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CURRENT TRENDS AND PROSPECTS FOR THE BANKING SECTOR DEVELOPMENT

The state of the economy in any country determines the level of development of banking, since these two areas are directly interconnected and interdependent. This was confirmed again in 2020-21, when the world was hit by a pandemic associated with Covid19, which led to a fall in the economies of the countries of the world and, accordingly, to restrictions on the activities of all spheres, including the banking sector. The banking statistics of recent years characterize a rather tense situation in the industry, which cannot but arouse interest in studying both the causes and possible consequences not only for the banking business, but also for the economy as a whole. Despite the fact that in 2020 the banking sector of Kazakhstan showed a positive result, it is impossible to make an optimistic conclusion about a favorable situation in the banking business.

It is necessary to pay attention to the importance of such an integrated approach due to the fact that recently there is often a one-sided interpretation of a commercial bank as a financial intermediary, which infringes on its role as a producer of loans, which are one of the main banking products. The bank, as a credit provider, has recently begun to lose its position in terms of its target direction in the real sector, reorienting itself to profitable and risky areas. The consequences of such a policy are felt, first of all, on the general state of the economy, the lag in the development of the real sector, and the outstripping growth of the financial market, which is disconnected from real projects.

The article presents the results of a study conducted to assess the impact of current trends in the development of the banking sector on the prospects of the banking activities in Kazakhstan.

Keywords: *bank, banking sector, assets, loans, profitability, loss ratio, consolidation, consolidation, trend, Kazakhstan.*

Кілт сөздер: *банк, банк секторы, активтер, несиелер, кірістілік, шығындар коэффициенті, консолидация, консолидация, тренд, Қазақстан.*

Ключевые слова: *банк, банковский сектор, активы, кредиты, доходность, убыточность, консолидация, укрупнение, тренд, Казахстан.*

JEL classification: G21, E52

Introduction. The inconsistency of the banking policy with the requirements of the economy, naturally, generates a negative attitude on the part of the subjects to the banks, and the banks themselves begin to experience difficulties in attracting resources. The crisis of the bank-client relationship leads to a loss of trust, which in turn infringes on the interests of the bank, and it suffers a liquidity crisis with all the ensuing consequences. It is necessary to emphasize the economic validity of the banks' desire to be ahead of time by providing loans for future projects, since often advance payments are a necessary condition for the implementation of credit policy. Banking activity from the point of view of the environment, conditions and factors of product promotion in the market is of interest for the study of the role of banks in the economy, both at the present stage and in the future.

A modern commercial bank sells **products** designed to maintain liquidity on the money market: deposit and payment products. **In the capital market**, it offers products that allow you to bring the lender and the borrower together: and in the financial market, it works with financial instruments, realizing its functions as a financial intermediary. It is this triune approach to assessing the bank's market opportunities that allows us to more fully and deeply track the trends in the development of the bank's role in the modern economy. The situation in our country, as well as in the whole world, is developing in such a way that now it is no longer possible to say that during a pandemic, economic development will remain without dynamic and rather serious reforms. On the contrary, the search for ways to overcome the forced confined space caused by quarantine restrictions led to a new round in the development of banking technologies for customer service and the emergence of hitherto undeveloped or unrealized projects of remote access, mobile applications and other innovations. This, in turn, is reflected in the traditional services of banks and requires new approaches to service, without prejudice to the interests of all stakeholders – banks, customers, regulators.

Literature review. The successful function-

ing of a commercial bank should correlate with the general state of the economy: enrichment of the bank during a downturn in the economy is a possible scenario, but this is far from an ideal option for the bank to realize its goal as a commercial enterprise. The study of the interdependence of banking activity with the economy is carried out at different levels, including the relationship «bank-client», «bank-state», «bank-real sector of the economy», etc. Suffice it to mention such authors from Russia and Kazakhstan as Seitkasiyev G.S., Parusimova N.I., Iskakova Z.D., Lavrushin O.I., Sembieva L.M., in their works, enough attention is paid to a deep analysis of both the economy as a whole and the situation in the financial and banking sectors [1-6]. The approaches of these authors from Russia and Kazakhstan deserve attention, since in the modern economy of the two countries there are many common «painful» points and points of contact due to common roots and the basis formed during the Soviet and then transitional economies. Basically, all authors agree in a unanimous opinion that banks should always take into account the specifics of the situation in a particular country in order to meet the changing requirements and needs of the economy and economic entities. For this purpose, the need for constant research of these problems has been and remains quite urgent. We have also studied the above issues earlier [7-11].

