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The impact of financial stability of the banking sector on economic growth

Abstract. In this article, the development of Kazakhstan's economy was closely related to the financial sector, and it was the definition of financial stability in the banking sector. Therefore, second-tier banks are developing their role in the country's economy through financial stability in the banking sector for profit. In this connection, the analysis of the GDP of the banking sector of the Republic of Kazakhstan as a whole for 2013-2018, the ratio of assets to GDP and the ratio of customer deposits to GDP, the results of a comparative analysis of the gross domestic product of 5 leading second-tier banks for 2013-2017. In this regard, offering new banking products, improving the quality of service. The increasing role of the banking sector in economic development is characterized by the state of development of modern information technologies and electronic services.

Keywords. financial stability in the banking sector, Internet banking, GDP indicators, money circulation, solvency, loan portfolio, deposits.

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As an introduction the formation of Kazakhstan's economy is possible only with the interaction of the banking and real sectors. The development of enterprises producing products and providing services in the real economy requires the creation of a sustainable banking sector, its main feature is to provide small businesses and individuals with low interest loans that meet their needs, as well as the functioning of the system to save time and improve reliability in the calculations.

The purpose of the article is to study the financial stability of the banking sector, determine its impact on the economy. To achieve this goal, the following tasks are needed:

1. Analysis of the role of Kazakhstan's banking sector in the economy;
2. GDP analysis of five leading banks;
3. Analysis of the loan portfolio of five leading banks.

The study used» informational, mathematical, logical methods of cognition « and "theoretical" methods of research (problem statement, analysis, comparison, clarification).»

In article on the basis of the research the following results are shown:

- strengthening of interbank competition in connection with the development of market relations in the economy and society;

- The most important task of the banking system, analyzing the role of the banking sector of Kazakhstan in the economy, is to improve the lending mechanism, ways of regulating money circulation and increasing solvency;

- improvement of financial stability in connection with the stabilization of the loan portfolio in the banking sector.

The purpose of commercial banks, as well as any credit institution, is not only profit, but also competitive relations, stabilization of the socio-economic situation, provision of new services and products that meet modern requirements. Therefore, it is currently important not only to provide affordable loans with a concentration of free cash of the bank's customers, but also to provide high-quality banking services.

For the provision of banking services, there is extensive access to a remote communication channel, including the opening of a deposit account, the implementation of money transfers, the

provision of electronic invoices and traditional and new services that allow bank customers to receive and pay for funds from accounts on the Internet and through the official website.

The banking sector of Kazakhstan in terms of development dynamics exceeds both GDP growth rates and non-resource sectors of the country. Banks are providing foreign currency with the involvement of external funds, have a significant impact on the formation of the national currency. Also, banks play a key role in the stock market of the country, which are the main contractors of financial instruments, providing the main turnover of funds. Thus, in order to determine the impact of the financial stability of the banking sector on economic growth, the analysis is based on the financial performance of second-tier banks (table 1).

Table 1

The Role of Kazakhstan's banking sector in the economy

billion tenge

Indicators	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018	01.01.2019
GDP Billion tenge	34 443,4	39 040,9	40 884,1	45 732,1	53 101,3	58 242,9
The ratio of assets to GDP, %	44,9%	46,3%	61,4%	55,2%	45,5%	43,3%
Loan portfolio to GDP ratio, %	38,8%	36,8%	37,9%	33,5%	25,6%	23,6%
Ratio of customer deposits to GDP, %	28,6%	28,5%	41,7%	36,7%	31,4%	29,3%
Ratio of allocation of part of funds to domestic assets	1,133	1,148	1,157	1,041	1,023	1,022
Note – compiled from the source [1]						

In the table for the period of analysis of the role of the banking sector of Kazakhstan in the economy, the GDP for 2018 compared to 2013 amounted to 23799.5 billion dollars. In 2018, compared to 2017, the growth amounted to 5141.6 billion tenge or 40.9% and in 2018, compared to 2017, the growth amounted to 5141.6 billion tenge or 40.9% tenge or 8.8%, that is, GDP is growing steadily, and the economy is developing steadily.

