ӘЛ-ФАРАБИ АТЫНДАҒЫ ҚАЗАҚ ҰЛТТЫҚ УНИВЕРСИТЕТІ
КАЗАХСКИЙ НАЦИОНАЛЬНЫЙ УНИВЕРСИТЕТ ИМЕНИ АЛЬ-ФАРАБИ
AL-FARABI KAZAKH NATIONAL UNIVERSITY

ЭКОНОМИКА ЖӘНЕ БИЗНЕС ЖОҒАРЫ МЕКТЕБІ
ВЫСШАЯ ШКОЛА ЭКОНОМИКИ И БИЗНЕСА

Қаржы кафедрасы
Кафедра финансов

VI ХАЛЫҚАРАЛЫҚ ФАРАБИ ОҚУЛАРЫ

Алматы, Қазақстан, 2-12 сәуір 2019 жыл
Студенттер мен жас ғалымдардың
"ФАРАБИ ӘЛЕМІ"
атты халықаралық ғылыми конференция
МАТЕРИАЛДАРЫ
Алматы, Қазақстан, 8-11 сәуір 2019 жыл

VI МЕЖДУНАРОДНЫЕ ФАРАБИЕВСКИЕ ЧТЕНИЯ

Алматы, Казахстан, 2-12 апреля 2019 года
МАТЕРИАЛЫ
международной научной конференции
студентов и молодых ученых
"ФАРАБИ ӘЛЕМІ"
Алматы, Казахстан, 8-11 апреля 2019года

VI INTERNATIONAL FARABI READINGS

Almaty, Kazakhstan, April 2-12, 2019
MATERIALS
International Scientific Conference
of Students and Young Scientists
Almaty, Kazakhstan, April 8-11, 2019

Алматы
«Қазақ университеті»
2019

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Материалы международной научной конференции студентов и молодых ученых “Фараби әлемі”. Алматы, Казахстан, 8-11 апреля 2019 г. – Алматы: Қазақ университеті, 2019. – 233 с.

ISBN 978-601-04-3944-3

ISBN 978-601-04-3944-3

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THE MAIN ASPECTS OF ISLAMIC FINANCE

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The term Finance deals with the study of investments and money management. It deals with assets and liabilities under varied degree of risk and uncertainty. The most crucial point in the finance is the time preference, depicts the change in the currency rate over a period of time. Finance targets on the price assets considering both the risk value and the rate of return value. Finance sector is classified into three different sub categories: 1) corporate finance; 2) personal finance; 3) public finance.

Corporate finance deals with the funding sources, capital investment structure of the corporation and to increase the firm value to shareholder. Personal finance include education loan, finance for housing, cars, insurance policy like property and health, investing for future. Public finance is the finance related to sovereign states and sub-national entities -states/provinces and related public entities – school districts and agencies. Public finances are long term finances and is concerned with budgeting process, public works and recognition of the required expenditure.

Banking system in general is the acceptation of deposits and lending of finance to the borrower. Through capital markets lending activities can be performed directly or indirectly. Banking system is regulated in most countries based on the influence in financial system and nation economy.

Islamic finance refers to the banking activity followed strictly in accordance to Islamic law, also called as Sharia. The term also implements investment plans under the law. The bank raises fund through the practical application of the Sharia law and hence the correct term to be used is Sharia compliant finance. The law does not encourage the acceptance of fee or interest for the money given as loan irrespective of the payment being fixed or variable. Investing in business providing services / goods that are against the Islamic principles is considered as Haram sinful. These laws were implemented historically in wide range to prevent the activities in contrast to the law, but only in the late 20th century the Muslim community banks formalized these laws to private and semi-private lending institutes.

Islamic banking illustrates the importance of risk sharing by providing insight of raising fund and avoiding interests on the loans. Islamic law is against the view of lending money to the borrower with interest, because Islamic law does not view as asset but as value as it does not encourage the income from money solely. The deem riba is completely forbidden as it is sinful and is connected to usury. As per the Sharia Compliant finance the financial institutions equally share the profit and loss of the firm it underwrites. This is similar to the concept of gharar -risk or uncertainty. Few instances of the gharar is the schemes in the insurance , where premium forms are purchased to insure against that might or might not take place or rarely to take hedge policy to potentially reduce the risk. Under Islamic banking equity financing is allowable but restricted to companies not involved in illegal activities like alcohol production, weaponry and similar to that.

