

# Impact of Regulation Policy on Entrepreneurship Development in Kazakhstan

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## Abstract

In the article the authors return to the problem of inflation and measurement of economic growth, now from the position of analysis and evaluation of the effectiveness of economic management. And he finds a new confirmation of his previous approaches in the models of the analysis of economic growth of the expert society of the European Union. An analysis of the EU KLEMS model convinces the authors that models based on a qualitative theory of money provide a reliable basis for forecasting development and making correct management decisions.

**Keywords:** inflation, economic growth, entrepreneurship, efficiency, globalization, regulation policy

## 1. Introduction

The issues on the impact of the regulation policy on the development of entrepreneurship in Kazakhstan are placed on the agenda only during the last two-three years. The aim of this article is to bring the effectiveness problem of the conducted regulation policy directed at entrepreneurship up-to-date. In the result of the review of scientific literature the authors of the article have come to the conclusion that no study to identify the impact level of the regulation policy on the development of entrepreneurship had been conducted in Kazakhstan. The particular nature of such studies lies in the fact that the history of entrepreneurship development is “new” and extends back only 25 years since the independence of Kazakhstan.

In the early 90s of the past century after the dissolution of the Soviet Union, first small and medium-sized enterprises (SME) related to trade and services spheres. According to experts, the number of operating SME enterprises did not exceed 35 thousand during that period. Conditions for recovery of the entrepreneurial sector have been observed starting from the late 90s. As early as 2000s SME shows the growth and reaches the peak of its development.

Nowadays almost every sixth Kazakhstani is an entrepreneur. Number of jobs, created by small and medium-sized enterprises (SMEs) has increased almost 2.5 times over the last 5 years.

However, survey findings demonstrate that share of business entities, expecting deterioration of their economic status is more than share of expected improvement (Table 1).

Table 1. Survey of enterprises about nature of their economic status, IV quarter 2017

	“good”/ “satisfactory” economic status	Expect invariance of FEA*	Expect improvement of FEA	Expect decline in FEA
Trade	73%	58%	15%	23%
Construction	79%	68%	21%	16%
Industry	80%	65%	15%	17%

\*FEA-financial and economic activity

Source: SC of MNE

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Key reasons of such negative expectations are variability of the world economy, decline of population interest to entrepreneurial activities, inefficient forms and institutions for support of small business, excessive state regulation, increase of business costs, and volatility of KZT and instability of legislation. This forces SMEs to wrap up, "freeze" business or go underground.

Therefore, entrepreneurship, as one of the most important sectors of the economy, needs an effective regulatory policy on the part of the state.

Effectiveness analysis of such policies is comprehensive process. Meanwhile, most regulatory measures are related not only to allocation of funds, financing of various programs and investments, but also to the reduction of excessive state regulation, business costs. Consequently, it is necessary to apply different methods for calculation of "cost" of state regulation for different entities, including entrepreneurs or costs in the result of regulatory reforms, during effectiveness analysis of regulatory policy of the state.

## 2. Impact Analysis of Macroeconomic Processes on Development of Business Activity

Stability of economic development of the country is provided by cooperation of three ways with innovation development technologies (On inflation problems in measurement of real growth and ways of their solution, 2018):

- ▶ Technological mode of the real sector of the economy, represented by Keynesian theory model, which essence is production of more end products of goods and services.
- ▶ Monetary and financial mode of financial sector of the, represented by model of quantitative theory of money of monetary policy, which essence is production of much money.
- ▶ Socio-political mode of managerial sector of the economy, represented by model of qualitative theory of money of social development policy, which essence is assessment and analysis of equilibrium stability between development of real and financial sectors of the economy.

First innovative approach, which is implemented according to Keynesian equilibrium model, allows technological mode to achieve high growth rates of physical volume of end-use goods and services, but without taking into account costs of their production.

Second innovative approach, which is implemented according to equilibrium model of monetarism, allows monetary and financial structure to achieve high growth rates of nominal volume of money supply, but without taking into account of cash purchasing power.

Third innovative approach, which is implemented according to new model of qualitative theory of money, allows socio-political mode to achieve a real equilibrium between money supply in circulation, taking into account its true purchasing power and real volumes of production of goods and services, taking into account their true value.

There is a question, can the model of qualitative theory of money become a reliable tool for effectiveness analysis of economic management at level of entrepreneurial activity? Thus, can it help to its managing elite to understand true content of impact of macroeconomic policies on entrepreneurial activities?

