## Contents:

### 1
**International Legal Aspects of Tourism Activity: International Treaties Analysis**  
Yerbol Abaydeldinov and Nagima Kala  
... 714  

### 2
**Child Labor Challenges: Legal Awareness Raising**  
Laila Akhmetova  
... 721  

### 3
**On the Notions of ‘Examination’ and ‘Forensic Examination’ According to the Law of the Republic of Kazakhstan**  
Anna Aleksandrovna Aubakirova, Elvira Abdikapbarovna Alimova, Zarensh Abilgozhanova Umirbayeva, Gulnaz Tursunovna Alayeva, and Sulushash Shinzhranova Daubassova  
... 726  

### 4
**On the Personality of Convict**  
Ali Dzhumamuratovich Baisalov, Meruert Kylyshbayevna Bissenova, Bakytgul Ilyasova, Kuanysh Aratuly, and Kuanysh Daniyarovich Kusmambetov  
... 735  

### 5
**Safety Measures under the Laws of Countries in the Anglo-Saxon System (United States, United Kingdom)**  
Kairat Alkhavanovich Bikshev, Azamat Nurbolatovich Nurbolatov, Aliya Temirhanovna Bayseitova, Zhanar Amanzhanovna Kegembayeva, and Liilya Bissengali  
... 744  

### 6
**‘Disadvantages in Differentiation and Exceeding Limits of Necessary Defense According to the Legislation of the Republic of Kazakhstan**  
Aigul Abaevna Bazilova  
... 752  

### 7
**Sexual Deviations of Prisoners in Conditions of Isolation**  
Rima Yerenatovna Dzhasarsayeva, Ali Dzhumamuratovich Baisalov, Sholpan Baltabekova Malikova, Gulzagira Makhatovna Atakhanova, and Yerenat Yelnur  
... 759  

### 8
**Basic Concepts and Categories of Penitentiary Security Theory**  
Rima Yerenatovna Dzhasarsayeva, Ali Dzhumamuratovich Baisalov, Sholpan Baltabekova Malikova, Gulzagira Makhatovna Atakhanova, Kuanysh Danijyarovich Kusmambetov  
... 765  

### 9
**International Practice in Regulating Liability for Illegal Migration**  
Rima Yerenatovna Dzhasarsayeva, Gulzhana Nusupzhanovna Mukhamadiyeva, Assel Bostanovna Sharipova, Leila Marsovna Abdullina, and Liilya Bissengali  
... 772  

### 10
**Problems in Prevention of Suicidal Behavior of Prisoners**  
Rima Yerenatovna Dzhasarsayeva, Yermek Talantuly Nurmaganbet, Akynkozha Kalenovich Turgymbayev, and Amirzhan Amirzhanovich Nabiyev  
... 777  

### 11
**Economic and Legal Support of Employee of Employee-Shared Ownership in Modern Russia: Regions’ Opinion**  
Olga Ivanovna Gabdulhakova, and Olga Vladimirovna Nekrasova  
... 788  

### 12
**Defining and Assessing the Governance of Agrarian Sustainability**  
Hrabrin Bachev  
... 797
Institution Building of the Eurasian Economic Union: Challenges and Opportunities

Zhanna Turkistanovna Isakova, Askhat Bolatbekovich Bimbetov, and Saniya Nurtzhanovna Sarsenova ... 813

Influence of the Constitutional and Legal Science on the Formation of Modern Public Policy for Human Potential Protection

Inna Valentinovna Tordia and Svetlana Antonovna Savchenko ... 828

International Legal Aspects of Exercising Refugees’ Rights in Central Asia

Amangeldy Shapievich Khamzin, Zhanna Amangeldinovna Khamzina, Yermek Abilbayevich Bursbayev, Yerasak Manapovich Tulebergenov, Dauren Akhmetzhanovich Ibraimov, and Adlet Tokhtamysovich Yermekov ... 835

Value of International Legal Acts in Relation to the Criminal Legislation of the Republic of Kazakhstan

Bakytkul Menlenkyzy Konyasbai, Guldana Amangeldievna Kuanaliyeva, and Dinara Akhanovna Tursynkulova ... 842

Innovative Approaches in the Development of Kazakhstan Railway Industry

Aliya Mufgalievly, Tursynzada Kuangaliyeva, Aizhan Ibyzhanova, Kemel Mirzagedly, Aleksandr Kaigorodzhev, Kulyash Baigabulova, and Natalia Sargaeva ... 851

Problems of Management of Social Processes in the Almaty Region of Kazakhstan

Gaziza Myrzabekova ... 862

Strategic Management Accounting: Legal Aspects and Practical Significance

Vera L. Nazarova, Marina V. Stihler, Irina V. Selezeveva, Oksana Yu. Kohut, and Aida M. Dauzova ... 870

Financial Markets BRICS: The Analysis of Competitive Advantages

Alexander Vladimirovich Novikov, and Irina Yakovlevna Novikova ... 887

Fundamental Principles and Activities in Tackling Corruption in the Republic of Kazakhstan

Ernek Talantuly Nurmanagunbet, Asel Boranovna Ibasova, Guldana Amangeldievna Kuanaliyeva, and Bakytkul Menlenkyzy Konyasbay ... 902

The Corporate Law and the Optimization of Shareholders’ Incomes with Investments into Production Reforming

Lyudmila N. Rodionova, Olga G. Kantor, Natalia O. Rukhlyada, and Svetlana A. Savchenko ... 910

Adversarial Principle and Principle of Equality of Arms as a Subject of Adversarial Type of Criminal Proceeding