In our opinion, a more attractive state is when banks meet the requirements of a growing economy, which is supported by the presence of appropriate conditions and factors that contribute to the implementation of banking policy.

The main body. In the last months of 2020, the pace of development of banking activities in Kazakhstan slowed down, which was reflected in a decrease in the growth of assets in general, loans and other indicators of active activity of Second level banks. This, in turn, affected the financial performance of the banking sector. Thus, according to data for 2020, the total profit of the sector amounted to 726.8 billion tenge, which is 9.5% (or 76 billion tenge) less than the result of the previous year [12].

According to the analysis of the financial results of the second-tier banks, 2017 was the most unprofitable year for the banking sector in previous years (Table 1). Moreover, the main

negative factor is the unprofitability of non-remuneration-related activities, which is observed throughout the entire period under review (2017-2019).

Table 1

Profitability of the banking sector of Kazakhstan *

Bln. KZT

№	Indicator name/Data	01.01. 2017	01.01. 2018	01.01. 2019	01.01. 2020	01.01. 2021
1.	Interest income	2 165,7	2 338,5	2 090,2	2 218,4	2 454,7
2.	Interest expenses	1 184,4	1 296,1	981,1	1 066,2	1 207,1
3.	Net interest income	981,3	1 042,6	981,0	1 152,2	1 247,5
4.	Non-interest expense	41 161,5	28 792,6	30 687,0	19 442,0	36 983,6
5.	Non-interest expense	41 665,1	29 796,8	30 897,9	19 643,4	37 313,1
6.	Net non-interest income/loss	-503,6	-1004,2	-210,9	-201,4	-329,5
7.	Net profit/loss before income tax	477,7	38,2	770,3	950,8	918,0
8.	Income tax expenses	80,1	99,4	128,5	160,6	192,1
9.	Net income/loss after income tax	397,6	-62,3	642,4	790,9	726,1

*Source: <https://finreg.kz/> Current State of the Banking Sector of Kazakhstan (2017-2021 years)

Thus, the main type that determines the profitability of banks is not credit activity, but activity that brings non-interest income (commission-intermediary). This dynamic is likely to continue in terms of indicators in the future. The difficult situation is due to the conditions of recent years, burdened by challenges in the global and national economy, which could not but affect a slight decline in indicators characterizing the role of banks in the economy. According to statistics, with a positive GDP dynamic, the indicators of the banking sector in relation to GDP tend to decrease [13].

One of the signs of an unfavorable development scenario is that in recent years there has been a pronounced trend associated with a decrease in the share of loans in bank assets. If at the beginning of 2015 this figure was about 78% (including interbank lending), by now it has fallen to almost 50%. 2020 was also no exception in this indicator: with the growth of the total loan portfolio of SLB for the year by 7.1% (from 14.74 trillion

to 15.79 trillion tenge), its share in assets for the year decreased from 55 to 50.7% [3].

The figures show that banks are suffering losses in their main business – lending, which, in our opinion, was not without the influence of the factor of restrictive conditions, which led to a decrease in the availability of services for customers. Similar negative changes occur in other areas of active operations, especially in those banks that were not ready to work in remote access.

This year, according to experts, the situation will not receive a positive resolution due to the special conditions of a restrictive nature associated with the introduction of quarantine measures.

What are the main current trends in the banking sector that may affect the development of domestic banks in the future?