### 2.1 Theoretical Basis of Co-measurement of Expenses and Final Outcomes of Entrepreneurship

Primary task of regulatory policy of the state is assessment of costs and benefits by co-measurement of costs and final results of entrepreneurial activities, taking into account feedback between industries and services. From this view, it is necessary to take into account dynamics of changes in price index of goods and services of each type of economic activity in labor measurement, which is determined by the following formula, calculating costs and benefits:

$$T_i - \sum_j b_{ij} T_j = t_i, \quad (1)$$

where  $b_{ij}$  is labor efficiency standard for production of  $i$  goods and services on production of goods and services  $j$ .

In turn, overall price level for goods and services in labor measurement is determined by formula:

$$\sum_i T_i - \sum_i b_{ij} T_j = \sum_i t_i \quad (2)$$

Such equation system can be created in monetary terms:

$$X_i - \sum_j a_{ij} X_j = Y_i. \quad (3)$$

In this case overall price level on goods and services in monetary measurement is determined by formula:

$$\sum_i X_i - \sum_i a_{ij} X_j = \sum_i Y_i. \quad (4)$$

Both these systems in labor (1), and monetary (3) forms are mutually invertible, and their matrix notation is:

$$tX = TY$$

It is no coincidence that all developed countries estimate productivity of types of entrepreneurial activity at price of one working hour of their workforce. Unfortunately, another instrument is still used in Kazakhstan, instead of this indicator - monthly calculation index (MCI), which is not related to hourly labour capacity.

### 2.2 State of Knowledge of Impact Assessment of Currency Exchange Rate on Economy of Small and Medium-Sized Enterprises

According to opinion of monetarists, exchange rate shall float affected by market demand and supply, and the state shall not regulate it. Friedman proposed to prohibit currency intervention by law on the assumption that “market will perform work of currency profiteers much better than the government”.

Adherers of neoclassic trend believe that it is possible to stabilize the economy through market regulation of exchange rate and conversion of floating rates into automatic regulator of international settlements. The idea of the state's refusal from regulation of currency relations is utopian. Contrary to negative approach of monetarists to currency intervention, it is periodically conducted in practice, and “dirty” floating of exchange rates, based on combination of market and state regulation, prevails.

As indicated in number of works of competent experts from developed countries, problem of inflation and economic growth really exists. So, according to one of the authors in the work “Reports on growth and productivity of EU KLEMS for 2016”, in part “Description of methodology and country notes for Finland” even in USA, where USD is gold substitute, as measure of world currency, “official *deflators* underestimate the real price reduction”(Note 1). One of the authors of inflation theory, D. Saks notes: “ $P = GDP/Q$ . Note that we calculate price index indirectly. Firstly, we take nominal GDP, then we find real GDP in constant prices, i.e. Q. And then we determine the value of P, dividing GDP by Q. Therefore, calculated price deflator is sometimes called implicit price deflator of GDP” (Note 2).

S. Fisher, R. Dornbush and R. Shmalenzi, known world authors of another textbook, consider that values of GDP deflator and inflation are coincided( Note 3). They are considered as equivalent in all tables of the World Bank, provided in its data base(Note 4).

Given that deflators and inflation indexes express the same, of course, measurement of synergistic effects of the country's scientific and technological potential is relevant even for USA. Author of abovementioned article, Kirsten Jeger, noted that “recent data suggests that official deflators underestimate true price reduction even if the United States (Birn and Corrado, 2016)” (Note 5). Moreover, Thomas Piketti, author of best seller “Capital in XXI century” explicitly states, that inflation and nominal GDP, as basis for measurement of real GDP” have “a lot of contradictions”(Note 6).

Thus, exchange rate has a significant impact on the development of entrepreneurial structures, firstly, on their competitiveness. In the result of fluctuations in the exchange rate, new challenges arise for small and medium-sized enterprises. If exchange rate is high, prices of domestic producers will be low, accordingly, production of products and services will be reduced, and it may lead to bankruptcy of enterprises. Low prices for foreign currency stimulate export of goods, services and sale of assets to foreign buyers. On the contrary, low exchange rate (i.e. when national currency is expensive) negatively affects the activity of exporting enterprises, their export activity is reduced, which leads to decrease in volume of manufactured products for export, job cuts.

### 2.3 State of Knowledge of Impact Assessment of Macroeconomic Theories on the Economy of Small and Medium-Sized Enterprises

Let's consider formal record of known modules of Keynesian theory and quantitative theory of money for building of new model of quantitative theory of money, which help to overcome abovementioned contradictions and reveal its advantages in comparison with current models of capital interaction, in its form of money, and capital, in its form of goods.