The ratio of assets of the banking sector in Kazakhstan to GDP decreased by 1.6% compared to 2013, 2018 compared to 2017 by 2.2%, but the year 2015 in comparison with 2013, increased by 16.5%. From this, the ratio of banking sector assets to GDP has been growing steadily from 2015 to 2015, the period after 2015 to 2018. Thus, according to the National Bank of the Republic of Kazakhstan, when analyzing the structure of total assets of the banking sector for 2013-2017, 2016 compared to 2013 amounted to 10095.1 billion tenge in 2017, compared to 2016, it increased by 1 336.3 billion tenge, or by 5.2%.

The ratio of the loan portfolio to GDP decreased in 2018 by 15.2% compared to 2013, 2018 compared to 2017 by 2.0%, i.e. the ratio of the loan portfolio to GDP will decrease from 2013 to 2018. Thus, when analyzing the structure of the loan portfolio of the banking sector of Kazakhstan, loans issued to legal entities in 2018 compared to 2013 amounted to 3544.9 billion tenge by 27.5% or \$ 1696.3 billion tenge or 11.6%.

The ratio of customer deposits to GDP in 2018 compared to 2013 increased by 0.7%, and in 2018 compared to 2017 decreased by 2.1%. Since all deposits of clients (legal entities and individuals) have been growing steadily until 2015, they have decreased since 2016.

The coefficient of placement of part of the funds in domestic assets decreased compared to 2013 by 0.111, 2018 compared to 2017 by 0.001.

Such banks as Qazaq Banki, Bank of Astana and Eximbank left the market, the merger of

Kazkom and Halyk Bank was completed.

Despite the influence of closed banks, the growth of the system’s assets in 2018 was about 8%, which is slightly above the inflation rate. However, this growth was very small, particularly below the level of real GDP, taking into account the revaluation of assets in foreign currency [2].

Currently, the development of the banking system of the Republic of Kazakhstan and the role of the banking sector in the economy of interbank competition are determined by the main financial indicators. This means strengthening interbank competition through the development of the economy and market relations in society. At the same time, the most important task of the banking system is to improve the credit mechanism, ways of regulating money circulation and improving solvency. So we analyzed with the banking sector compared to the GDP of the five largest banks in recent years (table 2).

Table 2

GDP figures of the top five banks

billion tenge

Name of the Bank	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018
Halyk Bank of Kazakhstan JSC	2 954,0	3 825,0	4 758,0	5 173,0	5 485,0
Kazkommertsbank JSC	3 871,0	4 856,0	6 548,0	5 921,0	5 314,0
Bank CenterCredit JSC	35 275,0	38 712,0	40 761,0	45 732,0	47 021,0
Sberbank JSC	2 356,0	2 478,0	2 736,0	2 834,0	2 932,0
“Kaspi Bank” JSC	30 348,0	35 255,0	37 895,0	40 315,0	43 144,0

Note – compiled from the source [4,5,6]

In the table on GDP indicators from five leading banks in the period 2013-2017 GDP indicators of Halyk Bank of Kazakhstan JSC, Bank CenterCredit JSC, Sberbank JSC, “Kaspi Bank” JSC are growing steadily, despite the stable GDP growth of Kazkommertsbank JSC from 2013 to 2015, we can see a decrease in 2016, 2017. Therefore, the role of Kazkommertsbank JSC in the economy decreased in interbank competition.

