

UDC 336.719

ANALYSIS OF THE BANKING SECTOR OF THE REPUBLIC OF KAZAKHSTAN: PROBLEMS AND TRENDS OF DEVELOPMENT

Zhussupova Amina, Kuatbekova Dayana

amina-zhusupova@mail.ru

Postgraduate students, Eurasian National University named after L.N. Gumilyov

Nur-Sultan city, Republic of Kazakhstan

Supervisor - Yessenova G. Zh. - candidate of economic sciences, associated professor, Head of the Department of Finance

A decade after the crisis, the banking sector of Kazakhstan is approaching qualitative changes. Numerous challenges: tightening regulation by the National Bank, new rules of international financial reporting standards, increasing competition in the market, and much more that banks have faced, have determined the need to change approaches to the banking business. Recent years have been marked by important events in the banking market of the Republic of Kazakhstan, so this has affected the quantitative composition of the banking system.

Four banks in the country decreased, three of them made a decision on forced liquidation, combined two systemically important banks. But despite everything that happens, the second-tier banks were able to increase gross profit compared to 2017. The article explores the development features of the banking sector of the Republic of Kazakhstan.

Let us analyze the influence of the factor of a quantitative narrowing of the banking market on the performance of second-tier banks. Over the past 4 years, there has been a consolidation of the banking sector, if as of 01/01/2016 the banking sector consisted of 35 second-tier banks (STBs), then as of 01/01/2019 there are 28, i.e. quantitative decrease of 20%. In 2018 alone, the banking sector contracted by 13%.

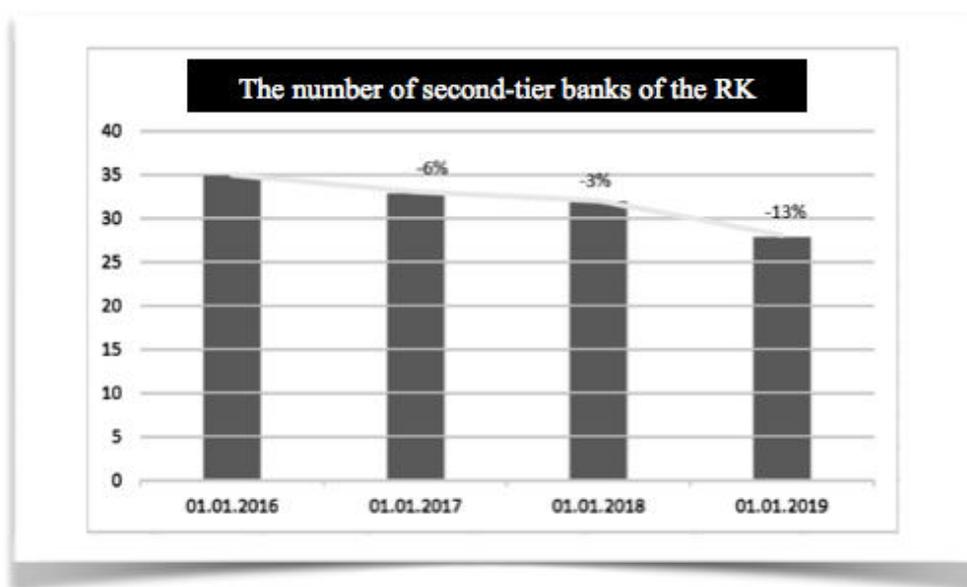


Fig. 1. The number of second-tier banks of the Republic of Kazakhstan [1]

Banks also contribute to the socio-economic development of the country by issuing loans. Over the period from 01/01/2016 till 01/01/2019, particularly during 4 years, we clearly see the

dynamics of decrease in the loan portfolio to GDP. As an example, comparing the indicators of 2015 to the indicators of 2018, the dynamics of proportion reduced from 38% to 23%, that is 15%.

Table 1. The loan portfolio of second-tier banks of the Republic of Kazakhstan [2]

| Indicators | Reporting date | | | |
|---|----------------|------------|------------|------------|
| | 01/01/2016 | 01/01/2017 | 01/01/2018 | 01/01/2019 |
| Loan portfolio, billion tenge | 15 553.70 | 15,510.80 | 13,590.50 | 13 762.70 |
| GDP, billion tenge | 40,884.13 | 46 971.15 | 53 101.28 | 58 785.74 |
| Proportion of the loan portfolio to GDP | 38% | 33% | 26% | 23% |

This suggests that the contribution of the banking sector to the country's economy is extremely small compared to the countries of Asia and Europe, and in numbers it is 74th among 81 countries. Thus, the country's economy is growing, while loans issued are declining, which means that the banking sector is not the driver of the economy [4,5].

