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**K.Zh. Sadvokassova, G.S. Kodashева, B.I. Slyamova**

L.N.Gumilyov Eurasian National University (Astana, Kazakhstan)

E-mail: [ksadvokas@mail.ru](mailto:ksadvokas@mail.ru), [kodasheva@mail.ru](mailto:kodasheva@mail.ru), [slyamovabalnur@gmail.com](mailto:slyamovabalnur@gmail.com)

**TO THE QUESTION OF TRANSFORMATION OF BANKING  
ACTIVITIES IN KAZAKHSTAN INTO BANKING BUSINESS**

**Abstract.** This article considers the bases of transformation of banking activity into banking business. The activity of banks as the main financial intermediaries is subject to the influence of many factors that develop in the domestic and global financial markets. In order banks to survive in the new conditions of economic competition, they need to be prepared for global challenges. Digitalization of the economy requires using modern technologies of the Fourth Industrial Revolution. This transition of Kazakhstan to the rails of the fourth industrial revolution will make it possible for Kazakhstan to increase the competitiveness of the economy, to ensure accelerated expanded production and, accordingly, the growth of the economy as a whole. Thus, in the banking sector, the issues of the development of mobile banking, Internet banking, banking innovations, improving the quality of remote banking services, ensuring banking security remain still relevant today

**Key words:** bank, banking activity, banking business, transformation.

Global transformation defines a new global reality and changes in the global economy, accompanied by shocks in global commodity markets, the growth of global instability and the transition to a new economic reality, which requires the creation of new growth drivers that are effective under the new conditions. With the fall in prices in the markets of raw materials (especially oil products) in 2014, the economic boom suddenly stopped. The crisis showed that it is necessary to develop new sustainable strategies for the competitiveness of Kazakhstan's economy in the global arena

According to the theory of transformation, the transitional state of banking under the influence of external and internal factors goes through several stages: 1) the stage of deformation - the destruction of previous ties and a significant reduction in resources; 2) the stage of crystallization - the emergence of new elements and links that begin to conquer their laws to the former, remaining on the "outskirts" of the market; 3) the optimization stage - the design of new forms of relations and the transition to a new quality of the main sub-sectors of the banking business, its interconnected institutions and products. Transformational state interrupts the process of normal banking business and makes it uncertain. It can end either as a transition to a stable sustainable position and the beginning of a new round of evolutionary changes in the formed system or a crisis.

Professor Parusimova N.I. has pointed out the steps of the transformation of bank intermediation, where from basic banking to modern banking intermediation, banking has gone through at least eleven stages of evolutionary development and has turned into a diversified type of banking business that realizes its tasks in the money and capital spheres in accordance with the needs of the reproduction process. [1]

In the course of these transformations, the deposit-exchange business, organized by the exchange banks, was replaced by an interest- investment business, the subjects of which are capitalist banks. Since the middle of the 50s of the last century, the financial business has replaced all banking structures mentioned above.

Nowadays, under the influence of a number of factors (concentration and centralization of capital, competition, banking - dominance of households, globalization, computerization and new banking technologies, financial innovations, changing conditions for the sale of banking products, regulation of banking activities, etc.), a transition to a new type -guarantee (virtual) business, represented by universal banks.

Changes in the economic system led to the transformation of banking. The essence of these changes is reduced the deregulation of the market of intermediary services, the emergence of new information technologies that have revolutionized the expansion banking system. Individualized forms of raising funds are more transparent and less risky, they allow to take into account the needs of the borrower in a specific situation. However, they are more expensive and do not have a derivative market and therefore are limited. In this regard, in the process of mobilizing resources for a long time, there has been a transformation of individualized forms into standardized equity and debt titles. Along with increased opportunities, competition is growing both within the banking sector and from the side of parabanks. This led to the development of financial innovations, which contributed to a new round of evolutionary changes in the banking business.

