

# The Effects of Regulatory Restrictions on the Financial and Credit System of Kazakhstan

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*Abstract:* - The research shows the importance of constitutional regulation of the financial and credit sphere as the basis of the economic system. The purpose of the research is to pinpoint legal challenges in the realm of financial and credit regulation in Kazakhstan and propose measures to address them. The following methods were chosen for the empirical study of the major legal problems of Kazakhstan's financial and credit system: analysis of documents and legal acts, quantitative data analysis, content analysis, regression analysis, and analysis of variance. The research revealed that the omission of critical financial and credit provisions in the constitution may result in adverse effects on economic inflation, legal framework, and national sovereignty. The negative aspects of the financial and credit sphere associated with crude oil, which led to petrocracy, are also highlighted. The authors propose a solution to a set of problematic issues that negatively affect Kazakhstan's financial and credit sector. Particular attention is paid to issues related to Kazakhstan's fiscal system, which tends to change very frequently. The article places particular emphasis on the regulations established by international organizations that govern financial and corporate financial matters. Notably, the enhancement of Kazakhstan's statehood through financial sovereignty emerges as a key focal point. The adoption of these measures has the potential to significantly bolster human rights, the business climate, and investment attractiveness. In the future, the specified issue may be further elucidated through a comprehensive examination of global standards' impact on national laws, alongside the development and application of mathematical and econometric models to predict the outcomes of regulatory and legal modifications, which has the potential to enhance the strategic planning efficacy and legislative proposals execution.

*Key-Words:* - constitutional finance, Kazakhstan, financial legislation, financial sovereignty, financial law, law influence.

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## 1 Introduction

The legal challenges surrounding the establishment of independent states with their own governing bodies following the collapse of the Soviet Union continue to present issues that impact the economies of post-Soviet states. The Constitution, serving as the primary legal framework and guiding legislation of a state, serves as a reflection of its financial and credit policies, outlining the path of its development.

The fundamental issues in Kazakhstan's constitution stem from the lack of financial regulations. Demonstrating a commitment to statehood and self-identity, while considering historical context, poses significant challenges. It should be noted that the Constitution of Kazakhstan, which adheres to the historical context and identification in many aspects, including financial ones, may conflict with the Soviet historical period.

The lack of established constitutional and financial standards in Kazakhstan fails to adequately represent the financial direction of the nation, leading to complexities in regulating various sectors such as the budget system, tax system, banking and para-banking system, sovereign funds, and their derivatives. Constitutional finance refers to financial relations, instruments, and mechanisms regulated by the Main Law of the state and enshrined in it. The concept of constitutional finance entails the establishment of a legal framework governing the acquisition, allocation, and utilization of public funds while upholding the principles of transparency, accountability, and adherence to the rule of law.

Constitutional finance plays a crucial role in governing relationships that lack a clear legal framework. While every law may be expressed through an act, not every act embodies a law.

Deficiencies in financial regulations within Kazakhstan's constitution, including the absence of the national currency status of the "tenge" and the existence in the legislation of the monthly calculation index (MCI) as "an indicator established annually in the law on the republican budget for calculating pensions, benefits and other social payments, as well as for the application of penalties, taxes, and other payments", [1] and in reality represents as a tool for inflation tax, may hinder integration into the global economic system and confer significant advantages to other rival nations. In particular, in Kyrgyzstan, the calculation indicator has been in effect since 2006 but does not demonstrate sustainable growth. In Belarus, the base value for indexation was established in 2002 and demonstrates stable growth similar to Kazakhstan. In addition, the noted shortcomings limit the possibilities of implementing the state's financial sovereignty, increasing dependence on external financial influences. Financial sovereignty lies in the state's ability to independently determine and implement its own financial policy, which forms the basis for stable growth and development.

The object of this study is the foundational legal standard of Kazakhstan, namely the Constitution.

The aim of this study is to pinpoint legal challenges in the realm of financial and credit regulation in Kazakhstan and suggest strategies to address them. Failing to address the issues within the financial and credit sector may impede future advancement significantly.

Achieving this goal required solving the tasks as follows:

- determination of the main points of financial and credit policy in the Constitution of Kazakhstan;
- highlighting gaps and conflicts in Kazakhstan's legislation in comparison with acts of international organizations;
- offering solutions to primary and secondary issues requiring a quick response;
- forecasting proposed measures for the development of financial and credit regulation.