Gakhman Sanan-ogly Sadiev ... 920

Evaluation of Economic Efficiency of Information and Consulting Provision for Agricultural Production of Pavlodar Region of the Republic of Kazakhstan

Zubirash Kalybekovna Smagulova, Saida Erbolatovna Kaidarova, Gulnara Kanatovna Baibaisheva, Maral Akbaevna Amirova, Dariga Meiramovna Khamitova, and Roza Kenzheevna Alimhanova ... 926
25 Certain Criminalistic and Criminal Procedure Problems Arising in the Investigation of Criminal Cases Related to Organized Extortion as Exemplified by Kazakhstan and Kyrgyzstan
Samat Zhumagaliyevich Smoilov, Kayrat Kulbayevich Tastekeyev, and Yelena Nikolaevna Kaliakperova ... 939

27 Preconditions for the Economic Development of the Jewelry Industry and Its Legal Aspects in the Republic of Kazakhstan
Serikbay Saduakasuly Ydyrys, and Malike Erkhangizi Munasipova ... 955

Prediction Parameters of the Republican Budget for 2016-2018 and their Analysis
Gulzhan B. Utibayeva, Begendyk S. Utibayev, Assilbek Bairdakov, Aigerim K. Zhusupova, Saule S. Saparbayev, Aigul Zholtumkhanova, and Raushan M. Zhunusova ... 945
Journal of Advanced Research in Law and Economics is designed to provide an outlet for theoretical and empirical research on the interface between economics and law. The Journal explores the various understandings that economic approaches shed on legal institutions.

Journal of Advanced Research in Law and Economics publishes theoretical and empirical peer-reviewed research in law and economics–related subjects. Referees are chosen with one criterion in mind: simultaneously, one should be a lawyer and the other an economist. The Journal is edited for readability both lawyers and economists scholars and specialized practitioners count among its readers.

To explore the various understandings that economic approaches shed on legal institutions, the Review applies to legal issues the insights developed in economic disciplines such as microeconomics and game theory, finance, econometrics, and decision theory, as well as in related disciplines such as political economy and public choice, behavioral economics and social psychology. Also, Journal of Advanced Research in Law and Economics publishes research on a broad range of topics including the economic analysis of regulation and the behavior of regulated firms, the political economy of legislation and legislative processes, law and finance, corporate finance and governance, and industrial organization.

Its approach is broad–ranging with respect both to methodology and to subject matter. It embraces interrelationships between economics and procedural or substantive law (including international and European Community law) and also legal institutions, jurisprudence, and legal and politico – legal theory.

The quarterly journal reaches an international community of scholars in law and economics.

Submissions to Journal of Advanced Research in Law and Economics are welcome. The paper must be an original unpublished work written in English (consistent British or American), not under consideration by other journals.

Journal of Advanced Research in Law and Economics is currently indexed in SCOPUS, EconLit, RePec, CEEOL, EBSCO, ProQuest, and Cabell’s Directory.

Invited manuscripts will be due till April 1st, 2016, and shall go through the usual, albeit somewhat expedited, refereeing process.

Deadline for submission of proposals: 1st April 2016
Expected Publication Date: June 2016
Web: http://www.asers.eu/journals/jarle
E–mail: jarle@aspers.eu

Full author’s guidelines are available from: http://www.asers.eu/journals/jarle/instructions–for–authors
Innovative Approaches in the Development of Kazakhstan Railway Industry

Aliya MUFTIGALIEVA
L.N.Gumilyov Eurasian National University, Kazakhstan
AMuftigalieva@mail.ru

Tursynzada KUANGALIEVA
Zhangir khan West Kazakhstan Agrarian-Technical University, Kazakhstan
Kuantu_p80@mail.ru

Aizhan IBYZHANOVA
Zhangir khan West Kazakhstan Agrarian-Technical University, Kazakhstan
aizhan@mail.ru

Kemel MIRZAGELDY
L.N.Gumilyov Eurasian National University, Kazakhstan
makekemel@mail.ru

Aleksandr KAIGORODZEV
Sarsen Amanzholov East Kazakhstan State University, Kazakhstan
kay-alex@mail.ru

Kulyash BAIGABULOVA
L.N.Gumilyov Eurasian National University, Kazakhstan
K.Baygabulova@mail.ru

Natalia SARGAEVA
Rudny Industrial Institute, Kazakhstan
natalysw@mail.ru

Suggested Citation:

Article's History:
Received April, 2015; Revised May, 2016; Accepted June, 2016.
2016. ASERS Publishing. All rights reserved.

Abstract:
In modern conditions the innovative development of the country – the main goal of the state policy in the field of science and technology. The most important direction of the state innovation policy is the formation of the national innovation system. In cyclically developing economy emerging from the structural crisis national economic policies contribute to the formation of a new type of industry: on the stage of economic growth – to its development and strengthening, on the stage of stabilizing – it is aimed at the realization of the existing potential. Depending on the stage of its development, economic policy provides any support for the existing structure of the industry, or to the formation of the branch structure of a new type. State innovation policy is mainly aimed at
creating favorable economic, institutional, legal, informational, social and psychological conditions for the implementation of innovative processes. These conditions and the variety of methods of formation of innovation policy define the basic strategic directions of state support for innovation. In the article the questions of strategic management were shown, the features of the formation and development of the railway industry of the Republic of Kazakhstan. Special attention was attended to the assessment of the strategic management of the real economy sector.

**Keywords:** railway transport, transportation services, strategic management, economic sphere, state policy, innovations, industrial structure

**JEL Classification:** R4.

**Introduction**

A well-functioning economic policy of the state is the key to successful development of the country as a whole, the part of no small importance is the industrial and innovation policy.