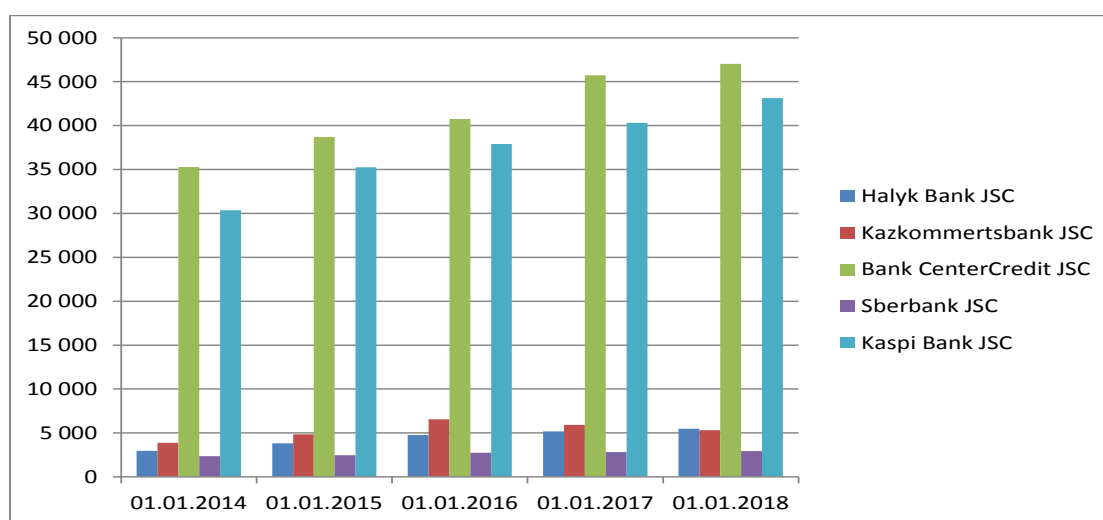


Figure 1 - GDP dynamics of the top five banks

Note: compiled by the author on the basis of the source [4,5,6]

GDP of Halyk Bank of Kazakhstan JSC for 2017 compared to 2013 amounted to 2531.0 billion tenge compared to 2016, it increased by 312 billion tenge. Thus, we see a steady GDP growth of Halyk Bank of Kazakhstan for 5 years.

The GDP of Kazkommertsbank JSC for 2017 compared to 2013 amounted to 1443.0 billion tenge compared to 2016, it increased by 607.0 billion tenge the amount of the reduction. But, despite the stable growth until 2016, we see a decline in 2017, that is the GDP of Kazkommertsbank JSC is unstable.

The GDP of Bank CenterCredit JSC for 2017 compared to 2013 amounted to 11746.0 billion tenge, compared to 2016-1289.0 billion tenge more. The GDP of JSC «Bank CenterCredit» has grown steadily for 5 years.

The GDP of Sberbank of Russia in 2017 compared to 2013 amounted to 576.0 billion tenge compared to 2016, 98.0 billion tenge more. Sberbank's GDP has grown steadily for 5 years.

The GDP of JSC «Kaspi Bank» for 2017 amounted to 12796 billion tenge in comparison with 2016-2829.0 billion tenge more. Kaspi Bank's GDP has grown steadily for 5 years.

In order to use remote banking distribution systems, Caspi's GDP is high compared to other banks.

Table 3

Loan portfolio of five leading banks

billion tenge

Name of the Bank	01.01.2014	01.01.2015	01.01.2016	01.01.2017	01.01.2018
«Halyk Bank of Kazakhstan» JSC	1 805,0	1 934,0	2 481,0	2 281,0	2 650,0
«Kazkommertsbank» JSC	1 964,0	2 196,0	4 007,0	3 937,0	897,0
«Bank CenterCredit» JSC	973,0	918,0	1039,0	889,0	931,0
«Sberbank» JSC	73,0	1004,0	972,0	892,0	1029,0
«Kaspi Bank» JSC	734,0	765,0	783,0	715,0	891,0
Note – compiled from the source [4,5,6]					

The loan portfolio of Halyk Bank of Kazakhstan JSC for 2017 amounted to 845.0 billion us dollars compared to 2013-2016, the growth amount to 369.0 billion tenge. Thus, we see that the loan portfolio of Halyk Bank of Kazakhstan has grown steadily for 5 years.

In 2017, the loan portfolio of Kazkommertsbank JSC amounted to 1067.0 billion tenge compared to 2016, it decreased by 3040.0 billion tenge the amount of the reduction. But, despite the stable growth until 2016, we see a decline in 2017, that is, the loan portfolio of Kazkommertsbank is unstable.

