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Government regulation of a company's activity in crisis situations

In the current conditions of the Kazakhstan economy's development there is an acute necessity in a new strategy and a new system of government/state regulation based on the concept of active participation in the process of not only government as a regulator, but also government as an owner and even an active subject of the market economy. Both represent generally accepted essence of main directions of the state activity on practical and efficient implementation of macroeconomic, structural-investment, and foreign-affair policies.

Main functional elements of the system of anti-crisis regulation are the following:

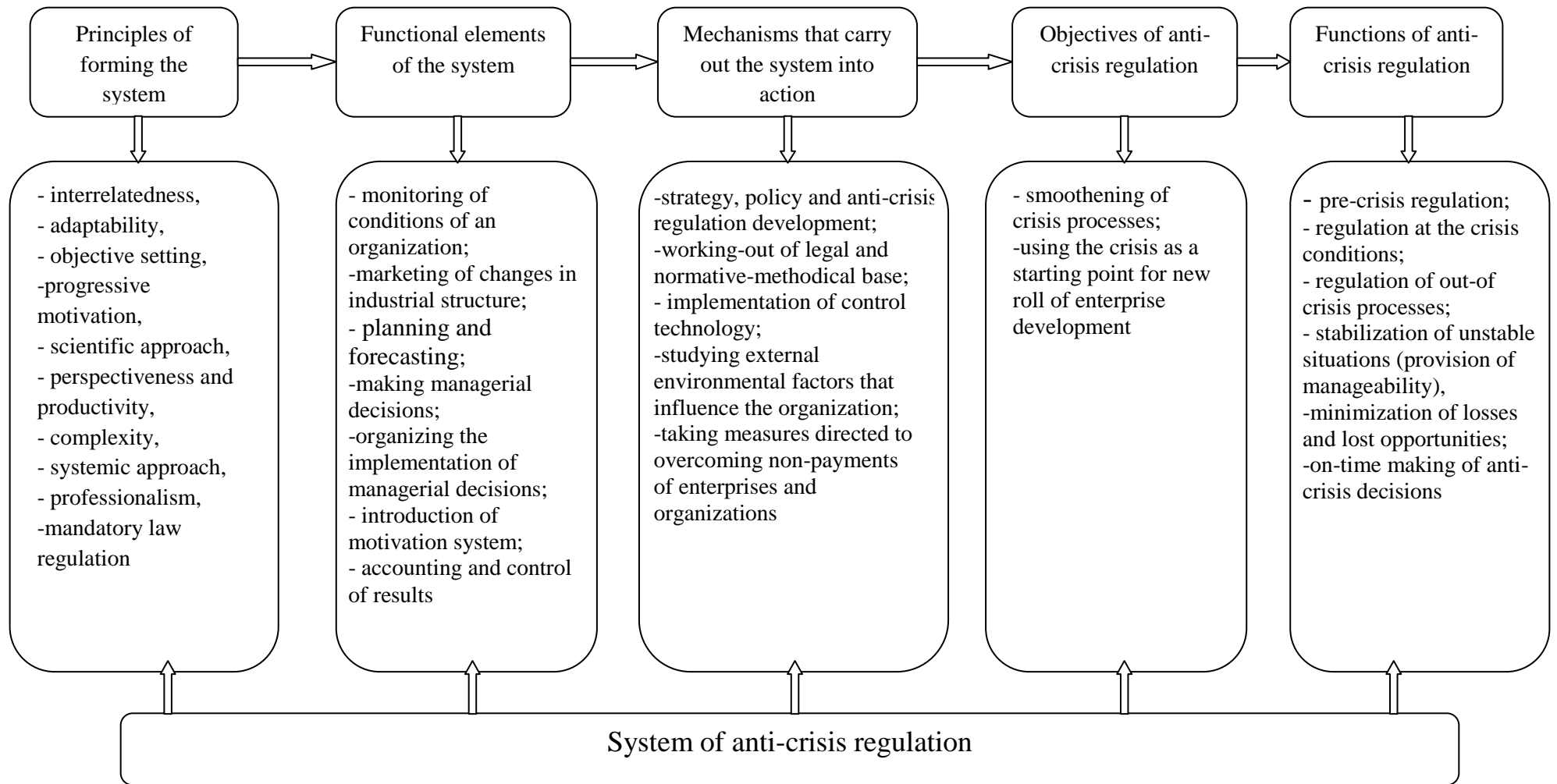
- monitoring of organizational conditions,
- marketing of industrial structure's change,
- planning and forecasting,
- managerial decisions and orders making,
- coordination and organization of decisions' implementation,
- introducing of a motivation system,
- accounting and control of results of an enterprise's functioning.

