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## ROLE OF SECOND LEVEL BANKS IN THE IMPLEMENTATION OF STATE PROGRAMS IN THE CONDITIONS OF MODERNIZATION OF THE ECONOMY OF KAZAKHSTAN

**Abstract.** A developed banking system is the basis of a modernized economy. Therefore, there is an increasing need for the operation of several large universal banks that accumulate large amounts of financial resources in order to use them to finance priority areas for the modernization of the industrial sector of the national economy. Large banks will provide full funding for the economy. Today, there is a tendency in Kazakhstan to consolidate the banking sector through the processes of merging banks, which will allow to combine capital and other available resources necessary to meet the needs of the economic system, especially high-tech industries. Strong business is a condition for creating strong states. For this it is necessary to resort to the help of banks and other financial institutions, which are accumulators of money. If banks work stably, the economy will be continuously supplied with the necessary funds.

**Keywords:** bank, financial stability, modernization of the economy, global competitiveness.

### INTRODUCTION

*The policy of further innovation development and industrialization of the country's economy continues in the framework of the State Program for Industrial Innovation Development for 2015-2019, as well as the Program for the Development of the Services Sphere. Despite the fact that this is the second industrial five-year plan, the problem with financial resources has not been resolved.*

*Meanwhile, the solution of the key task of the new industrialization of Kazakhstan will determine whether we are among the 30 most developed countries in the world or will remain suppliers of raw materials and goods with low added value to world markets. To reverse the trend, we need the efforts of the state to create conditions for increasing the investment attractiveness of processing industries. This is a complex and complex task. Its implementation becomes more complicated in the conditions of a new economic reality, since the banking system of Kazakhstan is currently experiencing certain difficulties in attracting additional sources of financing for lending to the economy. Bank loans are very expensive and are provided for short periods, because banks do not have access to long-term cheap funding and cannot provide long-term money to customers, which slows down the growth in the number of investment projects in non-primary sectors of the economy, for the implementation of which long-term money is needed for a period of 5-7 years and more.*

### MAIN PART

The financial sector affects many sectors and sectors of the country's economy and is an important factor in the development of Kazakhstan. Timely introduction of modern innovative technologies by the National Bank and second-tier banks in the framework of the Information Technology Development Strategy in the National Bank of the Republic of Kazakhstan for 2015–2020 approved by the Board of Directors on June 20, 2016 will allow to achieve the goals, accelerate globalization in the global economy and ensure stable growth of the population's well-being.

The Kazakhstan stock market is also underdeveloped and today it is unable to meet the needs of the real sector of the economy for financial resources. Funds of accumulative pension funds, insurance companies, mutual funds and other funds are still working poorly for the rise and development of the domestic industry. Therefore, it is necessary to create legislative mechanisms for attracting these resources to the real sector of the economy.

In this regard, it is important to use all available domestic financial resources in the country, as well as to attract as much foreign direct investment as possible to solve key tasks of diversification and modernization of the economy, shifting the focus from credit resources, since they are very expensive today and are provided for short periods. .

It should be borne in mind that foreign direct investment is much cheaper and they can be attracted for a longer period of 5-10-15-20 years. A significant advantage of them is the fact that new technologies and innovations come to various sectors of the economy in Kazakhstan along with the money. This is very important in terms of improving the efficiency and effectiveness of investments.

In the absence of adequate funding from commercial financial institutions, the state had to occupy this niche in the Kazakhstan market through a system of national holdings and development institutions. The system of development institutions was expanded and tuned to meet the needs of industrial-innovative development. Various tools to support industrial development were tested: interest rate subsidies, reimbursement of expenses and the provision of grants for innovations and the introduction of technology, reimbursement of part of the costs of subjects of industrial-innovative activity, guaranteeing loans and so on. Such measures were taken by the Government of Kazakhstan, but the situation has not changed significantly.

Therefore, it is important to continuously monitor and evaluate the ongoing diversification policy, reduce corruption in the allocation of budget investments, the effectiveness of selection of investment projects, since the cost of diversification is very high and failures can affect not only the budget policy, but also the macroeconomic situation in general.