- ▶ Indicator of physical capital, in its form of money is notated as NGDP, and their purchasing powers as pp.
- ▶ Human apital indicator, in its form of physical volume of goods and services is notated as RGDP, and their growth index as FFI (pb).
- ▶ Demand function on economic growth of physical capital, in its form of national currency nominal (Keynesianism function):

$$NGDP = pp(C) * RGDP(C) + pp(G) * RGDP(G) + pp(I) * RGDP(I) + pp(E) * RGDP(E) - pp(M) * RGDP(M) \quad (5)$$

- Demand function on capital economic growth, in its form of physical volume of goods and services (monetary policy function-RGDP):

$$RGDP=NGDP/pb \quad (6)$$

Monetary function policy, on the one side, is expressed by balance equation:

$$NGDP= pb* RGDP \quad (7)$$

On the other hand, similar balance equation is determined as product of money stock (M) with velocity of its circulation (V):

$$NGDP= V* M \quad (8)$$

Equation of exchange of I. Fisher is underlined these both equations

$$V* M = pb* RGDP \quad (9)$$

It seems that models of Keynesian theory and models of quantitative theory of money are based on monetary foundation, and their indicators are macroeconomic. They do not have any atom of microeconomic indicators and other resource, land, natural and environmental factors of development.

According to phrase of the author of quantitative theory of money, which is basis of current monetary policy, Michael Friedman, all indicators of macroeconomics are monetary phenomenon. Thus, all qualitative and quantitative indicators of equilibrium between money and commodity capitals in both models are expressed only in national currencies of economies of the world countries.

#### 2.4 Methodology of Determination of Inflation True Impact on Effectiveness of Business Activity

Determination of true content of inflation and correct solution task on measurement of economic growth indicators is of practical importance for developed and developing countries of the world. Methodology of construction of model of qualitative theory of money, by which synergetic effect of capital, in its form of money ( $Y = V + M$ ), and capital, in its form of goods ( $X = C + V + M$ ) is determined, very informative and simple, and consists of several simple operators.

*Operator 1* defines demand function for increasing of productivity of means of production, mineral and raw materials and other natural resources of intermediate consumption (QP), used for production of capital, in its form of money ( $NGDP= WR+TR$ )- $\mu$ :

$$\mu = NGDP / QP \quad (10)$$

This indicator corresponds to principle of P. Sraffa, according to which goods are produced by means of goods production (Note 7).

*Operator 2* defines demand function for increasing of productivity of academic and technological potential of the country ( $X= QP+WR+TR$ ), used for production of the same capital, in its form of money ( $NGDP = WR+TR$ )- $c$ :

$$c= \mu/(1+\mu) \quad (11)$$

*Operator 3* defines demand function for capital growth rates, in its form of goods:

$$FGDP= c*RGDP \quad (12)$$

*Operator 4* defines demand function on economic growth rates, in its form of money:

$$FGDP= pp*NGDP, \quad (13)$$

Where  $pp$  is cash purchasing power, price index of national currency is in this case (Note 8):

$$pp =c/pb \quad (14)$$

*Operator 5* defines balance function of demand on capital, in form of money and capital supply, in form of goods and services, which determine true value of capital, directed at consumption fund and accumulation fund in the country-FGDP:

$$FGDP = pp*NGDP= c*RGDP \quad (15)$$

Keys:

- Capital indicator, in its form of labor product at microeconomic level is presented theoretically, and notated as  $X=C+V+M$ , in practice- $X=QP+WR+TR$ , where X means output in national accounts system, appropriate pairs C and QP-intermediate consumption, V and WR-rate of remuneration, M and TR-gross profit.

- ▶ Capital indicator, in its form of goods at macroeconomic level is notated theoretically  $Y = X - C = V + M$ , in practice  $NGDP = X - QP = WR + TR$ , where  $Y = NGDP$ -nominal GDP, which is basis for determination of real  $GDP - RGDP = NGDP / pb$ , where  $pb$ -GDP deflator.
- ▶ Conditions of unity of theoretical and practical approaches during determination of model of qualitative theory of money- $C = QP$ ,  $V = WR$ ,  $M = TR$ ,  $Y = WR + TR$ ,  $NGDP = Y$ .

2.5 Inflation Essence in Terms of Model of Qualitative Theory of Money

In general, inflation module is crucial in system of models of qualitative theory of money, which acts as a catalyst of scientific and technological progress and innovative technology, in other words, of scientific and technological progress. Inflation is ratio of this coefficient of scientific and technological progress and innovative technologies to purchasing power of national currency:

$$Pb = c/pp \tag{16}$$

Scientific and technological progress is driving belt of self-development and self-management mechanism by small, medium and large business enterprises, economies of the country and its regions, economies of the world countries, including world economy.

