Some sectors represented in the Australian stock exchange have become highly vulnerable, while other sectors have performed better. The analysis focused on eight sectors: Transportation, healthcare, pharmaceuticals, food, real estate, energy, telecommunications, and technology. The metadata analysis was derived from the Australian Securities Exchange (ASX). The authors analyzed risk-return characteristics related to the announcement of events stemming from the COVID-19 outbreak in the country. For instance, the pharmaceutical, healthcare, and food sectors enjoyed large gains when the outbreak was announced February 27, 2020. Later, the telecommunications sector also exhibited positive returns whereas transportation industry experienced losses.

Khan et al. (2020) analyzed the impact of COVID-19 on the stock market performance in 16 countries through application of an Ordinary Least Squares (OLS) regression model. The analysis was based on the new COVID-19 cases reported weekly and on stock returns. The increase in the number of infection cases correlated negatively with stock returns. To assess stock market performance, the authors compared the returns of leading indexes of selected countries in the pre-COVID period with the COVID period. They found that investors had not reacted much to the news about the new cases at the beginning of the pandemic. However, when it was announced that the virus was transmissible from human to human, all analyzed market indexes reacted negatively in the short- and long term. The U.S. economy has been severely affected by COVID-19, and the country has experienced the largest number of deaths in the world due to the inability of the government to contain spread of the virus.

Analysis of 125 economic sectors revealed industry-specific factors affecting stock returns, as well as macroeconomic factors. Systematic factors negatively affected industries such as airlines, real-estate, aerospace, oil and gas, tourism, retail apparel, and brewers. These industries depended heavily not on macroeconomic policies but on policies restricting the virus outbreak. Moreover, macroeconomic factors led to losses in industries such as equipment production, machinery, electronic and electrical products (Thorbecke, 2020). On the other hand, a study comparing the impacts of news announcements on new cases and fatality rates, using S&P 500, discovered that country-level and global announcements improved the volatility of S&P 500. Virus-induced uncertainty about the future increased stock market volatility. Hence, the longer is the pandemic, the higher will be the market volatility, which imposes significant financial risks (Albulescu, 2020).

Banking was the first sector affected by the novel coronavirus. Acharya and Steffen (2020) stated that the virus spread around the world has been a stress test for banks. Focusing on American commercial banks, the authors concluded that spread of the virus had decreased stock market prices and tightened credit conditions. In such a crisis, companies draw down their insurance deposits, which affects bank balance sheets and stability, as in the global financial crisis of 2007-2008. Such tendencies increase the need for bank capitalization and for management of credit portfolios through stress tests. Coincidence of steep stock market corrections with other shocks can erode bank capital. Using Tier 1 capital, risk-weighted asset ratios of banks will likely be close to the regulatory minimum of 8%, and to even lower rates for some banks. Given such scenarios and already-increasing credit lines, regulators should plan for severe stress tests by ensuring that banks can prevent capital depletions by offering dividends or buying back shares.

3. Research Methodology

This paper analyzes the financial impact of COVID-19 in Kazakhstan by focusing on daily stock price changes and correlation with independent variables, using the linear regression model, as do similar studies, some of which are described in the literature review (Alam et al., 2020; Dilla et al., 2020; Goker et al., 2020; and Singh et al., 2020). This paper determines relationships between stock volatilities, using metadata on COVID-19. It uses event analysis, where information and official statistics are compared with stock market response rates. Now we must determine dependent and independent variables to be used in regression.

We considered the change in daily stock prices for the largest commercial banks in Kazakhstan (Table 1) to be an appropriate measure of the stock market response. We calculated the change as

$$Pt= (Price_{Adj.close}-Price_{Open})/Price_{Open}$$

where $Price_{Adj.close}$ is the stock price at the end of the trading day and $Price_{Open}$ is the stock price at the beginning of the trading day. The period analyzed was March 20, 2020, to March 20, 2021.

Table 1
The Largest Commercial Banks of Kazakhstan

Name	**Share Symbol**	**Sector**
Halyk Bank JSC	HSBK	Banking and Insurance
Bank Center Credit JSC	CCBN	Banking and Insurance
Kapsi.kz JSC	KASPI	Banking and Insurance
Jysan Bank (former Tsesna Bank)	TSBN	Banking and Insurance
Freeom Finance	FRHC	Financial services
Forte Bank JSC	ASBN	Banking and Insurance

To determine the types of stock statistics that have high responses, we considered total COVID-19 cases, new COVID-19 cases, and COVID-19 deaths. We obtained metadata on COVID-19 from the open-source online platform Our World in Data (OurWorldInData.org, 2021). Our regression model is

$$P = \beta_0 + \beta_1 * COVID_{total} + \beta_2 * COVID_{new} + \beta_3 * COVID_{deaths} + U_t \quad (1)$$

where betas are elasticities of chosen variables, and U_t is a disturbance term.

4. Results

Table 2 presents results of the regression. R-square was 0.029. Roughly speaking, the model accounted for less than 3% of the variation in stock price changes across the 1,464 observations.

Table 2
Regression Results

Regression Statistics	
Multiple R	0.17230651
R Square	0.02968953
Adjusted R Square	0.02435449
Standard Error	0.08050596
Observations	1464

Table 3 summarizes the analysis of variance. The F-values here indicate that the regression model is much more accurate than a model with no independent variables—a minimum standard for OLS models.

Table 3
ANOVA Results of Regression Analysis

	df	*SS*	*MS*	*F*	*Significance F*
Regression	8	0.28854376	0.03606797	5.56500657	5.83328E-07
Residual	1455	9.43015906	0.00648121		
Total	1463	9.71870283			

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Table 4
Regression Analysis Coefficients

	Coefficients	*tandard Erro*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	0.01900493	0.00601854	3.15773201	0.00162267	0.0072	0.03081087	0.00719899	0.03081087
total_cases	8.1007E-09	1.4571E-07	0.05559573	0.9556715	-2.8E-07	2.9392E-07	-2.777E-07	2.9392E-07
new_cases	-4.584E-07	1.7017E-06	-0.269368	0.78768474	-3.8E-06	2.8797E-06	-3.796E-06	2.8797E-06
total_death	-4.995E-06	1.0746E-05	-0.4647868	0.64215366	-2.6E-05	1.6085E-05	-2.607E-05	1.6085E-05
D2	-0.0125859	0.00728867	-1.7267799	0.08441944	-0.02688	0.00171149	-0.0268833	0.00171149
D3	-0.0102737	0.00728867	-1.4095388	0.15888961	-0.02457	0.00402376	-0.0245711	0.00402376
D4	-0.0389684	0.00728867	-5.3464338	1.0403E-07	-0.05327	-0.024671	-0.0532658	-0.024671
D5	-0.00134	0.00728867	-0.1838447	0.85416091	-0.01564	0.01295744	-0.0156374	0.01295744
D6	-0.0068573	0.00728867	-0.9408158	0.34695544	-0.02115	0.00744013	-0.0211547	0.00744013

According to Table 4, none of the COVID-19 variables had a statistically significant relationship to stock price changes. Two lags of the dependent variable were significant at the 10% level of significance. In sum, there is no evidence that COVID-19 affected volatility in daily bank stock prices.

5. Discussion

The COVID-19 outbreak in Wuhan, China, has become a global pandemic, leading to short-term stock market crises with long-term economic consequences. National responses to the virus-induced changes have ranged from monetary and fiscal easing to bailouts of systemically important industries and companies. In the short run, the virus has halted international trade, disrupted supply and distribution, and reduced production. But the impact of COVID-19 on the global economy and the financial system has yet to be analyzed.

This paper analyzed the main impacts of COVID-19 on the Kazakhstan stock market, emphasizing the volatility of bank stock prices. It used event analysis, where daily stock price changes were the dependent variable, and COVID-19 data yielded the independent variables, in an OLS model. Researchers around the world have also used linear regression, including Sharma (2020), who analyzed stock market volatility in Hong Kong, Russia, Singapore, Japan, and South Korea. Those results showed that COVID-19 significantly affected the nature and frequency of volatility in stock returns, especially in Singapore.

However, the analysis of stock market volatility of Kazakhstani banks showed a smaller reaction to COVID-19. Since Kazakhstan borders on China, it is subject to great stock market volatility due to side effects. However, regression based on metadata from banking and finance found no statistically significant relationship between changes in stock prices and COVID-19 variables. This is despite assumptions about the adverse impact of the pandemic on those sectors, based on Demirguk-Kunta et al. (2020) and Jaiswal et al. (n. d.). Potential reasons for the results of the study may include market structure, market conditions of supply and demand, and daily sales volumes on the Kazakhstan stock market. Given that Kazakhstan depends heavily on oil and gas production, perhaps that sector relates directly to the KASE index. The study did not include publicly traded companies engaged in the oil and gas sector. Future research might also investigate macroeconomic policy as well as time and distance effects of COVID-19 on the timing of the viral crisis in the Kazakh banking and financial system.

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The Role of Marketing in the World of Pandemics

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Abstract: *The COVID-19 pandemic has changed human life, especially in marketing. This study analyzes its impact on marketing communications, digital marketing, consumer behavior, and marketing research. Unexpectedly, analysis of secondary data showed that consumer behavior changed a lot due to its direct connection to lifestyle. Analysis of primary data—surveys and interviews—showed that marketing communication changed the most due to adaptation of advertising to new lifestyles.*

JEL classifications: *M31, I15, M37*

Keywords: *pandemics, Covid-19, marketing communications, digital marketing, consumer behavior, marketing research.*

1. Introduction

In the contemporary era, marketing is evolving at a high pace. According to the statistics provided by Statista (2019), spending on advertising media rose to 587 billion US dollars a year. For comparison, according to World Bank statistics (2019), Kazakhstan Gross Domestic Product (GDP) is about 170 billion US dollars.