## 2 Literature Review and Problem Statement

### 2.1 State Monetary Policy: Essence and Components

Public finances play a pivotal role in a country's socio-economic system, hence it is imperative that

they are clearly defined in the main law, [2]. Monetary and credit policy, as a comprehensive concept, primarily encompasses policies pertaining to the regulation, supervision, and oversight of financial and payment systems, encompassing markets and institutions. The objective is to enhance financial stability, and market efficiency, and safeguard client-assets and consumer interests, [3]. According to the definition of the European central bank, [4], monetary policy comprises the strategies implemented by the central bank to attain specific objectives through the utilization of available tools. It is worth noting that the concept of monetary policy is broader than credit policy.

The definition of fiscal policy means "using of government spending and taxation to influence the economy", [5].

Furthermore, a definition of the fiscal framework is also in the limelight. Authors, [6], argued that the fiscal constitution is the basic rules and regulations in the fiscal policy of the state that should guide government institutions and politicians.

### 2.2 Financial Constitution

The foregoing implies that the totality of the above constitutional foundations of the financial and legal component should be referred to as constitutional finance. Some scholars use the collocation "financial constitution" in the parts that regulate financial aspects.

According to [7], the financial constitution is aimed at performing special functions in the form of limitation and protection, which should have crucial importance in the framework of social relations between citizens and the state, with due regard to "pecuniary nervus rerum". With this approach, the implementation of the fundamental concerns of financial and fiscal justice can serve as the state's guarantee of the relevant preconditions.

### 2.3 Features of Kazakhstan's Financial System

The principles outlined by [7], are applicable in nations with a system of checks and balances. The governmental framework of Kazakhstan also possesses unique features within its system of checks and balances. However, comparing the features of the Kazakhstan system with individual international norms, some contradictions can be found. According to the Lima Declaration of the International Organization of Supreme Audit Institutions, entities of this nature are expected to be under the authority of the Parliament. At the same time, in Kazakhstan, the Supreme Audit Chamber is

directly accountable and subordinated to the President of the Republic of Kazakhstan. The presence of this situation can be seen as a paradox.

The combination of the aforementioned features and shortcomings shows that, as maintained by [8], the perception of new institutions as having features, while proving their justification, is also defended on other grounds. That is to say, while the institutions and mechanisms are novel, they lack effectiveness and therefore require evaluation.

The adverse effects of these actions are further exacerbated by the failure to prioritize financial sovereignty norms as outlined in the Constitution of Kazakhstan, which is viewed as being imposed. The "octroi" was utilized as a means to solidify the constitutional status of sovereigns who had been 'restored' or whose political power was being challenged, [9].

#### **2.4 Principles of Nominalism and Realism in Financial Matters**

It should be noted that the absence of financial norms in the Constitution of Kazakhstan may contradict the of certainty, proportionality to the ability to pay, convenience, and efficiency, proposed earlier by Adam Smith. The principle of certainty should be understood in constitutional finance as the requirement for the designation of the state monetary unit and solvency, that is, the observance of the principle of nominalism.

The nominalist principle refers to the size of liquidated amounts. It means that the monetary obligation involves the delivery of movable property and a number of movable things that represent units of measurement. If these are added together according to their face value, the amount of the owned money will be given. In other words, the debt of £10 is considered settled once the creditor receives an amount that is equivalent to £10 at the moment of payment, irrespective of its inherent or practical worth, [10].

According to, [10], linking the value of currency to precious metals was not the most effective regulatory measure. In modern realities, Kazakhstan adheres to similar mechanisms that were applied in relation to the internal content of precious metals but with a reference point to crude oil prices.

Guidelines of this nature lean towards the principles of realism, as concerns about inflation, unfair competition, and other factors prompt consideration of the decline of nominalism. The clash between the latter and realism in financial matters becomes a significant theoretical and political issue, [9].

#### **2.5 Problems of Constitutional Regulation of Kazakhstan's Financial System: The Experience of France**

It is noteworthy that in the 30 years since gaining independence, Kazakhstan has adopted a second constitution, as the analogy scenario in France, where the fifth constitution is currently in effect. It is significant that in both of these nations, alongside the constitution, there exist other legal instruments that hold substantial importance, such as constitutional acts or institutional acts. In France, in accordance with Article 34 of the Constitution, [11], institutional acts in the financial sector are in force. In Kazakhstan, during the period of independence, no special attention was paid to financial aspects, with the exception of the first constitution, which contained a separate chapter on finance and was in force for no more than three years. In 2015, Kazakhstan adopted one constitutional law regarding the financial bloc called "On the Astana International Financial Center", which operates only in a certain territory, like a special economic zone.