Concentration and centralization of capital causes the transition from single banks to individual banking groups, and from banking groups to the national banking system. The social importance of banks is growing, the separation of capital - property from capital - functions is increasing, and a new coil of banks with industrial capital is being merged. Along with this, the tendency of banks' delimitation is indicated, creating a prerequisite for a future unification in the form of a universal banking. The main requirement for a future bank is not so much the building up of its own capital (reserves), but the ability to create new values. [1]

According to H.U. Derig, «the universal bank of the future operates at the forefront. Products, specific tasks and logistics can or must be «behind the scenes» provided by a third party in order to openly dissociate, and secretly merge. ». A new type of bank is a transformed, focused and regenerated universal bank with a new risk culture, with a management of twelve "K", connected to a network of specialized banks. Derig Hans-Ulrich noted that the management of the bank is reduced to solving twelve tasks: client (orientation, segmentation, income); class and context; communication (contour); control; Complexity (fluctuation of the exchange rate); climate (environment); concept; cadence (enterprise); competence (basic abilities); creativity; capital (placement); capital expenditures. [2]

Modern banking, aimed at creating a new possibilities, went beyond the traditional funding of loans through deposits. We can see a formation of partnership, renewable relations with the client, new models of savings and investments are being implemented, there is a transformation of individual banking products into complex ones, simultaneously satisfying a number of client needs in one place and with one manager.

Banks, transforming themselves into financial intermediaries, began to be involved in the generation of information, more and more often as an agent of their client they track efficient allocation of capital, master the products of the derivatives market of debt and equity titles, satisfy the need for guarantee products and forms of transferring risks to other financial intermediaries, in the age of growing uncertainty and asymmetry of information.

Finally, the movement of modern carriers of value is accompanied by intermediaries of several levels, through the transfer of the functions of organizers of the movement of capital goods of the initial level to intermediaries of the second and third levels. And if in the early 80-ies of the XX century. tendencies of consolidation of banks and specialized financial and credit institutions that do not have a banking status were only fixed, then in the late 1990s, with the adoption of the Law on Financial Modernization, the interaction of banking, insurance, financial and other types of business expanded, which led to the emergence of a new concept "Bank insurance", has been used for a long time in Europe.

At the beginning of the 21st century, as a result of the transformation of multi-level financial intermediation, the financial services industry (FSI) emerged. The latter was stimulated by new

information technologies, the success of competition in creating user-friendly products, the formation of a customer trust system, and the emergence of a new risk management culture. It should be noted that FSI relies, on the one hand, on transparency and on financial partnership with customers, and on the other - on more rigorous supervision and effective risk assessment.

At the same time, the regulatory bodies, organizing a safe, stable, competitive financial services industry (FSI), try to provide a real price of banking products, convenience for the consumer and a high banking reputation, that is, the main elements of a competitive environment.

The formation of the banking industry demanded a transition to a new type of bank, which, along with the fulfillment of traditional tasks, increasingly serves as a public information center that selects effective and reliable borrowers, investors and savers.

The catalysts for growth may be government resources for refinancing commercial banks involved in lending to capital investments, implementing targeted government programs to move to a new stage of economic development.

The main requirement for a new type of bank is not so much the building up of own capital, but the ability to create new values, to maintain trust, to satisfy the needs of the client, to bear responsibility to depositors. This model of banking business is represented by banks that define their strategic goals and have a vision of the future. They are able to quickly assess the situation on the market, make decisions and make changes in their policies, and continuously provide business training for their employees.

Ensuring the transparency of economic entities' relations, creating a system of trust, responsibility, commitment and ability to respond to debt obligations are prerequisites for a normal competitive environment that allows the banking market to go from the state of survival to the phase of development and the creation of a new bank. Without an enabling environment, it will not be able to effectively develop and carry out investment, information, sanitation and pricing functions. [3]

As Joseph Sinki noted, the new reality is that banks operate not in a narrow banking sphere (traditionally understood as a sphere of banking activity), but in the financial services industry, so they must have a clear idea of "where they are moving" and "how will reach the goal. " [4]

The answers to these questions form the essence of strategic planning for any bank. To draw up a plan, it is equally important to know "where is the bank now", to represent its value, profitability and adequacy of capital. The potential for traditional operations in the field of financing loans from deposits is currently decreasing: to be competitive in the financial system of the 21st century, banks should develop special, technology-based strategies.

Variability in banking is due to numerous, sometimes high-volatility factors, including interest rates (interest risks), exchange rates of currencies, commodity prices, as well as technologies, liberalization of regulatory measures, competition for customers, capital adequacy.

The survival in the financial services industry is due to the ability of banks to adapt to change.