Industrial and innovation challenges require a balanced industrial development and fair trade. GDP growth in Kazakhstan in the last decade basically stimulated export commodity nature of the economy, which in terms of both technology and competitiveness, and the share of products with high added value does not qualify for transitional neo-industrial economy. The fundamental problem is that the current economic system of the republic is dependent on foreign capital and actually subordinated to foreign multinationals supply of raw materials and resources. The dominant economic resource is capital rather than industrial. The economic situation is developing in Kazakhstan, led to the beginning of the transition to a fundamentally new model of economic growth to overcome the de-industrialization, the formation of knowledge-intensive industries and industries with high added value.

Since 2010 in Kazakhstan, the main document for the implementation of industrial and innovation policy has become a state program of forced industrial-innovative development. In connection with the advent of the program seeks to transition to a new model of high-tech modernization of the national economy with a radical restructuring and upgrading of production facilities on the basis of innovation.

Innovative scientific and technological breakthrough involves a radical strengthening of the organizational and institutional role of the state. In the same position as objectively increased state ownership, the state capital in the consolidated budget of the country and solving urgent problems of forced industrialization in joint ventures with foreign investors.

New industrialization as evidenced by international practice is entirely dependent on the rules and the efficiency savings. Calculations of experts and academic institutions prove suitable level of investment in favor of the manufacturing industry for at least 25-30% (Sleptsov 2011). Kazakhstan as well needs identical levels of investment, the rate of accumulation in the industrial capital in the real base of modernization, including investments in human capital and, especially at the time of the active implementation of the program of forced industrial-innovative development, though it is in industrial capital.

In the context of global competition and an open economy the sovereign development of Kazakhstan is possible only with a maximum of rational organization of accounting and inventory of the economic potential of the republic taking into account its strengths and weaknesses in the international division of labor and in the framework of the Eurasian community (Melecky 2012). The new industrialization of the country at a historic turning point of its development requires a new economic system, responsive to the renewal, restructuring, innovation, creation and implementation of new technologies and products, increase the competitiveness of production. We are talking about the formation of a new national economic system, based on new sources of economic growth and, as a branch structure, the growth of labor productivity, rational income differentiation, efficiency and quality of public administration. All of the above should form a competitive national economy with a new strategic approach to the transformation process in the country and a reorientation of policy on innovation industrialization and modernization as a general public interest (Bishop and Woessmann 2004).

The effective functioning and consistent development of rail transport has a fundamental importance for the development of regions, sectors and individual companies, as the availability of transport capacity is a necessary condition for the development of the productive forces, especially in times of lifting the economic situation. In addition, rail transport is a key element of the integration transport system of the Republic of
Kazakhstan in connection with the possibility of year-round to meet the demand for transport services in both freight and passenger transport, thereby ensuring the socio-economic unity of the country.

State innovation policy is a set of measures aimed at strengthening innovation, increasing its efficiency and widespread use of the results in order to accelerate social and economic development of the country and the most complete satisfaction of social needs. It comprises three stages:

- the development of science-based concepts (belief systems) development of innovative activity - is based on the analysis of the innovation potential;
- identification of the main directions of state support of innovation;
- implementation of practical actions to implement the goals aimed at increasing innovation activity.

The innovation policy is necessary to distinguish two aspects - strategic and tactical. The strategy of the state innovation policy is based on long-term concepts of social and economic, social and political development of the country (Kenzhebayeva 2011). The choice of strategy innovation policy requires the definition of the main directions of state regulation of innovation and the adoption of methods to the development and use of scientific potential, establishing the main objectives of innovation development in accordance with the socio economic objectives. The tactic involves determining the current objectives and concrete measures to ensure the achievement of these goals with the greatest efficiency. Tactical vehicles - is funding for research and development of design engineering, material and technical and information support, recruitment, establishment of legal and organizational conditions for the implementation of measures for innovative development.

The effectiveness of the state innovation policy, methods of its formation and the main directions of innovation support to a certain extent reflected in the scientific technical leadership. It manifests itself on an international scale: the expansion of exports of scientific and technical information of the results (licenses, patents, etc.), an increase in exports of innovations, a broad provision of free scientific and technical innovation assistance to other countries. Scientific and technical leadership - is proof of correctness of the chosen strategic direction and tactical actions for the formation and implementation of state innovation policy. Scientific technical leadership is the result of the correct choice of research areas (front and use selective methods). The right choice should lead to leadership in the areas in which there is a priority in the development (Saloner, Shepard and Podolny 2000).

State innovation policy is mainly aimed at creating favorable economic, institutional, legal, informational, social and psychological conditions for the implementation of innovative processes. These conditions and the variety of methods of formation of innovation policy determine the main directions of state support for innovation.

The main directions of state support of innovation include:

1. promotion of research (fundamental research, applied), especially in promising areas;
2. Staffing innovation;
3. to facilitate the development (within government departments) of various programs aimed at increasing the innovative activity;
4. the formation of public contracts in the form of contracts for innovative developments, providing the initial demand for many innovations that later found widespread in the market (domestic and foreign);
5. the use of fiscal and other instruments of state regulation, which form challenging external environment, which necessitates innovative solutions and efficiency of individual firms (enterprises);
6. participation of the state in the role of mediator in the organization of effective interaction between different sectors of science (academic, industry, university and factory) and to stimulate cooperation in the field of innovation between industrial firms (enterprises, joint-stock companies) and institutions of higher education (universities, academies, institutes);
7. co-ordination of innovation activity in the regions;
8. the establishment of the legal basis of innovation;
9. the regulation of international relations in the field of innovative processes.