Law plays an important role in the economy through many processes such as the administration of justice, the fight against corruption, [12], etc. At the same time, many changes are being made to the Constitution of Kazakhstan and institutional acts regarding the president, his powers, and other non-financial issues. One of the challenges lies in the frequent modifications of legislation through foundational laws, including the Constitution, the Code, and other subordinate statutes, leading to a proliferation of legal documents.

Furthermore, considering the steadfast adherence to the Soviet methodology in present-day circumstances, it is important to highlight the pivotal financial element, namely the national currency – tenge, and the governmental body responsible for executing monetary policies. The word "tenge" in the legislation, that is, the highest act in the hierarchy of legal acts of Kazakhstan, is not found in the Constitution. Concerning many public agencies implementing certain types of activity, constitutional acts are in force (On the Government, Parliament, Court, and judiciary, On the Prosecutor's Office), and the activities of the National Bank of the Republic of Kazakhstan are regulated by the act that is below the constitutional act according to the hierarchy.

#### **2.6 The Impact of Global Entities on Financial Policy**

The analysis indicates that the reciprocal impact between the legal framework and the financial and

credit policies of a particular nation is also influenced by the legal landscape of other entities within international law. Author, [13], notes that their influence “should not, and cannot, be beyond discursive democratic contestation”. It is important to increase the transparency of the role of these subjects in structuring the constitutional ideas of states. In its absence, the stability of state sovereignty in such realities causes difficulties in implementing the basic principles of legal development in the financial sector. Of great importance is the question, of which aspects of the financial laws could lead to the constitutional establishment of sovereignty bypassing restrictions, [14].

Taking into account the above, this study is aimed at identifying problematic elements of the financial and credit policy of Kazakhstan formed by legal mechanisms. Specifically, the ramifications of constitutional underpinnings being absent for financial and credit regulations on the efficacy of legislative structure development, as well as on macroeconomic performance, remain insufficiently explored.

As a matter of fact, problems such as the lack of constitutional foundations for the national currency, the tenge, lead to difficulties in ensuring macroeconomic stability. At the same time, the MCI as an inflation tax instrument complicates effective integration into the global economic system.

## 3 Methodology

### 3.1 Research Procedure

The study was conducted in three stages. In the first stage, collection and systematization were carried out and the method of content analysis was applied. In the second stage of the research, a quantitative data analysis was conducted in order to determine the legal restrictions’ impact on the quality of Kazakhstan’s monetary policy. The use of crude oil price data in the article is due to the fact that these indicators affect budget revenues, gross domestic product growth, and subsequently, such indicators as the minimum wage and the monthly calculation index. During the third phase of the study, the findings were consolidated and juxtaposed with the research conducted by other scholars focusing on the influence of regulatory and legal constraints on the nation's financial system.

### 3.2 Sample

The study was conducted drawing upon Kazakhstan’s legislation and statistical data, as well

as data from the World Bank and the International Monetary Fund. In this case, data were used for the years of Kazakhstan’s independence from 1995 to 2023, namely since November 15, 1993, when Kazakhstan introduced the national currency (the tenge), whereas before this date the ruble of the USSR and Russia was used. It should be noted that when selecting data, the period from 1993 to mid-1995 was not taken into account in Kazakhstan, there was a constitutional crisis. The aforementioned approach to sample formation ensured its quality and sufficiency to achieve the set goals of the study.

The sample of indicators for the study included monthly calculation indicator (MCI), minimum monthly wage (MMW), World Bank Commodity Price Data, and GNI per capita. MCI is a mechanism used in the settlement system of Kazakhstan and affects various aspects of economic regulation, including taxes, payments, fines, etc. MMW estimates the level of minimum income of the population. The inclusion of data on Commodity Prices made it possible to take into account external economic factors affecting the economy of Kazakhstan. GNI per capita reflects the level of well-being of the population. The observed indicators are important for reflecting the socio-economic conditions of Kazakhstan, which made them relevant for the study.

### 3.3 Methods

The research utilized various methodologies, including document and legal act analysis, quantitative data analysis, content analysis, regression analysis, and analysis of variance.

Document and regulation analysis entailed a thorough examination of laws, regulations, official documents, and other legal materials that govern the operations of Kazakhstan’s financial and credit system. This approach aimed to reveal any legal inadequacies within the legislation.

