

Digitalization trends in second-tier banks of Kazakhstan

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Abstract: one of the main tasks of the sustainable development of the banking sector in Kazakhstan is the provision of financial resources. The article deals with the problems of attracting banking resources and their regulation. It is noted how the pandemic in a short period of time mobilized the digital potential of Kazakhstani banks, giving the consumer a new level of opportunity and comfort. The deposit market is an important sector for mobilizing funds and forming the resource base of a commercial bank. The level of development of the deposit market, market conditions, competition, as well as the credit market and the stability of the banking system largely depend on the efficiency of managing the deposit operations of commercial banks. An analysis was made of the composition and structure of deposit resources in the banking sector of the republic for 2016-2021. Proposals are given for further improvement of the financial support of the banks of Kazakhstan.

Key words: banks, deposits, digitalization, transformation, credit, finance, risk management.

Unlike other industries, the financial sector is most susceptible to digitalization. The Kazakhstan banking system is no exception. The situation with the pandemic forced banks to somehow focus on it and continue to transfer their services online. According to bankers: "Kazakhstan today is already quite an advanced country in terms of financial technologies. There is online onboarding (the process of getting the user acquainted with the product), digital lending is highly developed, payments and transfers, banks and financial players are actively developing lifestyle services. All this happens in online channels. The numbers are growing by tens of percent from year to year. That is, the level of digitalization is quite high." At the same time, through integration with government databases, banks are creating a better customer journey. [1]

For Kazakh banks, the "romance" with digital risks is just beginning. The presence of traditional channels of work with the client through offline branches did not replicate major technical problems, and criminal incidents became the main events. Many people remember how in the spring of 2015 the country was agitated by mass mailings via messenger about the alleged bankruptcy of a number of leading second-tier banks. The same messages regarding one of the banks were repeated in the fall of 2018. And even now, from time to time, there is information about malicious mailings disguised as messages from a bank, during which attackers try to get the consumer's personal information. The largest number of cyberattacks is carried out on financial institutions, as can be seen in Figure 1.

The main risk, and not only in the Kazakh banking system, is fraud. Kazakhstanis, if they have not experienced it first hand, then read a lot about it on news sites and social networks. The first services that have just appeared are often poorly protected not only from the technical side, but also from the side of social engineering. Therefore, after digitalization, fraudulent schemes come to the financial market.

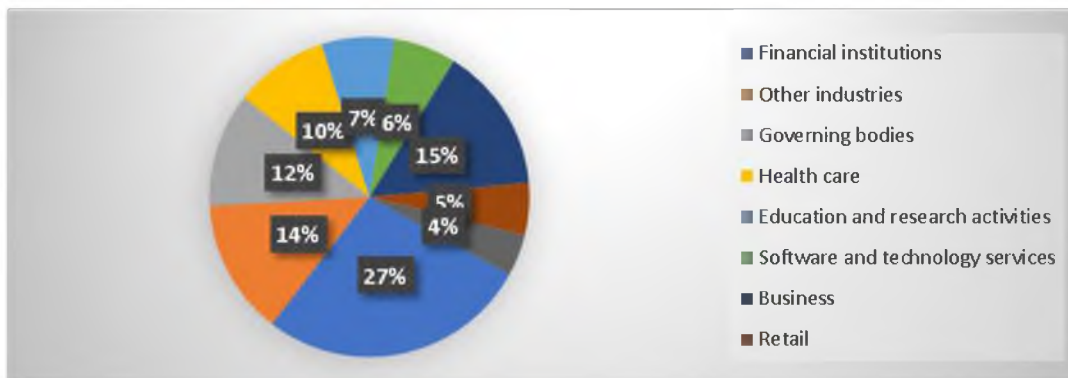


Figure 1. The number of cases of cyberattacks in various industries in Kazakhstan

Note:[1]

It is important to note that Kazakhstan already has experience in stress testing the banking sector. In 2019, the regulator conducted a large-scale AQR, during which it assessed banks on a variety of technical and financial indicators, and now intends to conduct a small assessment on an annual basis, and a full AQR every five years when necessary. Digitalization trends: what awaits Kazakhstani banks in the near future? For example, the situation with the pandemic will depend on this fact. Banks in one way or another are guided by it and continue to transfer their services online, as the topic of lockdowns and quarantine restrictions remains relevant. Now, for example, transfers by phone number to another bank are possible only for clients of financial institutions that have joined the Sunqar instant payment system (with the exception of VTB-Kazakhstan JSC due to US sanctions due to the military conflict in Ukraine).

In Kazakhstan, there is also a certain bias in certain types of services. For example, there is a dominance of some players in p2p transfers. This, to a certain extent, hinders the development of the market as a whole. The problem of shortage of POS-terminals in small towns can be solved through the development of QR-payments. In the next two or three years, deep integration of financial players with government services will continue in Kazakhstan.