The last two areas are important in terms of the degree of participation of the state in supporting innovation (Kenzhebayeva 2011). After all, the legal regulation of innovative processes is the exclusive prerogative of the state, and the regulation of international relations in the field of innovative processes in the ground and by the state.

The forms of state regulation of international relations in innovation activity varied. These include:

- encouraging innovative foreign investment;
- an informed choice the most promising priority areas of cooperation;
- customs regulations and export controls of innovation (technology, products, recipes);
- support for international contacts (bonds) of small innovative business;
multilateral funding (bilateral) international innovation projects;
the use of special tax and credit incentives for countries (or companies) involved in the implementation of joint innovation projects and developments;
the introduction of the country to international standards and norms (2011).

The concept of ‘innovation’ first appeared in studies and cultural studies meant the introduction of some elements of one culture to another. In the process of improving the traditional way of life began to be studied patterns of technical, technological, organizational, economic and other innovations (Morozova 2002). Currently, there are tendencies that in all aspects of an increasingly important role acquire economic issues related to the implementation of innovations.

The Austrian economist Joseph Schumpeter in his ‘Theory of Economic Development’ (2004) was introduced into scientific use the term ‘innovation’ for the first time considered the importance of innovation in development organizations, giving a full description of the innovation process. In particular, Schumpeter identified five changes in development, related to innovation:

- use of new equipment, processes or provide new market production;
- the introduction of products with new properties;
- use of new raw materials;
- innovative changes in the organization of production and logistics;
- the emergence of new markets.

For these positions, according to Schumpeter, innovation is the main source of income, ‘income is essentially a result of the new combinations of factors of production’, ‘without development there is no profit, no profit no development.’ Therefore, Schumpeter marked the special role of the economic dimension of innovation in the framework of the production function (2004).

The vast majority of authors highlight the process of the implementation of innovative initiatives and innovations exit the market as it is an important feature of the innovation potential in contrast, for example, from the scientific and technical potential. This underlines that the innovative potential, its highest level - a means of achieving profits, thus are not extensive and intensive methods.

The scientific potential as well as an innovative susceptibility is characteristic of the organization. Some sources believe the scientific potential starting point for innovation and its high level of release as one of the key characteristics of successful organizations.

The innovative receptivity and scientific potential of the organization do not exhaust the list of structural components of the innovation potential (Kaufmann and Todtling 2000). Since one of the basic properties of innovation is their market demand, they must have not only the novelty to the entire society, and in relation to a specific organization, but also to meet the market demand, it has to have market potential as an indicator of the effectiveness of the organization, the implementation of its innovative capacity (2007).

Successful innovation model of economic development is used in countries such as Japan, South Korea. However, these countries are very small, and it is easier to regulate and control their markets for the implementation of an innovative model (2011).

The key to a successful borrowing experience is its critical rethinking. In the developed market economies process of modernizing economic policy continues for many years.


Issues of strategic management have been studied by the Kazakhstani researchers Mukhamedyarov (2008), Akhmetov, Kamenova and Nakipov (2013), Karen (2014), Kenzhebayeva (2011), Sleptsov (2011) and others.

An analysis of the literature suggests that at the present stage of economic development the main tool for improving the competitiveness of the industries it serves innovative activity, and the level of development of innovative sphere (science, new technologies) forms the basis for sustainable economic growth, determines the prospects of the company.

The aim of the study is to review the strategic approach of management system of the railway transport sector of the country and the development of mechanisms for improving innovation in the light of the national company.
1. Discussion and Results

Every state with a developed economy finds its own specific scenario and supports the national industry, focusing on the development of innovative high-tech industries. It is also important to take into account that the countries shape their policies in different periods of time, having a different competitive advantage. Many developing countries have also placed emphasis on supporting the development of innovative industries, involves organizing high-tech industries (Blank 2013). In the world there are many examples of development, based on the active development of innovative activity in the industry. In our view, there is a need to review the experience, especially in advanced economies (such as Germany, USA, Japan, Finland, etc.), as well as countries that show the recent high rate of growth (China, India and others) (see Table 1).

Table 1. Measures of state support of innovation in foreign countries

<table>
<thead>
<tr>
<th>No.</th>
<th>Measures number of state support</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The right of public research institutions, commercial parties have innovative companies</td>
<td>Denmark, Spain, France, Norway, Sweden</td>
</tr>
<tr>
<td>2.</td>
<td>Promote the establishment of joint venture research institutes and business structures</td>
<td>United Kingdom, Germany, Denmark, China, United States</td>
</tr>
<tr>
<td>3.</td>
<td>Promote the use of innovative technologies at the level of small and medium sized enterprises</td>
<td>United Kingdom, China, the US, France</td>
</tr>
<tr>
<td>4.</td>
<td>Promote the activities of intermediary organizations between business and creators of innovative technologies</td>
<td>Germany, United Kingdom, China, the US, Sweden</td>
</tr>
<tr>
<td>5.</td>
<td>Support for technology parks and technology incubators</td>
<td>United Kingdom, Denmark, India, China, Sweden</td>
</tr>
<tr>
<td>6.</td>
<td>Direct funding of innovative enterprises</td>
<td>United Kingdom, Germany, Denmark, China, United States, Sweden</td>
</tr>
<tr>
<td>7.</td>
<td>Financial support for innovative ventures in the areas</td>
<td>Germany, Norway, India, Sweden</td>
</tr>
<tr>
<td>8.</td>
<td>Promote patenting</td>
<td>Germany, USA, France, Sweden</td>
</tr>
</tbody>
</table>

Source: Kalyatin VO Experience in Europe, the US and India in the field of public support for innovation // the Russian legal magazine – 2011, No. 1, p. 3-12.