All the elements are in close interrelation and continuous interaction with each other.

Major mechanisms that drive that system into action and secure its functioning are:

- development of a strategy, policies and principles of anti-crisis regulation;
- working-out of legal and normative-methodical base;
- control technology including monitoring;
- studying changes in the external environment's factors that influence the organization;
- taking measures directed to overcoming non-payments, etc.

Picture 1 presents the system of governmental anti-crisis regulation of the economy on forming and developing the system which is assumed by the authors as a set of interrelated theoretical, methodological and practical statements and inferences on forming and developing the system, and they are adjusted to certain conditions of Kazakhstani economy and enterprises' functioning.



Picture 1- System of anti-crisis regulation

Major directions of the new strategy of governmental anti-crisis regulation of the economy should include the following:

- forming and strengthening of the economy's state sector;
- governmental stimulation of industrial production growth on the major priority directions;
- governmental regulation of trade, labor, financial, and information processes;
- state support and stimulating of innovation process;
- governmental anti-crisis management of the economy;
- governmental regulation of economic international processes;
- state management on the regional level.

While the market model of the economy is formed, the two-layer system of managing the economy should be established: one is on the state level which is based on submission, and another – on the enterprises level based on horizontal communications. Further governmental regulation has evolutionized from anti-crisis to anti-cyclical regulation that means regulation at all stages of the organizational life cycle.

However, in practice governmental regulation more often comes to fiscal functions: conducting monetary policy, regulating relations on proprietary rights, and currency regulation. A central theoretical problem of development consists in establishing balanced influence of the government and market institutions on the country's economy. The issue is not a conceptual one: to interfere or not into the economy sphere by the government. The world experience confirms that the market cannot develop in vacuum; contrarily it needs legal and regulating basis. A state forms such a basis for development, protecting and defending property rights, creating legal and other regulating systems contributing to the efficient entrepreneurial activity of citizens and preserving environment.[1] The issue of defining boundaries for governmental regulation that mean "tangible" signs of entering from the crisis arises. In connection with these the basic principles of anti-crisis regulation should be like:

- creation of legal basis for civilized entrepreneurial relations in conditions of insolvent enterprises;
- restriction till reasonable limits of governmental and administrative influence on the activity of insolvent enterprises; democratic approach to deciding the fortune of an debtor enterprise;
- providing honest debtors with the opportunity to restart their activity and creating conditions for revival of the own country's business;
- preservation of prospective enterprises that have temporal financial difficulties and providing help to them;

- introduction of the system of safety measures for all participants of entrepreneurial and economic activity of the government when enterprises' bankruptcy happens;
- protection of an enterprise from the influence of debates and law suits that lead to its collapse;
- protection of interests of all participants of a bankruptcy moreover the priority should be given to creditors' interests;
- fair distribution of the debtor's property which is subject for sale.

Anti-crisis regulation is realized as at the meso- as well as at the macro level, and it performs a system. The regulation can be as one which is limited by legislation as one which is creative. A system of anti-crisis regulation of the economy performs a complex of various measures directed to aversion of bankruptcies at the macroeconomic level. Anti-crisis regulation by its scale can seize as particular industries as the whole economy of a country. It includes certain mechanisms of governmental influence at the particular phases of the cycle, and it concerns the whole economy, as a rule, and it is revealed in smoothening out the amplitude of the cyclical development.