Therefore, managing elite of each object of economic and financial management in terms of regions and the country shall compare decisions, made by this self-development and self-management mechanism in order to achieve progress in its activities. In other words, managing elite shall understand that inflation is not an evil or scourge for their economies, especially for developing countries, but becomes necessary tool for accelerating introduction of innovations for each way of their economies.

So, according to Stoleryu, macroeconomic process, related to inflation, is explained by the simplest scheme of demand inflation nonconformity (Figure 1).

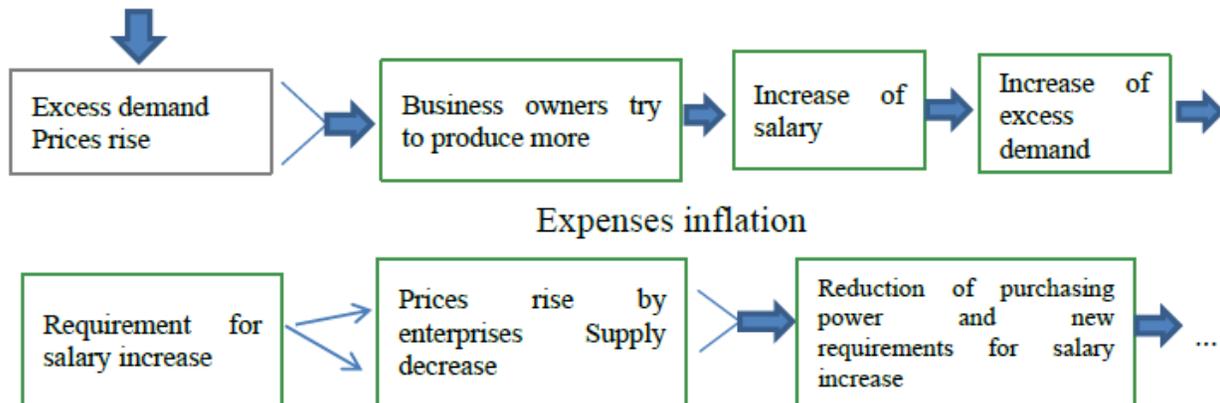


Figure 1. Demand inflation

Source: L. Stoleryu. *Economic growth and balance. M: Statistics, 1974.-p. 466 p. 94-95.*

According to Stoleryu explanation, in the first case demand inflation is born from excess money demand and interest of business owners on prices increase in order to get high profit. Business owners can increase level of salaries to their employees for promotion of performance. Therefore groundless growth of salary can lead to new excess demand.

In the second case growth of salary can be related to unfounded requests of trade union organizations. Increase of salary, which does not correspond to growth of synergistic effect, is accompanied with growth of production costs and appropriate reduction of goods and services supply.

So, impact of macroeconomic policy on development of business activity is evident. Dynamic of price index changes for goods and services, exchange rate, rate of inflation shall be taken into account for making of reasonable and weighted decisions during development of regulatory policy.

### **3. Analysis of Regulatory Policy Impact, Implemented by Public Authorities, on Entrepreneurial Development in Kazakhstan**

Effectiveness analysis of regulatory policy is comprehensive process. Meanwhile most regulatory actions are related not only with funds allocation, financing of different programmes and investments, and also with reduction of excessive state regulation, costs for business. Consequently, it is necessary to apply different methods of state regulation's cost calculation for different subjects, including entrepreneurs or costs in the result of regulatory reforms during effectiveness analysis of regulatory policy of the state.

Focus of reforms in the area of business activity regulation is moved to creation and development of institutes and systems of proper regulation management over the last years. This corresponds to international best practices. Government of Kazakhstan performs work on gradual improvement of access and promotion of regulation transparency, and also on improvement of the results of regulation reforms distribution with the purpose of development of proper regulation management system.

Implementation of policy on reduction of excessive public regulation of business activity, based on "smart regulation" principle, allows constant systematic improvement of regulation quality due to integral impact assessment on each stage of decision making, its implementation and monitoring, clear coordination of interested public authorities and taking into account opinion of all target impact groups.

Main instrument in reformation of regulatory policy is regulatory impact assessment (RIA). Following is written about this in Commercial Code of the Republic of Kazakhstan "...Regulatory Impact Analysis is analytical procedure of comparison of profit and expenses from introduced regulatory instrument and related requirements, allowing assessment of achievement of purposes of public regulation in future...".

RIA appeared abroad half a century ago and related to such countries as Australia, USA, Great Britain, Netherlands, Canada, and Germany. Rules for RIA conducting were developed in Kazakhstan only in 2015, according to which drafts of laws and regulations, developed by regulating public authorities, stipulating introduction of regulatory instrument and related requirements or regulation tightening, are subject to regulatory impact assessment.