Review of foreign experience of development and innovation (Table 3) showed that the basis for innovative development of the industry grew a variety of tools to stimulate the public. First of all, the growth of innovative activity of the industrial complex of a state does not pass without heavy support from the governing bodies. Financing was carried out in various forms: direct funding, allocation of grants and other subsidies (China, Japan), a support in the form of government contracts and procurement (US).

Second, the practice shows that the high-tech industrial complex is an innovative core of the industry and the whole point of growth of the economy. Therefore, first of all, the region is necessary to create conditions for the development of high-tech industries.

Third, for companies introducing innovative technology and producing high-tech products, the state provides various benefits, including tax (India, USA). Such measures may attract new business to the territory and, consequently, additional investment (Wissema 2012).

Fourth, the world practice shows the need for links between the industrial enterprises and scientific and educational institutions. An example is the experience of the United States, Japan and other countries. Interaction allows business and science in the shortest time available to implement development and thus greatly improve the production efficiency (Anshin and Dagayev 2007).

Fifth, increasing innovation activity can be achieved through the creation of regional production systems (industrial clusters, technological parks, technopoles). This will achieve the necessary level of development in the relations between all participants in the production, as well as representatives of science and education (universities and research institutes). To improve performance, you must also build a chain of cooperation from the mining companies to the production of high-end products in the region (2011).
At a present stage of economic development the strategic management is the key factor for corporate growth, however companies neglect the processes of innovation for development and growth that have a negative impact on its competitive activity.

Strategic management aims to focus an organization on activities during the current period of time in order to achieve set goals in the future under changing internal and external environment conditions.

Under the strategic management we view the current situation from the future, actions of the organization are determined and implemented at the present, rather than forming future plan of the organization's activity. Under non-strategic management both present and future plan of abstract actions under constant internal and external environment conditions is formed.

Any organization is unique on its own way and the process of strategy development is unique for every organization as far as it depends on the position of the company in the market, strength of its development, its potential, behavior of its competitors, characteristics of the produced products or services, state of economy, cultural environment and on many other factors. At the same time there is a range of the fundamental issues which allow us to talk about generalized principles of implementation of strategic management.

Throughout the history country’s railways provided transportation services for people and economy. Despite the economic decline and the reduction of the transportation volume in 90s, railway sector of the country functioned regularly meeting economic needs in freight services. During the period of economic growth from 2000 to 2008, the Company successfully coped with 7% annual increase of annual growth in volume of transportation.

Railway transport in Kazakhstan has and will have a crucial strategic meaning in the life of society and country and its industrial and innovative development for a long period of time.

Not only perspectives of future social and economic development but also the ability of the state to effectively perform such essential functions as protection of national sovereignty, ensuring citizens’ needs in transportation, setting-up the conditions to balance the social and economic development of regions depends from the condition and quality of railway transport activity.

‘Kazakhstan Temir Zholy’ State Public Enterprise was established by the Decree of the Government of the Republic of Kazakhstan dated January 31, 1997, No. 129 ‘On reorganization of railway enterprises of the Republic of Kazakhstan” by the merger of the republican state entities: Almaty Railroad Administration, Tselinnaya Railroad Administration, and the West Kazakh Railroad Administration. The aim of the amalgamation was the optimization of the management structure of cargo transportation and the liquidation of unnecessary chains, as well as financial and economic improvement of the railway sector.


Nowadays the National Railway Company enters into the period of serious challenges due to completion of the life cycle of the productive assets formed before 1991. In the period up to 2020 more than 54% of freight stocks of the existing park of the Company, 68% of main haulage locomotives, 82% of gathering-locomotives and coach cars should be written off due to the period of service (Kalyatin 2011).

Currently, ‘National Company ‘Kazakhstan Temir Zholy’ JSC has a holding structure based on the ensuring functional integrity and management of the railway sector in the transportation process. The only shareholder of ‘National company ‘Kazakhstan Temir Zholy’ JSC is ‘Sovereign Wealth Fund ‘Samruk-Kazyna’ JSC which helps to improve corporate governance arrangements, rise transparency of the budget and manage the operation of ‘ National company ‘Kazakhstan Temir Zholy’ JSC through the Board of Directors without interfering in its operational activity.

The ‘National Company ‘Kazakhstan Temir Zholy’ JSC acts as an operator of the main railway network, passenger and cargo carrier by rail. This activity is regulated in accordance with laws of the Republic of Kazakhstan ‘On railway transport’ and ‘On natural monopoly and regulated markets’.

Currently railway transport is the most important part of the infrastructure of the Republic of Kazakhstan. The geographical conditions of Kazakhstan (landlocked territory, the lack of availability of passable rivers), the hugeness of territory, the raw structure of production and distribution of productive forces, poor road infrastructure make the role of railway transport in the economy extremely important (Mukhamedyarov 2008).

Kazakhstan’s railway sector is the developing area of the economy, potential output and technical capacity
of which allows sustainable growth of economy and provides employment to more than 156 thousand people.

The current sector regulation model and the policy of containment the tariffs do not meet the long-term demands of consumers. Within the scope of implementation the strategic development plan of the Republic of Kazakhstan till 2020 it's necessary to bring to a logical completion the railway transport reform aimed at achieving most suitable functioning of the railway system for the State and society. Therefore aims and objectives of the corporate development are inseparably linked with the objectives of the sector's structural reform.

The current state of the national company is shown in Table 2.