Anti-crisis regulation supposes as an analysis of origin and flow of cyclical processes as elaboration of special anti-crisis strategies for softening consequences of the crisis. Main tasks of anti-crisis regulation are the following: softening of the crisis processes, use of the crisis as a starting point for the new turn of the economic system

Peculiarities of the governmental anti-crisis regulation are defined by:

- general for all developed countries long term (45-50 years) trend of development of the crisis phases which is either increasing or decreasing according to the N.Kondratyev's theory;
- dominant socio-economic structure and national traditions;
- degree of scope by which the crisis covers organizations of different regions and industries;
- crisis stage (its degree and intensiveness);
- political situation;
- level of globalization and degree of international division of labor;
- degree of capital concentration and centralization;
- budgetary capacity of the government;
- credit capacity of the financial and banking system, etc.

Economic role of the government in anti-crisis regulation is many sided and reveals in corresponding functions. These functions are as follows: pre-crisis regulation, regulation during the crisis, regulation of processes to quit the crisis, stabilization of unstable situations (securing

manageability), minimization of losses and lost opportunities, and on-time making anti-crisis decisions.

The modern economic theory underlines the following signs of getting out from the crisis situations:

- searching innovations that assist changes in the method of economic growth;
- defining forms of internal organization and competition to which enterprises are moving;
- revealing shifts in demand and socio-economic progress.

Therefore, it is assumed that development of the complex of mechanisms of stimulating the establishment of such directions like creation of new productions, encouraging investment activity and others is required. These mechanisms are well known, and the main idea is in developing a practice of their application in such a way that they would become instruments of stimulating of the innovation processes' introduction.

The analysis of the results of reforms conducted in Kazakhstan shows that efforts of the government should concentrate on the search of ways directed to maximizing the use of scientific, technical and production potential, keeping human capital, and securing wide social support of the reforms. Certain methods of conducting an active institutional, industrial, and social policy should be elaborated.

The government regulation assumes conducting of an economic policy on different directions: fiscal (budgetary-taxation) policy; structural policy; monetary policy; scientific and technical policy; industrial policy; amortization policy; investment policy; forecasting and planning; pricing policy; policy on external economic activity; social policy.

For anti-crisis regulation the following is needed: a base of reliable data, creation of a specific research methodic, attraction of highly qualified specialists, conducting the research, as well as development, accepting and taking measures that would stabilize the economy. With the purpose to stabilize the economy some economic and administrative methods of governmental influence of enterprises' conditions are applied. In the Table 1 the main kinds of governmental regulation are presented and their short description is given. To administrative levers of governmental regulation usually are referred the following: legal provision, development of recommendations and set of measures on quitting out from the crisis; control of activity; use of sanctions, etc. Among economic levers of governmental regulation usually the following are defined: fiscal policy; credit policy; currency regulation; regulation of property rights; government participation in various financial institutions and large industrial companies having share in ownership, etc.

Table 1 - Major types of government regulation

Types of government regulation	Short description
legal	creation of legal basis for anti-crisis regulation, conducting an expertise to reveal cases of false and premeditated bankruptcy
methodical	methodical provision of conducting monitoring of enterprises' conditions, preventive measures to their bankruptcy and judicial cases, as well as their sanitation in case if the fact of their insolvency may arise
informational	accounting and analysis of solvency of large and economically and socially meaningful enterprises
economic and administrative	application of effective measures and methods of influence on the economy with the purpose of its stabilization
organizational	creation of conditions for civilized solution of disagreements on the debtor's insolvency
social	social protection of employees of a bankrupt enterprise by creating jobs for them, their training, and paying relieves
personnel	search for and training of personnel on anti-crisis management of enterprises and increase the level of their qualification
ecological	protection of nature from its pollution as the result of enterprises' activity

Legal anti-crisis regulation concerns firstly the following relationships: on taxation, on credit and currency, on foreign capital, on property rights arising due to the bankruptcy of enterprises.

Specific measures of anti-crisis regulation could be the following ones:

- creation of favorable conditions for cooperation and mergers of organizations, establishment of enterprises and associations that would “pull out” weak businesses at the expense of more stable ones within one system;
- building technological and distributive chains in which local authorities helping one organization, for example by state order, would secure a multiplication effect for all interrelated productions;
- rational management of stocks of those enterprises that are under state ownership.