Nowadays people cannot imagine a successful business without a marketing department which maintains the business from the very beginning and gives opportunities for growth over the product life. The top American marketing author, Philip Kotler, defines marketing as a sphere that satisfies human needs and wants through exchange.

1.1 Background of the Problem

The COVID pandemic began in early 2020. COVID is the acronym for corona (CO), virus (VI), and disease (D) (Vergnaud, 2020). The virus began in a large Chinese city, Wuhan, and spread around the world. People were locked up in quarantines that lasted as long as a year. Quarantine reshaped the way that people work, study, entertain, and buy products. At home, people were living online because it was the only way to communicate with the world. The lifestyle of consumers switched from offline to online, affecting many spheres of business, including marketing. According to Kotler (2005), marketing has four branches: Marketing communication, digital marketing, consumer behavior, and marketing research.

1.2 Research Problem

It is no secret that the COVID pandemic has harmed the world economy. According to the International Monetary Fund (2020), the global economy fell 3% in 2020, a larger decline than had occurred in the financial crisis in 2008-09. The decline was due to the novelty of the situation; people did not know how to behave and do business. To cope, businesses need to know how marketing changed. This paper

will address that question by analyzing the changes in the branches of marketing, identifying the branches that changed the most and explaining why.

This paper has two hypotheses. First, consumer behavior is the branch of marketing that changed the most. Since the lockdowns changed lifestyles, marketers should identify needs and wants, and determine what to offer to customers in a new world of pandemics. Second, the greatest change occurred in consumer behavior because lifestyles were radically altered during and after the pandemic.

1.3 Information Needed

This first hypothesis required information about the marketing sphere that had the greatest change during and after pandemics. Data sources were secondary (such as academic articles and books) and primary (such as interviews with marketers and experts, and surveys of adult potential customers). Secondary sources give us the opportunity to compare what changes happened on the global level, while primary data provides the opinions of local marketers. The second hypothesis required data about the reason for changes in marketing spheres during and after pandemics.

2. Literature Review

The COVID-19 pandemics changed behavior and buying. Kohli, Timelin, and others (2020) noted three main changes in the world of marketing: Digital acceleration, preference shifts, and economic downturns. Narula (2020) identified four phases of marketing communication during pandemics: Dealing with the crisis, adapting to COVID-19, increasing value for consumers, and returning to normal. Every company either went through this process or closed.

2.1 Marketing Communication

First and foremost, as Brightman (2020) claimed, each company had to rethink its marketing communication strategies. In accordance with Narula (2020), COVID-19 pandemics forced companies to adapt their content to the new reality—for example, providing contactless delivery right to the door or getting consultations online from home. Also, during this period, CEOs had a crucial role in reaching consumers directly showing their involvement and empathy. Capodanno (2020) asserted that businesses needed to show maximum commitment to stakeholders as well. Hence, this sphere had big changes.

2.2 Consumer Behavior

Hoestra and Leeflang (2020) found five changes in consumer behavior: Connection of consumers, healthy living, retreat by the middle and lower classes, reinvention of shopping, and shifts of market frontiers. Other authors consider one change in detail. Kohli and others (2020) said consumer behavior was rapidly changing, so it was crucial to adapt to it immediately.

2.3 Digital Marketing

According to Van Andel (2020), digital marketing slightly changed, as did content, in corporate online promotions and the connection of marketing to empathy. SCB (2020) argued that it was important to link promotions to sales online. Fryer (2020) said offering discounts and promotions, and optimizing e-commerce and email marketing, had become crucial for business development online.

2.4 Marketing Research

Dolenko (2020) said the COVID-19 pandemic was the right time for thorough market research. Many factors have changed in human life: Work conditions, buying behavior, and people's need for connection. New opportunities arose, so one needed to research the market changes in order to adapt in the right way. Kantar (2020) agreed: It was time to research emotional and physical needs of consumers.

3. Methodology

We collected secondary data through Google Scholar, the KIMEP e-library, and official forums. Our main priority in choosing literature was to find key terms such as the COVID-19 pandemic and its impact on different marketing spheres.

For secondary data, w divided articles into four topics corresponding to the spheres of marketing. For each sphere, we classified data into two periods: Before the pandemic, and after it began.

For primary data, we conducted a semi-structured interview and survey. Steps in the process included choosing the interviewees and methods for data collection, and determining necessary instruments.

We selected five well-informed interviewees in different spheres of work. Table 1 has details.

Table 1
Details of Interviewees

Interviewee	Company	Position	Experience
A	The Coca Cola company	Brand manager	15 years
B	The Coca Cola company	Media manager	12 years
C	The Coca Cola company	Content manager	10 years
D	Freelancer	SMM manager	3 years
E	BISAM	Marketing research manager	1 year

Equipment for the interviews included an audio recorder, a list of thoroughly prepared questions, a pencil and a notebook for taking notes, and a cup of coffee to create appropriate interaction. The instruments were a questionnaire and a transcript of voice memos. We asked follow-up questions throughout the interview. Interviewing took one week; and analysis of the findings, three days. In addition to the interviews, we conducted an online survey. The 10 questions include demographic, scale, and multiple-choice questions.

The sample was of 85 people of different ages (18+) and gender. We sampled different generations, because they perceive information in divergent ways.

4. Findings

Secondary data asserted that consumer behavior is the sphere that changed the most during the pandemics. Buying behavior changed radically, as did preferences in clothes, food, and beverages.

Primary data yielded three main findings. First, 91% of the respondents reported that even after the quarantine had ended, they kept quarantine habits such as online buying behavior and keeping distant from people. Second, 70% of the respondents said that marketing communication changed the most. Finally, five out of five interviewees asserted that marketing communication was the sphere that worked the most during COVID-19 pandemics. Even other marketing departments helped update marketing communications.

5. Discussion

The two spheres that changed the most were marketing communication and consumer behavior. Let's consider why. First, secondary data was collected globally, while primary data was collected from Kazakhstan citizens, mostly Almaty residents. Likewise, marketing communication is the sphere that connects directly to consumer behavior; they are interdependent. Changing consumer behavior impacts marketing communication strategies, since these must adapt to the new lifestyle.

Both hypotheses offered in the beginning of this paper were partly confirmed. The two branches of marketing that changed the most were consumer behavior and marketing communications.

6. Conclusion and Recommendations

Although both consumer behavior and marketing communications changed, the changes in the former were more significant than those in the latter, because they affected the latter during and after the pandemic. We highly recommend continuing to monitor these two spheres if pandemics continue.

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An Empirical Analysis of Overconfident Behavior in the Russian Stock Market

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Abstract: *Traditional finance studies have found investment decisions to be rational and unbiased. But modern studies obtain the opposite result about rationality. This paper observes a cognitive error of investors statistically and analyzes their overconfidence in the Russian stock market, finding that such bias stimulates stock returns and stock market turnover. We used quarterly data of trading volume as well as of opening and closing prices of stocks listed in the MOEX blue-chip index, over the period from 2013 to 2020. The analysis uses the vector autoregression model and Granger causality tests. We find a strong lead-lagging effect between stock return and market turnover, which is facilitated by the overconfidence bias of investors about stock value.*

JEL classifications: *G11, G15, G23, G41*

Keywords: *overconfidence bias, stock market, MOEX, VAR, Granger causality, unit root test*

1. Introduction

This paper investigates the definition of market efficiency and the impact of behavioral biases on the performance of the Russian stock market. The term "market efficiency" refers to the extent to which financial asset prices integrate available information. The notion suggests that all information on the market is reflected perfectly, completely, instantly, and without falsity. To get more specific knowledge of market efficiency, this study uses Fama's efficient market hypothesis based on the rationality of market participants. The hypothesis states that the market is perfectly efficient and that its participants are perfectly rational (Malkiel & Fama, 1970). Although the market prices may adapt immediately to new announcements, the hypothesis does not take into account the emotions of investors, which challenge many modern studies and require explanation of these financial anomalies called behavioral biases.

Modern behavioral finance features the analysis of strategic investment based on investors' attitude and behavior as well as on traditional economic patterns. The theory explores the inefficiency of the financial market due to irrational decisions about risky assets and to the limited arbitrage opportunities influenced by rational investors. The efficient market hypothesis and behavioral finance theory have been controversial among researchers.

Many researchers have tested statistically the impact of bias on trade in the stock market. DeBondt and Thaler (1995) assume a greater overconfidence error among traders that reflects past and expected prices.

Overconfidence is a cognitive bias that expresses optimistic expectations. Odean (1998) states that people who are confident about their knowledge, skills, and experiences trade more than those who are pessimistically biased about securities. Such effects may vary with stock prices daily, monthly, and yearly. The psychology of traders relates to their investment experience and to the extent that he is confident about information. Thus he may overestimate his capacity to obtain the security. Aggregated

over all traders, cognitive biases may affect returns in the stock market. One analysis of the US stock market determined the impact of trade volume on overconfidence. Statman et al. (2006) used security returns to predict how optimistic expectations of investors may change during the trading session, affecting the market return. Many studies concern how investment decisions vary with the market situation. Hilton (2001) and Anderson (2004) circulated a questionnaire among investors and found that stock prices and relative returns affected their confidence about certain securities and thus the likelihood that they would invest in them. Graham and Harvey (2015) had similar results and concluded that investment decisions are often biased.

