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ORGANIZATIONAL SUPPORT OF CORPORATE RELATIONS IN THE BANKING SECTOR OF KAZAKHSTAN

The article considers the problems related to the development of organizational support for corporate relation in the banking sector of Kazakhstan. The genesis of banking services regulation in Kazakhstan has been critically analyzed. The important role of audit, internal financial control and rating agencies for the development of banking in the country is demonstrated. Special attention is paid to the issues of information transparency in banking and protection of information by the banks of Kazakhstan.

Keywords: organizational support; corporate relations; second level banks; competitiveness of commercial banks.

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ОРГАНІЗАЦІЙНЕ ЗАБЕЗПЕЧЕННЯ КОРПОРАТИВНИХ ВІДНОСИН В БАНКІВСЬКОМУ СЕКТОРІ КАЗАХСТАНУ

У статті розглянуто проблеми на шляху розвитку організаційної підтримки корпоративних відносин у банківському секторі Казахстану. Критично описано шлях розвитку відносин з регулювання банківських послуг. Продемонстровано важливість ролі аудиту та рейтингових агенцій у розвитку банківської справи у країні, а також роль внутрішнього фінансового контролю. Окремо виділено проблеми транспарентності інформації у банківському секторі та захисту інформаційних ресурсів банків Казахстану.

Ключові слова: організаційне забезпечення; корпоративні відносини; банки другого рівня; конкурентоспроможність комерційних банків.

Табл. 1. Літ. 11.

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ОРГАНИЗАЦИОННОЕ ОБЕСПЕЧЕНИЕ КОРПОРАТИВНЫХ ОТНОШЕНИЙ В БАНКОВСКОМ СЕКТОРЕ КАЗАХСТАНА

В статье рассмотрены проблемы на пути развития организационной поддержки корпоративных отношений в банковском секторе Казахстана. Критически описан путь развития отношения регулирования банковских услуг. Продемонстрирована важность роли аудита и рейтинговых агентств в развитии банковского дела в стране, а также роль внутреннего финансового контроля. Отдельно выделены проблемы транспарентности информации в банковском секторе и защиты информационных ресурсов банков Казахстана.

Ключевые слова: организационное обеспечение; корпоративные отношения; банки второго уровня; конкурентоспособность коммерческих банков.

Problem statement. Today's world economy is based on the models of developed Western countries. Corporation has become an essential tool within international economy. Today it dominates as a form of business organization in all countries striving for economic development. In the XXth century corporation has become the main form of organization and management of economic processes that require association of stakeholders. One of the main objectives of corporate system is formation and development of proper corporate relations.

The level of development and the quality of banking system determines the banking infrastructure, and forms all necessary conditions for banking activities.

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One of the most important factors in corporate relations development strategy of the banking sector is organizational support. Appropriate arrangement of the set of systems and institutions will consequently rule corporate system, and as a result provide a certain level of bank's competition and effective corporate strategy as a whole.

Recent research and publications analysis. Theoretical and practical research on the problem of organizational support for corporate relations in the banking sector of Kazakhstan is reflected in publications by such economists as L. Gerasimova (2014), S. Golubickiy (2010), A. Hrabrova (2000), A. Kibanova (2001), D. King and U. Kli-land (1982), M. Konyagina (2010), M. Marcinkowska (2012), H. Mehra et al. (2011), V. Yasenev (2007) and others.

Research objectives of this paper are to analyze the organizational structure of the banking sector in Kazakhstan and suggest prospective policy for its development.

Key research findings. Organizational support for corporate relations in the banking sector operates within 4 main processes:

1. Estimation of the corporate governance quality.
2. Preparation of highly qualified specialists in corporate relations.
3. Development of banking systems and technologies.
4. Spread of corporate information.

The first basic process we selected in organizational support of corporate relations in banking is the process of assessing the quality of corporate governance. In this process, we identify 3 key areas for evaluation:

1. Corporate governance quality rating by public authorities.
2. Quality rating by audit services.
3. Quality rating by rating agencies.

