

Kazakhstan

Kazakhstan remains well served by both domestic and foreign banks, with the surveyed banks accounting for 87 per cent of the country's total banking assets (Chart 1).¹ Nearly 36 per cent of banks in Kazakhstan expect their branch network to decline over the next five years, while just over 20 per cent expect it to grow. In comparison, just under half of banks in Central Asian economies, on average, expect their branch network to increase and just under 30 per cent expect it to shrink (Chart 2).²

Although climate change risk is an explicit part of the risk management process for 40 per cent of banks in Kazakhstan, just over 20 per cent have explicit policies and targets on climate change, on a par with the average of the Central Asian economies. Meanwhile, over 80 per cent of Kazakh banks surveyed have specific environmental and social policies and targets, exceeding the Central Asian average. The share of banks in Kazakhstan that undertake environmental and climate change-related impact assessments before lending to small and medium-sized enterprises (SMEs), however, is half the Central Asian and EBRD average (Chart 3).

The share of Kazakh banks providing loans specifically to improve the energy efficiency of residential housing, commercial real estate and SMEs and/or corporate clients is at least 13 percentage points below the average of the Central Asian economies (Chart 4).

When it comes to the use of digital technologies, more than two-thirds of Kazakh banks view fintech as an opportunity for a majority of business lines, such as leasing, SME lending, trade finance, corporate lending, trading and sales, and asset management (Chart 5). This attitude towards fintech is in line with the average of the Central Asian economies overall.

Chart 1 Surveyed bank branch coverage

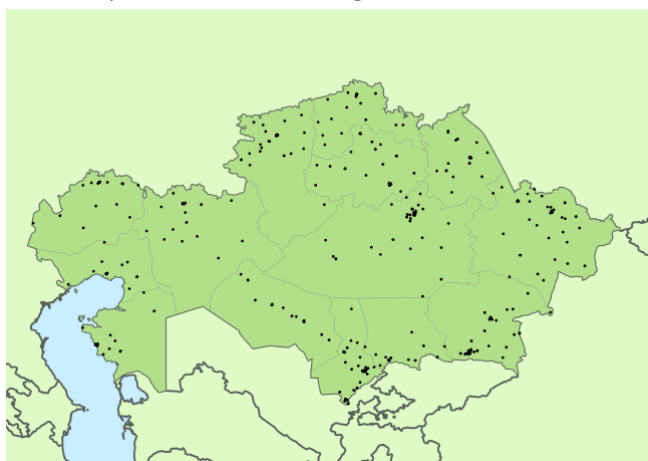


Chart 2 Branch network expectations, next five years

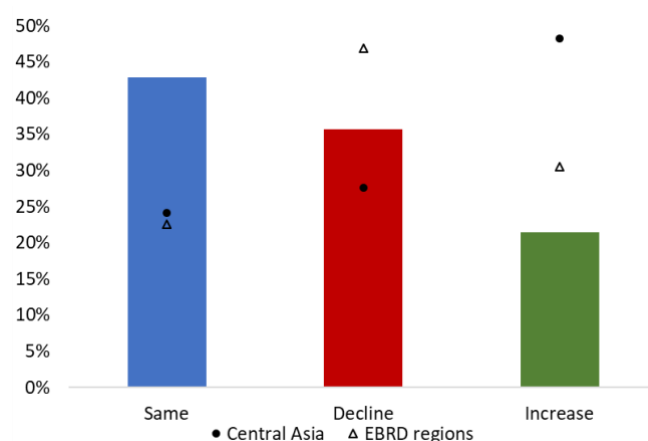


Chart 3 Impact assessment of SMEs before loan approval

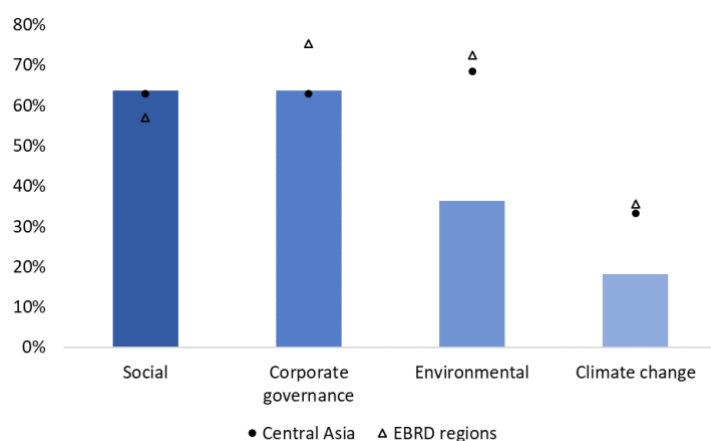
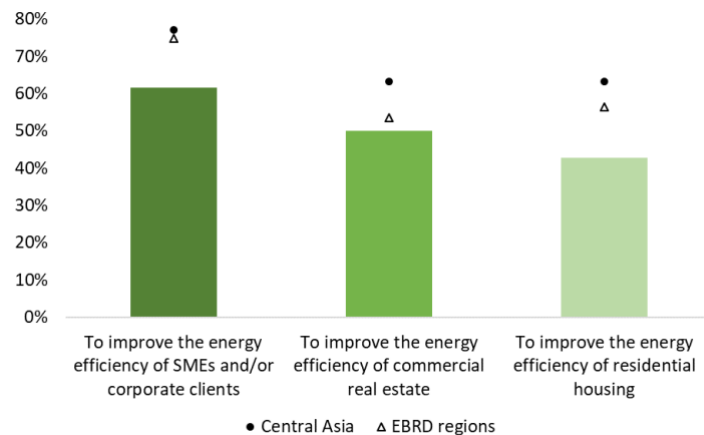


Chart 4 Prevalence of loans to improve clients' energy-efficiency



¹ Based on banks surveyed in Kazakhstan, a majority of banking assets are owned by domestic banks.