Quantitative data analysis: Using statistical methods to analyze data on financial transactions, lending, violations of financial regulations, etc. This included the collection and processing of data from official statistical reports, databases, and other reliable sources.

Regression analysis was aimed at assessing the impact of MCI on MMW. Accordingly, the first indicator acted as an independent variable, and the second as a dependent one. This approach enabled us to evaluate the impact of modifications in MCI on the level of MMW and whether the revealed relationship is direct.

Analysis of variance supplemented the regression results for MCI and MMW. The use of this method enabled us to confirm the statistical significance of the obtained regression model. The above indicates the reliability of the conclusions obtained and the model's quality.

Content analysis: Examination of publications, reports, articles, and other information sources that contain data pertaining to the financial and credit system and its legal framework.

The aforementioned methodology facilitated a comprehensive analysis and assessment of the legal facets of the monetary system, enabling the identification of both current and prospective issues. Furthermore, they allowed for the development of recommendations aimed at rectifying the identified deficiencies and enhancing the system's efficacy.

## 4 Results

### 4.1 Unnatural Factors of Economic Growth

As mentioned above, the absence of clear regulation governing the trajectory of development, a matter that ideally should be enshrined in the constitution, engenders discord and fragmentation within financial legislation.

Deficiencies in financial regulations within the constitution of Kazakhstan have led to instability in lower-level acts, posing a significant challenge. This issue is particularly evident in the legislative framework of Kazakhstan, as evidenced by the enactment of two budget codes and four tax acts since gaining independence. The Third Tax Act was partially in effect until the end of 2022. The lack of stability and failure to adhere to basic principles hinder financial forecasting, which may also appear daunting to investors, who can only rely on international legislation in the form of such acts as the Energy Charter Treaty, the International Convention for the Avoidance of Double Taxation, etc. That being said, it is worth mentioning that a forthcoming Tax Code is currently in the process of elaboration, [15]. This serves as a validation of hypothesis 1, indicating that the lack of constitutional foundations in financial and credit regulations leads to numerous volatile actions.

Such actions accelerate negative changes and become accelerators of the formation of illegal behavior. Simultaneously, financial activities inherently impact conventions linked to numerical values. In Figure 1 (Appendix), this is clearly demonstrated using the example of the monthly calculation indicator (MCI), which changes in accordance with the Laws on the Republican Budget

of the Republic of Kazakhstan but does not give its concept. The concept of MCI was previously outlined in Article 5 of the defunct Law of the Republic of Kazakhstan "On taxes and other obligatory payments to the budget", [1]. The MCI concept directly emphasizes that this is an inflation tax. It is very interesting that the specified tax act ceased in action, and the act that introduced the concept of MCI is still in force (Decree of the President of the Republic of Kazakhstan dated December 21, 1995, N 2703 having the force of Law, "On introducing amendments and additions to some legislative acts of the Republic of Kazakhstan and Decrees of the President of the Republic of Kazakhstan, having the force of Law").

Further, in parallel with the MCI, the minimum monthly wage (MMW) is growing in Kazakhstan, which is also reflected in Figure 1 (Appendix), [15], and where MCI and MW are expressed in terms of US dollars according to the weighted average annual exchange rate of tenge, [16].

As shown in Figure 1 (Appendix), the increase in MCI from the moment of adoption in 1996 until 2023 inclusive is more than 10 times. For 2024, the MCI in Kazakhstan is 3,692 tenge, while the MMW is 85,000 tenge, [17]. However, despite the interrelationship of the indicators, it can be noted that the growth of the MCI does not always accurately reflect real changes in the well-being of the from an economic point of view, not giving a complete picture of the However, notwithstanding the indicators' interconnectedness, it is evident that the expansion of the MCI does not consistently depict genuine shifts in the population's prosperity from an economic standpoint, thus failing to present a comprehensive overview of the standard of living. To deepen the comprehension of the relationship between the indicators, it is worth augmenting the findings with regression analysis. Overall, the regression analysis suggests a moderate positive correlation between the indicators, as the correlation coefficient is 0.58086. This can signify that MCI has a certain influence on MMW. At the same time, the coefficient of determination is only 0.337398, which suggests that MCI can account for only 33.7% of the variation in MMW. This indicates the presence of other influential factors that cause changes in MMW. The results of the variance analysis are presented in Table 1 (Appendix).

The results of the analysis of variance indicate the model's high statistical significance, since  $p$ -value = 0.001488. This underscores the significance of MCI's impact on MMW in Kazakhstan. The results of the regression analysis are presented in Table 2 (Appendix).