Given the lack of financial resources, credit opportunities of the financial and credit sector are strategically important in ensuring the full development of economic entities, modernization and diversification of production. The financial and credit sector plays an important role in providing long-term financial resources for investment projects aimed at building transport, energy, and social infrastructure. Also, the most important component of economic relations is short-term lending, which makes it possible to ensure the smooth operation of economic entities and the fulfillment of obligations.

In order to implement state programs in Kazakhstan, long-term strategies for the development of the financial and credit sector are being developed, modern mechanisms are being used to increase the participation of financial and credit organizations in lending to the economy. However, to improve the process of interaction between credit institutions and economic entities, a comprehensive solution of the problems existing in this area is necessary. Creating a favorable investment climate, accompanied by continuous improvement of the financial infrastructure necessary for the effective implementation of state programs in the field of financial support for the development of the real sector of the economy, is not feasible without the direct participation of second-tier banks that occupy dominant positions in the financial intermediation segment.

To date, one of the most important problems is the effective use of the credit potential of the banking system and the development of new forms of lending. The various methods of lending that have recently become widespread during the crisis have led to a significant increase in credit risks. Therefore, at present, the processes of practical approaches to the formation of investment and credit potential and the development of methodological foundations for its assessment, taking into account all possible factors affecting its value, acquire the necessary importance.

Banking resources are a set of own and borrowed funds at the disposal of the bank and used by it to carry out active operations, as well as to ensure the economic basis of its activities and its

competitiveness as a financial intermediary [2]. Sources of banking resources are formed as a result of banks' passive operations.

As a result of attracting financial resources, the bank forms a portfolio of liabilities. The sources of formation of bank resources in terms of attracted money pose two problems for banks: choosing the size of the interest rate, which forms the main component of the costs of attracting, and creating a resource base that is less sensitive to changes in market conditions.

The formation of banking resources and changing combinations of various sources of their attraction is of great importance for the bank's activities, as it determines the cost and volume of funding for active operations.

Effective resource management is impossible without the implementation of a competent deposit policy. The bank's deposit policy assumes that special attention should be paid to risk management in the area of passive operations. It is based on the constant maintenance of the necessary level of diversification of deposit resources, as well as ensuring the possibility of attracting funds from other sources and maintaining the balance of the bank's liabilities with its assets in terms of terms and interest rates [2].

Modern banking practice is characterized by a wide variety of deposits. One of the indicators of the reliability and stability of the resource base is the interest rate policy of the bank in the field of borrowed resources. This policy should be within the framework of two opposing boundary requirements: first, the level of interest rates on deposits (both urgent and demand deposits) should be sufficiently attractive to potential depositors; second, it should not sharply increase the lower interest margin grant between the bank's active and passive operations.

In Kazakhstani banking practice, the deposit market is an important sector for mobilizing funds and forming the resource base of a commercial bank. The level of development of the deposit market, market conditions, competition, as well as the credit market and the stability of the banking system largely depend on the efficiency of managing the deposit operations of commercial banks. And the most important performance indicators of a credit institution - profitability and liquidity - depend on the efficiency of the use of banking resources, the bulk of which are deposits.

As can be seen from Table 1, according to the data as of 01/01/2022, the following market structure has developed in the Kazakhstani deposit market:

Table 1

Deposits in deposit organizations (by sectors and types of currencies), million tenge

Name	01.01.16	01.01.17	01.01.18	01.01.19	01.01.20	01.01.21	01.01.22
Totaldeposits	11354180	1644455	17480150	17445611	1924295	18686 033	19732752
Including, innational currency:	5005870	4977 729	8 244 923	9 350 05	1070635	10789 764	11867932
Inforeignc urrency:	6348 148	11466 26	9 173 227	8 094 709	8535860	7896 269	7864820
Note: compiled by the authors based on site data [3]							

From the data in Table 1 you can see that if on 01.01.16 deposits amount to 11.354 million, tenge, then as of 01.01.22 deposits amount to 19.732 million, tenge, which shows an increase for the period from 01.01.16 to 01.01.22 by 8.378 million tenge or 74%.

Due to the fact that the NBK raised the interest rate on tenge deposits from 11% to 14.5% compared to 2021 by 3.5% as of 2022, the attractiveness of tenge deposits among individuals and legal entities has increased, thereby the most stopped the outflow of funds from second-tier banks, which was observed in the period 2020-2021 in connection with the COVID-19 pandemic. Consider deposit rates using the example of two STBs with a large customer base in Table 2.