Moreover, Commercial code was introduced in 2016, where compulsory regulatory impact assessment by all public authorities on laws and regulations, effected interests of business owners, is stipulated.

RIA shall be performed before making decisions, related to issues on regulation of business activity, by executive bodies. Detailed methodology and RIA implementation, and all data, used for RIA, are publicly available.

#### *3.1 Regulatory Impact Assessment as Basis for Further Actions Validation*

One of main objectives of RIA procedure is determination of minimal cost of introduced regulation. Almost each regulation is related to costs as for business, so for regulatory bodies. Different methods are applied for calculation of profit and costs. These methods allow comparison of scenarios and variants. It is possible to combine these methods during calculation of costs and profit. There advantages and disadvantages in each method. Selection of method depends on purpose of regulatory impact analysis and actions reasoning.

So, for example, model of standard expenses (MSE) does not provide deregulation and does not improve quality of public regulation. It is necessary to apply MSE for assessment of "cost" of current or newly introduced public regulation, or for assessment of expenses reduction for business and state.

Usually, MSE is used by political leaders of countries, which desire to demonstrate effectiveness of performed reforms. For example, cost estimate of business in USA in 2011 in working hours was 9,14 bln hours for information supply to federal authorities. Therefore, minimal target reduction of working hours in all departments was accepted-50 thousand hours for each department. It was 2 mln hours for departments, requesting the most time-consuming reporting.

Performance of all regulation requirements costed 8 thousand USD for each employee, and expenses of small companies (up to 20 people) are 5 500 USD per person, and large companies (more 500 people) – 3 000 USD per person (1992). Working hours were reduced by means of simplification of reporting forms, e-forms introduction, and creation of single data bases for public authorities.

Approach of USA to reduction of administrative costs is characterized by high responsibility of public authorities for simplification of regulatory load on business. Federal departments adopt regulatory acts, which are intended for provision of systematicity and procedures simplification.

It should be noted that SME in developed countries is used as independent instrument, and as component of regulatory impact assessment. In the latter case MSE is used not only for assessment of seriousness of current regulation, but for predictive appraisal of suggested regulation.

Kazakhstan's experts performed calculations on performance of the requirements on submission of different kinds of reporting and information, i.e. informational instruments, in 2017. Expenses per year, taking into account periodicity and all forms of submitted reporting per one enterprise of small and medium business, were 50 mln. KZT. Problem of uncontrolled growth of informational instruments, many of which are duplicated and not relevant, is serious barrier for business development.

### 3.2 Methodological Basis of Cost-Benefit Analyses for Business Activity

Below listed formulas can be used for assessment of regulation introduction for business entities.

#### 3.2.1 Expenses, Related to Guarantee of Entrepreneurial Activity (Investments to Investment Goods, Change of Premises, Laboratory, Staff Training)

Calculation formula of net present value (NPV):

$$NPV = \sum_{t=1}^T (B_t - C_t) / (1 + r)^t \quad (17)$$

where:

$B_t$ -profit at time moment  $t$ ,

$C_t$ -expenses at time moment  $t$ ,

$r$ -discounting index.

Also changes in costs can be followed up by following formula during introduction of planned regulation, related to guarantee of business activity:

Changes in costs for compliance with the requirements to business activity:

$$C = (P_1 - P_0) * V, \quad (18)$$

where:

$P_1$  – expected expenses for measurement unit of goods (works, services), which will be performed by business entities after adoption of a bill for satisfying the requirements to characteristics of goods (works, services);

$P_0$  – expenses for measurement unit of goods (works, services), which are performed by business entities for satisfying requirements of current legislation to characteristics of goods (works, services);

$V$  – total volume (in measurement units) of produced goods (performed works, rendered services) by business entities, to which bill norms are applied;

In order to determine changes in costs, related to changes in the requirements to characteristics (availability of special tools, technical parameters etc.) of facilities, used in primary activity of business owners:

#### 3.2.2 Expenses, Related to Guarantee of Business Activity by Additional Independent Experts

$$E = L_1 * M * N, \quad (19)$$

where:

$E$  = expenses, related to attraction of additional experts;

$L_1$  – expected expenses of business entity on maintenance of one expert (specialist) after adoption of a bill;

$M$  – total number of experts (specialists) in business entity, to which bill action is applied;

$N$  – number of addresses to additional expert within the year.