At the same time, there is no decrease in liquidity in the banking sector. On the contrary, the ratio of the deposit portfolio to the loan shows a good growth from 1: 1 in 2015 to 1: 1.24 in 2018.

Table 2. The ratio of the deposit portfolio to the loan portfolio of second-tier banks of the Republic of Kazakhstan [2]

| Indicators | Reporting date | | | |
|---|----------------|------------|------------|------------|
| | 01/01/2016 | 01/01/2017 | 01/01/2018 | 01/01/2019 |
| Deposits fl, billion tenge | 6,885.50 | 7 907.80 | 8 226.90 | 8 771,00 |
| Deposits of legal entities, billion tenge | 8 719.60 | 9 360.80 | 8 453.60 | 8 272.00 |
| Loan portfolio, billion tenge | 15 553.70 | 15,510.80 | 13,590.50 | 13 762.70 |
| Proportion of the deposit portfolio to the loan | 1.00 | 1,11 | 1.23 | 1.24 |

Having analyzed table 2, we see that the assets of the second-tier banks over the past 4 years increased by 6%, but the loan portfolio of banks decreased by 12%, i.e. non-credit assets increased by 40%. This suggests that banks have liquidity, but at the same time it is not invested in the commercial sector of the economy, but is mainly directed to current, 45 correspondent and deposit accounts with the National Bank of the Republic of Kazakhstan (NBK), as well as for the purchase of short-term notes of the NBK.

At the same time, according to the results of 2017, a decrease in the total assets of second-tier banks by 5% (1.3 trillion tenge) is observed, which occurred to a greater extent against the backdrop of events in the banking system - the acquisition of Kazkommertsbank by Halyk Bank and the corresponding revaluation of assets, recognition of problem loans Bank RBK, Delta Bank and the negative revaluation of the active part of a number of other banks.

According to the results of December, the second-tier banks' loan portfolio decreased by 67.2 billion tenge to 13.6 trillion tenge (decrease from the beginning of the year by 12% or 1.9 trillion tenge). At the same time, excluding Qazkom, Bank RBK and deprived of a Delta Bank license, the annual growth of the loan portfolio is 10.0% or 1.1 trillion tenge. As the situation in the economy improves, coupled with a decrease in the cost of funding, it is logical to expect a moderate activation of bank lending.

Table 3. Assets of the second-tier banks of the Republic of Kazakhstan [2]

| Indicators | Reporting date | | | |
|------------------------------------|----------------|------------|------------|------------|
| | 01/01/2016 | 01/01/2017 | 01/01/2018 | 01/01/2019 |
| Assets, billion tenge | 23,780.30 | 25,561.20 | 24 157.90 | 25,241.00 |
| Change in assets,% | | 7% | -5% | 4% |
| Loan portfolio (JV), billion tenge | 15 553.70 | 15,510.80 | 13,590.50 | 13 762.70 |
| SP change,% | | 0% | -12% | 1% |

Let us analyze the obligations of second-tier banks. The total liabilities of the banking sector of the Republic of Kazakhstan showed a decrease from the beginning of the year by 7% or 1.6 trillion tenge. The decrease in banking sector liabilities is mainly due to the transfer of part of the liabilities of Kazkommertsbank and Bank RBK under the program to specialized companies, as well as the deprivation of the Delta Bank license. Excluding data from financial institutions, the obligations of STBs showed annual growth of 2% or 410.9 billion tenge [7].

Table 4. Obligations of second-tier banks of the Republic of Kazakhstan [2]

| Indicators | Reporting date | | | |
|----------------------------|----------------|------------|------------|------------|
| | 01/01/2016 | 01/01/2017 | 01/01/2018 | 01/01/2019 |
| Liabilities, billion tenge | 21,290.20 | 22,716.30 | 21 128.20 | 22,223.40 |
| Change in Liabilities,% | | 7% | -7% | 5% |
| Equity, billion tenge | 2,490.10 | 2 844.90 | 3 029,70 | 3 017.60 |
| SP change,% | | 14% | 6% | 0% |

At the same time, the total equity capital of banks in Kazakhstan at the beginning of 2018 amounted to 3.1 trillion tenge, which is 8.7% (246.2 billion tenge) more than a year earlier.