Researchers have undertaken few similar studies in emerging financial markets, especially Russia's, which developed after 1992. Since Russia is the world's largest exporter of oil and gas, a security market supporting this industry has attracted domestic and foreign investors. The Moscow Central Stock Exchange and Moscow International Stock Exchange were established in 1994 and are regulated by the government. Indeed, the first electronic trading platform, the Russian trading system (RTS), began in 1995, and today lists more than 1400 securities for daily trading. To analyze the current investment market, this study will focus on the Equity index of the Russian security market, MOEX.

1.1 Research Objectives

This research has three purposes: To examine whether overconfidence has emerged in the Russian equity market; to evaluate the level of the overconfidence bias in the market; and to discover the relationship between past index returns and current index turnover in its transaction volume.

Few similar empirical analyses have been conducted in emerging markets, particularly for Russia. In addition, the study will test the validity of suggested research models for the equity market index (MOEX). It will also see how the behavior of investors can affect the Russian stock market.

The study outlines the market performance of the Moscow Exchange Russian Blue Chip Index (MOEXBC) from 2013 to 2020. The index is one of the largest and most liquid stock indexes in the Russian equity market, which went public in 2013 and traded under the MOEX ticker. The MOEX Russian Index is calculated based on the free-float capitalization-weighted approach, which consists of 14 listed companies in Russia. Figure 1 shows the dramatic increase in the market price of the index. Following the main assumption of behavioral finance theory, the market performance is strongly reflected in the investor's psychology and precisely illustrates the stock market movements for the index. In other words, while the companies' value is higher than expected, the investors might be concerned about its fall; irrational investors would sell the stock. Due to behavioral biases, such stocks might be considered risky assets for some investors; others might perceive an opportunity to hold the asset for profit. Therefore, overconfidence of investors can increase the volume of the stock market. The main question of research is in the title of Figure 1.

Figure 1
How Does the Russian Blue Chip Index MOEX React to the Overconfidence of Investors?

Source: https://www.moex.com/en/index/MOEXBC/technical/

This study has five sections. Section 2 reviews the literature on overconfidence, which elaborates the main hypotheses for the thesis; section 3 identifies the data and the research methodology, and section 4 explains the results of the study. Section 5 develops the limitations of the research and the key concerns for further research.

2 Literature Review

2.1 Behavioral Biases in Investment Decision Making

Today's financial model of investing discusses investors' behavior, which is associated with rational allocation of their financial resources in securities, where higher risk is believed to increase payoffs. V. Peruzzi (2020) explains behavioral finance as a modern field that analyzes the consequences of psychological variation in investment decisions and their effect on market performance. The theory uses new financial approaches to describe different behaviors of investors that cannot be explained by traditional finance models.

A widely accepted assumption on behavioral finance is that investors have limited behavioral resources since cognitive biases encourage investors to decide. Behavioral biases differ according to specifications. Yalçınkaya (2004) classifies the psychological biases by factors that are cognitive, heuristic, or emotional. Micheal (2006) identifies cognitive heuristics as a bias based on personal vision, regret, disgust, anchoring, and confidence. Following related studies about behavioral finance, this paper evaluates the impact of cognitive errors, such as overconfidence, on stock market activity. Generally, the decisions of participants during the trading session are influenced by internal and external factors.

2.2 Behavioral Finance Theory

Common evidence in the stock market suggests that investors make a biased decision to obtain an arbitrage profit in the short term as long as they believe that holding a security in the long term may

make losses. Dom (2003) states that investors in the stock market intend to frequently speculate rather than invest in the long run, and he considers investor behavior based on how much gain the investor would earn eventually. This factor reflects a person's attitude towards past events in the market which is subject to uncertainty. Such behavior may lead to controversial outcomes, generating profit or loss on the portfolio.

Cognitive error may also occur when an investor assesses the expected return using the opening and closing price of the security. Kahneman and Tversky (1974) use this information to explain another factor that causes bias in investment decisions, the anchoring heuristic factor. They extract three main trails that generate such factors: Obtaining and pointing to information in the market, incorporating that information, and designing feedback. Chapman and Johnson (2002) call this process an anchoring factor.

Investors are used to overvaluing their expectations, knowledge, skills, information, and capacity with regard to their portfolio. Ritter (2003) considers this case to be overconfidence bias, emphasizing a person's expectation of possible gains in the market and underestimating risks.

2.3 Overconfident Behavior of Investor in Financial Market

Daniel (1998) studies overconfidence using the DHS model for investor behavior based on their confidence about future stock prices. Benos (1998) researches the price volatility generated by overconfidence, in which investors overestimate the accuracy of private information. The results explain that the presence of overconfidence bias in investors facilitates the market to expand its volume in transactions and to experience more price volatility.

Numerous studies have used stock markets to test overconfidence as a determinant of stock volatility. Jung (2009) viewed market uncertainty as the result of the lack of information transparency in the emerging market. The author believes that this lack of transparency is inherent in the Korean stock market, where participants design their portfolios based on contrary assumptions; thus the market is inefficient. The Korean stock market is more heterogeneous than the Japanese one, perhaps because more data are available in a developed market than in a developing one.

2.4 Impact of Overconfident Behavior

Historically, the overconfidence of investors and security prices related positively to one another. Many investors use the value of a firm’s securities to determine the performance of the stock market, where participants speculate for profit. Similarly, stock market performance depends on the company's reputation reflected by their management, namely whether the top managers or leaders of the company establish the image of the organization or failed. One of the examples is the performance of Apple under Steve Jobs. Apple had succeeded in the stock market before the announcement of Jobs’s illness in 2011. Apple’s stock price then fell 5%. The first part of this literature review illustrates how overconfidence affects market performance.

Fayaz and Riaz (2012) tested the Pakistani stock market performance during 1999-2010 for how it was affected by overconfidence. They found that lagged returns may raise the confidence of investors and thus raise market return; thus market returns and performance may be volatile.

Malmendier and Tate (2005) observed the influence of overconfidence on corporate investment, while Oliver (2005) found that capital structure relates to overconfidence, using the data of US companies over a 25-year period. The assumption that overconfident managers increase debt, thus affecting capital structure, is rational. Park (2010) investigated the Korean stock market and the impact of behavioral biases. He focused on 503 investors who were biased by overconfidence and confirmation. The study concluded that the confirmation factor affects overconfidence and thus the stock market and trade. Skała (2008) focused on the relationship between behavioral biases and capital

structure, finding that the optimistic expectations of investors may affect significantly mergers and acquisitions.

3. Research Methodology

3.1 Data Collection

Our sample comprises the 14 most liquid Russian companies listed on Moscow Exchange Russian Blue Chip Index (MOEXBC) from 2013 to 2020. The index is one of the largest and most liquid stock indexes in the Russian equity market, which went public in 2013 and is calculated based on the free-float capitalization-weighted approach. There are 448 quarterly observations, including the opening and closing prices of stocks, market capitalizations for each company, and trading volumes. We drew the dataset from Bloomberg, the Moscow Exchange database, and other official websites.

3.2 Model Characteristics

We designed a specific model to test overconfidence bias in the Russian Stock Market. Using vector autoregression and impulse response functions, our study analyzed the relationship between market turnover and lagging market returns. Our study is like that of Statman et al. (2006), which identifies the overconfidence bias of investors in the stock market. We test two hypotheses:

Hypothesis 1: MTurnover in the stock market positively contributes to lagging Mreturns.
Hypothesis 2: MTurnover in the stock market negatively contributes to lagging Mreturns.

Studies suggest that the Russian stock market is bullish and that overconfident investors trade aggressively. Our paper uses vector autoregression to explain how overconfidence increases trade volume and thus increases market returns. Vector autoregression is a set of equations that treats each variable as sometimes endogenous and sometimes exogenous. For example, in Equation 1, consumption is determined by lags of income and its own lags; and in Equation 2, income is determined by lags of consumption as well as by its own lags. The model provides an accurate test for our hypotheses, in which lags serve as independent variables.

The model is

$$Y_t = \alpha + I_n Y_{t-n} + P_m X_{t-m} + e_t$$

where Y_t is a vector of time series variables at time t (Odean, 1998). I_n is the coefficient that determines whether variables of market return and transaction volume are each closely related to their own lags. Pm is the coefficient that determines whether variables of market return and transaction volume are closely related to lags of other variables. N and M are the numbers of observations of endogenous and exogenous variables. We chose N and M on the basis of the information criteria Akaike, Schwartz, and Hannan Quinn (Gervais & Odean, 2001). E_t is the vector of residuals, which measure the errors of the model.

The model gauges the lead-lagging effects on market return and transaction volume. The provided proxies of market turnover (MTurnover) and market return (Mreturn) are stationary—that is, stable over time—and thus may yield reliable estimates of the coefficients. We test for stationarity with the Augmented Dickey-Fuller (ADF) and Phillips Perron (PP) tests.

3.1 Definition of Variables

One independent variable is quarterly market turnover (Mturnover) that measures the transaction activity in the stock market. Our study uses the turnover ratio to see how transactions change quarterly,

depending on stock returns. Statman et al. (2006) regards the market turnover ratio as a determinant of trading activity. Lo and Wang (2000) use two ratios, share turnover and value-weighted turnover.