In the past, banks were considered solely as intermediaries in the process of allocating financial resources; The modern economy considers them to be enterprises engaged in generating information and securing transactions.

From a traditional point of view, banks participate in two processes (conclude two types of contracts): 1) attraction of deposits (the first process or contract); 2) issuance of loans (second process or contract).

Banks involved in liabilities management, conduct these processes in the reverse order, that is, they fulfill debt obligations by acquiring funds in financial markets. Meanwhile, the existence of the notion of "financial supermarkets" indicates that banking, as it is represented in the activities of major financial companies, goes beyond the usual financing of loans through deposits.

The essence of the work of a modern bank can be more accurately represented through the image of an enterprise participating both in the information process and in the process of concluding various transactions (banking services for investments, corporate financing, insurance, trust and pension services). [4]

In Kazakhstan, according to the Plan of the Nation, "100 concrete steps to implement the five institutional reforms" in step No. 71, the task was defined as developing a strategy for the development of a financial center with a focus on servicing capital markets and Islamic finance, developing new types of elite financial services, including private banking and asset management. [5]

There is a need to create an effective financial system related to the real production process and provided with real assets. Here, a special role is played by Islamic financial instruments that are directly related to the production process and allow localizing existing risks.

Islamic finance is considered in addition to traditional financial institutions. In Kazakhstan, these are additional sources of financing. The biggest advantage of Islamic finance is the absence of a speculative component.

Currently, two Islamic banks operate in 33 of the second-level banks in Kazakhstan, JSC "Islamic Bank Al Hilal", since 2010, which has been working mainly with large corporate clients and JSC Islamic Bank "Zaman-Bank", which passed the procedure of conversion from the classical (traditional) bank in Islamic in 2017, intends to concentrate on products for retail and SMEs.

The EEA countries are characterized by a non-continental model of the financial market, based on the banking system, with a low level of financial depth and corporate governance combined with high volatility. This model arose in the territory of post-soviet countries and repeats the main features of the continental model with the features inherent in emerging markets. One of the distinguishing features of this model is the pronounced predominance of banks occupying about 78 - 98% of the financial market in terms of assets, low financial depth and the level of corporate governance, and high nationalization. [6]

The lower share of bank assets (Kazakhstan, Kyrgyzstan) is caused by statistical features. In Kazakhstan, the Unified Accumulative Pension Fund (19% of the assets of the financial system) has been formed, while in the statistics of other countries only NPF indicators are taken into account.

The future of the banking sector in the EEA countries is connected with the expansion of lending to the economy, financing of small and medium-sized businesses, the development of a mortgage lending system, the growth of savings of the population and the private sector, and the reduction of risks in banks. Integration of banking systems in the EEA should promote the convergence of the level of their development, as well as the creation of equal conditions for access and competition among banks of the EEA countries.

Prospects for the development of the instrumental structure are related, on the one hand, to the diversification of banking products and services in the EEA countries, and on the other hand, they must be provided with asset growth and an adequate level of capitalization of banks.

It is assumed that the developing markets of the EAE, which are striving to approach mature ones, should be pulled to the developed by the level of saturation of financial assets (including in terms of the indicator "Bank assets / GDP,%").

It can be expected that the future growth of bank assets will be ensured by the development of a deposit base (in Kazakhstan and Kyrgyzstan - including through deposits from the population) and is aimed at extending loans to the private sector - up to 70-80% of GDP for Armenia and Russia, 40-60% GDP for other countries of the EEA). It is necessary to balance bank loans to various sectors of the economy, to prevent excessive concentration of credit risks in certain sectors.

Diversification of banking products with state support in the EEA countries:

- the market of mass mortgage housing loans, the development of mechanisms for refinancing mortgage loans (issuance of mortgage securities by banks, resale of mortgage loans to refinancing organizations, refinancing mechanisms by the central bank);

- Refinancing by the central bank of portfolios of loans to medium and small businesses, primarily in regional banks, as well as portfolios of project financing obligations (subject to market quality criteria for portfolios);

- implementation of targeted credit programs with the support of the state for financing priority sectors, infrastructure and PPPs, social and environmental investment projects (linking the level of support to the risks accepted by banks);



- Development of guarantee institutions (funds) for supporting small and medium-sized businesses.