#### 3.2.3 Expenses, Related to Periodic Reporting to State

$E_{rep}$  – expenses of business entities for studying of the requirements to reporting, filling of reporting forms, internal agreement of reporting forms and reporting to regulatory bodies

$$E_{rep} = B * E * N, \quad (20)$$

where:

B – average time, which is used by SME's employee for reporting;

E – average cost of one working hour of SME's employee;

N – periodicity of reports delivery within the year;

### 3.2.4 Expenses, Related to Performance of State Inspections (Specialized by Alternative)

$$B = Y_M + \sum_l^N (K_i^{MEP} \times H_i^{MEP}) \quad (21)$$

where:

B – amount of expenses of business entities (thousand KZT);

$K_i^{MEP}$  -quantity of scheduled monitoring and oversight actions per year i;

$H_i^{MEP}$  -expenses of business entities due to performance of this kind of actions i (thousand KZT); expenses of business entities for inspections (calculated as product of average duration of inspections and average quantity of employees' hours, and average salary per hour) (thousand KZT);

### 3.2.5 Expenses, Related to Procurement of Permits, Other Public Documents (R)

$$R = (A + K + T + B * E) * N * C, \quad (22)$$

where:

A – average amount of material costs of one enterprise, related to introduced regulation concerning permitting, obtaining of other public documents (paper, copies etc.);

K – average amount of consulting expenses, which were spent for advices and analysis of information for obtaining of approval document (lawyer, consulting, laboratory test etc.);

T – amount of duties and government charges, required for payment for submission of approval document;

B – average time, which is used by SME's employee for preparation of documents for obtaining of permit/other public document;

E – average cost of one working hour of SME's employee;

N – number of permits/other public documents, which shall be obtained within the year;

C – quantity of SME subjects, affecting introduced regulation norms.

### 3.2.6 Expenses, Related to Introduction of Self-Regulation, Based on Compulsory Membership (Participation)

Nowadays it is possible to perform complete quantitative analysis of self-regulation expenses only if there are necessary statistical data.

Transaction costs (on a year-on-year basis) of self-regulation organization, which are subject to the simplest

measurement, are determined by amount of admission membership subscription  $I C_{ij}$  and annual fee of

organization's members  $C_{ij}$ , where index  $l$  is related to business entities, index  $i$  is related to active members of self-regulation organization, and  $j$  -to organization (taking into account that there are several self-regulation organizations in the branch).

Summation over  $l$  from 1 to  $n_j^{oi}$ , where  $n_j^{oi}$  is number of business entities, entered self-regulation organization  $j$  per year, and over  $i$  from 1 to  $n_j$ , where  $n_j$  is annual average number of members in this organization  $j$ , will provide summary annual expenses of self-regulation organization:

$$c_j = \sum_{l=1}^{n_j^{oi}} I c_{jl} + \sum_{i=1}^{n_j} c_{ji} \quad (23)$$

If values of admission and annual fees are equal for different business entities and equal to,  $\bar{I}c_j$  and  $\bar{c}_j$  accordingly, following equation can be applied:

$$c_j = n_j^{oi} \bar{I}c_j + n_j \bar{c}_j$$

Summation over  $J$  allows determination of annual summary costs by the whole branch:

$$c = \sum_{j=1}^N c_j,$$

where  $N$  is number of self-regulation organizations in the branch. Substituting, we can get:

$$c = \sum_{j=1}^N c_j = \sum_{j=1}^N \left( \sum_{l=1}^{n_j^{oi}} I c_{lj} + \sum_{i=1}^{n_j} c_{ij} \right) = \sum_{j=1, l=1}^{N, n_j^{oi}} I c_{lj} + \sum_{j=1, i=1}^{N, n_j} c_{ij} \quad (24)$$

In case of equality of membership fee for different business entities, we obtain (Note 9).

$$c = \sum_{j=1}^N (n_j^{oi} \bar{I}c_j + n_j \bar{c}_j) = n_j^{oi} \sum_{j=1}^N \bar{I}c_j + n_j \sum_{j=1}^N \bar{c}_j \quad (25)$$

According to approved Rules for conducting of Regulatory Impact Analysis in Kazakhstan, analytical form according to the results of Regulatory Impact Analysis of introduced new regulatory instruments and regulatory tightening includes section "Form 1a Calculation of charges for business (monetizing)", which consists of following expenses' categories:

- investments to manufacturing facilities, changes of premises, laboratory, staff training;
- necessity in employment of third parties for independent expertises, estimations, conclusions;
- periodic reporting to state;
- establishment of special public inspections by the state;
- receipt of certificates and permission forms from public authorities;
- other (define).

Valid date in terms of introduced regulatory instrument is required for calculation of each category of expenses.

### 3.3 Barriers in Development of RIA Institute in Kazakhstan

Nowadays analysis of RIA projects, which are publicly available, demonstrated serious problems in understanding of RIA ideology by employees of public authorities, which become barriers on the way of business development. Particularly, public authorities do not maintain logic of Regulatory Impact Assessment.