There is no mandatory assessment of the corporate governance quality in advanced economies. This procedure is carried out on a voluntary basis and plays a positive role in creating the image of a bank or a corporation (www.nationalbank.kz, 2014).

At the initial stages of Kazakhstan's independence, the level of the domestic financial sector development and the system of its regulation were at different levels. In this regard, the interest in rapid formation and development of the domestic financial sector demanded the creation of a new system of state regulation of financial institutions taking into account the best international practices.

In the late 1990s the country began to form elements of the new system of state regulation for financial institutions on the basis of practice and general methodological framework of supervision formed by the National Bank of the Republic of Kazakhstan. Within a few years the National Bank was handed over the functions and powers of the Insurance Supervision Department of the Ministry of Finance of the Republic of Kazakhstan for supervision of the insurance market (1998). The National Commission of the Republic of Kazakhstan on securities was formed to regulate the securities market (2001) and the Committee on regulation of activities of accumulation pension funds of the Ministry of Labor and Social Protection of the Republic of Kazakhstan was formed to regulate the activities of accumulative pension funds (2002).

In 2003 the National Bank held a key position in regulation of the financial market. This concentration of regulatory and supervisory functions of the central bank of the country was an intermediate step to the creation of an independent state supervi-

sory authority through its allocation from the National Bank of the Republic of Kazakhstan.

From January 1st 2004, the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Institutions were enshrined in law with the following goals and objectives:

- 1) ensuring financial stability of the financial market and financial organizations and maintaining confidence in the financial system as a whole;
- 2) ensuring an adequate level of protection for consumers of financial services;
- 3) the creation of equal conditions for the activities of financial institutions aimed at maintaining fair competition at the financial market;
- 4) establishing standards for the activities of financial institutions, the creation of incentives to improve corporate governance of financial institutions;
- 5) monitoring the financial market and financial organizations in order to preserve the stability of the financial system;
- 6) focus supervisory resources on the financial market most subjected to risks in order to maintain financial stability;
- 7) encouraging the introduction of modern technologies, ensuring completeness and availability of consumer information on the activities of financial institutions and financial services provided by them.

In order to perform the tasks, taking into account the existing realities, a set of measures was implemented to reform and improve the system of state regulation and supervision of financial market aimed at establishing an independent and effective system of consolidated financial supervision.

The Presidential Decree of the Republic of Kazakhstan #25 as of 12 April 2011 functions and powers of the Agency were transferred to the National Bank of the Republic of Kazakhstan. In April 18th 2011 by Decree #61 the Committee was formed for the Control and Supervision of Financial Market and Financial Organizations of the National Bank of Kazakhstan.

This conversion was carried out in line with the current global trends in the development of the system for regulation and supervision of the financial sector taking into account the experience of the latest global crisis.

The Committee performs the basic functions of state control and supervision of banking activities: regulate interest rates, protect interests and rights of consumers of financial services (Konyagina, 2010).

The second type of quality assessment of corporate governance is carried out by auditing. In the modern market economy, the role of financial control carried out without direct participation of state regulatory authorities is constantly increasing. Auditing is an internal financial or corporate control carried out by specialized offices or special units within commercial banks reporting directly to the Board of Directors or the Chairman.

Internal financial control is performed by auditing services of the bank on a regular basis. Internal audit checks the financial activities of branches and subsidiaries. Internal control service monitors the effectiveness and feasibility of funds use (own, borrowed, attracted), carries out the analysis and comparison of actual and projected financial results, financial evaluation of investment projects, monitors the financial condition of a bank.

Internal control accompanies the whole process of investment capital. Post-audit means the comparison of actual financial results at each stage of production and investment activities with the projected in the financial section of a business plan; analysis and elimination of the causes of non-compliance; finding ways to reduce costs and improve financial forecasting methods (Marcinkowska, 2012).

Auditing is a new type of financial control. In Kazakhstan, transition to market and emergence of various commercial structures increased the requirements to financial reliability as well as to fairness of assessment of bank's financial conditions.