Major Islamic Equity Mutual Funds in the world. The four Islamic mutual funds assessed for investment are AMANX, AMAGX, AMDWX and IMANX. Two of the Amana mutual funds AMANX and AMAGX which have outperformed the Vanguard total stock mark market index fund over a period of year. In addition, they have also outperformed a style- adjusted basket of mutual funds. Amana novel developing world fund AMDWX existed only for 5 months has gained attention by under returning Vanguard total stock mark market index. The final mutual fund IMANX, Dow Jones Islamic mutual fund, has under turned both the benchmarks.

Dow Jones Islamic Fund is the mutual fund with the ticker IMANX. This is offered by Allied Asset Advisers -a registered investment and manager of the fund, a subsidiary of the North American Islamic Trust (NAIT). In this 80% of the fund is invested in domestic and foreign securities and the rest 20% in the securities osen by the adviser in accordance with the Islamic principles. The funds are the stocks from the Dow Jones amic Market US Index, tracking American companies meeting the Islamic principle.

The two other mutual funds offering the growth and income are AMANX and AMAGX respectively. come funds are the funds that give regular income to the investors invested in the securities and increase in capital investment is of second importance. In contrast, the growth fund mainly aims in the growth of the pital investment and does not provide regular income.

A financial service, Azzad Asset management firm is specialized in providing ethical funds. The firm fers azzad finance and ethical funds separately. Thus giving options for the client like the college savings, vestment account and retirement solutions.

It is believed that Islamic financial services contribute to the economic development by continuous onitoring and updating the evaluation of firms and funds that follow Islamic law. This facilitates low cost rtfolio by institutional investors and mutual funds investor. Thus resulting construction of Islamic portfolio individuals. The better returning funds are those that shift to productive actions, thereby increasing onomic growth ans simultaneously following the Islamic law. Thus the Equity funds discussed requires rther investigation to contribute to the economic development following the Islamic law.

The Old Mutual Albaraka Equity Fundoffers the investors to access the unit trust fund that is in accordance ith the Islamic spiritual and ethical beliefs. These offered in partnership with Al bakar bank and channel lam international. The main aim of the fund is to provide steady and long term growth of the capital vestment as well as moderate income based on the portfolio that show diversification across asset classes id regional exposure. The fund exclusively adheres to the standards of the Accounting and Auditing rganisation for Islamic Financial Institutions (AAOIFI) as interpreted by the Shariah Supervisory Board.This ınd is mainly for the investors who expect moderate to high growth from Shariah compliant investment with w volatility to short term than the equity. Suitable for standalone investment in case of retirement. The risk ctor is rated to 3 out of 5.Non permissible income is paid to the charitable trust selected by Shariah upervisory Board correlate with the principles of Shariah. The recommended investment term is 1 year, 3 ear and 5 years. The fund in Shariah compliant investment permits investor to access local and international ınds including equity and non equity securities and liquid assets. It also offers to invest in the portfolio of nit trust locally a well as in the countries with permissible regulatory environment. This may invest up to 25% f the offshore portfolio.The fund obliges with retirement fund legislation.

In Equity fund the investment is done on shares between the joint stock companies. The profit is obtained om the capital gain by buying the shares and selling them at a higher price. The profit is also evident from ie dividends distributed by associated enterprises. The modern day Shariah experts agreed to the concept that ll the transactions to be made in accordance to Shariah compliance which states that company should not orrow money on interest or can invest its profit in interest holding account. Such shares can be sold and urchased without any interference from the Shariah side. In contrast the companies with such quality are rare.

The contribution made to Commodity Fund is mainly to purchase various commodity only for the purpose o resale. The profit generated by the selling of the commodity is the returns of the fund which is again listributed among the contributors. The commodity fund is made acceptable by the Shariah by complying the egulations and transactions. For illustration:

1. The commodity must be possessed by the seller before selling it opposed to the process of selling the ommodity before owning is not permissible by Shariah.

2.Salam and Istina are exceptional for forward sales.

3. The products must be halal that is it must not be related to alcohol, meat or any products prohibited by slamic law.

4. The seller possess the risk of the commodity sold to the purchaser.

5. The rate of the commodity must be fixed and known to the parties. Any uncertainty in the value renders he sale invalid.

Mudarabah Fund – type of fund the investment in business activity is based on the profit and loss sharing. Murabaha Fund in recent days is most commonly used method of financial transactions. In this type the commodity is purchased only to be sold to the clients on the basis of delayed payment at a fixed margin profit added to the cost. If a fund is said to be Murabaha Fund it should be close end fund and cannot be negated in the secondary market.

