

**REPORTS OF THE NATIONAL ACADEMY OF SCIENCES  
OF THE REPUBLIC OF KAZAKHSTAN**

ISSN 2224-5227

<https://doi.org/10.32014/2019.2518-1483.37>

Volume 2, Number 324 (2019), 56 – 62

УДК 33: 2964

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**TRENDS IN THE DEVELOPMENT OF UNDERSTANDING AND  
PRACTICE OF SOCIAL RESPONSIBILITY OF BUSINESS IN  
KAZAKHSTANI BANKS**

**Abstract.** The global financial crisis has actualized the problems of enterprises and has focused attention on the need to restore trust in banks through corporate social responsibility. In this regard, social responsibility in the modern world is perceived not only as a charity, but also as an effective activity that enhances the business reputation and capitalization of the banks.

The article analyzes the results of conducted specialized studies that demonstrate the level of awareness of business entities in Kazakhstan about the social responsibility of business, as well as understanding the concept of social responsibility of business by various stakeholders.

In the author's opinion, in Kazakhstan it is necessary to improve the system of social responsibility of business, to develop an analytical tool for the effectiveness of its functioning, to determine the procedure for the preparation and audit of social reporting at the legislative level.

**Key words:** State, society, entrepreneurialism, banks, social responsibility of business, social reporting, principles of social responsibility of business.

**Introduction.** The development of the idea and the concept of corporate social responsibility have come a long way, and have achieved worldwide public recognition. According to the results of numerous studies, the world's largest banks are increasingly aware of the need to actively develop and implement CSR policies, and progressive states - to support and stimulate the introduction of such policies. Strangely enough, it was the crisis that actualized the problems of enterprises and focused attention on the need to restore trust in banks through corporate social responsibility. For example, a study conducted in the European Union in 2018 showed that just over half of the citizens (51%) of European countries believe in the positive impact of banks on society, and 4 people out of 10 believe that the influence of banks on society is negative. At the same time, representatives of dynamically developing economies of the BRIC countries, on the contrary, believe in the positive role of banks, for example, 79% of Brazilians agree with such statement [1]. Thus, the role of CSR as a tool that increases the credibility of business is significantly growing.

**Methods of research.** As part of this study, the following methods of collecting primary and secondary data were used: the study of analytical reports, studies, articles and other materials that are publicly available.

Used research methods: interpretation of interviews, comparative analysis, case study, literature study.

**Results and discussion.** The CIS countries have their own peculiarities of CSR development, namely: the insignificant influence of governments on the formation of the national CSR agenda, the strong role of international institutions and donors in the development of the CSR concept (UN, EU, embassies of European countries), the insignificant role of public and expert organizations, as well as media in the formation of CSR [2.3]. It is worth mentioning that regulatory tools (laws, government

regulations and programs) are still an incentive for businesses to implement CSR in the CIS countries. In the future, the CIS sub-model may gradually transform into the European model, which is connected with political and economic integration processes. However, this process will not be rapid.

Nevertheless, even today, 13 large banks and 11 public organizations of Kazakhstan have become participants of the UN Global Compact (hereinafter - the GC) (**Fig. 1.**).