Figure 2
Quarterly Market Turnover of Russian Stock Market, 2013-2020 (MOEXBC Index)

The dependent variables are the quarterly stock market return (Mreturn) and the quarterly volatility of market return (Mvolatility) over a seven-year period. Indeed, Mreturn is calculated by using the opening and closing prices of all stocks as

$$Mreturn = [(P_1 - P_0) + D] / P_0$$

Figure 3
Quarterly Market Returns of Russian Stock Market, 2013-2020 (MOEXBC Index)

Using Statman et al. (2006), Mvolatility is calculated as the standard deviation of quarterly returns, based on opening to closing transaction dates:

$$\text{Mvolatility}^2_t = r^2_t + r_t r_{t+1}$$

Figure 4
Quarterly Market Volatility of Russian Stock Market Between 2013-2020 (MOEXBC Index)

4. Results

For accurate results, the investigation used 448 quarterly observations, including the opening and closing prices of stocks, the market capitalizations for each security, and the quarterly trading volumes. For tests, we obtained three variables: Mturnover, Mreturn, and Mvolatility. Table 1 gives descriptive statistics:

Table 1
Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
mturnover	448	.7286116	5.870848	-12.686	13.155
mreturn	448	.0197321	.1862762	-.561	.604
mvolatility	448	.0558772	.5554886	-.972	.969
time	448	435.5	129.4707	212	659

The mean of Mreturn is approximately 2% across all 448 observations in MOEXBCI during the seven-year period, while the average pf Mturnover is about 73% in MOEXBCI. The average for market volatility is about 5.6%, lower than expected. For example, using Statman et al. (2006), Chen and Zhang (2011), and Zoe (2016), we found out that the average of Mvolatility varied with the stock market. In American market, the mean is 16 %; in Japanese and German markets, 15 %; and in Hong Kong, 7%. Volatility in MOEXBCI data is low because all market participants worry about market uncertainty caused by COVID. This led market players to invest passively and to play with restricted capacity.

4.1 Unit Root Test

The results of tests for nonstationarity are in Tables 2 and 3:

Table 2
Results of First Unit Root Test

Dickey-Fuller test for unit root — Number of obs = 447

	Test Statistic	Interpolated Dickey-Fuller: 1% Critical Value	5% Critical Value	10% Critical Value
Z(t)	-24.388	-3.982	-3.422	-3.130

The Dickey-Fuller and Phillips-Perron tests strongly reject the null hypothesis of nonstationarity (Tables 2 and 3). So we conclude that the targeted variable is stationary.

Table 3
Results of Second Unit Root Test

Phillips-Perron test for unit root — Number of obs = 447; Newey-West lags = 5

	Test Statistic	Interpolated Dickey-Fuller 1% Critical Value	5% Critical Value	10% Critical Value
Z(rho)	-503.560	-20.458	-14.000	-11.200
Z(t)	-24.475	-3.444	-2.872	-2.570

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4.2 Summary for VAR Model

Table 3
Results of Vector Autoregression

Vector autoregression

Sample: 2013q3 - 2124q4 — Number of obs = 446
Log likelihood = -1071.135 — AIC = 4.857107
FPE = .4410295 — HQIC = 4.900605
Det(Sigma_ml) = .4179228 — SBIC = 4.96743

Equation	Parms	RMSE	R-sq	F	P > F
mturnover	6	3.59346	0.6286	148.9657	0.0000
mreturn	6	.183021	0.0483	4.464957	0.0006

Looking at the summary of VAR estimations, we have seen supplied proxies of the model such as Mturnover and Mreturn. The control variable is Mvolatility. We designed a Vector Autoregression model to test for overconfidence in the Russian stock market.

R-squared, which measures the variation in the dependent variable that the model can account for, is 63% for the model explaining Mturnover and 5% for the MReturn model. There is no one-size-fits-all answer for how high R-squared should be, but clearly the Mturnover model is more successful than the MReturn one.

The continuation of our empirical analysis has been seen on the Table 4 below. By integrating all quarterly observations over the 2013 – 2020 years, we tested our hypotheses using the standard errors of coefficient estimates, assuming one quarterly lag.

Table 4
VAR Estimation Results (Hypothesis Testing)

	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
mturnover						
mturnover						
L1.	-.1790655	.0296465	-6.04	0.000	-.2373318	-.1207991
L2.	.0047589	.0295609	0.16	0.872	-.0533392	.0628571
mreturn						
L1.	-.0336991	.9370819	-0.04	0.971	-1.875412	1.808014
L2.	2.053006	.9382133	2.19	0.029	.2090699	3.896943
mvolatility	8.235299	.3073525	26.79	0.000	7.631238	8.839361
_cons	.342542	.1770978	1.93	0.054	-.0055208	.6906048
mreturn						
mturnover						
L1.	-.0012468	.0015099	-0.83	0.409	-.0042144	.0017208
L2.	-.0016721	.0015056	-1.11	0.267	-.0046312	.0012869
mreturn						
L1.	-.1953239	.0477272	-4.09	0.000	-.2891255	-.1015222
L2.	-.0540322	.0477848	-1.13	0.259	-.1479471	.0398827
mvolatility	-.0335913	.015654	-2.15	0.032	-.0643572	-.0028254
_cons	.0291158	.0090199	3.23	0.001	.0113883	.0468432

The overconfidence hypothesis suggests that market turnover depends positively on lags of market returns. The evidence in Table 4 is mixed. The first lag of returns has a negative and statistically insignificant impact on turnover, which is not evidence for overconfidence. But the impact of the second lag is positive and statistically significant (at the 5% level of significance), which is consistent with overconfidence. Also, volatility affects concurrent turnover positively and with statistical significance. When the Russian stock market is more volatile, participants speculate more and aggressively trade. Perhaps when stock prices are volatile, overconfident participants react positively, although this may not be entirely rational (Statman et al., 2006).

4.3 Granger causality test

Building upon the Vector Autoregression Model, our investigation tests the Granger-causality between MTurnover and Mreturn. The Granger causality test indicates whether one time series is useful for forecasting another.

Table 5
Results of Granger Causality Test

Granger causality Wald tests

Equation	Excluded	F	df	df_r	Prob > F
mturnover	mreturn	2.4947	2	440	0.0837
mturnover	ALL	2.4947	2	440	0.0837
mreturn	mturnover	.84168	2	440	0.4317
mreturn	ALL	.84168	2	440	0.4317

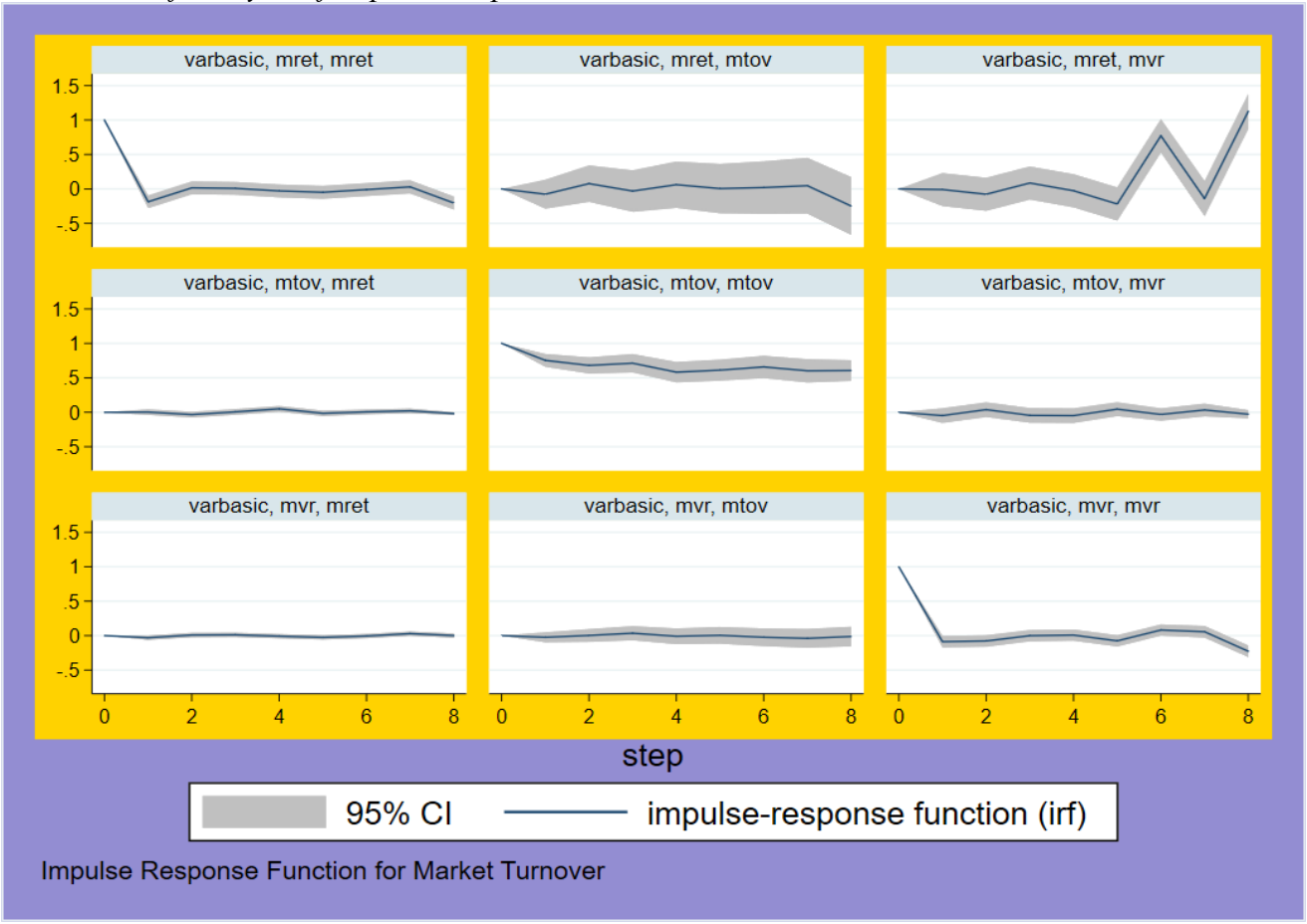
Null Hypothesis 1: Lagged Mreturn Granger causes Mturnover
Null Hypothesis 2: Mturnover Granger causes lagged Mreturn