Most RIA projects were performed by public authorities in prejudged form, i.e. for predetermined result and without calculations of business expenses. In other words, public authorities perform analysis in proper form, under legislative requirements or "urgent" laws and regulations. So, only 10% of total number of laws and regulations were referred to Regulatory Impact Assessment in 2015.

Purposes, declared during RIA introduction, cannot be achieved due to unworked assessment indicators and alternatives. All specified defects in RIA extend term of preparation of bill drafts and other drafts of laws and regulations on several months.

One of current problems during RIA implementation is limited number of experts, which can work with drafts of laws and regulations.

So, RIA potential, as analysis instrument, allowing selection of more qualitative regulation by public authorities taking into account interests of all parties, which will be affected by this regulation, is not disclosed sufficiently.

### 3.4 Impact Analysis of RIA Institute on Business Development

Amount of planned regulatory instruments reduced on 24% in 2017 versus 2016, and this suggests on weakening of implemented policy of public regulation of business activity in all areas and branches.

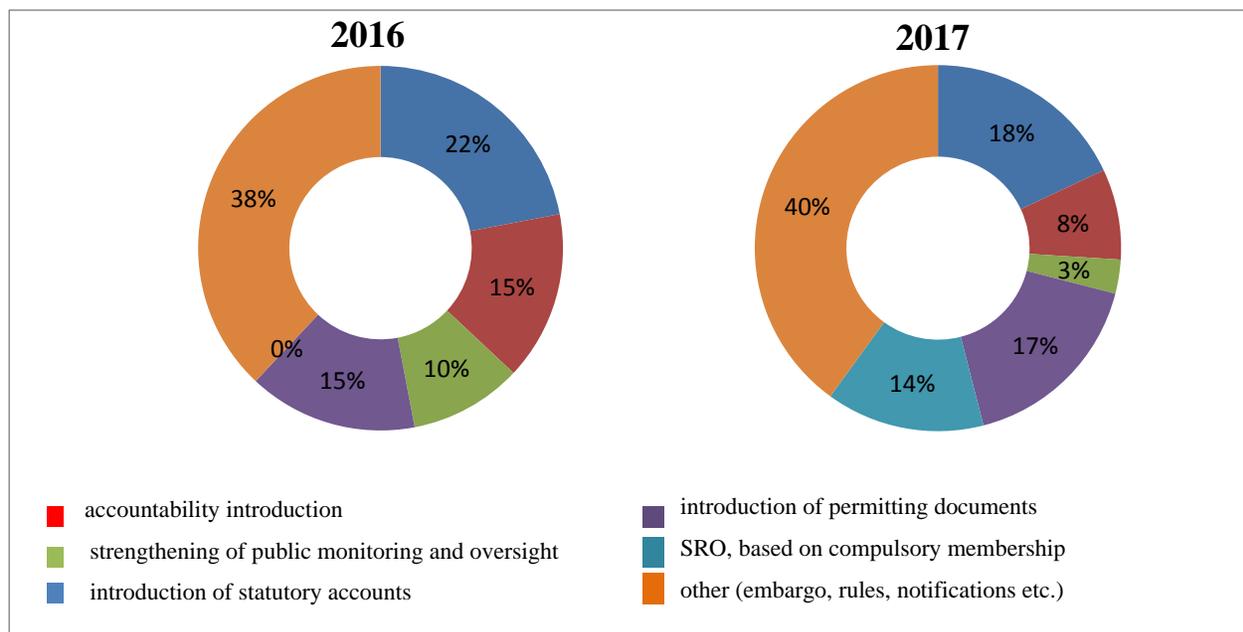


Figure 2. Structure of regulatory instruments

Source: site of MNE of the Republic of Kazakhstan

Analysis of regulatory instruments' structure for 2016 and 2017 demonstrated that business activity is more regulated by means of introduction of approval documents, responsibility, embargo, notifications, rules etc. Business activity is less regulated through self-regulation, which is one of instruments of internal policy on public administration deregulation.

Share of introduced regulatory instruments, initiated by public authorities and passed RIA procedure within 2015-2017, was less 10% of total amount, this is evidenced by establishment of real screen on the way of unpredictable growth of regulating norms, by decrease of regulatory load on business and invalidity of planned regulation.

### 4. Conclusion

To further advance of the discourse on the impact of the regulation policy on the development of entrepreneurship the authors of the article consider the study on carrying-out of the analysis of great importance based on the developed scientific and methodological approaches for cost measure and the outcomes of entrepreneurship, assessment of impact of exchange rates on the economy of small and medium enterprises, impacts of inflation on the effectiveness of entrepreneurship activity, analysis of cost effectiveness for conducting entrepreneurship activity.