The regression coefficient for MCI is 12.406. Drawing on the above, we can conclude that an increase in MCI by one unit leads to an increase in MMW by 12.406. At the same time, with a p-value of 0.001, the effect of MCI is substantial and statistically significant. This scenario may suggest that MCI has the potential to exacerbate inflationary pressures, as its escalation could result in an upsurge in fines, taxes, and other mandatory payments. Consequently, this would diminish the incomes of the population's actual incomes and contribute to an inflationary increase.

The resulting regression model is as follows:  $MMW = -17.568 + 12.406 * MCI$ . Utilizing this tool, one can develop forecast scenarios to ascertain MMW. Let us consider three scenarios: a growth scenario, a baseline scenario, and a decline scenario.

Let us posit that in the scenario of growth, the MCI surpasses the average threshold, standing at the level of 8. In such case  $MMW = -17.568 + 12.406 * 8 = 81.68$ . In the case of the base scenario, let us assume that the MCI corresponds to the average level (for the period under study) and is equal to 7. In this case,  $MMW = -17.568 + 12.406 * 7 = 69.27$ . Under the decline scenario, if the MCI takes the value of 6,  $MMW = -17.568 + 12.406 * 6 = 56.87$ . Thus, even minor changes in the MCI have a significant impact on the value of MMW. This confirms the assumption that the lack of constitutional foundations of financial and credit regulation causes instability.

As previously mentioned, the primary export commodity of Kazakhstan consists of crude oil and its derivatives. At a time of high oil prices, the economy of Kazakhstan was growing given the absence of a specific financial-credit policy or constitutional finances. Accordingly, Figure 2 (Appendix), [18] and Figure 3 (Appendix), [19], show the relationship between oil prices and gross national income per capita.

Judging by the information presented in Appendix in Figure 2 and Figure 3, a discernible relationship emerges between fluctuations in oil prices and the trajectory of economic growth in Kazakhstan. High oil prices have a positive impact on GDP per capita. However, due to financial crises (for instance, in 2009 and 2015) and fluctuations in oil prices, the country's economy has experienced recessions. That said, we can conclude that the economy of Kazakhstan is significantly dependent on external factors. This exacerbates the need to develop relevant legislative mechanisms, in particular in the financial and credit sectors, which will enhance the flexibility to respond to unfavorable trends.

Empirical data suggest that the lack of theoretical foundations as a principle of the scientific validity of Kazakhstan's financial and credit legislation only exacerbates the situation and negatively affects economic relations, which confirms the second hypothesis. Thus, the annually growing MCI is a negative factor in attracting investment, as it does not allow for, for instance, tax planning to be fully implemented. The challenges of tax planning are compounded by the blurred distinctions between tax avoidance and tax evasion.

## 4.2 Legal Allocation and Sovereign Funds

Equally significant is the substantial presence of Kazakhstan's state-owned enterprises within the nation's economy, commonly known in Kazakhstan legislation as entities within the quasi-public sector. Kazakhstan's financial and credit problems also forced the creation of the National Fund as the country's first sovereign fund. This fund is opened as a bank account with the National Bank of the Republic of Kazakhstan, and it also manages it, performing only savings and stabilization functions. In 2012, the National Bank of the Republic of Kazakhstan, in its capacity as the National Fund's trustee, founded the National Investment Corporation JSC, with one of its objectives being the trust management of the National Fund's assets in the Republic of Kazakhstan, [20].

According to the data from the Concept of Public Finance Management of the Republic of Kazakhstan until 2030, [21], "the debt of the quasi-public sector (the Fund, Baiterek and KazAgro holdings) in nominal terms increased from 14.1 trillion tenge in 2015 to 17.3 trillion tenge in 2021, while it decreased in relation to GDP from 34.6% to 21.2%. Furthermore, in the debt structure of the quasi-public sector, external debt (of the Fund, Baiterek, and KazAgro holdings) decreased from 8.1 trillion tenge (23.9 billion US dollars) in 2015 to 7.6 trillion tenge (17.7 billion US dollars) in 2021, or from 20.0% to 9.4% of GDP".

## 5 Discussion

In this section, we examine the principal legal issues encompassing the monetary system of Kazakhstan as identified in our study, juxtaposed with the findings of other scholars. We will scrutinize the agreements and disparities in interpretations, methodologies, and conclusions to situate our research within the larger academic discourse on this subject. This analysis will serve to validate or challenge our discoveries, as well as unveil

emerging patterns, irregularities, and novel avenues for future investigation.