Subject to the results of Granger causality test, we found that overconfidence may occur in the Russian stock market. Null hypothesis 1 is not rejected, since the conditional probability that the null hypothesis is correct, 0.08, exceeds .05, the maximum probability that would lead us to reject the null. In other words, lagged Mreturn has a positive impact on current Mturnover. Likewise, Null Hypothesis 2 is also not rejected, because .43 exceeds .05. We conclude that there is a bidirectional granger causality between two variables (Table 5).

4.4 Impulse Response Function for Mturnover and Mreturn

Impulse response functions describe the evolution of a model's variables in reaction to a shock of one standard deviation within an otherwise noisy system of equations. The results provide nine figures of time paths, but we will focus on the graph with Mturnover and Mreturn.
Figure 5 shows the response of MRET (mRETURN) to a shock in MTOV (mTURNOVER). As a result, we verified the serial dependence between the two variables in the given period.

Figure 5
The Results of Analysis of Impulse Response Functions



5. Discussion

This investigation captures the overconfidence behavior in the financial markets of an emerging economy, Russia. Most studies of overconfidence are confined to developed markets. Therefore, the paper has precisely concentrated on the Russian stock market, as a best example of an emerging financial market. Like other researchers, we design a VAR model to test for overconfidence behavior. That model shows a positive relationship between lagged Mreturn and Mturnover. In response to a rise in lagged returns, Russian investors trade more and aggressively. This evidence confirms the presence of overconfidence behavior.

6. Limitations and Recommendations

We faced several limitations. First, we used quarterly observations from 2013 to 2020, which is a small dataset for such research. Since the Russian stock market was established in recent decades, we could not obtain older data. Although the quarterly data confirmed overconfidence in the Russian stock market, daily data would have been more precise. And a dataset going back to 2008 could show the behavior of investors before and after the financial crisis and compare this to the impact of COVID-19. In addition, due to the lack of data, our VAR model could handle only three variables.

Following Hilton (2001), De Bondt (1998), Zaiane and Abaoud (2010), and Huisman (2012), we recommend questionnaires, which can predict how overconfidence affects investment, depending on the type of stock.

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Determinants of Political Stability-The Empirical Study of Foreign Aid to the Former USSR States-Regression Analysis

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Abstract: *This empirical paper analyzes the impact, or lack thereof, of socioeconomic and political variables on national political stability. It focuses on the receipt of foreign aid from donor governments. The study finds that among conventional independent variables, only corruption has a statistically significant effect on political stability (less corruption correlates with more stability). In particular, foreign aid is not significant. The dataset has 198 observations on 12 nations over the period of 1996 to 2016.*

JEL classifications: *F35, E62, H87*

Keywords: *foreign aid, political stability, donor, government assistance*

1. Introduction

The concept of foreign aid in the form that we know today appeared after the Cold War. In the beginning, assistance was provided to the countries that had experienced great casualties. The United States and the Soviet Union began to distribute aid to strengthen military forces of their allies and to spread their political ideologies in the Cold War (Lancaster, 2007).

Nowadays, the most commonly accepted definition of foreign aid, from the Organisation for Economic Co-operation and Development (OECD) states that it is an external support that advances the well-being of the developing countries. Not all transfers of capital from one country to another, according to Foreign Aid (2017), qualify as foreign aid. Transfers should be for developmental purposes and should be non-commercial and concessional (Foreign Aid, 2017). Those could be donations of foreign direct investment by multinational corporations. Or they could be public and private development assistance, which is referred to as foreign aid from foreign governments and donor organizations. More aid comes now than before from international financial institutions such as the International Monetary Fund (IMF), the World Bank, and the OECD.

The international community has always demanded solutions of global issues, such as environmental crisis, world poverty, political instabilities, social marginalization, macroeconomic issues, and internationalization of organized crime. The interdependence of countries requires cooperation for international development and social progress.

Foreign aid may influence receivers' performance. One criticism of foreign aid is that it boosts corruption in receiving countries. According to Tan K.O. (2013), foreign aid has often presented more challenges than opportunities to aid recipients. Among those challenges are bureaucratic governments, country debts—and the most damaging, as the author says, growing corruption.

Since the collapse of the Soviet Union in 1991, the countries of Central Asia have faced a series of complex tasks, including the establishment of independence, the transition from a planned to a

market economy, political and social transformation, the change and creation of new institutions, and integration into the world community. To solve these problems, international organizations, governments of developed countries, and non-governmental organizations granted cash loans and aid. From 1991 to 2016, foreign assistance to post-Soviet states totaled about 11 billion US dollars.

Was this money allocated in the desired way? This paper uses panel data to determine whether foreign aid strengthened political stability in the former states of the Union of Soviet Socialist Republics. The aim is to see, whether foreign assistance is an effective tool or not, regarding political stability. What are the motives and goals of the international community in allocating aid in Central Asia? And how does the host regard that aid?

2. Literature Review

Most research on political stability and foreign aid treats these two notions separately. J. Chao (2015) wrote one of the few studies considering the relationship between political instability and foreign aid. To see how aid affected political stability, Chao regressed the political fragility index on net ODA (Official Development Statistics) in a two-stage least-squares model. Aid did not have a big effect on political stability.

Many studies consider determinants of political instability as well as its own influences and features. Studies of political stability and economic performance typically use panel data. For instance, Hazem Zureigat (2005) used data for 25 countries in the period from 1985 to 2002. Zureigat used two models. The single-equation model studied the hypothesis that political instability slows economic growth, controlling for technology and for human and physical capital.

The simultaneous-equation model considered the impact on political stability of economic growth and non-economic factors. The relationship between democracy and economic growth was the major one: Political instability, interpreted as a lack of democracy, lowered economic growth. A similar piece, by M.J. Roe and J. I. Siegel (2011), showed that political instability created inequality, thus hindering economic and financial development. The findings were based on fixed effect regressions and instrumental models of several cross-country empirical studies. The measure of political stability was the Socio-Political Instability (SPI) Index, while for financial development the authors used stock market depth, as measured by stock, market capitalization, and bank loans. The authors highlight that economic inequality is a primary determinant of political instability.

Institutions also matter. According to Roe and Siegel, the breakdown of institutions may destabilize the political environment. In his case studies of political instability in Africa, C. Ake (1973) identified as causes of instability "cultural heterogeneity, low regime legitimacy, lack of coercive power, economic backwardness, and structural simplicity." Zureigat as well as Roe and Siegel regarded economic underdevelopment and weak institutions as factors in political instability.

But researchers also noted cultural heterogeneity and structural simplicity in the social background of the states. "In societies with a simple social structure, 'blood ties' are the basis of social organization, status is ascribed rather than achieved, primary groups dominate social interaction, and the development of secondary groups is at best rudimentary" (Ake, 1973). Social and political interaction between the distinct classes and families is "slow and difficult."

A related thesis, cultural heterogeneity, states that traditional nation-states did not emerge in Africa, where countries were composed of nationalities. Tribes ruled rather than an integrated state. Corruption and lack of discipline destabilized politics, according to Ake.

As for foreign aid, we can identify two issues. The first is the strategic allocation of aid, which A. Alesina and D. Dollar (2000) trace over time. In bilateral relations between major economies and post-colonial states, foreign aid spreads economic and political influence. That's why the USA targets most aid at the Middle East.

Such case studies facilitate cross-country comparisons. P.J. Schraeder, S. W. Hook, and B. Taylor (1998) analyzed aid from such countries as America, Sweden, Japan, and France to 36 African states. Although all donors said aid was the "altruistic foreign policy tool designed to relieve humanitarian suffering" (Schraeder, Hook, & Taylor, 1998), it was really due to the legacy of the Cold War. R.F. Hopkins analyzed the resulting drops in aid.

A related topic is the effect of aid on economic performance. There is no consensus on the answer. S.B. Mareina (2005) examined a large panel data set, where the panel was a country. Aid (ODA) spurred economic growth. Using econometrics, Mareina concluded that foreign aid promoted economic growth, especially in the postwar period, but country conditions also mattered.

But a later study, by N. L. Felicitas et al. (2014), argued that the direct impact of foreign aid on per capita income was small or even negative. Over the long run, aid crowded out domestic savings and strengthened the real exchange rate, which reduced net exports.

Most studies found that institutions mattered but were not always the major factor. Research should define determinants of political stability more explicitly.