One of the main objectives of audit control in a commercial bank is to establish the reliability of accounting and financial reporting and compliance produced financial and business operations with regulations and laws in Kazakhstan. Auditing assigns ratings of corporate governance, sets priorities in improving corporate structure to achieve the respective corporate model and analyzes the quality of corporate governance.

An audit may be required or initiated. If an initiative check is carried out on the proposal of a bank it is mandatory conducted in accordance with established procedure in all cases. In addition to banks, all microcredit organizations, insurance companies, stock exchanges, non-budgetary funds, created by mandatory deductions, charities, all enterprises established in the form of an open joint stock company, regardless the number of shareholders and the amount of the authorized capital, the company having a share in the authorized capital owned by foreign investors, enterprise (except state and municipal) are subject to mandatory audit. Mandatory audit can be carried out at the request of public authorities – the prosecutor's office, treasury, tax authorities and tax police (Gerasimova, 2014).

The next type of quality assessment of corporate governance in the corporate organizational support for the banking sector is the rating agency.

In advanced economies, rating agencies are important sources of economic information. Demand for the services of such agencies is very high. Information provided is actively used by clients, investors and regulators.

Thanks to the research of such agencies, as well as to information disseminated, customers of commercial banks can choose a more reliable bank and as a result more favorable conditions with less risks.

Investors rate the reliability and calculate all risks associated with investment, and public authorities are guided by the corporate governance ratings and other related information.

There is a question about the level of transparency of the information provided. In connection with the global financial crisis, the rating agencies suffered from massive criticism. International rating agencies must fully disclose the main risks of large financial institutions. In today's global economic practice the level of transparency of their activities and actively enhanced control over the rating agencies are constantly increasing. Even though the rating agencies started to develop in Kazakhstan not so long ago commercial banks in Kazakhstan often use their services. With the introduction of the category "rated debt securities" – rating became the key issue. The institution of rating agencies greatly improves the efficiency of the financial market and is a very important part of its infrastructure (Khejnsvoort, 2009).

Organizational support for corporate relations in banking operates through preparation of highly qualified specialists in the field of corporate relations, including

accountants, auditors of corporate relations ratings, independent directors, specialized analysts, leaders of special training programs to improve their skills. At the moment, in Kazakhstan the number of specialists in the field of corporate relations is extremely small. Training of professionals in this field requires involvement of foreign experts, as well as development of new courses and programs with accumulating experience of the global financial markets (King and Kliland, 1982).

Increasing the level of knowledge in the field of corporate relations can provide the following advantages:

1. Strategic decisions in banking should be made by qualified managers who understand the corporate system and financial risks, which are most susceptible to banking. It is necessary to consider the interests of customers, shareholders and the state while taking effective and correct decisions.

2. Experienced auditors of the banking sector can prevent the loss of funds during loan operations; increase the quality of the loan portfolio, which in turn can affect property prices and economic stability in general. Auditors check the decisions of independent directors.

3. In contemporary banking system, there is a lack of competent analysts of credit and other financial risks. Analyst has to check the quality of corporate governance of the bank, to analyze changes in corporate environment.

4. Qualified experts should conduct teambuilding and train employees to find creative solutions, identify leaders in teams, strengthen the corporate spirit and improve teamwork (Mehra et al., 2011).

One of the most important processes in the development of corporate relations strategies in banking is the development of banking information systems and technologies. Effective banking is not possible without the use of advanced information technologies.

Development of advanced banking technology is one of the most important processes in organizational support of corporate relations in the sector. Widespread use of high-speed Internet allows using such banking products like Internet banking. This technology enables remote banking services in which access to accounts and operations is available at any time and from any computer with Internet access. Wide range of services, efficiency, simplicity and safety of use makes this type of banking services one of the best looking (Kibanova, 2001).

This not only increases the speed of documents processing and cash transactions, but can also attract the maximum number of consumers of banking products. Development of information technology makes it possible to reduce greatly the distance between clients and commercial banks. These factors significantly increase competition among banks, therefore, contributes to the development of banking services, both in quantitative and qualitative aspects (Yasenev, 2007).