### Table 2. Key production and financial indicators of JSC ‘NC' KTZ’ for 2011-2013

<table>
<thead>
<tr>
<th>Name</th>
<th>Measure</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Throughput of tariff</td>
<td>million tonnes-km</td>
<td>223,583</td>
<td>235,845</td>
<td>231,248</td>
</tr>
<tr>
<td>Passenger</td>
<td>million tonnes-km</td>
<td>14,649</td>
<td>16,708</td>
<td>16,962</td>
</tr>
<tr>
<td>Income from operations</td>
<td>thous. tenge</td>
<td>702,740,094</td>
<td>804,458,656</td>
<td>873,565,703</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>thous. tenge</td>
<td>470,280,262</td>
<td>549,358,013</td>
<td>576,862,081</td>
</tr>
<tr>
<td>Gross income</td>
<td>thous. tenge</td>
<td>232,459,832</td>
<td>255,100,643</td>
<td>296,703,622</td>
</tr>
<tr>
<td>Income from financing</td>
<td>thous. tenge</td>
<td>4,637,732</td>
<td>4,363,838</td>
<td>5,703,644</td>
</tr>
<tr>
<td>Other income</td>
<td>thous. tenge</td>
<td>4,293,372</td>
<td>5,661,151</td>
<td>3,815,236</td>
</tr>
<tr>
<td>General and administrative costs</td>
<td>thous. tenge</td>
<td>62,107,961</td>
<td>79,619,964</td>
<td>94,155,179</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>thous. tenge</td>
<td>159,971</td>
<td>193,391</td>
<td>154,403</td>
</tr>
<tr>
<td>Impairment of fixed assets</td>
<td>thous. tenge</td>
<td>903,059</td>
<td>101,945</td>
<td>1,523,433</td>
</tr>
<tr>
<td>Financial expenses (% of loans)</td>
<td>thous. tenge</td>
<td>19,022,743</td>
<td>30,024,236</td>
<td>37,811,417</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>thous. tenge</td>
<td>1,541,535</td>
<td>4,109,145</td>
<td>8,012,635</td>
</tr>
<tr>
<td>Share of profit / loss of companies accounted for using the equity method</td>
<td>thous. tenge</td>
<td>69,331</td>
<td>-72,209</td>
<td>-4,269,149</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td>thous. tenge</td>
<td>157,724,998</td>
<td>150,994,742</td>
<td>160,296,286</td>
</tr>
<tr>
<td>The corporate income tax</td>
<td>thous. tenge</td>
<td>32,554,051</td>
<td>31,022,566</td>
<td>39,048,623</td>
</tr>
<tr>
<td>Income from continuing operations</td>
<td>thous. tenge</td>
<td>125,170,947</td>
<td>119,972,176</td>
<td>121,247,663</td>
</tr>
<tr>
<td>Profit / loss from discontinued operations</td>
<td>thous. tenge</td>
<td>-1,942,128</td>
<td>-1,109,451</td>
<td>-2,812,097</td>
</tr>
<tr>
<td>Minority interest</td>
<td>thous. tenge</td>
<td>341,919</td>
<td>1,090,617</td>
<td>2,807,995</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>thous. tenge</td>
<td>122,886,900</td>
<td>117,772,108</td>
<td>115,627,571</td>
</tr>
</tbody>
</table>

Financial soundness of the enterprise largely depends on rational investment of financial resources in assets. Assets are dynamic by its nature. Dynamics of enterprise's property status can be characterized as follows (see Table 3).
Table 3. Dynamics of enterprise's property status for 2013 – 2014

<table>
<thead>
<tr>
<th>Indicators</th>
<th>At the end of 2013</th>
<th>At the end of 2014</th>
<th>Annual changes: growth (+), decrease (-)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount, mln. KZT</td>
<td>Specific gravity, %</td>
<td>Amount, mln. KZT</td>
</tr>
<tr>
<td>1. Total property</td>
<td>121,078</td>
<td>100</td>
<td>116,840</td>
</tr>
<tr>
<td>2. Current assets</td>
<td>75,799</td>
<td>62.6</td>
<td>77,241</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Provisions and expenses</td>
<td>44,227</td>
<td>36.53</td>
<td>52,238</td>
</tr>
<tr>
<td>2.2 Settlements with debtors</td>
<td>31,448</td>
<td>25.97</td>
<td>24,925</td>
</tr>
<tr>
<td>2.3 Cash resources</td>
<td>124</td>
<td>0.10</td>
<td>78</td>
</tr>
<tr>
<td>3. Dead assets</td>
<td>45,279</td>
<td>37.4</td>
<td>41,599</td>
</tr>
</tbody>
</table>

Source: * compiled by the authors based on data from the annual reports of NC ‘KTZ’ JSC.

The data shows that the enterprise has changed balance sheet structure during the past year. The property of enterprise decreased by 2238 mln. KZT which is 1.85% less than of the same period of time of the last year. Reserves have been increased, which increased proportion of the slow assets. If due to the circumstances the volume of its services will be reduced, we may state that such infusion of funds to reserves will lead to the liquidation of funds. Cash was reduced by 37.1% being the most liquid asset. Based on the above we can observe the decline of enterprise's general paying capacity by the end of 2014 (Table 4).

Table 4. General paying capacity for 2013 – 2014

<table>
<thead>
<tr>
<th>Indicators</th>
<th>At the end of 2013</th>
<th>At the end of 2014</th>
<th>Deviations %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount, mln. KZT</td>
<td>Specific gravity, %</td>
<td>Amount, mln. KZT</td>
</tr>
<tr>
<td>1. The initial cost of fixed assets</td>
<td>92,802</td>
<td>100.0</td>
<td>93,257</td>
</tr>
<tr>
<td>including: Active part</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Fixed assets (residual value)</td>
<td>55,037</td>
<td>59.3</td>
<td>55,357.35</td>
</tr>
<tr>
<td>Capital assets usability rate</td>
<td>0.49</td>
<td></td>
<td>0.45</td>
</tr>
<tr>
<td>Ratio of renewal</td>
<td>0.02</td>
<td></td>
<td>0.005</td>
</tr>
<tr>
<td>Retirement rate</td>
<td>0.51</td>
<td></td>
<td>0.55</td>
</tr>
<tr>
<td>Depreciation rate</td>
<td>0.04</td>
<td></td>
<td>0.056</td>
</tr>
</tbody>
</table>

Source: * author's research based on the annual reports of NC ‘KTZ’ JSC.