We can expect diversification based on the active transfer of banking services and products between the EEA countries (mobile and Internet banking, Islamic banking in Kazakhstan, Kyrgyzstan and Russia, other socially oriented banking, card products, metal accounts, etc.). As the EU practice shows, a process of harmonization, including minimum standards of electronic and remote banking services, development of recommendations (codes of conduct) that are voluntary in the field of mortgage loans, can play a special role in the development of banking products and services; in the long term - harmonization of Islamic banking products and services.

It is forecasted that the model of the "universal" bank will be maintained in the EEA as a base for the financial sector, offering a wide range of financial services (banking, insurance, investment, etc.) and comprehensive customer service.

The future of the banking institutions of the EAEC countries depends on the ability to form a market competitive environment for them, increase their financial stability and transparency. [7]

Banking activities include a set of measures to develop forms and methods of forming resources and organizing lending. The new business environment dictates the need for banks to make changes in banking activities.

In conditions of increasing competition, the development of a strategy determines an important element of the business model of a modern bank. The term lean banking - "economical banking business" means the concept of reducing bank costs, which has spread under the influence of structural changes, the reasons of which are as follows: the growth of the deregulation of the monetary and financial mechanism; increase in the number of participants in the market competition; An important factor in enhancing customer focus, achieving flexibility in providing consulting services and improving the efficiency of banking operations are personnel and information systems. [8]

In modern conditions, one of the promising areas for the development of the banking industry is the retail banking business. Product-oriented banks (product-centric model) are gradually moving to a client-oriented model, when the bank prepares products for a separate client segment.

Banking technology is one of the most important factors of successful development in the current conditions of retail banking. The trend towards virtual banking and online services will inevitably lead to a further decline in the role of bank branches, although they will retain their role in attracting customers and selling complex products for which it is necessary to advise the client. On average, reducing costs from 15 to 30% can be achieved by improving business processes, using common services, as well as outsourcing and offshoring.

Banks can not remain unchanged, ignoring changes in the external environment. Strategies, which proved their success yesterday, now fail and need correction, and even need complete replacement. Banking products can no longer remain universal, following the needs of customers, they are becoming increasingly segmented, aimed at meeting the particular needs of a particular client segment. Sales channels are also changing. The traditional banking offices are replaced by remote channels: Internet banking, SMS-services, remote telephone sales.

The market of banking services is getting closer to the saturation stage, fewer are becoming customers and they do not use this or that banking product. Accordingly, the banking strategy of interaction with customers changes its direction - from the conquest of a new customer to its retention. Long-term partnerships are at the forefront, and this requires a complete reorganization of the banking product sales model. [9]

The banking services market is developing rapidly. In the condition of tough competition, the quality and variety of the banking products and services that are offered are of the greatest importance. The retail banking business is an independent direction of banking activity, connected with the provision of standardized services to the mass consumer. The "product line" should be wide enough to meet the needs of different groups of customers.

The presence of loyalty, i.e., a favorable attitude of consumers to a certain credit institution and its products, serves as a basis for obtaining a stable sales volume, which in turn is a strategic indicator of the success of a commercial bank.

Successful will be those banks that see changes in all spheres of social and economic development of the society, focused on a specific client and respond quickly to them, those banks that learn to really assess customer needs from each segment, more accurately calculate risks than their competitors and quickly to supply the market with products that are in demand among customers, and not only financial products, it can be consulting clients in legal knowledge, processing documents, etc. So that the bank is competitive in the market, it needs to understand better than its competitors, customer needs in each segment and have a tool to evaluate its results relative to competitors and the overall market in each individual segment. [10]

Remote banking services are technologies for providing financial and credit organizations with their services for remotely client orders - legal entities and individuals (without a direct visit to the bank's office), using various telecommunications channels.

Remote banking services based on e-banking technologies are one of the main and promising areas for the development of the banking business. By implementing remote channels of service in the product network, the bank is guided by the goal of reducing the costs for servicing customers through offices and branches, and by transferring customers to remote service channels, reducing the costs of the necessary back-office and front-office personnel, improving the quality of banking products, minimizing other financial and temporary costs, profit. [11]

Currently, Kazakhstan's banks are in the stage of survival, so for the transition to the development phase, it is necessary to improve the financial stability and competitiveness of the banking business in the new conditions of cyclical economy.