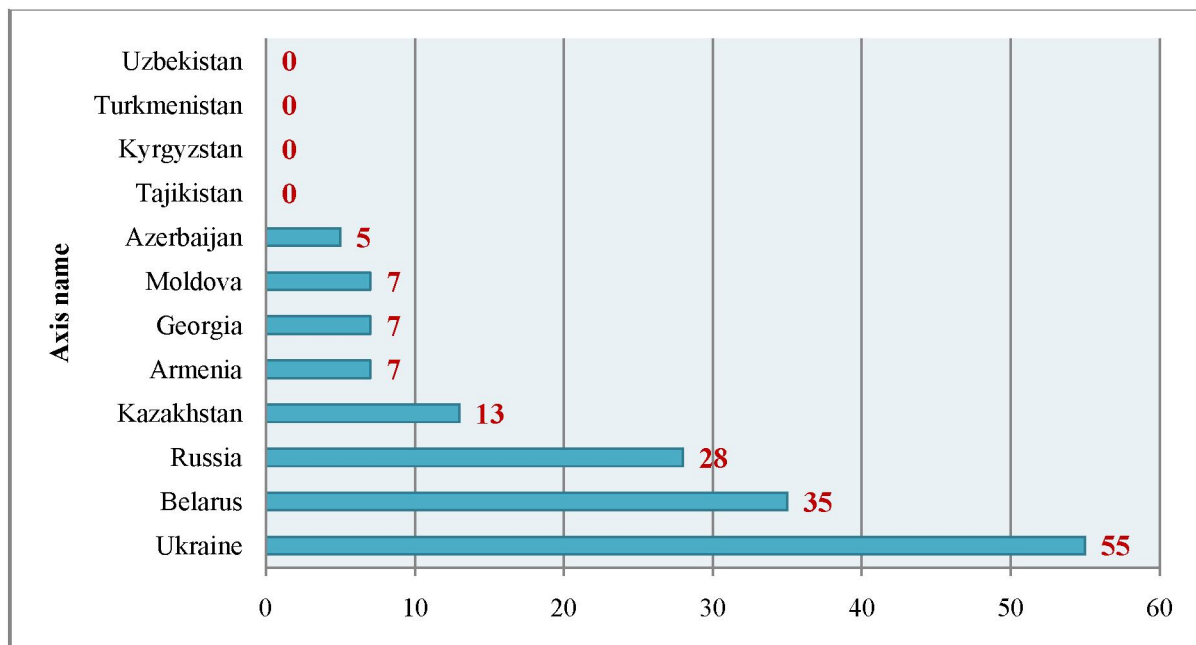


Fig. 1 – Number of participating banks of UN Global Compact (Facts from 2018)

If we talk about other CIS countries, then the diagram below shows that Ukraine is the leader in business participation in the GC. At the international level, 55 Ukrainian banks are represented in the GC. It should be noted that Ukrainian business already regards CSR as a competitive advantage and part of its business strategy. The banks of Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan are not represented in the UN GC. Thirty-five participating banks represent Belarus, Russia is represented by 28 banks [4].

Most banks consider the lack of legislatively approved incentives to be the main factor hindering CSR. In Russia, a significant role in the development of CSR is played by business associations, state corporations and public organizations. Significant successes were achieved by Russian banks in the preparation of non-financial reports: about half (46%) of the 100 largest Russian banks make non-financial reports (for comparison, in Ukraine, among 100 largest banks, only 9 make non-financial reports). However, often CSR projects of Russian banks are of a charitable nature and are most often the decision of the owner of the corporation, rather than part of the corporate CSR strategy. It is worth noting that every year there are more initiatives and associations. From year to year, the number of banks that make non-financial reports in accordance with the Global Reporting Initiative (GRI) is increasing, reporting on numerous CSR indicators in the economic, social, environmental and other fields [5.6]. At present, the draft of the manual on integrated reporting, combining the disclosure of financial and non-financial indicators in one report has already been submitted.

Large studies on CSR in Kazakhstan have been conducted several times. One of the first studies of 2008 was conducted by the United Nations, and the last in 2013 by the Research Center Sandzh. The latest study showed that over the past five years the level of awareness of CSR among business representatives increased by only 3 percent (from 60 to 63 percent) [7].

#### *Awareness of business about CSR.*

Awareness is one of the important conditions for promoting the principles of corporate social responsibility. As the survey showed, 63% of respondents are familiar with the concept of CSR (**Fig. 2.**).