Ijarah Fund and Mixed Fund. Companies adopt Ijarah Fund to lease their assets in accordance to the Shariah principles. The ownership is retained by the leaser and the income is made from the rents. Thus the rent is the income for the fund and is dispersed between the investors. In Mixed Fund method, the contribution amount will be invested in different investments like equity, commodity, leasing etc. and hence named as Mixed Islamic Fund. In this case if the solid asset are more than 50% and the liquid and debts being less than

50%, the fund is negotiable. However, if the liquid and debts surpass 50% the units cannot be transacted in accordance to the Islamic scholars. Thus the fund to be close end fund.

Funds Investment Diversity.The Islamic Financial Services Act 2013, lays the legal foundation for the Islamic financial framework in Malaysia. The key factor in the framework is to develop Shariah and as well the standards for Shariah contracts. These standards provide the outline of Shariah principle, guidance for practice and governance for each contract. The standards promote accuracy and transparency of the Shariah compliance by financial institutions. In addition these standards will offer a wide range of Islamic products to meet the customer preferences and needs. In the last few decades it is noted that the Islamic banks are providing money to the corporations and individuals to purchase working capital and assets. Recently interest in moved to other forms of Shariah contracts such as exchanged based contract Ijarah and risk sharing Musharakah. These kinds of contract separate Shariah contracts from the conventional contracts and support funding choices offered by Islamic banks. The diversity in the contracts brings in the opportunities for the growth of Islamic banks.

Different expectations on operations of Islamic banks the Shariah contracts The evolution of broad range of the mix of products with basis on primary and financing models will alter the instruments/models used in the Islamic banks. Thus it is the responsibility of the Islamic banks to maintain infrastructure that fits in the change. All put together makes Islamic banks more accessible to meet the customers need. This is inturn becomes competitive and expands the growth in Islamic finance.

In conclusionIslamic finance is decades old practice and is gaining acknowledged globally in recent years. With its ethical nature it is equally gaining attention from non-Muslim community. As the Muslim world is wealthier Islamic finance market can see a great evolution by addressing the challenges by uniting the dissimilar worlds of spirituality and modern theory.

In addition to wide range of trade-financing, equity and lending activities, Islamic banks propose a full scale of fee-paid trade services without interest payments, together with checking accounts, fund transfers, spot foreign exchange transactions letters of credit, safe-deposit boxes, travelers checks, securities safekeeping investment management and other services of modern banking. Islamic banking is drawing finance from both Muslim and non-Muslim community because of it theology concept Islamic banks developing investment and financial instruments are seeing profits along with being ethically motivated. Islamic banks with revolutionized methodologies enhancing the global financial services have also led to financial crisis due the uncertainty and risk associated with these types of transactions. Addressing the issue of the financial crisis globally, a scheme was formed based on the entrepreneur capitalism where banks finance increase in the real economy in contrast to the capitalism based on the speculation where banks finance economic development is from speculative transactions that do not contribute to the real economy.

The best investment methods for Islamic investment are equity and fixed income funds.

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THE SHORT REVIEW OF INDEXES IN THE STOCK MARKET

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Stock market price indexes are the most quoted economic statistics in the world. These indexes measure the movement in the prices of shares and other financial assets, and are calculated and published by the private sector. The objective of this paper is to report on their estimation methods and their use and interpretation as a basis for investment decisions and portfolio management and as proxies to measure the risk of different classes of assets. The Dow Jones Industrial Average and the S&P 500 are covered in some detail; time series comparison of four international stock market indexes is made; and the use of stock market indexes in portfolio analysis is discussed. All indexes are calculated and published daily, or several times a day during business hours, by the stock exchanges, investment firms, other financial institutions, and newspapers. The indexes provide sensitive short-run indicators of the changing economic and political conditions affecting the market as reflected in changes in the prices of industrial, technology, transport, and utility stocks, among many others.

Stock price indexes are not designed as "portfolio indexes", which are indicators of the performance of real portfolios, or the actual holdings of securities by an individual or institution such as a pension fund. However, they are widely used as a basis for investment decisions and portfolio management and as proxies to measure the performance of investment portfolios and the risk of different classes of assets. They are also widely used by investment fund managers and academics to calculate long-run rates of return, to test finance models such as the capital asset pricing model, and in the studies of business fluctuations.