The analysis section examines the findings acquired during our research, considering the contributions of other scholars who have explored comparable facets of Kazakhstan's financial and credit system. Through scrutinizing the monthly calculation indicators (MCI) and minimum wage (MMW), it was established that legal ambiguity and fluctuations in financial policies precipitate volatility, thereby substantiating the initial hypothesis regarding the lack of foundational principles in financial and credit regulations. This requires a review of utilizing the MCI, which is determined taking into account the inflation rate, and hence its constant growth could potentially lead to an exponential surge in mandatory payments, fines, and taxes. This exacerbates inflationary pressure on the economy and reduces the population's actual incomes. Drawing on the obtained regression model, several forecast scenarios of the MCI impact on MMW were examined. The findings show that even minor changes in MCI significantly affect the value of MMW, which indicates the importance of a clear definition of the constitutional foundations as regards financial and credit norms. In the forthcoming times, the depicted modeling has the potential for further expansion by including additional variables, for example, inflation and other macroeconomic indicators.

Our research reveals the relationship between financial and credit policy and economic stability. It is also important to note that, [22], points to the significant influence of state-owned companies on the economy of Kazakhstan, which has significant implications for financial and credit policy. Scientists highlight that the holding company Samruk-Kazyna by the end of 2019 owned more than 35 percent of GDP and debt amounting to 12 percent of GDP. The company's assets are mainly concentrated in the energy sector, transport, and communications. Among other things, Samruk-Kazyna has operational independence according to the agreement signed with the Government of Kazakhstan in 2012.

It should be noted that the legislation of Kazakhstan itself shows illegibility in the list of quasi-public organizations. Kazakhstan is represented by two companies in the form of Samruk-Kazyna JSC, which includes the main sectors of the country's economy (oil industry, post, communications, nuclear industry, transport, etc.) and National Investment Company JSC of the National Bank of the Republic of Kazakhstan. That

being said, according to the Government decree "On approval of the list of national managing holdings, national holdings, national companies", [23], there are other similar companies in Kazakhstan, such as Baiterek JSC and Zerde.

Compared to the work of [22], the author's research revealed that the underlying principles of financial and credit policy issues are embodied in the broader context of parliament, serving as a reflection of society as a whole, rather than focusing solely on individual entities as suggested in certain sources, [24].

The results of our research indicate great instability due to the lack of constitutional foundations of financial and credit norms, which confirms our hypothesis.

Authors in [5], delve into the use of fiscal policy in ensuring economic stability, highlighting the significance of transparent and consistent policies in achieving this goal. Their insights align with our examination, which underscores the ramifications of legislative instability on economic dynamics in Kazakhstan.

Researchers in [6], analyze the impact of decentralization on financial performance. Their findings about the importance of efficient resource allocation help to better understand the need for more stable and clear financial and legal regulation in Kazakhstan that we identified in our research.

The author in [7], examines Germany's financial constitution, emphasizing the importance of legal frameworks for financial policy. The scholar's standpoint reflects our argument about the need to establish strong constitutional principles in the financial and credit sphere of Kazakhstan.

Author in [25], examines the relationship between the rule of law and economic growth. Their research substantiates our findings that legal uncertainty can significantly impede a nation's economic capacity.

This comparison underscores the significance of incorporating economic and political considerations in formulating a robust financial and credit policy, as well as the necessity of conducting a thorough examination of both internal and external forces impacting the nation's financial system. Our research highlights not only legal but also economic aspects that should be taken into account in the formation of future policies, in order to stabilize and forecast financial indicators, which is critical for attracting investments.

## 5.1 Recommendations

Thus, measures should be taken to secure *in the Constitution* the status of "tenge" and the functions

and tasks of the National Bank of the Republic of Kazakhstan. Among other things, it is imperative to eliminate mechanisms accelerating inflation by abolishing the monthly calculation indicator and establishing certain amounts of money when calculating fines, taxes, payments, etc. The combination of these actions will most likely have a positive effect on the financial and credit system of Kazakhstan.

## 5.2 Limitations

The overriding limitation of the study is that the regression analysis conducted in the paper is based on simplified hypotheses and does not take into account numerous factors of influence.