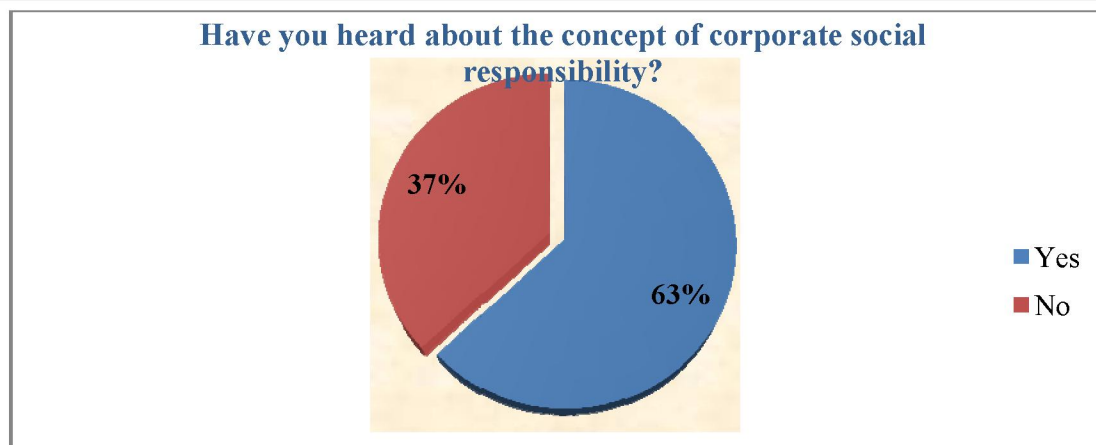


Fig. 2 – Awareness of business about CSR in Kazakhstan, %

Awareness has an essential link to the size of the business. All representatives of large businesses report that they are familiar with the concept of CSR (100%) [8].

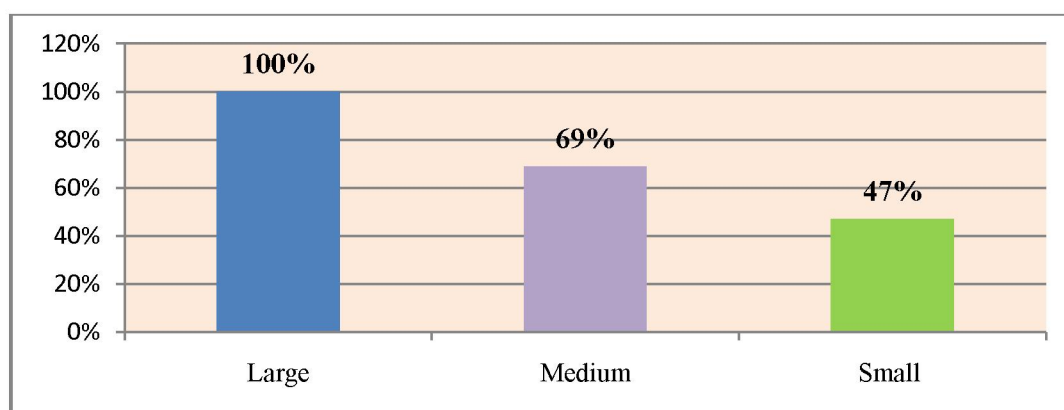


Fig. 3 – Awareness of CSR of businesses of various sizes, %

In the medium-size business more than half of the respondents (70%) have heard about CSR. Small businesses accounted for less than half of the respondents (47%).

These studies confirm that representatives of small business are the least informed. Reasons: there is no interest of the leaders themselves in CSR; limited opportunities for small businesses that impede the development of CSR practices (insufficient turnover, lack of CSR experience and practices, low legal and qualification literacy) [9.10].

#### *Understanding of CSR by business.*

If a decade ago, under SR, many of the Kazakh banks understood only compliance with legislative norms and implementation of social projects, but now they also talk about long-term success based on the management of social and environmental risks, and the contribution of business to the country's sustainable development. That is, the quality of understanding of these processes has increased [11].

