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336.713.2**FINANCIAL MODELING ESTIMATION OF ACTIVITY OF FOREIGN BANKS FOR THE DEVELOPMENT OF THE NATIONAL ECONOMY****GULBAKHYT KALIYEVA, ZARINA EYSZHANOVA***Kazakh University of Economics, Finance and International Trade, Astana, Kazakhstan*

The article examines the effectiveness of the operations of banks non-residents in Kazakhstan. Performance assessment of non-resident banks in the local banking market is based on the indicators of the system of national accounts, and includes three stages of analysis: evaluation of the impact on real economy, estimation of performance of the intermediation function of a bank and the assessment of the bank's stability.

In the present day circumstances all countries in the world experience the impact of the dynamic processes of globalization and integration. It differs from country to country: these processes have a considerable, often adverse, impact on developing countries, as indicated by some prominent economists, for example, J. Stiglitz [1]. Promotion of regional economic integration in its essence is considered only with regard to trade and partly investment cooperation. At the same time, undeservedly less attention is paid to the activities of commercial banks as to important financial intermediaries participating in the replenishment process. In these circumstances, it is important to analyze the issues associated with the improvement of performance efficiency of non-resident bank in the Kazakhstan banking sector.

The object of the research is Russian banking capital in the Kazakhstan market. The choice of the object has been determined by the following pre-conditions:

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- Integrated economic development of the two countries that provides for mutual commercial, economic, and cultural relations;
- The transition of both countries to the innovative model of economic development and restructuring of the national economy;
- Growing congruence between two countries with regard to the level of socio-economic development, selected models and resources for economic development;
- Cooperation between the countries under discussion in the field of the planned synchronization of the WTO accession process;
- Development of the legal and institutional infrastructure for establishment of the common financial area between the two counties;
- Functioning of the Customs Union since 1 January, 2010, and other factors [2, 3, 4, 5, 6].

Financial premises for the development of the favorable environment for participation of the Russian banks in the Kazakhstan market include:

- Uniformity of taxation systems of both countries, establishment of the national taxation systems on the basis of the Tax Code and their unification, identical elements in the taxation systems, coordinated reforms of the taxation systems;
- Considerable uniformity in the field of state finances: codification and harmonization of budgeting legislation on common principles;
- Current macroeconomic indicators pointing at the convergence of the economic development trends in the two countries: inflation rate, average weighted rate on long-term loans, public debt, etc. The level of development of the two countries is similar considering basic economic indicators;
- Provision of sufficient economic stability as a necessary premise for implementation of coordinated structural reforms of the economies of the two countries;
- Transition of the economies of both countries to the innovative development model and establishment of the common innovation space based on the usage of production, intellectual, technical and scientific potential of two states;
- Harmonization and unification of customs tariff policies aimed at support of new manufacturing enterprises and increase of investment potential of particular industries and agriculture.

The aim of the article is to investigate the impact of the activities of non-resident banks on the national economy and to develop an adequate methodology for their efficiency assessment.

Performance assessment of non-resident banks in the local banking market is based on the model developed by the authors. The model is based on the indicators of the system of national accounts. The object of study is Russian commercial banks operating in the Republic of Kazakhstan. In the study, we identified the major factors contributing to the development of Russian banks in the financial market of the Republic of Kazakhstan. These preconditions include the following: integration economic development of the two countries and other factors.

Theoretical and methodological framework of the present research is based on the theories of credit relationships and publications on the issues of cooperation in integration processes. The research methodology is based on the application of dialectical logic, systemic economic approach, comparative analysis, and some methods of statistical and market analysis, etc.

The empirical basis of the present study is formed by laws and regulations, official statistical data, as well as scientific publications on the theme of the present research.

The research methods used in this paper are: systematic approach, statistical, logical, and comparative analysis of the scientific literature, the analysis of bank annual reports. The analysis revealed that the Russian banks in Kazakhstan are actively encouraging the sphere of circulation, increasing inflation in the country. The Russian banks in Kazakhstan contribute to increase of redistribution of incomes, but do not develop the real sector and its innovation component in the Republic of Kazakhstan.

Stimulation of the development of regional cooperation among the banks of the two countries is based on the establishment and improvement of the relevant legal and institutional framework (Fig.1).

It should be noted that certain cooperation experience in the field of banking policies has been gained by both counties. This cooperation is exposed in the following forms of interaction [7]:

- An agreement within the framework of bilateral relations between the National Bank of Kazakhstan and the Central Bank of Russia: Memorandum of Understanding on Banking Supervision signed on 18 June, 2008. It determines interaction conditions and mechanisms in the field of information exchange, licensing, monitoring, supervision, combating money laundering, etc.
- Cooperation within the framework of international organizations.