## 6 Conclusion

This study pinpointed certain problematic facets of Kazakhstan's financial and credit policy in the context of legislation. The findings revealed the vulnerable legal aspects of Kazakhstan's financial and credit policy that have a detrimental impact on both domestic and integration relations. The instability of the constitutional framework and the inflationary mechanisms embedded in the laws necessitate swift eradication, as their absence may not necessarily yield lasting effects. The analysis of the MCI and MMW showed that legislative uncertainty and fluctuations in financial policy are causing instability. In view of the above, a review of existing mechanisms is required, in particular, as regards the MCI. In fact, the MCI is determined by taking into account inflation, so its constant growth may cause an anticipatory increase in taxes and payments. This entails an increase in inflationary pressure on the economy and reduces the population's actual income. Therefore, among the primary recommendations, it was suggested to eradicate mechanisms for accelerating inflation by abolishing the MCI and establishing certain amounts of money when calculating fines, taxes, and payments. Moreover, measures should be undertaken to strengthen the status of the "tenge" as well as revisiting the functions and tasks of the National Bank of the Republic of Kazakhstan. It is imperative to address these issues promptly, with solutions ideally being implemented immediately following the attainment of independence.

It is expedient to emphasize that resolving issues in Kazakhstan's financial and credit policy requires a comprehensive examination of the legislative framework, which is unavoidable given the evolving constitutional principles. Furthermore,

the implementation of the outlined measures underscores the paramount importance of upholding human rights, even in cases where they may be overshadowed by state laws. In the future, further exploration of this subject could delve into a comprehensive examination of how international standards influence domestic laws, alongside the creation and utilization of mathematical and econometric models. Such endeavors would aid in forecasting the repercussions of legislative alterations, thereby enhancing the strategizing and execution of legal endeavors. The findings of the study could prove invaluable for the government in formulating strategies to enhance both economic and social stability by determining the constitutional foundations of financial and credit norms.

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The authors equally contributed in the present research, at all stages from the formulation of the problem to the final findings and solution.

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**Conflict of Interest**

The authors have no conflicts of interest to declare.

