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**FINANCIAL ASPECTS OF THE THIRD MODERNIZATION OF THE ECONOMY AS
THE BASIS FOR STABILITY AND PROSPERITY OF KAZAKHSTAN**

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Kazakhstan's economic growth over the past decade has been driven mainly by the accelerated growth of the oil-producing sector. The raw material model of the economy allowed for rapid stabilization of the economy and in 1996 the economy showed its first growth after a five-year decline.

Over the past ten years, Kazakhstan has been affected by two global financial and economic crises in 2007-2009 and 2014-2016. Today, the economy of Kazakhstan is negatively affected by a number of external factors caused by the collapse of oil prices on world markets. In these conditions, the vulnerability of the domestic economy to external shocks increases. In particular, in 2009 and 2015, there was a sharp decline in GDP growth to 1.2% as a result of the fall in world oil prices to \$ 35 per barrel in 2009 and 2015 (from \$ 111 in 2012).

These factors had a negative impact on the country's economic growth rate (table 1). The GDP growth rate in Kazakhstan began to decline from 4.3% in 2014 to 1.1% in 2016.

Table 1. GDP growth Rates in the Republic of Kazakhstan for 2014-2019.

Period	2014	2015	2016	2017	2018	2019
Real GDP	4,3	1,2	1,1	4,1	4,1	4,5

Note: compiled by the author according to the data Of the Agency for statistics of the Republic of Kazakhstan for a number of years [1].

In 2015-2016, there was a drop in GDP growth to 1.2 and 1.1%, respectively, as a result of the crisis of collapsed oil prices. At the same time, since 2017, there has been a recovery in Kazakhstan's economic growth indicators – just above 4%.

On January 31, 2017, 1st President Nursultan Nazarbayev addressed the traditional annual address to the people, in which he set a number of key tasks to reform the economy and ensure global competitiveness of Kazakhstan. In this address, the head of state focused on the third wave of modernization, which has begun in the Republic, and the strengthening of the strategy "Kazakhstan-2050". [2]

The purpose of this work is to identify the role of the third modernization in the economic development of Kazakhstan, to determine its impact on the situation of the country.

This message of the 1st President is intended to become not just a response to new global challenges, but a reliable bridge to achieving the goals Of the strategy "Kazakhstan 2050". One of the key components of the new modernization, the 1st President called the widespread introduction of high technologies, instructing to develop the state program "Digital Kazakhstan". [3]

Today, digitalization has become a global trend that determines the place of countries in the global division of labor. The first priority is to cultivate new industries that are created using digital technologies, give an impetus to the development of traditional industries by increasing productivity and industrialization, as well as modernizing the labor market.

Since April 1, 2018, the ASTANA – 1 information system has been launched, through which more than 680 thousand electronic customs declarations have been processed.

And as part of the "Creating an innovative ecosystem" direction, the international Technopark of IT startups "Astana Hub" was opened in Kazakhstan, the presentation of which took place on November 6, 2018. Since the opening of the Astana Hub international Technopark in 2018, IT startups have attracted a total of about 29 billion tenge. In total, the Technopark's educational projects have passed more than 400 start-up projects. An important result of all this work was the creation of jobs by participants of the Technopark's acceleration programs. Thus, 1,243 jobs were created.

According to the National Bank, the number of Internet/mobile banking users in October 2018 was 12 million people. Of these, 4 million daily perform operations for 7 billion tenge. [4]

The total amount of non-cash payments using payment cards has increased 6 times over the past 5 years. More than half of all card transactions are non-cash payments – 62% of the total.

The number of Internet/mobile banking users increased by 50% to 12.1 million people.

The electronic money system is actively developing. Currently, there are 18 electronic money systems operating on the domestic market. According to the results of three quarters of 2018, 94 million transactions were made using electronic money in the amount of more than 421 billion tenge. The number and volume of transactions using e-money for the three quarters of 2018 exceeded the figures for the entire 2017 year.

The market is actively developing new payment services and technological solutions. Contactless payments using NFC technology are gaining popularity, and new services for accepting payments using QR codes are appearing. The "Invest Online" system, which allows you to invest in short-term notes of the National Bank of Kazakhstan, was launched this year. About 2.2 million tenge is invested daily through it.

The second priority is to reduce the state's share in the economy and expand public-private partnership by transferring some services to business. [5]

If in the previous 3 years the state built 189 kindergartens for 40 thousand places, the private sector opened them more than 1300 for 100 thousand places. Most private gardens are opened in South Kazakhstan (397), Almaty (221), and Kyzylorda (181) regions.

Currently, the cumulative pension system has 9 trillion tenge, of which only 6 trillion tenge was contributed by citizens, and another 3 trillion tenge – investment income.

For 10 months of 2018, the pension savings of depositors as a whole increased by 16.2% and amounted to 9,042.5 billion tenge. At the same time, pension payments for the same time reached 1,194.9 billion tenge.

According to the results of 11 months of the year, the yield of pension assets for UAPF depositors was 9.24% with an inflation rate of 4.6%. [6]

Thus, the Fund's depositors are provided with a real return of 4.64%. Moreover, the National Bank has already developed proposals under the instructions of the Head of state that provide for the transfer of pension assets under the management of Kazakhstan's private management companies – they are under discussion.