Since the early 1970s, and especially more recently and currently, stock market price indexes have also been used as benchmarks for a new type of stock, called exchange-traded funds (ETFs) such as the S&P/TSX 60 Index Fund[4] in Canada and several traded in the United States[5] and in other countries. ETFs, which trade like ordinary stocks, are index-based collective funds similar to mutual funds, designed to replicate or track movements in particular stock market indexes such as the S&P 500[6] or Nasdaq 100[7].

The best known examples of the indexes are the Dow Jones Industrial Average[8], the Standard and Poor's (S&P 500) Composite[9], Nasdaq Composite Index[10] and the London Financial Times and Stock Exchange index FTSE 100[11]. The last three of these are value-weighted averages, while the DJIA is a specialized version of the simple arithmetic mean of the prices of 30 stocks. A common criticism of all these major stock market price indexes is that they do not include investment returns from dividends paid to stock holders. Among other internationally well-known stock market price indexes are the NYSE[12] composite, the Toronto Stock Exchange[13] S&P/TSX 60, the Tokyo Stock Exchange[14] Nikkei, the Paris Bourse[15] CAC 40, and the Frankfurt Stock Exchange[16] DAX.

The estimation of stock market price indexes involves three major problems: 1) sampling issues or the selection of stocks to be included in an index; 2) weighting issues or the determination of the relative importance of the stocks included in the index; 3) methods of aggregation or averaging the changes in the prices of the stocks covered by the index.

Fisher (Fisher, 1922, p. 332) observed in the context of general price index numbers that sampling is "intimately related" to weighting, a form of which is the number of items included in the index to represent particular commodity groups. However, Fisher (Fisher, 1927, p. 421) considered sampling as more important in the construction of stock market indexes than the choice of formula. The selection of stocks for inclusion in the index and the weights used to determine their relative importance are major issues of continuing debate and controversy in the stock market index literature; see, for example, Shoven and Sialm (2000), Huang (2005), Siracusano (2009), and Siegel (2009).

Selection of Index Components. Stock price indexes are based on a purposive sample of leading stocks which are publicly traded in the market, or of all stocks listed on a particular stock exchange. The Dow Jones Industrial Average (DJIA) and the S&P 500 index are based on samples of stocks. The Nasdaq Composite Index includes all common stocks listed on the Nasdaq Stock Market. To be eligible for inclusion in the Nasdaq Composite Index, the stock must be exclusively listed on the Nasdaq stock exchange. The NYSE Composite Index consists of more than 1,900 companies including more than 1,500 U.S. and over 330 non-U.S. companies.

The DJIA includes 30 stocks of established American companies considered to be leaders in their respective industries. Selection of companies and changes in the index components are made at the discretion

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of the managing editor of Wall Street Journal. DJIA 30 components account for about 25% of the total market value of all U.S. stocks[17].

S&P 500 companies are selected by a Standard and Poor's index committee. The companies included in the index usually have a minimum market value of US$ 3 billion and must each have at least 50% of its shares available for public trading. Together they account for approximately 75% of U.S. equities.

The FTSE 100 consists of the largest 100 UK companies based on their market value. All companies listed on the London Stock Exchange are eligible for inclusion. Changes in the index components are decided by a FTSE special committee which meets quarterly.

Weighting. The construction of a stock market price index involves combining and averaging the stock prices of companies that differ in their market share and value. It is therefore necessary to introduce weights to determine the relative importance of the stocks to be included.

Three common weighting specifications are used. The first is a price-weighted index where the weight of each included stock is proportional to the price of the stock. DJIA and Nikkei[18] are examples of price-weighted indexes. When DJIA was first published in 1896, it represented the arithmetic mean of the prices of 12 stocks included in the index, and had an initial value of 40.74. However, because of adjustments made to the denominator, called the divisor, as will be explained later, DJIA became a specialized version of what was originally an arithmetic mean proper.

The second weighting specification is to assign weights to the index components in accordance with the market value of each company included in the index. Stock market price indexes based on this weighting scheme are known as market-capitalization or market-value weighted indexes. S&P 500, Nasdaq, NYSE Composite, and FTSE 100 are examples of market-value weighted indexes.

The third weighting scheme assigns equal weights to the relative price changes between two periods. Equally-weighted indexes are also called unweighted. The Value Line corporation[19] publishes equally weighted stock market price indexes.

Aggregation Methods. A stock market price index is typically a chain index of daily links, each comparing the change in prices in period t relative to period t-1. The two-period indexes are then linked together by successive multiplication as in a cumulative product of the two-period indexes to obtain multi-period runs of index numbers which are called chain index numbers.