² Bars in Charts 2, 3 and 4 refer to the percentage share of banks in Kazakhstan.

The survey shows Kazakh banks leading the way on the commercial use of algorithms to improve credit decision-making. Eighty-six per cent – the highest share in the EBRD economies surveyed – say such technology is already in commercial use (Chart 6). Approximately 80 per cent and 50 per cent of Kazakh banks, respectively, report using biometric authentication for customer identification and alternative credit-scoring data for e-commerce activities. While Kazakh banks indicate that they are shifting to digital technologies, just over 55 per cent of them accept online applications for lending to SMEs, 10 percentage points below the Central Asian average.

Over two-thirds of Kazakh banks surveyed report strong competition from non-bank financial companies in SME and retail lending (Chart 7). In addition, just over 85 per cent of Kazakh banks cite concerns about information technology (IT) security and regulatory uncertainty in the fintech space, 10 percentage points and 5 percentage points, respectively, above the Central Asian and EBRD averages.

A lack of creditworthy customers is the greatest constraint on lending to innovative research and development (R&D)-intensive industries such as IT, chemicals and pharmaceuticals, according to 70 per cent of Kazakh banks surveyed. Similarly, among banks in Central Asia and the EBRD regions more broadly, we find a lack of creditworthy customers to be the most frequently cited constraint on lending to such industries.

The lending process of Kazakh banks appears to be the most streamlined in Central Asia, involving the fewest hierarchical layers for SME lending (Chart 8).

Chart 5 How fintech will affect banks' business lines

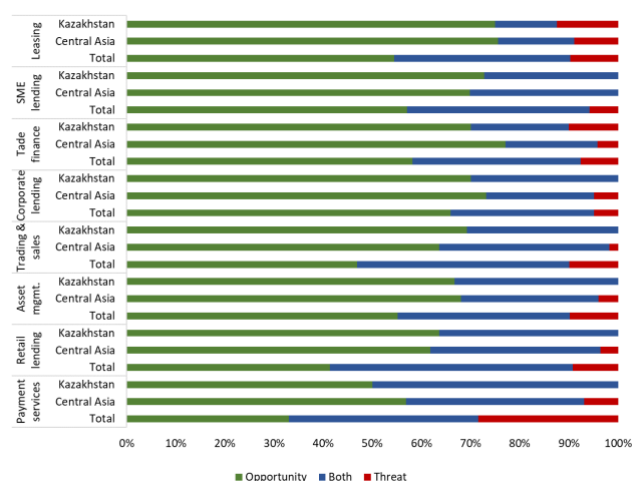
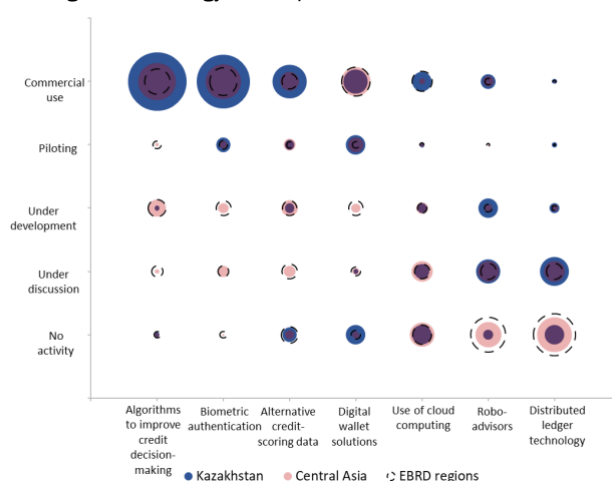


Chart 6 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 7 Banks face strong competition from non-bank alternatives

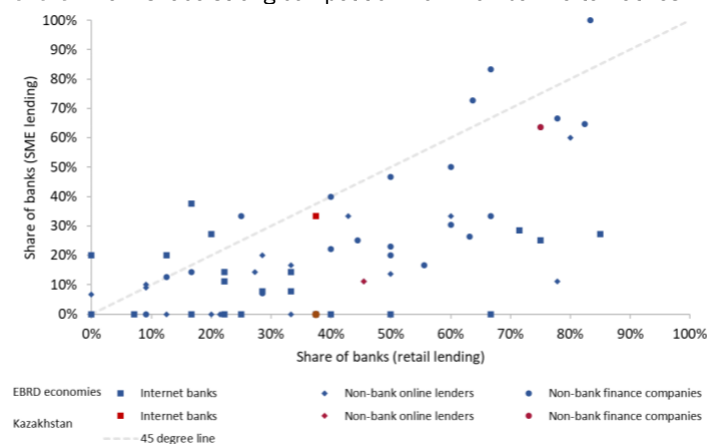


Chart 8 Typical number of decision-making layers, SME lending