The methodology of calculation of the coefficients is provided in Table 3 and Table 4 for 2014.

Capital assets usability rate is defined by the formula1:
Capital assets usability rate = 41,599/93,257 = 0.45.
On this basis retirement rate will be:
Retirement rate = 100% - 45% = 55% = 0.55.
207.99 thousand KZT of the fixed assets were introduced during the 2014, therefore the ratio of renewal will be the following:
The structure of and to provide high-speed traffic, which do not provide a direct economic benefit for the company and the state, but which play an important social role:

- improvement of transport accessibility to regions of the country, growth of population mobility;
- strengthening of the social territorial integrity of the Republic of Kazakhstan;
- increasing the competitiveness of the Kazakhstan transport network in the global market of transport services;
- human migration from labor-surplus regions of the country to the regions of new railway lines construction and operation;

Conclusion

Thus, the establishment of the domestic passenger rail carriage building, the organization of carriage production of new types and designs, updating and expansion of the fleet of passenger cars, the organization of high-speed service on the main railway lines are a major contribution to the realization of the program announced by the President "New decade - new economy growth- new opportunities for Kazakhstan".

Additional factors of development of speed and high-speed traffic, which do not provide a direct economic benefit for the company and the state, but which play an important social role:

- improvement of transport accessibility to regions of the country, growth of population mobility;
- strengthening of the social territorial integrity of the Republic of Kazakhstan;
- increasing the competitiveness of the Kazakhstan transport network in the global market of transport services;
- human migration from labor-surplus regions of the country to the regions of new railway lines construction and operation;

Conclusion

Thus, the establishment of the domestic passenger rail carriage building, the organization of carriage production of new types and designs, updating and expansion of the fleet of passenger cars, the organization of high-speed service on the main railway lines are a major contribution to the realization of the program announced by the President "New decade - new economy growth- new opportunities for Kazakhstan".

Additional factors of development of speed and high-speed traffic, which do not provide a direct economic benefit for the company and the state, but which play an important social role:

- improvement of transport accessibility to regions of the country, growth of population mobility;
- strengthening of the social territorial integrity of the Republic of Kazakhstan;
- increasing the competitiveness of the Kazakhstan transport network in the global market of transport services;
- human migration from labor-surplus regions of the country to the regions of new railway lines construction and operation;
improvement of the cultural and educational level of residents of regions next to the new railways, due to development of communication ways;

- increasing the capacity of the transport usage for the population of the regions next to the new lines;

- the emergence of additional opportunities to attract investments to the regions, including foreign investments;

- integration of regions next to the new lines and the expansion of trade.

Conclusions. In modern conditions the innovative development of the country - the main goal of the state policy in the field of science and technology. The most important direction of the state innovation policy is the formation of the national innovation system.

For Kazakhstan considerable interest principles that guide the development of the country during the concrete measures to support innovation processes and are used for their implementation mechanisms. First of all, this is due to the fact that the main task of the state in the field of innovation is to bridge the gap between science, technology and industrial applications.

The factors creating competitive advantages of industry defined by four groups of determinants of national competitiveness in the form of so-called ‘national rhombus’ which are general, the competitive environment and include: conditions of production factors necessary for successful competition in the industry; demand conditions that characterize the domestic demand for products or services offered by a particular industry; related and supporting industries, that is, the presence of the national economy and related supporting industries that are competitive in the foreign market; strategy, structure and competition of firms, i.e. the competitive environment created by the state in which the company arise, form a strategy, and compete in the domestic market.

The strategic management of railway transport of the Republic of Kazakhstan should be carried through abideance the rules of four basic groups:

- the first group of the rules is a criteria for evaluation of results of the railway operating, i.e. how the operation of the sector influences on the economic and social areas.

- regulation of the relations of the railway system with other sectors (systems), as well as state regulation principles, principles and mechanisms of achieving competitive advantages over other types of transport represent the second group of rules.

- the third group of rules govern the relations between management bodies, business - structures, users of transport services within the railway sector as a system.

- the forth group of rules includes framework for operational decisions that impact on long-term and medium-term development directions of railway transport.

Generally, the strategic management of railway transport in the Republic of Kazakhstan creates conditions that help to minimize the probability of threats of different nature - technical and technological, financial, human resources and so on, which makes possible to satisfy the needs of society and the economy in a competitive transport services.

In our view, the world experience the technologically advanced countries shows that the global process of industrialization of the economy has entered a new phase called neo-industrialization being objective and general law, like the electrification of social labor. At the same time, falling behind in the ‘digital’ industrialization, the country condemns itself to lag behind in all other socio-economic parameters of development. In this regard, to ensure the competitiveness of the national development should go on the climb to the level reached by the major powers. Therefore, it is a major factor neo-industrialization breakthrough of Kazakhstan in technotronic XXI century.

Based on the international experience of industrialization of a number of countries, it can be argued that the success of economic goals is largely dependent on the choice of priorities and directions of development defined by the state, mechanisms to achieve their goals. In that case, if the task is to increase national competitiveness by taking the leading positions in the world economy, the main efforts should be focused on the development of the most advanced sectors, determine the level of technological development of the country, which include microelectronics, information and biotechnology, nuclear industry, space industry and space exploration, aviation industry, and super-fast high-speed rail links.