Table 2

Interest rates on deposits of JSC Kaspi.kz and JSC Baiterek (former JSC Sberbank)

Name of the bank	2020 год		2021 год		2022 год	
	Basic	AEIR	Basic	AEIR	Basic	AEIR
KZT						
JSC Kaspi.kz	9,8%	12%	10,5%	11%	13,5%	14%
JSC Baiterek (former JSC Sberbank)	9,5%	10%	10,5%	11%	13,2%	13,8%
USD						
JSC Kaspi.kz	1%	1%	1%	1%	1%	1%
JSC Baiterek (former JSC Sberbank)	0,5%	0,5%	0,3%	0,3%	0,3%	0,3%
EUR						
JSC Kaspi.kz						
JSC Baiterek (former JSC Sberbank)	0.1%	0,1%	0%	0%	0%	0%
RUB						
JSC Kaspi.kz						
JSC Baiterek (former JSC Sberbank)	1%	1%	1%	1%	1%	1%
Note - compiled by the authors based on the data of Kaspi.kz JSC and Sber JSC for 2022						

It can be concluded that financially more stable banks that care about their liquidity and solvency offer interest on deposits no higher than the industry average. A high interest rate on time deposits and deposits of individuals and legal entities indicates, first of all, that a commercial bank has an unstable resource base that is insufficient for effective credit investments. Such a bank tries to expand and stabilize its resources by attracting deposits, offering depositors an increased interest rate. But attracting resources at an increased interest rate also implies making investments at a higher percentage, that is, investments are usually more risky, and depositors, instead of profit, may lose the deposit itself in the event of a bank failure.

However, profitability and liquidity of banks are not achieved automatically. The obvious solution to the problem of attracting cheap and allocating expensive resources is to pursue a policy that can bring the highest return at a reasonable, from the point of view of the bank's management, level of risk. On the one hand, the bank's management and the latter's shareholders are interested in higher returns that can be obtained by investing in long-term projects, dubious quality securities, etc. However, such actions inevitably seriously impair the liquidity of the bank, which is necessary for the withdrawal of deposits and to satisfy the legitimate demand for credit.

Big Data technology, in relation to the banking system, is complex and voluminous sets of various information accumulated by the bank in the process of lending. Big data itself carries certain risks: the information must be evaluated and correctly interpreted.

Thus, today banks in Kazakhstan process huge databases, where model risk management becomes an important part of risk management. The role of risk management itself is being strengthened many times over, and the procedures are being reviewed - digital processes are being introduced.

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Финансирование инноваций в рамках модернизационных программ Республики Казахстан как фактор развития цифровой экономики

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Аннотация: данная статья посвящена процессу модернизации инноваций и развития цифровой экономики в Республике Казахстан и проблемам его финансового обеспечения, которые в конечном итоге будут способствовать обеспечению долгосрочной макроэкономической стабильности и повышению качества жизни страны. Проведен SWOT-анализ сильных и слабых сторон внедрения инноваций и развития цифровой экономики. Проанализировано состояние показателей инновационной деятельности казахстанских предприятий. Исследованы источники финансового обеспечения инноваций. Выявлены проблемы, препятствующие достаточному оказанию финансовой поддержки. В результате исследования определены основные проблемы и риски, препятствующие развитию финансирования науки и научно-исследовательских опытно-конструкторных работ (НИОКР). Предложены рекомендации для повышения доступности финансирования инноваций страны, достижения устойчивого экономического роста и долгосрочной макроэкономической стабильности, поскольку от финансирования развития науки, инноваций и внедрения новых технологий зависят темпы внедрения цифровизации, автоматизации, компьютеризации, роботизации всех сфер экономики как производственных бизнес-процессов, так и в сфере государственного управления в целях борьбы с коррупцией и с теневой экономикой, которая по некоторым оценкам составляет 28% ВВП страны. Именно от финансирования науки и инноваций будет определен успех развития цифровой экономики в Казахстане, поскольку ее внедрение во всех сферах экономики требует колоссальных финансовых ресурсов.

Ключевые слова: модернизация, инновации, финансирование, иностранные инвестиции, государственный бюджет, цифровая экономика Казахстана.

Введение. Основная цель социально-экономической политики Казахстана в ближайшие годы является обеспечение устойчивого и качественного роста экономики с целью вхождения в «лигу» 30 наиболее развитых стран мира к 2050 году. Поэтому на современном этапе в Республике Казахстан осуществляются масштабные меры по диверсификации экономики страны, путем реализации государственных программ индустриально-инновационного развития и 10 Национальных проектов, реализуемых в 2021-2025 годах в целях коренной модернизации национальной экономики, в частности, для развития цифровой экономики, стержнем которой является цифровизация, автоматизация, компьютеризация, роботизация всех сфер экономики, как производственных бизнес-процессов, так и сферы государственного управления в целях борьбы с коррупцией и с теневой экономикой, которая, по некоторым оценкам, составляет 28% ВВП страны. Именно от финансирования науки и инноваций будет определен успех развития цифровой экономики в Казахстане, поскольку ее внедрение во всех сферах экономики требует колоссальных финансовых ресурсов.