3. Research Methodology

My study concerns former USSR countries, which have been receiving net ODA since the dissolution of the Soviet Union in 1991. For most variables, data date back to 1996 and include 1998, 2000, and 2002-2016. I used balanced panel data, meaning that all countries are observed in all time periods ($Ti = T$ for all i). Countries that have not received Net ODA in most of these periods were excluded from the data set. In particular, Estonia, Latvia, Lithuania, and the Russian Federation have not received net ODA since 2005; they were mostly providing aid. Azerbaijan in 2013 and Belarus in 2016 have negative net ODA. It should not be mistaken as aid provided to other countries because net aid does not include such information. My balanced panel data include 11 former USSR countries from 1996, 1998, 2000 and 2002-2016.

The process of data collection included the gathering of databases of the variables used. Many variables are going to be considered, while doing the regression analysis, for political stability and foreign aid. The political stability index is going to include the Political Stability and Absence of Violence (PV) score indicator, provided by the World Bank, which is a part of the Worldwide Governance Indicator. The PV score indicator has an approximate range between -2.5 and 2.5, where a more negative score means more instability and a more positive score stands for more stability. The idea of measuring political stability with the PV score was suggested by Oeschlin (2009).

We measured foreign aid as the natural log of aid per capita, as suggested by J. Chao (2015). The natural log standardizes skewed data, reducing the effects of large outliers.

Net ODA is government aid promoting the economic development and welfare of developing countries (OECD Library, 2017). The important feature is that it doesn't include loans and credits for military purposes and private donations. Neither does it include Foreign Direct Investment (FDI). Both foreign aid and FDI involve capital flows from one country to another, but they differ in purpose. Aid assists a needy country while FDI seeks profit. To compute Net ODA per capita, Net ODA was divided by the full-year estimate of population taken from the World Bank. As Chao explained, Net ODA per capita shows the amount of aid that was to be distributed to an average person; and its use enables us to avoid using population as an independent variable, which could create multicollinearity.

Other control variables, suggested by S. Moreira (2005), included consumer inflation and GDP indicators such as annual GDP growth, GDP per capita, growth in annual GDP per capita. Annual growth in GDP per capita measured economic conditions. Inflation relates to political instability (Oeschlin, 2009). But deflation does not give rise to political stability, so we will use the absolute value of inflation to measure directly political instability.

Countries in the data set were perceived to have a lot of corruption. Such perceptions could spur political unrest (Chao, 2015). So I considered the World Bank's WDI variable called Control of Corruption (CC). This indicator had an approximate range of -2.5 to 2.5, where a more negative score means more corruption and a more positive score stands for less corruption.

The last variable used was the World Bank's Voice and Accountability. VA showed the extent to which citizens could have a role in government, as well as the perception of freedom of expression and press. The scale goes from -2.5 to 2.5, where more negative number meant a weak position and more positive number is linked to a stronger position.

4. Results

I tested fixed effects, random effects, and pooled OLS models; the random effects model performed best. In this model, the lag value of the log of Net ODA had a negative effect on the PV value: That is, higher aid related to lower political stability in the sample. But this relationship is not statistically significant, so we cannot infer that aid causes instability outside of the sample. Most of the other independent variables—the growth rate of GDP per capita, the absolute value of inflation, and the VA measure of citizen participation—also were statistically insignificant. The one significant variable is CC, which measures corruption. The coefficient is positive: Less corruption correlates with more political stability. This result matches our expectations that the honest national institutions lead to more efficient and effective use of resources, which lead to more prosperity and stability.

5. Conclusion

This statistical study examined political stability in countries of the former USSR, from the dissolution in 1991 to 2016. The panel model found that only honesty affected political stability with statistical significance. Other independent variables, including ODA, were insignificant.

Like any study, this one undoubtedly has flaws. The omission of vital explanatory variables can bias the coefficients. For example, religious, linguistic, and ethnic fractionalization could influence political stability; but I lack time series for them. In the short run, these variables would change little, so they are controlled for by the assumption of fixed country effects. But over the decades, these country effects may change, especially given rapid globalization.

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The Role of Social Media in the Image Formation of Kazakhstan

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Abstract*: The image of a country becomes a significant social value and plays an important role in the political and economic success of the government abroad. The Republic of Kazakhstan moves to a qualitatively new level of development of the Kazakhstani government, which necessitated transformation in the image formation system of the Republic of Kazakhstan. While earlier the image of a country used to form unilaterally through the traditional media, now it forms bilaterally due to social media. Social media is an integral part of our life. Moreover, the role of social media is actively developing in international relations, policy, and image formation of the government. In this regard, this research will be focused on the influence of social media in the image formation of the country. Also, it will explore how best to use social media to promote the brand and image of Kazakhstan abroad.*

JEL classifications: *F5, F50, F52, F59*

Keywords: *social media, country image, country brand, promotion, foreign policy*

1. Introduction

Kazakhstan plans to reach the list of the 30 most developed countries (Sabitov, 2009). The country positions itself as a political leader in Central Asia and as an international geopolitical player. Kazakhstan needs to develop its international brand to realize these objectives and strengthen its position on the world stage.

The government once used traditional international media to form the country's image. Now social media play the main role. Innovative technologies have become priorities in constructing Kazakhstan's image effectively. While earlier the image of a country formed unilaterally through the traditional media, now it forms bilaterally through social media. Members of society on the Internet may formulate the image. This situation complicates a government's effort to form a desirable image. But at the same time, social media create opportunities for forming the national image—a new topic that will be studied in this paper.

Research Questions

- What is the role of social media in forming the national image?
- To what extent does Kazakhstan uses new trends and technologies in forming this image?
- How can one use social media and new trends to form Kazakhstan's image effectively?

2. Literature Review

Image is a general understanding of an object. Consequently, an image of a country is an overall picture of the country. The image of the country is a cumulative figure that assesses public opinion abroad, a government's authority, and its successful international activity (Akhmetov & Burakanova, 2007). The study of image formation and concepts of attractiveness is imageology (Lippmann, 1922, p. 81).

The image is formulated by public relations, propaganda, advertisements, and even by fakes and disinformation to create specific impressions or ideas about a certain country in public minds. Therefore the image of any object may be real or may be misleading and consisting of fictional characteristics. This is the main point that should be considered when creating the image.

One should distinguish between the internal image of a country and the external image, since these have different policy goals and therefore require different approaches and tools. The internal image of a country is created for citizens; the external image, for world opinion. This paper focuses on the external image because it is an essential resource in the political and economic world.

Both external and internal factors influence the image of a country. External factors include foreign policy, national interests and priorities, membership in international organizations, relationship with strategic partners, and climate for investment. Internal factors include psychological aspects of the public perception of a country, such as a sense of national pride, desire to live in the country or to defend it, its sense of comfort, and beliefs about its future (Sadvakasova, 2010).

The main functions of an image of a country are the following:

1. *Identification*. This enables the audience to perceive more easily information about a country.
2. *Idealization*. This provides a more favorable perception of a country by projecting on the audience only positive characteristics of the country.
3. *Contraposition*. This is based on images of other countries or of the country's past. Contraposition provides a basis for a positive image of the state.

In addition to the communicative functions of the country's image, experts note these functions:

4. *Nominate.* This function denotes (highlights, rebuilds, differentiates) the state in the current geopolitical situation and the environment of other states, demonstrating its distinctive qualities.
5. *Aesthetic.* This function can ennoble the country's public impression.
6. *Targeted.* This function concerns the connection between the country's image and the audience for which it is intended. It considers whether the image responds to the need of that audience (Kim, 2012, p. 181).

The methodological principles of country imaging are the following:

1. The image of a country is formed only in the conditions of a real social group, which in this case expands the framework to the world community.
2. The image is perceived by the targeted subject and results from reflection on it (or on the country) as an objective phenomenon. An effective image cannot be a purely artificial construct but must reflect the objective features and characteristics of its prototype.
3. Since transformations of the original information are possible in reflection, the image does not have to be an exact copy of the reflected one.
4. Creating an image should be active and purposeful, which means that it is possible to accentuate desirable and important features and to gloss over negative features such as a low standard of living, a gap in the standard of living between social strata, and corruption and bureaucracy. Desirable features include dominant cultural archetypes of civilization, such as spirituality, tolerance, and interethnic harmony.

The country's image is dynamic; many factors can change its meaning. Its attributes can be transformed in accordance with changes in the prototype or in the group consciousness of the target audience (Leonova, 2008).

The key elements of a country image are the following:

- image of economy
- image of military forces
- image of foreign policy
- image of information policy of the government
- image of authority.

Imageology has its own laws:

1. The law of *harmonization* of image characteristics with the requirements of the transmission channel, expectations, and with perceptions of the mass consciousness.
2. The law of *complex management of information channels* by introducing consistent verbal and non-verbal messages into them. Messages are repeated several times, with their adjustment depending on the reaction of public opinion. Feedback is received from the public through different channels.
3. The law of *selection of the main characteristics* of the object, for introducing into the public consciousness.

The field of researching imageology consists of the following main issues:

4. Determining a general role and functions of the image in society and particular functions of certain images in fields of social life.
5. Analyzing all fields of images, which varied by content and other characteristics.
6. Disclosing the patterns of development of current images.
7. Studying the specifics of the image phenomenon at each of three levels: Personality, group, society.
8. Describing patterns of formation and transformation of the image in its transition from individual consciousness to mass consciousness and back.
9. Analyzing the formation of image types.
10. Describing linkages between images of a person, organizations, public and political movements, objects, brands, services, etc., both within a category and across categories.
11. Studying the impact of the current image on the object.
12. Disclosing all mechanisms for the formation and transformation of the image.
13. Finding ways to correct and manage the image, which is technologically solved in different ways (Kim, 2012, p.26).