Fig. 1. Legal and institutional framework for the presence of Russian banks in Kazakhstan

The banking system is a sophisticated object to study [8, 9]. There are different ways and a multitude of measures used to assess bank performance, which can be applied for different purposes and information needs. Retrospective analysis of numerous works on the performance measurement shows that the most interesting and relevant to the banking sector, in our opinion, is the theory of Joseph Sinkey [10]. He notes several different although related performance criteria: efficacy, cost efficiency, profitability, quality, innovation, and others.

Both systematization of bank performance assessment methods and advantages of analytical tools based on the System of National Accounts are the methodological basis for the development of a model for evaluating the effectiveness of the operations of Russian banks in Kazakhstan. Moreover, their effectiveness should be linked to the role of the Russian banks in facilitating the socio-economic development of the republic. The approach proposed is to measure the economic impact of non-resident banks. It is characterized by a systemic approach to the analysis of the health of the economy through the prism of the cash flows. The authors applied the models of calculation of macroeconomic indicators included in the system of national accounts for estimation of their analogs on a bank level such as bank's gross output, intermediate consumption and gross value added. Bank's gross output is composed of two elements: bank's income from fees and commissions and service income.

Intermediate consumption is equal to the value of goods and services, transformed or totally consumed in the current process of production. The intermediate consumption does not include consumption of fixed capital. The indicator is calculated on the basis of income statement.

Gross value added is calculated as the difference between bank's gross output and intermediate consumption.

This usually includes construction, equipment and renovation of office space, purchasing office equipment and computers, vehicles, communications equipment, alarm systems, etc. Banks may also invest in securities, land, and other assets.

The purpose of these investments is the creation of long-term stocks of highly liquid assets which are not subject to inflation. However, the indicators cannot be fully used as a criterion for assessment of effective operation of non-resident banks on the local banking market. Additional performance indicators should be taken into account while assessing the operations of non-resident banks. The authors propose the following approach to the analysis.

Currently used indicators of the banking system of Kazakhstan are proposed to be taken as a starting point in the analysis evaluation of the impact on real economy, estimation of performing of intermediation function of a bank, assessment of the bank's stability.

We have defined the following requirements for the selection of these indicators:

- correspondence with the goals and objectives of the analysis,
- relationship between general and specific performance indicators,
- focus on objective and holistic assessment.

The main influence of banks on the real economy through indicators of banks' contribution to the formation of the gross domestic product and their ability to serve the real economy are considered in the first phase of the proposed method.

The impact of non – resident banks on the economic development of the resident countries is manifested through their participation in the financing of investment projects, lending to manufacturing and service sectors, considering loans granted to the real sector to, bank assets to and bank capital to ratios.

In the process of research the following results have been obtained:

- the existing differences between the countries with regard to their legal and institutional framework of economic activity, standards, monetary, taxation and customs legislation to a certain extent impede the

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development of mutual trade and investment relations. It should be particularly stressed that the presence of differences in legal and institutional frameworks of economic activity may facilitate the transfer of certain forms of business activity to the countries with more favorable conditions;

– exogenous and endogenous factors conditioning penetration of the Russian banking capital to the Kazakhstan banking market have been discovered and systematized;

– institutional environment of the activities of the Russian banks in the Kazakhstan banking market has been determined;

– assessment of the impact of non-resident bank activities on the economy of Kazakhstan has been performed on the basis of the methodology developed by the authors, which demonstrated low efficiency of non-resident bank activities in the Kazakhstan market;

– research results demonstrate that non-resident banks (on the basis of the case study of the Russian banks) in Kazakhstan take an active part in redistribution of income and stimulation of circulation, thus promoting inflation factors within economy;

– the factors conditioning the drain of internal resources of the resident country to the foreign countries have been determined, in essence, national resources stimulate the development of the economies of other states.

Within the discussion issues the problem of assessment of the performance efficiency of non-resident banks in the domestic market and their impact on the development of the national economy has been put forward. In this regard main attention has been devoted to the need to stimulate the real sector of the economy and innovative production by non-resident banks.

The analysis conducted has demonstrated that there are cases of incongruence in the time of inflow and outflow of funds, and cases of lack of liquid assets necessary to cover disparities in cash flows, which has an adverse impact on the bank liquidity. Thus, Liquidity Coverage Ratio should be set as a tool to monitor liquidity. It is vital to impose such norm on non-resident banks due to the fact that they manipulate with domestic resources of resident countries.

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BUSINESS PROCESSES. MODELING AND MANAGING

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The definitions of management and business process modeling are presented in the article. It also deals with properties and functions of business models and provides reference abstract model of business processes. Examples of making models are drawn. Modeling value to optimize production is described.