It is also necessary to provide the most severe control over the effective spending of budgetary funds, strengthen the personal responsibility of the Administrators of budget programs and akims of all levels.

It is necessary to increase the role of state financial control bodies, as well as their responsibility for the implementation of the objectives of ensuring the transparency of budget spending, the effectiveness of their use and the strengthening of financial discipline in the country.

Along with this, in the conditions of limited financial resources of the state, it is necessary to ensure the development of additional sources of financing for new industrialization. In particular, it is advisable:

- issue infrastructure bonds so that entrepreneurs can use “long money”;
- during the implementation of the second five-year plan of SPAID (2015-2019), more actively apply the model of public-private partnership, the essence of which is to provide private businesses with the opportunity to provide services (to produce products) on the basis of the infrastructure created by the state;
- improve venture financing, use the international experience of the United States and the European Union on the use of venture investments in high-tech and innovative companies in the implementation and development of innovations in Kazakhstan.
- The program provides four areas in which the state supports private entrepreneurship in Kazakhstan: 1) support for new business initiatives, 2) recovery of the business sector (currently, applications for this area are suspended), 3) reduction of currency risks for entrepreneurs, 4) provision of non-financial government support - enhancing entrepreneurial potential. The purpose of these tools is simple - to reduce the cost of loans for enterprises operating in priority sectors of the economy. If a businessman takes a loan under the Business Roadmap 2020 program (its size should not exceed 4.5 billion tenge), at 14% per annum, of which 7% is paid by a businessman, and the difference is Damu Fund. The term of the subsidy is 3 years, while prolongation is allowed up to 10 years. Now business loans are very expensive, the interest rate reaches 16-18%, and if it is a novice businessman, it can exceed 18% per annum. With all this in mind, the subsidies for the “Business Road Map 2020” program, paid by the Damu Fund, are an excellent tool for small and medium businesses.

Earlier They were just a device for transmitting sound over a distance; today, in addition to the means of communication, it is used as a wallet, key, magazine, camera, video players, etc. Thanks to the rapid progress, it became possible to print not just sheets of documents on printers, but to create complex three-

dimensional projection models using 3D printers that are used in various fields - from food and medical to building construction. An additional factor in favor of the introduction of modern digital technologies are digital dividends. According to the data in the World Bank's 2016 World Development Report: Digital Dividends, the introduction of digital technologies can improve the efficiency and transparency of public administration, provide employment, improve the quality of education and health, improve the investment climate, increase productivity and increase the share of small and medium businesses in the structure of GDP.

Financial intermediation of second-tier banks will allow business entities wishing to efficiently manage their money capital to become strategic investors in the economic modernization of Kazakhstan, the creation of new industries and the introduction of advanced technologies [1]. Consider the dynamics of indicators reflecting the role of the banking sector in the economy of Kazakhstan (see table 1).

Table 1 - Dynamics of relative indicators characterizing the role of the banking sector in the economy of Kazakhstan

Name of the indicator / date	2013	2014	2015	2016	2017
GDP, billion tenge	30 347	34443,4	38624,4 <sup>1</sup>	40 884,1 <sup>2</sup>	44 354,0 <sup>3</sup>
The ratio of assets to GDP, %	45,7%	44,9%	47,2%	61,4%	57,6%
Loan portfolio to GDP ratio, %	38,4%	38,8%	36,7%	37,9%	35,0%
The ratio of customer deposits to GDP, %	28,1%	28,6%	29,4%	41,7%	38,9%
The ratio of the allocation of funds in domestic assets	1,145	1,133	1,148	1,157	1,041
1 - according to the forecast data of the Ministry of Economic Development and Trade of the Republic of Kazakhstan; 2 - according to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan 3 - according to the Forecast of the socio-economic development of Kazakhstan for 2017-2021					

Note: The table is compiled according to the National Bank of Kazakhstan [2]

As can be seen from the data of table 1 in the period of 2016-2017, the indicators of the banking sector declined slightly relative to the country's GDP. This is primarily due to the fact that the consequences of the global crisis of 2008–2009 continue to affect the state of the banking sector, which should become the locomotive of the modernized economy. An important condition for a full-fledged and high-quality financing of the modernization process is to achieve sustainability of the financial system of Kazakhstan, where second-tier banks play an important role. In the global economy, open international money flows affect the exchange rate and interest rates within the country. This is manifested in the financial system of Kazakhstan [1].