The aggregation of norms through which government regulation is conducted can be divided to the following groups: general system norms that orient an enterprise to self-organization; special norms – according to spheres of the market economy; target norms – according to problems of investment activity that having been solved. The Civilian Code of the Republic of Kazakhstan is rightfully named the “Economic Constitution” for its content. The law against restriction of competition which is usually called “Anti-monopoly Law” along with the law against unfair competition is a significant part of the anti-crisis legislation.

In the modern practice the term “bankrupt” has been introduced into the “Law on Bankruptcy” of the Republic of Kazakhstan of January 21, 1997 [2]. During the period of the state property privatization it was supposed to launch the mechanism of bankruptcy on the basis of normative acts. In the last version of this Law insolvency (bankruptcy) is interpreted as accepted by

the Arbitrage Court incapability of a juridical entity pay its money debt in full and (or) execute claims on paying compulsory payments (further – bankruptcy).

To the number of important acts, directed to overcoming crisis situations in different spheres of social life we ought to refer the Resolution of the President of the Republic of Kazakhstan #1802 of July 15, 1994 “On Program of Government action on deepening the reforms and way out of the economic crisis”, the Resolution of the Cabinet of the Republic of Kazakhstan #1644 of November 3, 1999 “On Measures on solving the problem of non-payment crisis in the Republic of Kazakhstan” [3], Decree of the President of the Republic of Kazakhstan #765 of March 12, 2009, “On Measures on realization of the Message of the Head of State to people of Kazakhstan of March 6, 2009 ‘Through crisis to renovation and development’” [4], the Resolution of the Cabinet of the Republic of Kazakhstan #274 of March 10, 2009 “On Ratification of Plan of measures on fulfillment the Plan of action of the Cabinet of the Republic of Kazakhstan for 2009 on realization of the Address by the Head of State to people of Kazakhstan of March 6, 2009 ‘Through crisis to renovation and development’ (‘Road Map’)”[5].

The analysis of results of the reforms for the last years shows that the way out of crisis is impossible without creation of a social model of economy and sharp turning to needs and demands of a human through development of his abilities and creative potential. Laws, normative and legislative activity of a government should contribute with maximum to the integration of social stimuli of development of social production with its original appointment – to solve to satisfaction of people’s needs.

The depth and duration of a crisis in a country in many cases are born by:

- first – incorrect choice of the system and mechanisms of needed transformation;
- second – absence of precise for special purposes orientation;
- third - ignorance of the world practice of economy regulation.

The set of measures will help to increase the efficiency of government regulation of the national economy where the main among the rest are the following:

- creation of a system of defining and grounding social needs in tough relation with their most rational provision with resources, which is the system of establishing goals and its realization on the basis of mechanism of cooperation of a state and market regulation of economy;
- inter-industrial balancing of the national economy development which should become a practical task for strategic planning, management and guidance to choosing industrial priorities according to the criterion of efficiency of the whole economy;
- investment support of productions should become the main function of money flows of the financial market. Otherwise non-licensed export of capital to abroad would continue in sound volumes and it would restrain economic growth of the republic;

– goal directed and proactive normative and legislative regulation of economic activity. Institutes of corporate government and corporate forms of organization should not be formed spontaneously and without strong legislative base that regulate their activity;

– it is needed to return to the practice of accepting long-term socio-economic and large scale scientific-technological programs and strive for their realization to life in accordance with set objectives. Besides, their social meaningfulness will be a criterion of usability to life. Such programs should have precise and understandable to all citizens targets, deadlines, executors, means, personnel, and the most important is that they should not decrease the level and quality of life and have meaningful results.

Realization of the programs should not be build with only command-administrative methods. Under each program by legislative and economic-managerial measures mechanisms, stimuli, and conditions should be created that would encourage investors and entrepreneurs to concentrate their energy and resources on production of socially meaningful goods and services, that will mean a turn of the economy and reforms to a human being.

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