

Kazakhstan

A developed market with few institutional constraints

The Kazakh banking landscape is characterised by a clustering of domestic and foreign bank branches in Astana and Almaty and along the border with Russia, Kyrgyzstan and Uzbekistan (Chart 1). Between 2007 and 2011 private and especially state-owned foreign banks have become more important players in the market for loans to small and medium-sized enterprises (SMEs) and large enterprises.

A dearth of credit demand, including a lack of creditworthy customers, is currently cited by banks as the main constraint to their lending. Kazakh banks often mentioned they benefited from participation in specialised lending programmes of the government and international agencies to support bank lending to micro, small or medium-sized enterprises (MSMEs). Compared to other CIS countries, Kazakh banks have developed a relatively streamlined lending process with fewer hierarchical layers for both SME and large enterprise loan applications than any other country in the region (Chart 2).

All the foreign bank subsidiaries operating in Kazakhstan mentioned that their parent banks set their annual credit growth targets. Furthermore, these subsidiaries also typically agreed that their parent bank influence is “important” or “very important” in their strategic choice of clients and their corporate governance. Foreign-owned banks in Kazakhstan do currently not rely much on wholesale funding, be it internationally or nationally, when experiencing unexpected shortfalls in funding. This likely reflects the continuing difficulties Kazakh banks have in accessing the international wholesale markets since the financial crisis started to affect the country halfway through 2007 (Chart 3).

When respondent banks in Kazakhstan were asked how long they expected out-of-court enforcement of collateral would take in the event of a loan default, the median answer was 3.5 months, the highest in the region (Chart 4). Concerning court enforcement of collateral, banks reported the process lasting over 10 months on average. It is therefore no surprise then that only 27 per cent of surveyed Kazakh banks “agree” or “strongly agree” with the statement that the court system is quick and efficient.

Chart 1 Bank localities by ownership

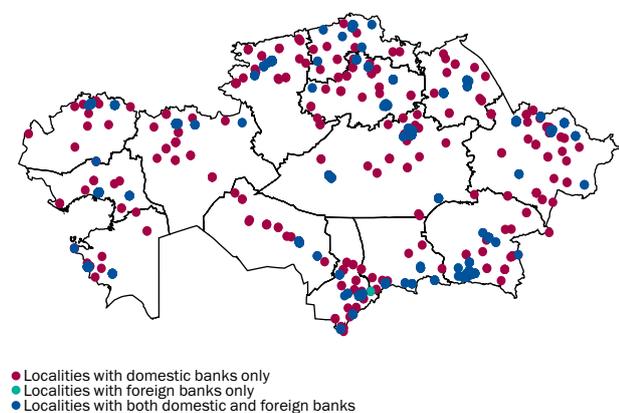


Chart 2 Minimum, average and maximum loan approval layers

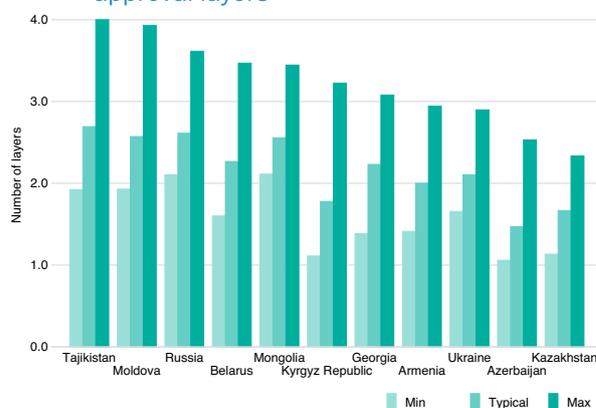


Chart 3 Funding sources in unexpected shortfalls

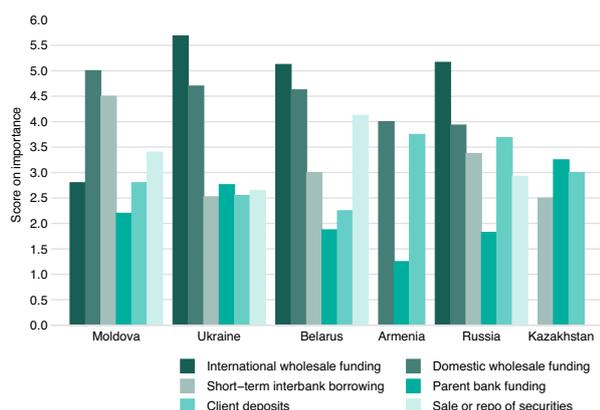


Chart 4 Time taken for out of court enforcement of security over collateral

