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**THE EFFECTS AND IMPLICATIONS
OF KAZAKHSTAN'S ADOPTION
OF INTERNATIONAL FINANCIAL
REPORTING STANDARDS**

A Resource Dependence Perspective

With a foreword by Svetlana Vlady

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To my family

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Foreword

The adoption of International Financial Reporting Standards (IFRS) is expected to enhance the quality of financial reports and improve the scope of cross-border business transactions. To date, more than 140 nations have committed to adopt IFRS. Nevertheless, the outcome of this reform remains uncertain, especially for emerging markets, such as the countries of the former Soviet Union. The extant literature provides limited evidence on pros and cons of the IFRS adoption process for the transitional economies, such as Kazakhstan.

After the collapse of the Soviet Union, in 1990s, the radical economic reforms implemented in the former Soviet countries would not have been possible without the assistance of major external donors, such as the International Monetary Fund (IMF) and the World Bank. The adoption of IFRS was one of the requirements of the assistance package offered by the IMF and the World Bank. In early 1990s, the former Soviet nations were in competition to attract foreign direct investment. Kazakhstan was the first former Soviet nation to implement radical capital market reforms, such as adoption of IFRS. Moreover, Kazakhstan adopted IFRS in 2004–2005, ahead of the European Union, Russia, and other leading emerging markets. However, Kazakhstan's reforms, including the adoption of IFRS, have received limited attention in the literature, and it is the Russian market that has historically attracted experts' attention, among the former Soviet Union countries.

This book adopts the resource dependence theory and empirically examines the outcomes of the reforms that the government of Kazakhstan undertook towards the formation of the capital market system. The capital market reforms in Kazakhstan mirrored the Russian reforms, due to the similar environmental dependencies that the two nations faced after the collapse of the Soviet Union. Critics argued that the reforms in Kazakhstan, including the adoption of IFRS, were premature and would negatively impact the capital market system and the economy of Kazakhstan, as the country

has limited resources and an underdeveloped infrastructure. However, the author reports that adoption of IFRS resulted in a significant inflow of foreign capital to Kazakhstan and benefited Kazakhstani public firms. Therefore, this book's findings are inconsistent with studies that have shown that the adoption of IFRS would inevitably be unsuccessful if implemented without adequate supporting infrastructure and within a short timeframe.

The book also discusses the prospects for Kazakhstan's stock market, economic model, and strategic development plan, all of which emphasize the importance of foreign investment to the national economy, and the prospects for the integration of the Kazakhstani economy into the global market system. The new economic model is based on the promotion of the private sector, free competition, and the development of the national stock market. The conclusion the author offers is that Kazakhstan has become an effective state with an independent history and is placed among the most progressive emerging markets. Overall, this book provides valuable insight for standard setters, academic researchers, and government institutions that promote the harmonization of accounting standards and practices across the globe.

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