The third priority is to reset the country's financial sector, take measures to improve banks' health, and develop an inflation targeting regime (to reduce inflation to 3-4%).

The above dynamics indicate a decrease in inflation after the economic crisis in 2015 (table 2). In recent years, we have managed to contain inflation in the set corridor.

Table 2. The inflation rate in 2014-2019

Period	2014	2015	2016	2017	2018	2019
Rate of inflation	7,54	13,53	8,29	7,22	5,43	4,90

Note: compiled by the author according to the Agency for statistics of the Republic of Kazakhstan for a number of years [1].

If inflation is close to the lower limit of the corridor set by the National Bank, it is good for the economy. The expected and current price levels are set for the future by all economic entities. Businesses use these indicators to shape future pricing policies for their products, raw materials, and services. Low inflation values will also contribute to lower inflation expectations for the entire economy. Controlled, predictable inflation is the most important condition for the progressive development of the economy.

A consistent anti-inflationary policy has borne fruit: over 2 years, the inflation rate has decreased by almost 3 times and since 2018, it has been able to be kept within the established target corridor. [7]

In April 2018, Nursultan Nazarbayev announced the need to curtail the program for the rehabilitation of problem banks. Then the president called three banks with "terrible performance": Eximbank, Bank of Astana and Qazaq Banki. In August, the National Bank revoked Qazaq Banki and Eximbank licenses for banking operations, in September the licenses deprived Bank of Astana. In November, the court decided to liquidate the Bank of Astana. From December 24, Qazaq Banki depositors began to receive reimbursement through VTB Bank. It is expected that they will be reimbursed 19.6 out of 23 billion tenge of deposits. 37.2 billion tenge will be returned to depositors of the Bank of Astana at the expense of the Kazakhstan Deposit Guarantee Fund (KFGD).

In 2017, the National Bank made the transition from formalized supervision to risk-based supervision. This allows you to identify and prevent risks in the activities of financial institutions in the early stages and take actions for better financial stability on time.

Starting January 1, 2019, the National Bank legislatively strengthens the regulatory and supervisory mandate and switches to the principles of risk-based supervision of financial institutions. He will be able to apply a supervisory opinion on the real financial condition of a financial organization and take preventive measures, up to limiting active and passive operations.

Due to the continued protection of the state by inefficient, large companies, they continue to dominate the market. While new, small companies are more productive. This suggests that the most important elements of economic transformation in Kazakhstan are not yet complete. The national economy needs to be regulated by the state, in particular, when there are many monopolistic enterprises in its structure. "The regulation should be correct so as not to infringe on the rights of consumers, however, over-regulation can harm the spirit of entrepreneurship among small firms.

The question arises on how to reduce the non-oil part of the budget if we do not return to labor productivity. Everything is interconnected: in order to increase productivity, you need to increase value added. And this in turn will occur either due to capital-intensive production, such as the oil and gas sector or due to high human capital. This is the fourth priority of the third modernization - improving the quality of human capital. [8]

In 2019, real incomes of the population grew by 5.5%. In 2019, wages were increased for 2.7 million citizens, including through measures to increase the minimum wage (1.5 times to 42.5 thousand tenge), which received wide support among businesses. The labor market remains stable. The unemployment rate was 4.8%. More than 423 thousand new jobs were created, including 279 thousand permanent ones.

Most investments, like 15 years ago, go into the mining sector. The state invests more in law enforcement agencies, in the quasi-public sector and practically does not invest in the development of human capital. The issue of high qualification and the quality of labor capital should be in the first place, it is especially necessary to focus on the development of preschool education.

From July 1, 2017, the size of the lump-sum birth allowance was increased by 20%. The cost of living has been revised because it should correspond to the real consumer spending of Kazakhstanis.

In 2017, the implementation of the Nurly Zher housing program began, which aims to solve the most important task - to provide housing to 1.5 million families over the next 15 years. The program includes comprehensive measures for the development of the housing market. This is cheaper for developers of bank loans due to the provision of subsidies by the state through Damu JSC. [9]

The fifth priority is the eradication of corruption in the country, ensuring cybersecurity, and carrying out structural reforms.

Transparency International, a non-governmental organization, published its main annual study, The Corruption Perception Index. In 2019, Kazakhstan received 34 points out of 100 possible and took 113th place among 180 countries. Compared to last year, this is an increase of three points and 11 positions. Kazakhstan showed the best results in Central Asia, and among the countries of the former Soviet Union, it moved Russia, Ukraine and Moldova in the ranking. [10]

The result is achieved thanks to the new law, which:

- introduces the personal responsibility of managers for corruption among subordinates;
- restores anti-corruption expertise of draft regulatory legal acts;
- consolidates the coordinating role of the agency in the field of anti-corruption policy and competence in conducting research on corruption in the public and private sectors.

Subsequently, the republic will continue to work towards reducing corruption and restoring confidence in Governments.

Thus, the goals of the third modernization satisfy the challenges of society, developing the economic potential of the republic and improving the financial situation of the country.

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