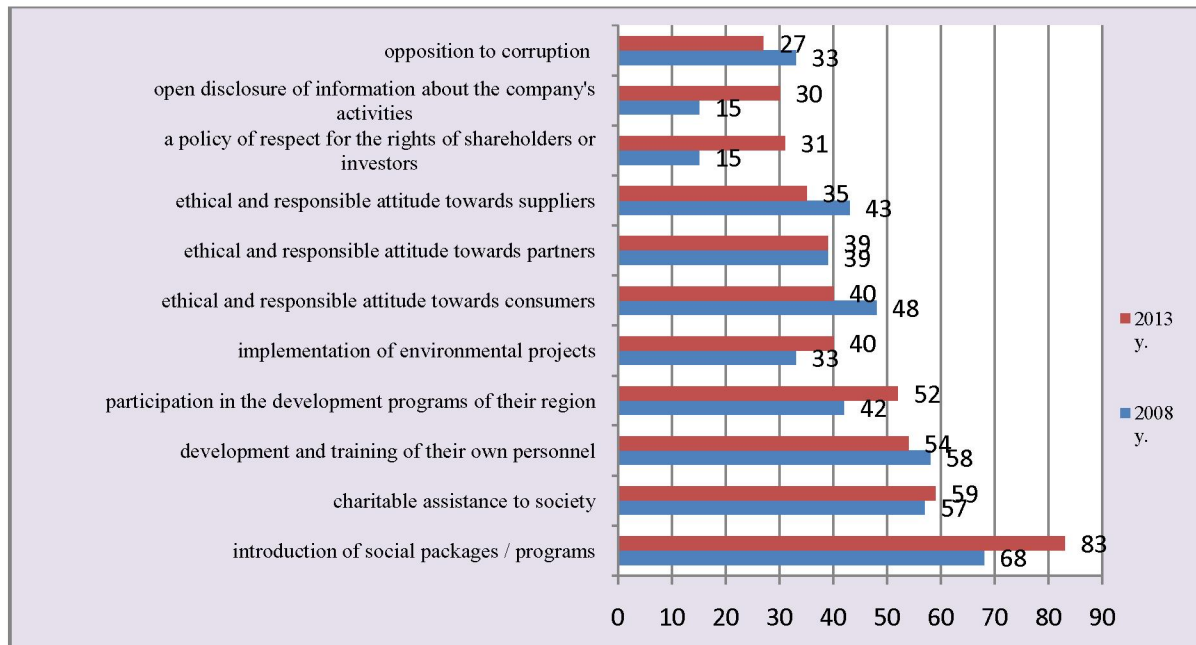


Fig. 4 – Awareness of CSR of businesses of various sizes, % of businesses responding affirmatively

First of all, the majority of respondents in the CSR concept include the introduction of social packages / programs in the enterprise and the improvement of working conditions for their own personnel (83%). Other items most often associated with CSR are charitable assistance to society (59%), development and training of their own personnel (54%), participation in development programs of their region (52%). 80 74 61 Foreign enterprises Joint ventures Kazakhstani enterprises 17 equally associate CSR with the implementation of environmental projects (40%) and ethical and responsible attitude towards consumers (40%), partners (39%) and suppliers (35%). Less commonly, the concept of CSR is associated with a policy of respect for the rights of shareholders or investors (31%), open disclosure of information about the bank's activities (30%) and opposition to corruption (27%). Comparison with the results of 2008 shows that the introduction of social packages / programs and the improvement of working conditions for their own personnel remains as the most often called item, and its role compared with the previous result has increased (68% in 2008 and 83% in 2013). In addition, the frequency of mentioning participation in the development programs of their region (42% and 52%), the policy of respecting the rights of shareholders (15% and 31%), and providing information about the company (15% and 30%) have increased [12.13].

In terms of the size of business, we note that regardless of the size of the business, first and foremost, CSR is improving the working conditions of personnel, the introduction of social packages / programs. The difference is only in the shares of positive answers (small business - 78%, medium - 83%, large - 89%). The fact that this component for business is on the first place speaks about the recognition of the importance of being accountable to employees, who in principle determine the development of the banks [14].

**Conclusion.** Replacing these gaps is a prerequisite for the effective application of CSR tools in practice, thereby increasing the competitiveness of Kazakhstan's business and promoting sustainable development of the country.

More modern study prepared by the Center for Legal Policy Research in 2015 with the support of the British Embassy in Astana is complementing the picture. The study is done in a case-study format, which examines specific examples of how 30 different banks in Kazakhstan (public, private, international) are building their work in the field of CSR. The study showed that number one among the projects is a one-time assistance to those in need and other manifestations of charity; next – projects supporting the development of communities; third – the rights of consumers. Projects related to environmental protection, improvement of labor practices and corporate governance are much less common. In general, there are no



projects on human rights and fair competition. This is a good illustration of the level of understanding of the goals and objectives of CSR by the top managers of banks in the country [15.16].

In this regard, it is necessary to note positive trends in the development of CSR in Kazakhstan:

First, CSR has the support of the President of the RK, who announced that in 2008 at the forum in Zhezkazgan.

Second, the practice of preparing non-financial reports is becoming more widespread.

Third, this year the national standard on CSR "ISO 26000" was adapted and adopted.

Fourth, the National Chamber of Entrepreneurs included CSR in its agenda and is taking steps to promote CSR as a tool among businesses.

Fifth, in connection with the plans of Kazakhstan to enter the "elite economic club" - the Organization for Economic Cooperation and Development (OECD), the issues of CSR will be repeatedly raised and initiated at the highest level [17].