When the index measures the change in prices in the current period relative to the base period, the base is usually set equal to 100 (as in the FTSE index), but sometimes 50 (NYSE Composite index), or 10 (S&P 500). However, the change in the level of a stock market price index is usually reported as a number of points and as a percentage change in the index value from one day to another or over a relatively short period rather than in relation to a remote base date of an index which could be several years ago.

Emerging Markets Indexes. In 1988, MSCI launched the Emerging Markets Index, which consisted of just 10 countries representing less than 1% of world market capitalization. Today the MSCI Emerging Markets Index consists of 24 countries representing 10% of world market capitalization. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 24 countries.

The MSCI Emerging Markets Index is designed to represent the performance of large- and mid-cap securities in 24 Emerging Markets. As of December 2018, it had more than 1100 constituents and covered approximately 85% of the free float-adjusted market capitalization in each country.

MSCI's index advantages:

1) Global coverage: With more than 190,000 indexes to choose from, MSCI offers extensive representation of the global equity opportunity set.

2) Performance measurement and attribution: Industry- leading indexes for global mandates – with regional, country, sector and other subsets are available for more-targeted investment mandates.

3) Research: For more than 40 years, MSCI's research-based indexes and analytics have helped the world's leading institutional investors build and manage better portfolios.

4) Product development: MSCI has created innovative indexes that can be utilized by the passive investment industry.

5) Consistent framework: All of MSCI's Global Investable Market Indexes offer a building-block approach with a rules-based, consistent methodology designed to allow institutional investors to identify unintended bets, risks, gaps or overlaps.

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17 www.djindexes.com

18 www.nni.nikkei.co.jp

19 www.valueline.com

6) Replicability: Minimum free-float requirements for eligibility and free float-adjusted capitalization weighting to reflect the size of each investment opportunity and facilitate replicability of the indexes.

Thus, the short review of indexes in the stock market showed several methods which are used long ago and will be improved over time. However the most favorable index was the index which can have several advantages to be the most used in the market. And also indexes can differ on country application, by a method of generation and calculations. As different authors note calculations have problems, but they push to the prospects of development of indexes in the future.

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МЕТОДЫ ОЦЕНКИ СТОИМОСТИ КОМПАНИИ В УСЛОВИЯХ ГЛОБАЛИЗАЦИИ

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Аннотация. Оценка стоимости компании является комплексным процессом, для качественного выполнения которого требуется учет множества факторов. В условиях глобализации в особую актуальность приобретает объективный анализ и оценка стоимости предприятий, и, соответственно, выбор стоимостной концепции управления, способствующей рациональному процессу добычи ресурсов, интенсивному развитию отрасли и экономического потенциала страны.

В период экономической нестабильности наибольшему воздействию подвергается финансовый сектор. Изменения на финансовых рынках и в экономике в целом отражаются на результатах деятельности компаний, в частности, на их стоимости. Показатель стоимости бизнеса является важным фактором для инвесторов при решении вопроса о вложении средств в конкретную организацию. В частности, необходимо отметить, что во время оценки стоимости предприятий на современном этапе большинство из разработанных подходов не используются, или используются очень редко, в результате чего формируется неполная и не соответствующая к рыночным условиям стоимость капитала.

Значительное внимание на основных условиях определения стоимости компании в своем труде сосредоточивают К.Мерсер, Т.Хармс, используя модель дисконтированного денежного потока и модель Гордона [1, с.156]. Основная цель такого глубокого исследования – лучшее понимание основных инструментов процесса оценивания и проведения финансово-аналитических расчетов. Авторы доказывают, что данные модели могут быть использованы для обеспечения процесса интегрированного оценивания бизнеса.

Например, Т. Коупленд, Т. Коллер, Дж. Муррин (авторы книги «Стоимость компаний: оценка и управление») рассматривает не только основные подходы к оценке бизнеса, но и учитывает преимущества и недостатки каждого, возможности и ограничения, а также способы комбинирования этих методов с целью получения оптимального результата [2].

Комплексным критерием устойчивого развития предприятия является его стоимость, поскольку она отражает совокупную характеристику финансовых показателей деятельности предприятия и обеспечивает интересы различных участников рыночных отношений. Сосредоточение на поиске возможностей эффективного функционирования предприятия предопределяет необходимость изменения парадигмы процесса оценки стоимости предприятия – от оценочно-статистического до поисково-прогностического, направленного на формирование качественной системы информационного обеспечения принятия управленческих решений в сфере выбора альтернатив финансовых прогнозов развития предприятия.