In general, achievement of the effectiveness of the regulation policy depends on the choice of science-based tools of analysis considering the pace of innovative development of technological, monetary and financial and socio-political systems of the country and business.

The authors of the article consider that it is appropriate to choose those tools which would be based on the clearly defined laws of market forces development and meet the economic interests not only of macroeconomic policy, but stimulate entrepreneurship widely in all economic sectors.

Thus, in this article the analysis of the effectiveness of the regulation policy was conducted only in relation to Kazakhstan entrepreneurship. Consequently, the suggested practical recommendations for identifying the impact level of the regulation policy on the development of entrepreneurship in Kazakhstan can be implemented in Kazakhstan as well as in the countries with similar economy in order to find the balance between development of microeconomics and macroeconomics, entrepreneurship in the real sector and monetary-and-credit institutions in the financial sector of economy.

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## Notes

- Note 1. Kirsten, J. (2017). EU KLEMS Growth and Productivity Accounts 2017 Release, Statistical Module, [http://www.euklems.net/TCB/2017/Metholology\\_EU%20KLEMS\\_2017.pdf](http://www.euklems.net/TCB/2017/Metholology_EU%20KLEMS_2017.pdf)
- Note 2. Saks, D.J., & Larren, F.B. (1996). Macroeconomic. Holistic approach, M.: Delo, 848 p. 54
- Note 3. Nominal GDP is cost of overall production in each year, measured in prices of this year. Real GDP is cost of overall production, measured using basic prices for a certain range of goods. GDP deflator is ratio of nominal GDP to real GDP, expressed as an index. Here is an example for calculation of inflation rate, using actual data. Deflator in 1986 was 114, 5, while in 1985 it was 111, 5. Inflation rate in 1985-1986, calculated by means of deflator, is:  $(\text{index } 1986 - \text{index } 1985) / \text{index } 1985 * 100\% = 114, 5(1986) - 11, 5) / 111, 5 * 100\% = 2, 77$ . Growth rate of GNP deflator is widely used for inflation measurement, as it refers to all goods produced in the economy. Therefore, this indicator of inflation has very broad base. On the contrary, CPI indicator includes information only on prices of goods, consumed by the average consumer. Moreover, the same authors under pictures 31-10. *Stable inflation in USA (GNP deflator 33-34. Inflation is annual growth rate of GNP deflator*. It is confirmed that inflation and GDP deflator are the same concept. Source: S. Fisher, D. Dornbush, R. Shmalenzi. *Macroeconomics*. Translated from English-M.: publishing house of Lomonosov Moscow State University, INFRA-M, 1997.-p. 784- p. 443-444.
- Note 4. <http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators>
- Note 5. Kirsten, J. (2017). EU KLEMS Growth and Productivity Accounts 2017 Release, Statistical Module, [http://www.euklems.net/TCB/2017/Metholology\\_EU%20KLEMS\\_2017.pdf](http://www.euklems.net/TCB/2017/Metholology_EU%20KLEMS_2017.pdf)
- Note 6. T. Piketti. *Capital in XXI century/Thomas Piketti – Moscow: Ad Marginem Press. 2015.-p. 592 p. 114*
- Note 7. Pierre Sraffa. *Goods manufacturing by means of goods manufacturing/YUNITI-DANA/ 1999, - p. 159*

Note 8. It is possible to compare qualitative theory indexes system with similar indexes of qualitative theory of money: “If nominal interest rate is denoted as  $i$ , and real interest rate as  $-r$ , inflation  $\pi - \pi^*$ , then dependence between these three variables can be determined by Fisher model:  $i = r + \pi$ ». As nominal exchange rate of national currency of developing countries of the world is determined by the market against USD, then their real exchange rate is its product with ratio of level of prices, by which currencies of two countries are exchanged. “Real exchange rate = nominal exchange rate  $\times$  ratio of prices level  $-P/P^*$ :  $\varepsilon = e \times (P/P^*)$ . But change of  $P/P^*$  in terms of percentage is change of inflation level  $\pi/\pi^*$ , then: Changes  $e = \text{Changes } \varepsilon + (\pi^* - \pi) = \text{Changes } \varepsilon + (i^* - r^*) - (i - r)$ ”. **Source:** N. G. Mankew. *Macroeconomics*. Translated from English-M.: publishing house of Lomonosov Moscow State University, 1994, - pp. 254-255 , 316-317. According to these quotations, Mankew is one of the scientists, who tried to derive system of macroeconomic indicators with indicators of macroeconomic.

Note 9. <http://tnu.podelise.ru/docs/index-283712.html?page=11>