W. Lippmann, the theoretical father of imageology, claimed new technologies of mass communications can shape public opinion effectively (Lippmann, 1922, pp. 206-207). And nowadays social media are new mechanisms for forming the image of a country. The public aspires to communications, and social media gather them in one platform, which makes it a powerful tool (Mokrushina, 2018).

According to Lippmann (1922, p. 81), new technologies of mass communication help to fully disclose the power of persuasion, which is important in forming a country’s image. Lippmann also claimed that the most effective tools for unifying public opinion and destroying independent ideas are persuasive symbols and stereotypes (Steel, 1980, p. 46).

Practical conclusions from Lippmann's theory are:

14. Most people are limited in cognitive ability and are irrational (Lippmann, 1927, pp. 37-38);
15. There is a wide gap between perception and reality (Lippmann, 1922, pp. 206-207);
16. We should use pictures, symbols, and stereotypes to form a certain public opinion. These objects should reflect irrationality, mass character, and stability (Lippmann, 1927, pp. 77-78).

Edward Bernays, an Austrian-American expert in public relations and propaganda, indicated the next states in image formation:

17. Manipulators are able to change public opinion depending on their goals (Ewen, 1996, p.159);
18. In seeking to change public opinion we should work with opinion leaders. If we change their value judgments, we will change public stereotypes (Bernays, 1928, pp.53-54);
19. We should know dominant stereotypes in certain society and study channels through which their opinion is formulated (Ewen, 1996, p.170).

Via its image, the country's reputation is often based on myths and stereotypes regarding nationalities. Stereotypical thinking is typical for humanity, for it helps to navigate in the real world, and makes the cognitive process easy. But stereotypes mostly are detrimental to the image of a country. It is therefore important to thoroughly work on the image. Moreover, image makes communication more effective. That is why most political leaders are concerned about country image.

Kazakhstan spends a huge amount of money on traditional methods to create a good image of the country abroad. For instance, last year the government included in the number of state assignments for 2020 the development of a national brand for 480 million tenge (more than 1 million US dollars). As indicated in the project, the new national brand of Kazakhstan included a country logo, brand book of standards for a single color palette, original font, etc. The aim of these things is to fill the image of Kazakhstan with positive content, as well as to increase the recognition of countries abroad (Informburo.kz, 2020).

Policymakers often underestimate the role of social media and seek to create an image of a country by using conventional methods. But these do not work without social media and the Internet.

In the world of new and fast-growing information and communication technologies, the globalization of information, and the evolution of the information society, social media has begun to play an essential role in perceptions of the world.

According to The Global Agency (2020), the Internet was used by 4.66 billion people and social media by 4.14 billion people. Statista.com finds that Facebook, YouTube, and WhatsApp are the largest social media networks (Tankovska, 2021).

People average four hours every day on their mobile phones (Curtin, 2018), more than half of that time on social media. According to H. Tankovska (2021), a research expert covering social media, online video and entertainment, and Internet communications, people average 2.5 hours on social media every day. Social media users increase by 2 million people daily, or 14 users per second. Instagram users grow fastest, by 76 million in a recent month.

People use social media to be informed, stay in touch with people, and to freely express their own opinion (Tankovska, 2021). COVID-19 lockdowns also increased use (The global agency "We are social," 2020).

The positive image of a country contributes to foreign economic and political projects. Creating that image is an important political aim.

3. Research Methodology

Our methodology is to analyze social media as a new tool for forming and promoting the foreign image of a country. Our methods are qualitative and include observation, interviews, and documentary

analysis. We observe how countries use pages on social media to promote their image abroad. We interview experts in political science, international relations, and country image, as well as bloggers who promote any country image.

Social media for country images initially appeared in western countries. The USA and Britain use the new tool to promote their own brand abroad, unlike developing countries like Kazakhstan; so we observe the western experience as well as Kazakhstan's.

Our interviews concern the image of Kazakhstan abroad, the approaches of the Kazakhstani government to promoting the country brand, and the consequences of using social media. We favor interviews because they give respondents freedom in expressing their opinions, unlike surveys.

4. Conclusion

Social media can be a powerful way for the government to shape its image abroad. But according to experts, the image of Kazakhstan has not fully formed. Government agencies do not cooperate in promoting the country's image abroad. Experts recommend not just engaging in advertising, but approaching the formation of the country's image systematically while developing internal aspects.

To claim leadership in the post-Soviet space, Kazakhstan must lead with its economy, culture, and science. To define its geopolitical image, it must answer these questions: Where is the country located and where is it heading? Who are its allies and opponents? Forming a country's image expands cooperation and maintains long-term interest in the country. Kazakhstan should create a positive image consolidating its positions on politics, economics, investment, and tourism. It may need to establish information centers abroad.

A multi-vector, pragmatic foreign policy of Kazakhstan, including optimizing its own image, should be based on the country's real achievements, its rich history and culture. As a result of effective state policy, Kazakhstan has managed to create political stability and interethnic harmony. However, in the information era, Kazakhstan must focus world attention on its image as a peaceful, stable, future-oriented state. The Republic of Kazakhstan strengthens peace and stability, as well as relations between Europe and Asia.

Utilizing social media to influence international relations, by persuading individuals and shaping public opinion, can achieve political goals that meet moral and ethical principles, and that strike a balance between politics and ethics.

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Consumer Protection Rights in the Transnational Contracts

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***Abstract**: The transnational contract with the consumer is the most frequent and important construction in law. The consumer needs legal protection more than do entrepreneurs. Legal instruments can correct inequality of the parties in civil law. In the era of technology development, we need to improve consumer protection legislation. Consumer rights in transnational contracts are not properly protected. The importance of consumer protection in cross-border agreements owes to the risk of foreign jurisdictions in potential disputes. The jurisdiction prescribed in transnational contracts cannot keep the consumer from applying to the court of the country of residence. In legal relations with the consumer, in the absence of a point regarding the jurisdiction, the jurisdiction of the country of residence should be applied. Growth indicators of market and cross-border trade generate interest in consumer protection in the transnational contracts.*

***JEL Code:** K12, K30, K33*

***Keywords**: consumer protection, jurisdiction aspects, e-commerce, cross-border trade, European Union, Internet transactions, jurisdiction*

1. Introduction

Improving the quality of life of the population is inextricably linked with the need for consumer protection, and entrepreneurship depends on this protection. Consumer protection is weak in the Republic of Kazakhstan.

Governments around the world are taking decisive steps to defeat the pandemic. At the same time, companies are trying to adapt to the post-pandemic needs of the community while solving their own operational problems.

A striking example of this is the contactless delivery of goods, online shopping, and other services via the Internet. The importance of the topic lies in the fact that the e-commerce market is growing, but legislators do not provide additional tools for the proper protection of consumer rights. According to a study by PwC Kazakhstan, in conjunction with the Digital Kazakhstan Association, in the first quarter of 2020, Internet sales increased 47% in tenge and 42% in dollars since the first quarter of 2019.

At the same time, the number of transactions decreased 9%, which means a significant increase in the average check (62% in tenge and 57% in dollars). In the second quarter of 2020, sales in tenge increased by 34% in retail e-commerce compared to the prior quarter. This amounted to 113 billion tenge, but the average check shrank 4% in dollars (PwC Kazakhstan, December 2020). The importance of this topic is also in the fact that the number of litigations involving consumers grows each year (Supreme Court of the Republic of Kazakhstan, 2019). This raises two questions: Are consumer rights

fully protected, especially with regard to e-commerce and cross-border transactions? What kind of protection do consumers need the most?

2. Statement of Problem and Recommendation

To define the transnational contract with the participation of a consumer, one must first analyze its individual components—the subject composition and the content of the legal relationship between the subjects. This contract did not receive proper regulatory coverage. Some features of the contract should be highlighted: A special subjective composition, an international element, the subject of the contract, and the purpose of acquiring the goods and services. The Civil Code of the Republic of Kazakhstan (1994) defines the contract as "an agreement between two or more persons on the establishment, change, or termination of civil rights and obligations." We now explore the issue of a transnational contract, i.e. contract with a foreign element. According to the *Collins Dictionary of Law*, "consumer contract [is] a contract where one of the parties—assumed to have the weaker bargaining position— is a consumer for use, rather than a business" (Stewart, 2006).

According to paragraph (15) of Article 1 of the Law on the Protection of Consumer Rights of the Republic of Kazakhstan dated May 4, 2010 No. 274-IV, "a consumer is an individual who intends to order or purchase, or orders, purchases, and (or) uses a product (work, service) exclusively for personal, family, home, or other use not related to business." The legislators of Kazakhstan make clear that a consumer can be only an individual who purchases or intends to purchase a product or service for non-business purposes. The second party to the transaction involving the consumer is the manufacturer, seller, or executor (hereinafter referred to as the Enterprise). The term "entrepreneurial activity" or "business activity" follows from the definition. The Civil Code of the Republic of Kazakhstan (1994) defines entrepreneurship as "an independent, proactive activity of citizens, candidates, and legal entities aimed at obtaining net income through the use of property, production, sale of goods, performance of work, [or] provision of services, based on the right of private property (private entrepreneurship) or on the right of economic management or operational management [of] [a] state enterprise (state enterprise). Entrepreneurial activity is carried out on behalf of, at risk [of], and under the property responsibility of the entrepreneur." Despite the definition, it remains unclear how, in the event of disputes regarding entrepreneurial activity, the legislator will decide what is entrepreneurial activity and what is not.