In 2017, compared to 2013, the loan portfolio of Bank CenterCredit JSC amounted to 42.0 billion tenge compared to 2016, it decreased by 42.0 billion tenge more. The loan portfolio of JSC «Bank CenterCredit» fluctuates in different years.

Compared to 2013, the loan portfolio of Sberbank of Russia amounted to \$ 956.0 billion tenge in comparison with 2016-137.0 billion tenge more. Sberbank's loan portfolio has grown steadily over the past 5 years.

The loan portfolio of JSC «Kaspi Bank» for 2017 amounted to 157 billion tenge compared to 2013 in comparison with 2016-176.0 billion tenge more. The loan portfolio of Kaspi Bank has grown steadily for 5 years.

Stabilization of the loan portfolio in the banking sector through the introduction of Internet banking by banks is a significant increase in the customer base and effective use of staff services and branch network.

Therefore, it is impossible to imagine the functioning of banking institutions and, in particular, without the use of global computer networks, without the use of modern information technology.

Based on the indicators analyzed above, the impact of financial stability in the banking sector on economic growth can be stated by the following recommendations:

1. Improving the quality of management and banking supervision in order to eliminate weak asset quality indicators.
2. Improving the quality of the loan portfolio in order to reduce the volume of consumer lending to individuals, as well as increasing the volume of loans to legal entities (including those issued to small and medium-sized businesses).
3. Increase of commercial income of clients and client portfolio with increase of deposits (deposits) of legal entities.

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Банк секторындағы қаржылық тұрақтылықтың экономикалық өсуге әсері

Аңдатпа. Бұл мақалада Қазақстан экономикасының дамуы қаржы секторларымен тығыз байланысты болғандықтан, банк секторындағы қаржылық тұрақтылықты айқындау болды. Сондықтан, екінші деңгейлі банктер пайда табу мақсатында өз қызметтерін жүзеге асыра отырып, ел экономикасындағы рөлін банк секторындағы қаржылық тұрақтылық арқылы дамытуда. Сол себептен, Қазақстан Республикасының банк секторының жалпы 2013-2018 жылдар аралығындағы ЖІӨ көлемін, активтердің ЖІӨ-ге қатынасы, несиелік қоржының ЖІӨ-ге қатынасы және клиент салымдарының ЖІӨ-ге қатынасына талдау жасай отырып, 2013-2017 жылдарға арналған 5 жетекші екінші деңгейдегі банктерінің ЖІӨ-ін салыстырмалы талдау нәтижелері келтірілген. Бұдан банктің жаңа өнімдерін ұсына отырып, сапалы қызмет көрсету. Сонымен қатар, экономиканы дамытудағы банк секторының рөлі қазіргі заманғы ақпараттық технологияларды және электрондық қызметтерді дамытудың жай-күйімен сипатталады.

Түйін сөздер: банк секторындағы қаржылық тұрақтылық, интернет-банкинг, ЖІӨ көрсеткіштері, ақша айналымы, төлемқабілеттілігі, несиелік қоржыны, салымдар.

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Влияние финансовой стабильности в банковском секторе на экономический рост

Аннотация. В данной статье рассматривается тесная связь развития экономики Казахстана с финансовым сектором, в частности, финансовой стабильностью в банковском секторе. Банки второго уровня развивают свою роль в экономике страны посредством финансовой устойчивости в банковском секторе с целью получения прибыли. В связи с чем проведен анализ объема ВВП банковского сектора Республики Казахстан в целом за 2013-2018 годы, отношения активов к ВВП и отношения вкладов клиентов к ВВП, приведены результаты сравнительного анализа валового внутреннего продукта 5 ведущих банков второго уровня на 2013-2017 годы.

Качество обслуживания повышается вследствие предложения новых банковских продуктов. Повышение роли банковского сектора в развитии экономики характеризуется уровнем развития современных информационных технологий и электронных услуг.

Ключевые слова: финансовая стабильность в банковском секторе, интернет-банкинг, показатели ВВП, денежное обращение, платежеспособность, кредитный портфель, вклады.

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