Today's banking information systems require extensive use of group and team work: email and video conferencing, document management and access to different databases. The basis for the automation of the banking system is storage media and data access, which provide a reliable level of storage and access efficiency. Information should also be protected from unauthorized access (Hrabrova, 2000).

Another key process in organizational support of corporate relations in banking is improving the effective dissemination of corporate information. Financial market

demands banking information of various kinds. Regular users of information are shareholders/investors, banks' customers and public authorities. Commercial banks are widely used as information collected specifically to address current and strategic objectives, as well as already existing in different organizations, which can be used to solve long-term and short-term goals of banking business (Table 1).

Table 1. The components of the information infrastructure of the banking business

Direction of information	Information content	Information providers
Information that provides banking operations, including passive operations	Data on the level of income and savings of citizens, the state of demand for deposit services of banks, data on available cash funds of legal entities, data on bank deposits, the direction of monetary policy, the weighted average interest rates on borrowed funds	- statistical agencies; - marketing agencies; - National Bank
Loan operations	Information about the borrower and its financial condition, credit history of the borrower, the data on the borrower's business activities, income data, data on the value of collateral et al.	- LP «First Credit Bureau»; - tax authorities; - pension funds; - independent appraisers; - marketing agencies
Operations at the financial market	Securities prices, exchange rates, information about the issuer	- National Bank; - rating and information agencies; - founders of the currency and equity marketplaces
Information on the providing financial management of the bank	Macroeconomic indicators, reserve and other requirements of the National Bank's monetary policy, indicators of the banking market, audit data. Financial and management consulting	- National Bank; - information agencies; - auditors; - consulting companies; - statistical agencies
Information on personnel management in the bank	Quantity and quality of available staff	- employment agencies; - educational institutions; - consulting companies; - statistical agencies
Marketing information	The state of demand at the market, market supply data on competitors, macroeconomic and microeconomic indicators	- National Bank; - statistical agencies; - marketing agencies; - consulting companies; - information agencies

Source: Developed by the author based on the data (Petrov, 2006: 267).

Important elements in the dissemination of information include professional associations and unions. Association of Financiers of Kazakhstan (AFK) interacts effectively with commercial banks and the National Bank. For example, the AFC sends letters with a description of the most common errors and infringements in financial institutions. This information is delivered in order to increase the efficiency

of financial market participants as well as reducing the number of cases of violation of the laws of the Republic of Kazakhstan.

Media are among the main distributors and sources of information in banking business such as print and electronic publications, television and radio. Users of this information are mainly customers of banks.

Higher education institutions are also involved in collection and dissemination of such information. Thanks to continuous data collection, updates, scientific papers and articles, the distributed information is very useful for banks and government regulators. Universities tend to accumulate a wealth of information useful for theoretical analysis of corporate relations, as well as for practical use in the development of banking strategies.

Conclusions. There are departments for the dissemination of information inside commercial banks. Such departments are generated by some banks engaged in collection and analysis, as well as actively disseminating relevant and useful information for consumers. Having experienced staff such departments can analyze necessary data to give their professional assessment and forecast.

Ensuring proper organization of corporate relations has enormous advantages for the banking sector and financial system of Kazakhstan. Assessment of corporate governance quality, training of qualified specialists, development of new banking technologies, improving the quality of dissemination of corporate banking information allow the banking sector reach a new level of competitiveness and actualize the strategy of Kazakhstan in becoming one of the developed countries in the world.

Organizational support is the engine of banking business, increasing the level of information access to consumer banking products and services. Proper organizational structure will reduce the risk of shareholders and increase their income, taking into account the interests of the government regulatory bodies.

The conducted research on strategic directions with corporate relations in banking of Kazakhstan shows that the development of effective corporate relations must take into account the role of the state, quality of corporate governance, formation of high-grade corporate infrastructure. All this would lead to progressive changes in the banking system of Kazakhstan and set up effective cooperation of all participants of corporate relations.

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Стаття надійшла до редакції 23.12.2014.