We note that up to 60% of the received liquidity is recognized by banks in terms of profit from revaluation at fair value, which is recorded in banks' equity. For example, the increase in Tsesnabank's equity capital amounted to 30%, for BCC - 30% [7].

Also, ForteBank (+270.7 billion tenge) saw the largest increase in liabilities for 2018. The indicated increase was mainly provided by an increase in the deposit base on the part of customers. At the same time, the capital gain of the bank amounted to (+15.7 billion tenge), which was formed due to the capitalization of retained earnings and other reserves. According to the NBK in 2017, ForteBank earned a net profit of 19.1 billion tenge (+87.3%) [7].

According to the results of 2017, the leading place to reduce both assets and liabilities was taken by Kazkommertsbank - minus 1.2 trillion tenge or 27.0% of all bank liabilities. At the same time, the bank's equity decreased by 40.1% to 283.9 billion tenge against the background of revaluation of other reserves. Loss on the basis of corporate reporting for nine months - minus 375.9 billion tenge.

The share of liabilities in total liabilities as of January 1, 2018 amounted to 87.2% (+0.1%). In general, over 4 years the obligations of STBs increased by 4%, while the UK showed an increase of as much as 21%.

Let us analyze financial indicators such as net profit of the banking sector, equity, assets, return on assets, return on equity and capital multiplier.

Return on equity (ROE) is a measure of a bank's performance that is significant primarily for its shareholders.

Return on assets (ROA) is defined as profit divided by the amount of assets. This indicator allows you to find out the amount of bank profit per unit of assets [3].

The capital multiplier (EM) is the size of assets divided by the size of equity, that is, the reciprocal of the ratio "equity / assets". EM allows you to determine the size of leverage or assets per unit of equity of the bank. The capital multiplier allows you to express ROE through ROA. For example, a capital multiplier of 10 means that the ratio of equity to assets should be 10%, and the ratio of debt to assets, respectively, is 90% [4].

Table 5. Financial ratios of second-tier banks of the Republic of Kazakhstan [5]

| Indicators | Reporting date | | | |
|------------|----------------|------------|------------|------------|
| | 01/01/2016 | 01/01/2017 | 01/01/2018 | 01/01/2019 |
| ROA | 0.90% | 1.60% | -0.30% | 2.60% |
| ROE | 8.90% | 14.10% | -2.10% | 21.10% |
| EM | 9.55 | 8.98 | 7.97 | 8.36 |

Over the past 4 years, the following dynamics can be traced: assets grow more slowly than equity, and faster than liabilities. A slight decrease in leverage (EM) means a slight increase in the reliability of banking operations, since the increase in capital adequacy is associated with pressure from both the market and the regulator, requiring an increase in the "airbag" that can "absorb" the negative effects of losses.

In general, the current situation in the banking sector of the Republic of Kazakhstan is characterized by a focus on integration into a changing macroeconomic situation, as well as the possibility of increasing the stress resistance of second-tier banks to potential negative impacts of a macroeconomic or political nature.

List of used literature

1. Overview of second-tier banks 01/01/2019 - 01/01/2019, March 28, 2019 [Electronic resource]. Access mode: <https://afk.kz/> (accessed date: 06/29/2019).
2. Report on the financial stability of Kazakhstan 2015-2017 [Electronic resource]. Access mode: <https://nationalbank.kz/> (access date: 06/29/2019).
3. Sinki J. Financial management in a commercial bank and in the financial services industry / Joseph Sinki-ml .; trans. from English M .: Alpina Publisher, 2017.1018 p.
4. https://ru.theglobaleconomy.com/rankings/bank_assets_GDP/Europe/ (06/29/2019 mode).
5. The mode https://ru.theglobaleconomy.com/rankings/bank_assets_GDP/Asia/ (06/29/2019).
6. Access mode: [https://afk.kz/ru/news/vklad-bankovskogo-sektora- v-vvp-kazaxstana.html](https://afk.kz/ru/news/vklad-bankovskogo-sektora-v-vvp-kazaxstana.html) / (accessed: 06/29/2019).
7. Access mode: http://afk.kz/2018/2/%D0%91%D0%92%D0%A3_01.01.2018.pdf / (accessed: 06/29/2019).