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### APPENDIX

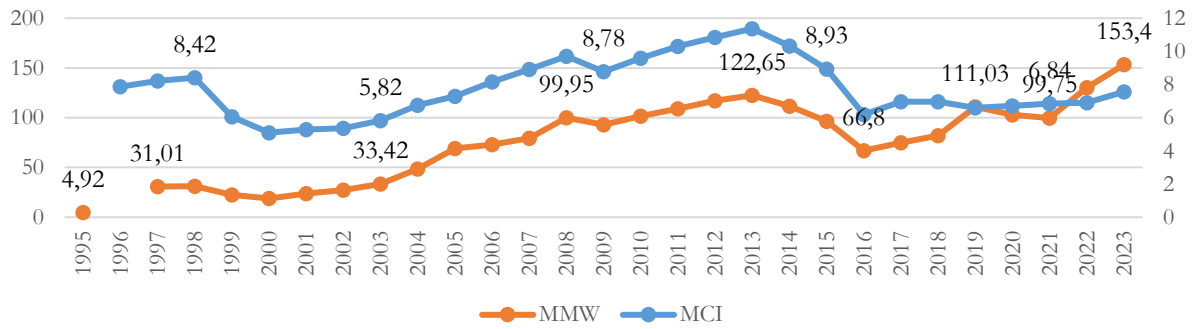


Fig. 1: Growth of MCI and MMW, US dollars

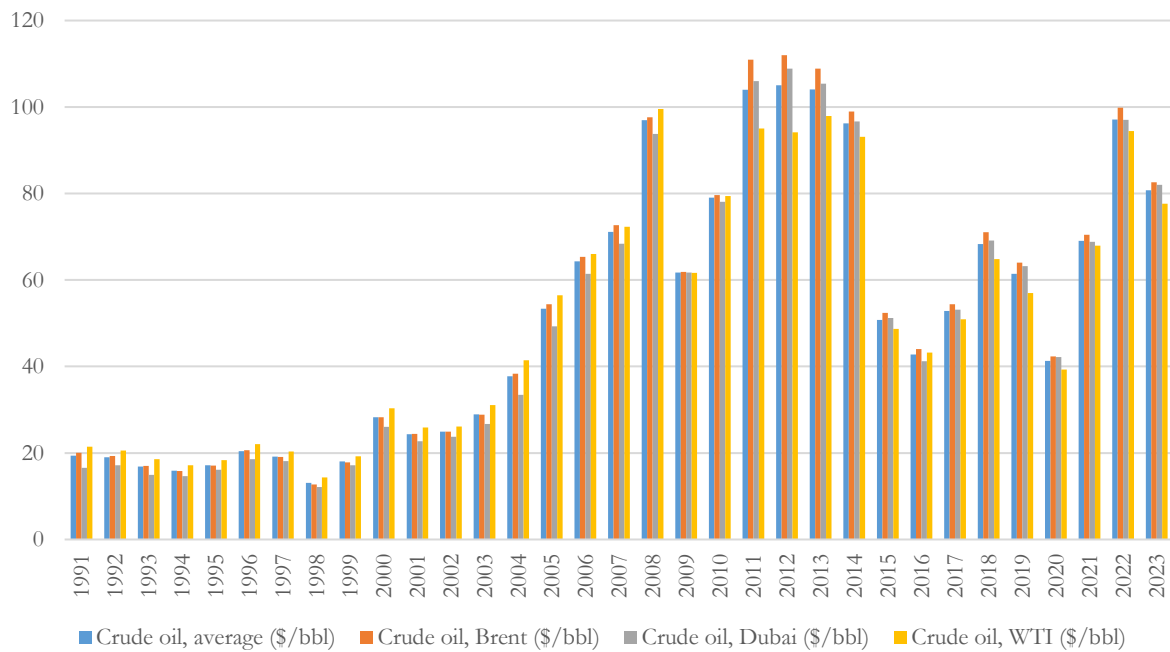


Fig. 2: World Bank Commodity Price Data (The Pink Sheet) annual prices, 1991 to present, nominal US dollars (annual series are available in nominal and real dollars), Updated on May 02, 2023  
 Source: built by the author according to [18]

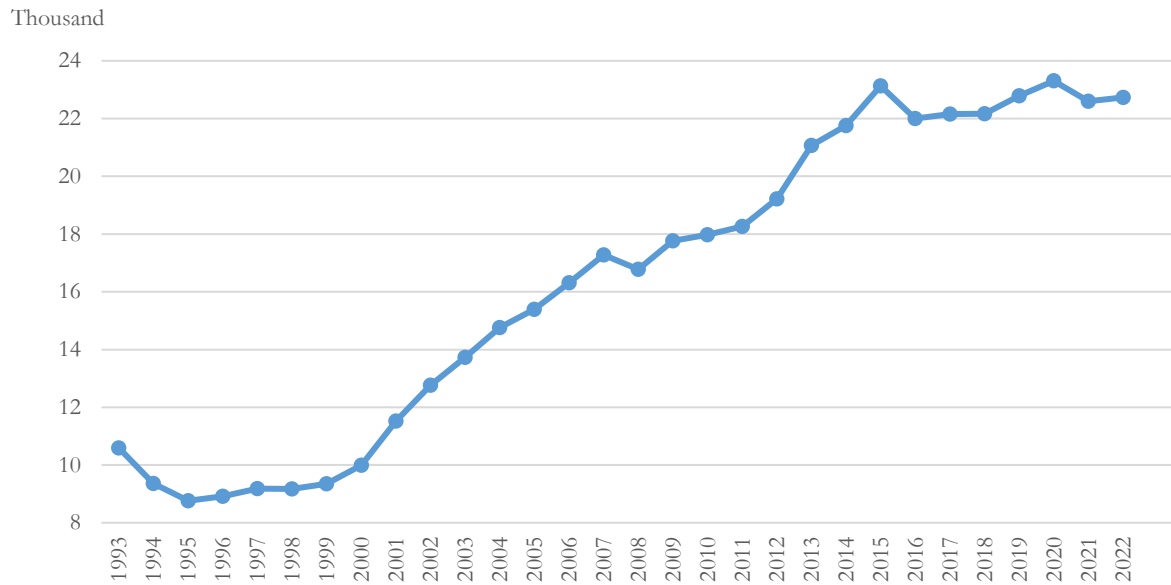


Fig. 3: GNI per capita, PPP (constant 2017 international \$)  
 Source: [19]

Table 1. Analysis of variance

	df	SS	MS	F	Significance F
Regression	1	12614.19	12614.19	12.73007	0.001488
Residual	25	24772.44	990.8975		
Total	26	37386.63			

Table 2. The results of the regression analysis

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95%	Upper 95%
Intercept	-17.568	27.707	-0.634	0.532	-74.632	39.496	-74.632	39.496
MCI	12.406	3.477	3.568	0.001	5.245	19.567	5.245	19.567