In order to implement the Address of the President of the Republic of Kazakhstan Nazarbayev N.A. to the people of Kazakhstan “The Third Modernization of Kazakhstan: Global Competitiveness” in 2017, the National Bank of Kazakhstan adopted the Program for Improving the Financial Sustainability of the Banking Sector of the Republic of Kazakhstan, one of the main goals of which is to restore lending to the real sector of the economy, to ensure uninterrupted banking services for the economy and the population, and to ensure competitive banking sectors within the framework of integration processes (WTO and SES).

The second-tier banks and state development institutions (Development Bank of Kazakhstan, National Innovation Fund, etc.) have great potential for attracting international loans and loans to finance the Kazakh economy. The regional integration of the financial payment and foreign exchange systems of Kazakhstan is important for the financial support of modernization. In this case, banks play an important role.

Scientists Bayniyazov M. and Kaygorodtsev A.A. believe that banks will have to be responsible for lending effective modernization, ensuring the stability of the national currency and, ultimately, for the state of the balance of payments of the country [1]. At the same time, in their opinion, the list of authorized commercial banks that directly work on the implementation of the national strategy should be determined, their contribution to the growth of social production efficiency should be stimulated. The National Bank needs to create a special unit coordinating the activities of authorized investment institutions for the implementation of the national strategy.

These measures should lead to the search for additional impulses for modernization, open access for enterprises and financial sector entities to the world market, which will diversify risks, gain benefits from

the export of capital, and strengthen the competitive advantages of the countries participating in regional unions by overcoming the limitations small financial systems.

Taking into account the conditions of the economic crisis in order to reduce the burden on the state budget, the majority of projects under this Program are planned to be implemented through attracting loans from international financial organizations and development institutions, and attracting private investment. One of the international partners in the implementation of the Program is the World Bank, which will provide technical support for the implementation of the Program, as well as help in mobilizing investments, acting as an “umbrella investor”. There will also be applied modern financing mechanisms, such as the service model of informatization and tools of public-private partnership with the active involvement of domestic producers. The Program Management Mechanism, in accordance with the best international practices in the field of program management and recommendations of World Bank experts, will be implemented through the Program Management Office at the National Institute of Development in the field of information and communication technologies.

It is undesirable to finance domestic projects by transnational corporations, since there is a high risk of absorption of national enterprises by foreign companies. The profits from such investments either go beyond the national economy or are reinvested in the securities of foreign firms. For domestic enterprises, it is preferable to cooperate with domestic banks, with which they have a common goal - the modernization of the national economy.

Strong business is a condition for creating strong states. In turn, a strong business cannot be created without sufficient funding. For this it is necessary to resort to the help of banks and other financial institutions, which are accumulators of money. If banks work stably, the economy will be continuously supplied with the necessary funds.

The World Bank’s Digital Dividends report also confirms that as new technologies evolve and penetrate all new professions, employees will have to constantly evaluate and upgrade their skills. As the foundation of the information and communication infrastructure of the subsoil use industry in Kazakhstan, in the framework of the implementation of the state program “Digital Kazakhstan”, it is planned to create a “National Data Bank” of mineral resources”. The idea is that by providing a single tool for collecting and storing data obtained from existing subsoil users, the state will not only ensure the safety of subsoil data, but also be able to attract additional investment in the industry by providing this data to potential investors

New technologies in the sphere of financial services through digital transformation will help increase the scale and efficiency of the banking industry, expand the demand for financial services, increase the share of non-cash payments, and reduce the size of the shadow economy.