Thus, the transformation of banking activities in Kazakhstan into banking business was influenced by changes in the economic system, in particular financial globalization, the internationalization of the banking business, integration processes within the framework of the EEA, the development of financial innovations, competition, concentration and centralization of capital, automation of banking activities, etc. Traditional banking operations are beginning to be complemented by innovative banking products and information technologies, providing one to a new, information-guarantee, virtual banking business, represented by universal banks.

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**К.Ж. Садвокасова, Г.С. Кодашева, Б.И. Слямова**

Л.Н. Гумилёв атындағы Еуразия ұлттық университеті, Астана қ., Қазақстан

### **ҚАЗАҚСТАНДАҒЫ БАНКТІК ҚЫЗМЕТТІ БАНКТІК БИЗНЕСКЕ ТРАНСФОРМАЦИЯЛАУ ТУРАЛЫ СҰРАҚ**

**Аннотация.** Аталған мақалада банктік қызметтің банктің бизнеске трансформациялануы негіздері қарастырылған. Банктер қызметі қаржылық делдал ретінде көптеген ғаламдық және отандық қаржылық нарықтардағы факторларға байланысты болып келеді. Банктер қызметін болашағын қамтамасыз ету үшін экономикалық бәсекелестіктің қызуы жағдайында ғаламдық өзгерістерге дайын болуы керек. Экономиканың сандық дамуы Төртінші өндірістік революцияның заманауи технологияларын пайдалану қажеттілігін талап етеді. Қазақстанның аталған жана төртінші өндірістік революцияның рельсіне көшуі, экономиканың салаларының бәсекеге қабілеттілігін қамтамасыз етуге, өндірістің кеңеюі мен дамуына сәйкесінше экономиканың өсуіне мүмкіндік береді. Сондықтан да банктік салада мобильді банкінгі, интернет банкінгі, банктік инновацияларды, қашықтық банктік қызмет көрсетудің сапасын арттыруды, банктік қауіпсіздікті қамтамасыз ету бүгінгі күнге дейін өзекті мәеле болып табылады.

**Түйін сөздер:** банк, банктік қызмет, банктік бизнес, трансформация.  
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**К.Ж. Садвокасова, Г.С. Кодашева, Б.И. Слямова**

Евразийский национальный университет им. Л.Н. Гумилёва, г. Астана, Казахстан

### **К ВОПРОСУ О ТРАНСФОРМАЦИИ БАНКОВСКОЙ ДЕЯТЕЛЬНОСТИ В КАЗАХСТАНЕ В БАНКОВСКИЙ БИЗНЕС**

**Аннотация.** В статье рассмотрены основы трансформации банковской деятельности в банковский бизнес. Деятельность банков как основных финансовых посредников подвержена влиянию множества факторов, складывающихся на отечественном и мировых финансовых рынках. Для выживания банков в новых условиях обострения экономической конкуренции им необходимо быть готовыми к глобальным вызовам. Цифровизация экономики определяет необходимость использования современных технологий Четвертой промышленной революции. Этот переход Казахстана на рельсы четвертой промышленной революции позволит повысить конкурентоспособность отраслей экономики, обеспечить ускоренное расширенное производство и, соответственно, рост экономики в целом. Так, в банковской сфере вопросы развития мобильного банкинга, интернет-банкинга, банковских инноваций, повышения качества дистанционного банковского обслуживания, обеспечения банковской безопасности остаются актуальными на сегодняшний день.

**Ключевые слова:** банк, банковская деятельность, банковский бизнес, трансформация.

#### **Сведения об авторах:**

Садвокасова Куляш Жабыковна – д.э.н., профессор кафедры «Финансы» ЕНУ им. Л.Н.Гумилёва, г. Астана. E-mail: [ksadvokas@mail.ru](mailto:ksadvokas@mail.ru);

Кодашева Гаухар – докторант специальности «Финансы» ЕНУ им. Л.Н.Гумилёва, г. Астана. E-mail: [kodasheva@mail.ru](mailto:kodasheva@mail.ru);

Слямова Балнур Исатаевна – старший преподаватель кафедры «Финансы» ЕНУ им. Л.Н. Гумилёва, г. Астана. E-mail: [slyamovabalnur@gmail.com](mailto:slyamovabalnur@gmail.com);