Based on these definitions, we can understand that a consumer can only be an individual who purchases, or intends to purchase, a product or service for activities not related to business. Dinu Cristina and Ionaş Alexandru, in their article "The Consumer`s Judicial Protection Regarding Commercial Companies," hypothesize that the subjective composition of consumer transactions is discriminating, drawing attention to the fact that in theory, legal entities can also be consumers. But in Romania, as well as in Kazakhstan, only an individual or physical entity can be a consumer. We can assume that the legislator believes that the consumer does not have the opportunity for additional expenses—in contrast to the Enterprise, which enters into transactions to receive profit. That is, the Enterprises have more tools and means than do consumers. Another issue is that both a legal entity and an individual can act on behalf of the Seller or Executor. Nevertheless, the legislator believes that even when a dispute is between two individuals arise, the consumer's side of the contract is much weaker.

The professional side of a contract with a consumer is defined in the legislation and law enforcement practice of different countries extremely broadly—trader, seller, creditor, supplier, entrepreneur, or business operator. According to the Consumer Protection Law, a professional party can be "a manufacturer, an executor, [or] a seller" (Law on Consumer Protection of the Republic of Kazakhstan, 2010). From the abovementioned, two constituent features of the professional side can be distinguished: a) it is a natural or legal person, public or private, or any person acting on his behalf; b) such person acts for purposes related to his trade, business, craft, or professional activity.

The legislation does not refer directly to the fact that the consumer is an economically weak party. However, this can be understood from the basic principles listed in Article 2 of the Consumer Protection Law, such as "promotion of the economic interests of consumers, [and] the availability and reliability of information about the goods, ensuring the protection of the legitimate interests of consumers in e-commerce at least [at] the level of protection provided in other forms of trade..." (Law on Consumer Protection of the Republic of Kazakhstan, 2010).

In view of globalization and necessary changes, the Consumer Protection Law introduced some innovations. A good example is Article 6-2, which provides a procedure of inspection of the professional side in the field of consumer protection. This procedure includes "unplanned inspection and preventive control without visiting the professional side pf the transaction with participation of the consumer" (Law on Consumer Protection of the Republic of Kazakhstan, 2010). There were also developments in the Law in terms of e-commerce. These changes specify the obligations of entrepreneurs to indicate the contact information of the authorized organs of Kazakhstan in consumer protection and the contact information of the seller.

I have put forward the hypothesis that within the framework of civil law relations, the consumer is a less protected party. As a result, certain regulatory instruments must provide this protection. I found inconsistencies and gaps in the law that do not adequately protect consumers. For example, the legislation does not define an entrepreneurial goal, an entrepreneurial activity, or a business purpose. That is, if a person buys seven pairs of shoes of different sizes, will this fact be reflected as an entrepreneurial activity? Also, the legislation does not give due protection to the consumer in terms of jurisdiction of disputes arising from transnational contracts with consumers.

According to the legislation of many countries, including Kazakhstan, between the parties in civil relations, jurisdiction is established for contract disputes by mutual agreement of the parties. However, since the consumer is a more vulnerable part of the legal relations, will this rule be fair in the legal relationship between a party carrying out business activities and the consumer? In the context of transnational contracts, there may be not only difficulty but sometimes the impossibility of consumer participation in court proceedings.

Individuals, in comparison with professional participants in the turnover, have less resources for a detailed study of the proposed product. Having virtually no negotiating power, the consumer, having entered into an agreement with clauses on the jurisdiction of disputes in foreign courts and concerning the application of a law that is little known and, quite possibly, disadvantageous to the consumer, may find himself in an extremely disadvantageous position.

Modern Kazakhstani Private International Law does not contain special rules governing relations with the consumer. Therefore, the general rules of the Code of Civil Procedure of Kazakhstan on the jurisdiction of disputes arising from contracts with the consumer are subject to application. The one norm with regard to the jurisdiction of cases with consumers is in Paragraph 9 of Article 30 of the Civil Procedure Code: Claims for the protection of consumer rights can be brought at the place of residence of the plaintiff or at the place of conclusion or execution of the contract (Civil Procedure Code of the Republic of Kazakhstan, 2015). However, this rule of law is not suitable for transnational contracts involving the consumer, since in the presence of a foreign element, Chapter 57 of the Civil Procedure Code of Kazakhstan regulates such transactions.

By the General Rule of Chapter 57, the courts of Kazakhstan consider cases with foreign persons if the defendant organization or citizen has a place of residence in Kazakhstan (Civil Procedure Code of the Republic of Kazakhstan (2015).

In accordance with the general rules of the civil procedure code, claims against an individual or legal entity are brought at the place of her residence at the company's location (Civil Procedure Code of the Republic of Kazakhstan, 2015). In Kazakhstan, no special rules govern jurisdictional issues from

transnational contracts; thus the legislative branch must use the general rules of the civil procedure code.

In cross-border transactions with a consumer, the question arises of her due assessment of foreign law. To make the right choice, she must familiarize herself with foreign legislation. Moreover, in most foreign sites, such as asos.com or farfetch.com, the consumer does not sign an agreement but accepts the terms and conditions of the Enterprise without being able to adjust them. Good examples are online shops such as www.asos.com, www.farfetch.com, and amazon.com websites. These companies provide the jurisdiction with terms and conditions during registration, and the consumer may only agree to it without changes.

For instance, Amazon uses the following terms and conditions on its web site: "By using any Amazon Service, you agree that the Federal Arbitration Act, applicable federal law, and the laws of the state of Washington, without regard to principles of conflict of laws, will govern these Conditions of Use and any dispute of any sort that might arise between you and Amazon" (Amazon.com, Inc., 2018). And "www.farfetch.com" gives the following applicable clause for law and jurisdiction: "Anything related to your order, use of the Web Sites or these Terms and Conditions are governed by English law. The courts of England shall have the exclusive jurisdiction over any dispute or claim relating to these Terms and Conditions" (Farfetch.com, 2020).

With these examples, I wanted to show that while registering on these web sites and ordering goods, the consumer automatically agrees to the terms and conditions that are spelled out in the accession agreement without the possibility of changing something. Enterprises reserve their right to choose the most convenient and appropriate conditions in terms of jurisdiction for themselves. Unfortunately, most consumers do not even know the terms and conditions. In most cases, these conditions are opened only if the consumer does so deliberately. Moreover, the link on the registration page is often not visible because it is written in a tiny font.

The European Union has the best legal framework in consumer protection. In this regard, I consider it necessary to draw on the experience that is available in the EU for making changes in the legislation of Kazakhstan. In particular, consider Regulation 1215/2012 of the European parliament and of the Council of 12 December 2012.

Section 4 of this Regulation, "Jurisdiction Over Consumer Contracts," lays down a general rule for resolving disputes over consumer contracts. Point 1 of Article 18 of the Regulation states that "a consumer may bring proceedings against the other party to a contract either in the courts of the Member State in which that party is domiciled or, regardless of the domicile of the other party, in the courts for the place where the consumer is domiciled" (On Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, Regulation 1215/2012). Point 2 of the same article says that, "proceedings may be brought against a consumer by the other party to the contract only in the courts of the Member State in which the consumer is domiciled". (On Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, Regulation 1215/2012)

Nevertheless, Article 19 gives a list of cases when contractual jurisdiction can be applied. Thus the Regulation protects the consumer in contractual obligations by imposing stricter conditions regarding jurisdiction on entrepreneurs entering into consumer transactions.

With the appearance of laws and regulations in consumer protection, EU legislators issued many legal acts and regulations to protect consumers from potential threats as well as to protect their interests in all areas of consumer activity.

So I consider it necessary to amend Kazakhstani legislation to fully protect the interests and rights of Kazakhstani consumers. One legal tool that may protect consumers is integration of Section 4 of the EU Regulation 1215/2012, "Jurisdiction Over Consumer Contracts," into "Agreement on the Main Directions of Cooperation of the Member States of the Commonwealth of Independent States in the Field of Consumer Protection (Moscow, January 25, 2000)," which is concluded among CIS

members. This integrated section will flow harmoniously, since the purpose of this agreement is "cooperation in the field of consumer protection."

3. Conclusion

The consumer and the business are in a mutual and inextricable bond. The development of Internet commerce enables the consumer to purchase goods from all over the world, thereby growing cross-border trade. The relationship between consumer and business is of immense importance not only in consumer protection but of the country's economy. Kazakhstan demonstrates belated development of the issue of international jurisdiction for disputes arising from contracts with consumers.

Despite all the innovations in the Laws, consumers are not properly protected in Kazakhstan. Legislators should pay more attention to jurisdictional issues and Internet commerce, since this area is developing at incredible speed. Answering the question posed at the beginning of the study, we can say that consumer rights are not protected in e-commerce and cross-border transactions. Kazakhstan needs to learn from the experience of the EU and develop legislation for jurisdictional consumer protection. Legal relations with the consumer in transnational contracts at the moment remain without proper legal regulation and necessary legal instruments. I also conclude that the EU has the most appropriate regulations of consumer protection and has the best model of legal regulation.

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