Over the past year, Kazakhstan has managed to improve its position on the international rating of Doing Business valuation by 16 points from 51 place in 2016 to 35 currently. The authorities understand what the rating is, and whether the strengthening of the principles of corporate social responsibility (CSR) can help Kazakhstan strengthen its position in the rating [18.19].

However, in response to the most important question - can CSR become the driver of growth for Kazakhstan in the Doing Business rating - the opinions of the experts differ. The Ministry of National Economy noted that "the methodology (rating Doing Business - V.) does not provide an indicator for the development of corporate social responsibility, thus the development of CSR can not affect the position of the republic in the ranking."

In "Atameken", the situation is more optimistic. They believe that the main reason why banks become 'socially responsible' is their focus on long-term business success. Responsible business is always stable and attractive, including for investors. They are convinced that many businessmen have already shown their active position in social, educational, environmental projects. Now, "it is important to support business in these initiatives, carry out systematic information and explanatory work, popularize such experience, and also motivate the private sector to deeper manifestation of social and environmental responsibility" [20].

Of course, such an approach can help Kazakhstan get to the top-line in Doing Business, despite the lack of a "CSR" indicator in the rating. However, it is more correct that the end in itself is not the rating, but the improvement of the conditions in which the Kazakh business is developing today [21].

УДК 33: 2964

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### **ҚАЗАҚСТАНДЫҚ БАНКТЕРДЕГІ БИЗНЕСТІҢ ӘЛЕУМЕТТІК ЖАУАПКЕРШІЛІГІ ТУРАЛЫ ТҮСІНІК ПЕН ТӘЖІРИБЕНІ ДАМУ ТЕНДЕНЦИЯЛАРЫ**

**Аннотация.** Әлемдік қаржылық дағдарыс кәсіпорындардың проблемаларын өзектендірді және корпоративтік әлеуметтік жауапкершілік арқылы банктерге деген сенімін қалпына келтіру қажеттілігіне бағытталған. Осыған орай, қазіргі әлемдегі әлеуметтік жауапкершілік тек қайырымдылық ретінде ғана емес, сондай-ақ банктердің іскерлік беделі мен капиталдандыруын күшейтетін тиімді қызмет ретінде де танылады.

Мақалада кәсіпкерлік субъектілерінің бизнестің әлеуметтік жауапкершілігі туралы ақпараттандыру деңгейін көрсететін мамандандырылған зерттеулердің нәтижелері, сондай-ақ түрлі мүдделі тараптардың бизнестің әлеуметтік жауапкершілігі тұжырымдамасын түсіну талданады.

Авторлардың пікірінше, Қазақстанда бизнестің әлеуметтік жауапкершілігі жүйесін жетілдіру, оның жұмыс істеу тиімділігін қамтамасыз ету үшін аналитикалық құралды әзірлеу, заңнамалық деңгейде әлеуметтік есеп беруді дайындау және аудит жүргізу тәртібін анықтау қажет.

**Түйін сөздер:** Мемлекет, қоғам, бизнес, банктер, бизнестің әлеуметтік жауапкершілігі, әлеуметтік есеп беру, бизнестің әлеуметтік жауапкершілігі принциптері.

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## ТЕНДЕНЦИИ РАЗВИТИЯ ПОНИМАНИЯ И ПРАКТИКИ СОЦИАЛЬНОЙ ОТВЕТСТВЕННОСТИ БИЗНЕСА В КАЗАХСТАНСКИХ БАНКАХ

**Аннотация.** Мировой финансовый кризис актуализировал проблемы предприятий и сосредоточил внимание на необходимости восстановления доверия к банкам посредством корпоративной социальной ответственности. В связи с этим социальная ответственность в современном мире воспринимается не только как благотворительность, но и как эффективная деятельность, которая повышает деловую репутацию и капитализацию банков.

В статье анализируются результаты проведенных специализированных исследований, которые демонстрируют уровень осведомленности субъектов бизнеса в Казахстане о социальной ответственности бизнеса, а также понимание концепции социальной ответственности бизнеса различными заинтересованными сторонами.

По мнению авторов, в Казахстане необходимо совершенствовать систему социальной ответственности бизнеса, разработать аналитический инструмент для обеспечения эффективности его функционирования, определить порядок подготовки и аудита социальной отчетности на законодательном уровне.

**Ключевые слова:** Государство, общество, предпринимательство, банки, социальная ответственность бизнеса, социальная отчетность, принципы социальной ответственности бизнеса.

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