The first major trend that determines the future of the banking business is the growing

demand of customers for remote financial services. This trend is due to the increased interest of the population and companies in remote services and the availability of virtual financial services. On the other hand, banks are also aware of the need to develop digitalization and the inevitability of growing competition in this area, leading to higher quality and lower cost of services. Therefore, for banks, this means the need to step up efforts and look for new, still unoccupied niches, improve the product range and improve the quality of service.

The next significant trend is consolidation and recovery in the financial sector. The characteristic trend of the last decade, which is expressed in the absorption of weak players by healthier and stronger ones, has continued in 2020-21. The number of banks has fallen to 26 since the beginning of 2020. The regulator revoked the license of Tengri Bank, and two other players-ATFBank and Jәsan Bank-completed the transaction, which is expected to continue the successful operation of ATFBank's business and maintain its customer base. Another significant transaction is related to the acquisition of Kassa Nova Bank by Freedom Finance. The latter can be associated with such a trend as the development of investment activities of domestic banks in tandem with financial companies. A special feature of the acquisition of Kassa Nova Bank by Freedom Finance is that it is aimed at using the opportunities of digital investment banking for corporate clients [4].

The current trend of the modern period is the activation of anti-crisis measures taken by the state in the person of the government. As is customary from the experience of previous crises that have affected the economy since the beginning of the 21st century, the state has shown a high degree of readiness for challenges in the current period. The pandemic, which has become a catastrophe of the 21st century, has deeply affected the economies of world powers and countries in the developing sector, which could not but affect the state of the national economy.

In response to very difficult events, the Government of Kazakhstan very quickly adopted a program to support businesses and the population,

including the allocation of a huge amount of funds for the implementation of the «Economy of Simple Things» program, the financing of working capital of SMEs and the «Employment Roadmap» program. As you know, Kazakhstani entrepreneurs have received a number of tax incentives, including deferral of all types of taxes, reduction of VAT on agricultural products and food products, and zeroing of customs duties on critical imports. In addition, the Agency for Regulation and Development of the Financial Market introduced regulatory relief for banks that provided affected entrepreneurs and the public with a delay in the payment of principal and interest on all loans.

According to experts, during the pandemic, state bodies interacted quite effectively with business in the person of the National Chamber of Entrepreneurs.

In addition to these anti-crisis programs and measures to support the economy, the state initiated and actively participated in the development of post-crisis development programs, including the concept of financial technology and innovation development until 2025, the concept of financial market development and the monetary policy strategy.

Nevertheless, the difficulties of business development and a sharp drop in the welfare of the population could not but affect the performance of second-tier banks and other credit institutions, as noted above. Now it is clear that the further dynamics of indicators in the banking sector will be largely determined by the speed of economic recovery, the period of regulatory relaxation and the need to form additional provisions for potential non-performing loans. Banks are taking measures in this direction, but the success or failure of banks is largely determined by the ability of businesses to maintain financial stability and service loans.

Conclusion. For banks in Kazakhstan, as well as in other countries of the world, 2020 will remain both a year of testing and a year of breakthrough in the digital information space. The laid foundations of remote access and technological advancement will become the foundation for the

future construction of qualitatively changing services for business and banking services for the population. In our opinion, in the near future, all the trends that declared themselves in 2020 will continue.

Along with the difficulties of the period, the «coronacrisis» made it possible to move from the «dead» point some of the issues that actualized remote access services. The situation was intensified by the fact that against the backdrop of interbank competition became noticeably increasing competition from traditional banks with financial technology and technology companies.

Consolidation and increased competition will remain relevant, as a result of which new financial instruments and sales channels for financial

products will inevitably appear. Further development of the digital investment business in the country will continue with the improvement of the non-cash payment system. The state and regulatory authorities should respond in a timely manner to new trends in the economy and the financial sector, anticipating inconsistencies in the conditions of business functioning, limited by the impact of quarantine measures and other possible challenges. It is hoped that the competent management of the economy and business in general will not worsen, but on the contrary, will contribute to progress through the introduction of innovations and the emergence of new financial instruments and technologies.