## CONCLUSION

The financial sector of the Republic of Kazakhstan is one of the weak points of the country's economy. There are two cross-cutting areas of digital financial infrastructure development, such as a data management infrastructure and a payment ecosystem, which needs to be transformed in order to succeed in other areas. An improved data management infrastructure will provide equal access to all participants through an open interface, as well as defining a clear data ownership structure and ensuring information security. This infrastructure will include financial information from government systems and from the Credit Bureau. Data users will increase the efficiency of their business and will be able to develop and implement new services. The development of the payment ecosystem, in particular, the system of small payments, will increase the volume of non-cash payments, the creation of a program of combining ATMs, and will facilitate the implementation of payments in real time. Modern payment technologies will appear, including electronic invoicing and electronic ticketing, making payments by consumers through the use of efficient funds transfer methods.

Thus, the banking system is one of the main factors affecting the ability of the state to pursue an independent and effective economic policy and modernization of the economy.

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**ҚАЗАҚСТАННЫҢ ЭКОНОМИКАНЫ ЖАҢҒЫРТУ ЖАҒДАЙЛАРЫНДА ҮКІМДІК  
БАҒДАРЛАМАЛАРДЫ ІСКЕ АСЫРУДАҒЫ ЕКІНШІ ДЕҢГЕЙЛІК БАНКТЕРДІҢ РӨЛІ**

**Аннотация.** Дамып келе жатқан банк жүйесі - жаңартылған экономиканың негізі. Сондықтан халық парашылығының индустриалды секторын жаңғыртудың басым бағыттарын қаржыландыру үшін оларды пайдалану үшін көп қаржы ресурстарын жинақтайтын бірнеше ірі әмбебап банктердің жұмыс істеуі қажеттілігі артып келеді. Ірі банктер экономиканы толық қаржыландыруды қамтамасыз етеді. Бүгінде Қазақстанда банктерді біріктіру үрдістері арқылы банк секторын шоғырландыру үрдісі бар, бұл экономикалық жүйенің, әсіресе, жоғары технологиялық өндірістердің қажеттіліктерін қанағаттандыру үшін қажетті капиталды және басқа қолжетімді ресурстарды біріктіруге мүмкіндік береді. Күшті бизнес - бұл күшті мемлекеттер құрудың шарты. Бұл үшін ақшаның аккумуляторы болып табылатын банктер мен басқа қаржы институттарының көмегіне жүгіну керек. Егер банктер тұрақты жұмыс істесе, үнемі қажетті қаражат бөлінеді.

**Түйін сөздер:** банк, қаржылық тұрақтылық, экономиканы жаңғырту, жаһандық бәсекеге қабілеттілік.

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**РОЛЬ БАНКОВ ВТОРОГО УРОВНЯ В РЕАЛИЗАЦИИ ГОСУДАРСТВЕННЫХ ПРОГРАММ В  
УСЛОВИЯХ МОДЕРНИЗАЦИИ ЭКОНОМИКИ КАЗАХСТАНА**

**Аннотация.** Развитая банковская система является основой модернизируемой экономики. Поэтому возрастает необходимость функционирования нескольких крупных универсальных банков, аккумулирующих большие объемы финансовых ресурсов, с целью их использования для финансирования приоритетных направлений модернизации промышленного сектора национальной экономики. Крупные банки позволяют обеспечить полноценное финансирование экономики страны. На сегодняшний день в Казахстане наблюдается тенденция консолидации банковского сектора через процессы слияния банков, которая позволит объединить капиталы и другие имеющиеся ресурсы, необходимые для удовлетворения потребностей хозяйственной системы, особенно высокотехнологичных отраслей промышленности. Сильный бизнес является условием создания сильного государства. Для этого необходимо прибегнуть к помощи банков и других финансовых институтов, являющихся аккумуляторами денежных средств. Если банки будут стабильно работать, экономика будет бесперебойно снабжаться необходимыми денежными средствами.

**Ключевые слова:** банк, финансовая устойчивость, модернизация экономики, глобальная конкурентоспособность.

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