References


ASERS Publishing is an advanced e-publisher struggling to bring further the worldwide learning, knowledge and research. This transformative mission is realized through our commitment to innovation and enterprise, placing us at the cutting-edge of electronic delivery in a world that increasingly considers the digital content and networked access not only to books and journals but to a whole range of other pedagogic services.

In both books and journals, ASERS Publishing is a hallmark of the finest scholarly publishing and cutting-edge research, maintained through commitment to the rigorous peer-review process.

Using pioneer developing technologies, ASERS Publishing keeps pace with the rapid changes in the e-publishing market.

ASERS Publishing is committed to providing customers with the information they want, when they want and how they want it. To serve this purpose ASERS offerings digital Higher Education from its journals, courses and scientific books, in a proven way in order to engage academic society from the entire world.
Journal of Advanced Research in Economics and International Business

Editor in Chief:
PhD Madalina CONSTANTINESCU

Co-Editor:
PhD Daniele SCHILIRÒ

Journal of Advanced Research in Economics and International Business provides a forum where academics and professionals can share the latest developments and advances in the knowledge and practice of Economics and International Business. It aims to foster the exchange of ideas on a range of important international subjects, to provide stimulus for research and the further development of international perspectives, and to publish empirical and applied research on issues relating to Economics and International Business.

Journal of Advanced Research in Economics and International Business is currently indexed in RePEC, CEEOL, ProQuest, and EBSCO databases.

Web: http://www.isers.eu/journals/jareib

E-mail: jareib.asers@gmail.com
Journal of Advanced Research in Law and Economics

Editor in Chief:
PhD Madalina CONSTANTINESCU

Co-Editors:
PhD Russell PITTMAN
PhD Eric LANGLAIS

Journal of Advanced Research in Law and Economics provides readers with high quality and empirical research in law and economics. The Journal publishes analytical studies on the impact of legal interventions into economic processes by legislators, courts and regulatory agencies. Finally, important developments and topics in the analysis of law and economics will be documented and examined in special issues dedicated to that subject. The Journal is edited for readability; lawyers and economists, scholars and specialized practitioners count among its readers.

Journal of Advanced Research in Law and Economics, is indexed in SCOPUS, RePEC, EconLit, IndexCopernicus, CEEOL, ProQuest, EBSCO databases, and Cabell’s Directory.

Web: http://www.asers.eu/Journals/jarle

E-mail: jarle@asers.eu
The aims and scope of the *Journal of Advanced Research in Organizational Psychology* is to provide its readers with up-to-date studies and current trends in the field of organizational psychology. The *Journal* will host articles dedicated to the study of inner-group psychology and the social dynamics existing in the organization today. The contents of the *Journal* can be useful to students and practitioners alike, as they will provide insight to new theories, thoughts and perspectives with regards to the field of organizational psychology.

*Journal of Advanced Research in Organizational Psychology* is currently indexed in RePEC, IndexCopernicus, CEEOL, ProQuest and EBSCO databases.

**Web:** [http://www.asers.eu/Journals/jarop](http://www.asers.eu/Journals/jarop)

**E-mail:** jarop@gmail.com
The Journal aims to publish empirical and theoretical articles which make significant contributions in all areas of finance, such as: asset pricing, corporate finance, banking and market microstructure, but also newly developing fields such as law and finance, behavioral finance, and experimental finance. The Journal serves as a focal point for communication and debates for its contributors for the better dissemination of information and knowledge on a global scale.

Journal of Advanced Studies in Finance is indexed in EconLit, IndexCopernicus, RePEC, CEEOL, ProQuest and EBSCO databases.


E-mail: jasf@asers.eu
Journal of Environmental Management and Tourism will publish original research and seeks to cover a wide range of topics regarding environmental management and engineering, environmental management and health, environmental chemistry, environmental protection technologies (water, air, soil), at-source pollution reduction and waste minimization, energy and environment, modelling, simulation and optimization for environmental protection; environmental biotechnology, environmental education and sustainable development, environmental strategies and policies etc.

Journal of Environmental Management and Tourism is indexed in SCOPUS, RePEC, IndexCopernicus, CEEOL, ProQuest, EBSCO and Cabell Directory databases.

Web: http://www.asers.eu/Journals/jemt

E-mail: jemt@asers.eu
The *Journal* is designed to promote scholarly thought in the field of education with the clearly mission to provide an interdisciplinary forum for discussions and debates about education's most vital issues. We intend to publish papers that contribute to the expanding boundaries of knowledge in education and are focusing on research, theory, current issues and applied practice in this area.

*Journal of Research in Educational Sciences* is indexed in RePEC, IndexCopernicus, CEEOL, ProQuest and EBSCO databases.


**E-mail:** jres@asers.eu
Theoretical and Practical Research in Economic Fields

Editor in Chief:
PhD Laura UNGUREANU

Co-Editor:
PhD Ivan KITOV

Theoretical and Practical Research in Economic Fields publishes original articles in all branches of economics - theoretical and empirical, abstract and applied, providing wide-ranging coverage across the subject area. The Journal promotes research that aims to unify the theoretical-quantitative and the empirical-quantitative approach to the economic problems that can be solved through constructive and rigorous thinking.

Theoretical and Practical Research in Economic Fields is indexed in RePEC, EconLit, IndexCopernicus, CEEOL, ProQuest and EBSCO databases.

Web: http://www.asers.eu/Journals/tpref
E-mail: tpref@asers.eu