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БАНК СЕКТОРЫНЫҢ ҚАЗІРГІ ТЕНДЕНЦИЯЛАРЫ ЖӘНЕ ДАМУ БОЛАШАҒЫ

Аңдатпа

Кез келген елдегі экономика жағдайы банк қызметінің даму деңгейін анықтайды, өйткені екі сала да бір-бірімен өзара байланысты және өзара тәуелді. Бұл 2020-2021 жылдары бүкіл әлем Covid19-ға байланысты пандемияға ұшырап, барлық сала қызметтеріне, соның ішінде банк секторы қызметіне де шектеулер қойылғанда, сөйтіп, әлем елдері экономикасы құлдырай бастағанда тағы бір мәрте дәлелденді. Банк қызметінің соңғы жылдарда жасалған статистикасы осы салада болып жатқан күрделі шиеленісті жағдайды айқындады, бұл оның тек банк бизнесі үшін ғана емес, сонымен қатар бүкіл экономика үшін себептері мен ықтимал салдарларын зерттеуге деген қызығушылық тудырмай қоймайтыны анық. 2020 жылы Қазақстанның банк секторы оң нәтиже көрсеткеніне қарамастан, банк бизнесіндегі қолайлы жағдай туралы оптимистік қорытынды жасау мүмкін емес.

Соңғы кездері коммерциялық банкке қаржылық делдал ретінде біржақты, яғни банктің басты өнімдерінің бірін – несиелерді өндіруші рөліне нұқсан келтіретін анықтамалар жиі кездесетіндіктен, мұндай кешенді тәсілге баса назар аударудың маңыздылығын атап өткен жөн. Соңғы уақыттарда банк несие беруші ретінде табысты және тәуекел бағыттарға баруды тандай отырып, нақты сектордағы мақсатты бағыты бойынша өз позицияларын жоғалта бастады. Мұндай саясаттың салдары, ең алдымен, экономиканың жалпы жағдайына, нақты сектор дамуының баяулауына және қаржы нарығының шынайы жобалардан ажыраған өсу қарқындарының озуына әсер етеді.

Мақалада қазіргі кездегі банк секторы дамуының заманауи трендтерінің Қазақстандағы банк қызметінің келешегіне әсерін бағалау мақсатында жүргізілген зерттеу нәтижелері келтірілген.

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СОВРЕМЕННЫЕ ТЕНДЕНЦИИ И ПЕРСПЕКТИВЫ РАЗВИТИЯ БАНКОВСКОГО СЕКТОРА

Аннотация

Состояние экономики в любой стране определяет уровень развития банковской деятельности, поскольку эти две сферы непосредственно взаимосвязаны и взаимообусловлены. Это еще раз подтвердилось в 2020-21 годах, когда на мир обрушилась пандемия, связанная с Covid19, приведшая к падению экономик стран мира и, соответственно, к ограничениям деятельности всех сфер, в т.ч. банковского сектора. Статистика банковской деятельности последних лет характеризует достаточно напряженную ситуацию в отрасли, что не может не вызывать интереса к исследованию как причин, так и возможных последствий не только для банковского бизнеса, но и для экономики в целом. Несмотря на то, что за 2020 год банковский сектор Казахстана показал положительный результат, нельзя сделать оптимистичный вывод о благоприятной ситуации в сфере банковского бизнеса.

Следует обратить внимание на важность такого комплексного подхода в связи с тем, что в последнее время часть встречается однобокая трактовка коммерческого банка как финансового посредника, ущемляющая его роль как производителя кредитов, являющихся одними из главных банковских продуктов. Банк, как поставщик кредита, стал терять свои позиции в части его целевого направления в отрасли реального сектора, переориентировавшись на прибыльные и рискованные направления. Последствия такой политики ощутимы, в первую очередь, на общем состоянии экономики, отставании развития реального сектора, опережении темпов роста финансового рынка, оторванного от реальных проектов.

В статье приведены результаты исследования, проведенного с целью оценки влияния текущих трендов развития банковского сектора на перспективы банковской деятельности в Казахстане.

