

International Conference on Applied Economics, ICOAE 2015, 2-4 July 2015, Kazan, Russia

Up The Down Staircase Or How To Improve A Rating

Lyudmila M. Simonova^a, Taisia V. Pogodaeva^b, Daria V. Zhaparova^c *

^{a,b,c} Tyumen State University, 16 Lenina st, office 203, Tyumen, 625000, Russian Federation

Abstract

Nowadays rating agencies have become an instrument of reflection and of a compact representation of economic realities, and an instrument of influence, which contributes to shaping and varying of the economic policy. However, the adequacy of ratings and expert estimates and their correspondence to reality has become a topical issue that has risen at the international level.

© 2015 The Authors. Published by Elsevier B.V. This is an open access article under the CC BY-NC-ND license

(<http://creativecommons.org/licenses/by-nc-nd/4.0/>).

Selection and/or peer-review under responsibility of the Organizing Committee of ICOAE 2015.

Keywords: investment rating; investment climate; economic policy; institution development; investment activity.

1. Introduction: searching for the objective assessments

The crisis nature of the modern economy is an urgent need for an adequate assessment of objects, risks and conditions of investment. That is the function performed by various international rating systems and which is particularly in demand in the face of uncertainty, volatility and instability of the economic environment. Therefore, the "traditional investment return of many institutional investors, both abroad and in Russia, is rigidly tied to ratings" [1].

In addition, it is important that the world level analytical centers are not only able to adequately assess the performance of the ratings' objects, but also to shape a business climate in those countries, regions and sectors where the relevant interests are [2]. This makes rating agencies an instrument of reflection and of a compact representation of economic realities, and to some extent, an instrument of influence, which under certain conditions contributes to shaping and varying of the economic policy.

However, the adequacy of ratings and expert estimates and their correspondence to reality has become a topical issue that has risen at the international level in recent years (Onjewu Adah-Kole Emmanuel, 2012) [3]. Depending

* Corresponding author. Tel.: +7-961-779-33-33; +7-908-874-43-39.

E-mail address: daria_90@mail.ru

on the political situation, there is a transformation of the international rating from "objective economic indicator" to "an instrument of political pressure", "effective information weapons not only in the struggle for markets and services, but also in the interests of world domination" that generates "ratings war" (Andrew Fight, 2000) [4].

International investment ratings cause more complaints: investors put into question their objectivity, political independence and analytical validity, as well as the validity of the "alien matrix" application to the unique and peculiar conditions of economic development without adequate social and economic correction (Herwig Langohr, Patricia Langohr, 2009) [5].

A good example is the chain reaction of Russia's ranking decrease by the international rating agencies, which undoubtedly bears unmistakable image losses for the country. According to a recent version of two "of the great American trio" of the leading international agencies - Standard & Poor's and Moody's Investor Service - Russia's "non-investment sovereign rating" has been stated. And according only to third out of the trio, Fitch Ratings, Russia still remains on the bottom rung of investment rating with a negative outlook and the likely movement to a "non-investment" position [1]. In this regard, Deputy Finance Minister, Sergei Storchak, has even admitted the possibility of Russia's refusal to contracts with international rating agencies, as the contact with them is "useless".

However, not everybody shares the same view. Many representatives of the authorities and the business elite are convinced that, despite of the allowable error in global rankings, they act as a reliable guide and navigator of investment activity and, thereby, contribute to the development of the national economy. Moreover, the rating positioning can be built even in the rank of the target value of economic policy and performance indicators of economic reforms. Convincing example of that is the participation of Russia in the international ranking of Doing Business (DB).

According to the ranking of the World Bank's Doing Business and Bloomberg, Russia ranked 62th and 43th accordingly. Despite the fact that country is the measurement object of the reputable international rating systems, it was the first time when Russia's position in the international ranking of Doing Business became the subject of the president's attention (it was reflected in the relevant legal documents) and became a strategic priority. In May 2012, the president signed a decree "On the long-term national economic policy". According to the decree, the priority target is to achieve the 50th place in 2015 in the ranking of DB (compared to 120th in 2011) and the 20th position in 2018. Thus, it was tasked with a significant improvement of the investment climate in Russia, and a position in the ranking became the measure of its quality and, moreover, one of the main indicators of the reforms success.

All of the above-mentioned facts prove the fact that Russia has finally implemented an international rating to its current economic policy. It is not only declared that country needs to move from 120th to 20th place in ranking, but the Doing Business' indicators are included in the key performance indicators (KPI) of the regions' heads of executive power. It gave a positive result as it became possible to determine the goals and directions for the investment climate improvement in Russia.

What are the results of this target's implementation?

The results of the Doing Business' international study allow comparing the conditions of business regulations in 189 countries of the world economy, to evaluate the legislation related to the regulation of business, and its actual execution. Without a doubt, a favorable investment climate is largely determined by the quantity and quality of public procedures.

The results of the international rating DB -15, presented by the World Bank in the analytical report "Doing Business in 2015: More than effectiveness" are quite optimistic. Russia has moved to 62th place compared with 92th in 2013. The positive dynamic is evident - Russia jumped 30 positions that can be determined as a strategic breakthrough.

According to the rating, the country achieved simplification (in terms of time and money costs) of business procedures: the number of procedures was decreased from 7 to 4, and the time for their implementation - from 15 to 11 days with a little. This ensured the rise from the 88th position to the 34th. However, the rise of the number of permits required for the real construction project's implementation is not so impressive (156th place against former 178th) - 20 treatments with total duration in 238.4 days. According to the terms of the property rights' registration, our country has remained in the first 20th, breaking 5 stages - from 17th to 12th position. Compliance of the business' legal environment with the advanced world practice for the leader of the rating - Singapore - is estimated in 88.27, and for Russia is estimated only in 66.7.

Download English Version:

<https://daneshyari.com/en/article/981213>

Download Persian Version:

<https://daneshyari.com/article/981213>

[Daneshyari.com](https://daneshyari.com)