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## **PERSPECTIVES OF CONSUMER LENDING IN KAZAKHSTAN**

**Abstract.** Consumer lending is a critical aspect of the modern economy, providing individuals with access to credit for various purposes. As we look towards the future, it is essential to understand how consumer lending may evolve and what factors may shape its development. This survey aimed to gather perspectives on consumer lending in the future, including potential trends, concerns, and preferences. It is very important because the volume of consumer lending in Kazakhstan has increased rapidly in last 5 years.

The survey found that the majority of respondents were likely to use consumer lending services in the future, and they expected to see more personalized lending options, increased use of AI and machine learning in lending decisions, and more competition between lenders leading to lower interest rates. However, respondents also expressed concerns about potential risks associated with lending, such as high interest rates and debt accumulation, and were not sure on the potential popularity of alternative lending options.

When it comes to choosing a lender, respondents considered reputation of the lenders more than other factors, it shows that goodwill of lenders more important than other factors in choosing a lender. Finally, respondents were divided on how the COVID-19 pandemic has impacted consumer lending, with some expecting tighter lending requirements and higher interest rates in the future, while others anticipated more lenient lending requirements and lower interest rates.

Overall, these findings underscore the complex nature of consumer lending and the importance of considering multiple factors when assessing its development in the future.

The research paper uses qualitative research method, if more accurately, author used a survey method to know the opinions of people about what they think about future of consumer lending in Kazakhstan.

**Keywords:** consumer lending, survey, perspectives of consumer lending, consumer debt, interest rate.

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**Аңдатпа.** Тұтыну несиесі – жеке тұлғаларға әртүрлі мақсаттар үшін несиеге қол жеткізуді қамтамасыз ететін заманауи экономиканың маңызды аспектісі. Болашаққа қарай отырып, тұтынушылық несиелеудің қалай дами алатынын және оның дамуын қандай факторлар қалыптастыра

алатынын түсіну өте маңызды. Бұл сауалнама болашақта тұтынушылық несиелеуге қатысты перспективаларды, соның ішінде ықтимал үрдістерді, алаңдаушылықтарды және артықшылықтарды жинауға бағытталған. Бұл өте маңызды, өйткені соңғы 5 жылда Қазақстанда тұтынушылық несиелендіру көлемі қарқынды өсті.

Сауалнама респонденттердің көпшілігінің болашақта тұтынушылық несиелеу қызметтерін пайдалануы ықтимал екенін көрсетті және олар несиелеудің жекелендірілген нұсқаларын, несиелік шешімдерді қабылдау кезінде AI және машиналық оқытуды пайдаланудың жоғарылауын және пайыздық мөлшерлемелердің төмендеуіне әкелетін несие берушілер арасындағы бәсекелестіктің күшеюін күтеді. . Алайда респонденттер жоғары пайыздық мөлшерлеме және қарыздың жинақталуы сияқты несиелеуге байланысты ықтимал тәуекелдерге қатысты алаңдаушылық білдірді және несиелеудің баламалы нұсқаларының әлеуетті танымалдылығына сенімді емес.

Несиe берушіні таңдауға келетін болсақ, респонденттер несиe берушілердің беделін басқа факторларға қарағанда көбірек қарастырды, бұл несиe берушіні таңдауда басқа факторларға қарағанда несиe берушілердің гудвили маңыздырақ екенін көрсетеді. Соңында респонденттер COVID-19 пандемиясының тұтынушылық несиелендіруге қалай әсер еткені туралы екіге бөлінді, олардың кейбіреулері болашақта несиелендіру талаптарының жоғарылауы мен жоғары пайыздық мөлшерлемелерді күтсе, басқалары несиe берудің неғұрлым жұмсақ талаптары мен төмен пайыздық мөлшерлемелерді күтті.

Тұтастай алғанда, бұл тұжырымдар тұтынушылық несиелеудің күрделі сипатын және оның болашақта дамуын бағалау кезінде көптеген факторларды ескерудің маңыздылығын көрсетеді.

Зерттеу жұмысында сапалы зерттеу әдісі қолданылды, дәлірек айтсақ, автор сауалнама әдісі арқылы адамдардың Қазақстандағы тұтынушылық несиелендірудің болашағы туралы пікірін білу үшін пайдаланған.

Түйін сөздер: тұтынушылық несиелеу, сауалнама, тұтынушылық несиелендіру перспективалары, тұтынушылық қарыз, пайыздық мөлшерлеме.

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**Аннотация.** Потребительское кредитование является важнейшим аспектом современной экономики, предоставляя физическим лицам доступ к кредитам для различных целей. Глядя в будущее, важно понимать, как может развиваться потребительское кредитование и какие факторы могут влиять на его развитие. Это исследование было направлено на то, чтобы собрать точки зрения на потребительское кредитование в будущем, включая потенциальные тенденции, опасения и

предпочтения. Это очень важно, так как объем потребительского кредитования в Казахстане за последние 5 лет резко увеличился.

Опрос показал, что большинство респондентов, вероятно, будут пользоваться услугами потребительского кредитования в будущем, и они ожидают увидеть более персонализированные варианты кредитования, более широкое использование ИИ и машинного обучения при принятии решений о кредитовании, а также усиление конкуренции между кредиторами, что приведет к снижению процентных ставок. Однако респонденты также выразили обеспокоенность потенциальными рисками, связанными с кредитованием, такими как высокие процентные ставки и накопление долга, и не были уверены в потенциальной популярности альтернативных вариантов кредитования.

Когда дело доходит до выбора кредитора, респонденты считают репутацию кредиторов более важными факторами, чем другие факторы, это показывает, что доброжелательность кредиторов важнее других факторов при выборе кредитора. Наконец, респонденты разделились во мнениях относительно того, как пандемия COVID-19 повлияла на потребительское кредитование: одни ожидали более жестких требований к кредитам и более высоких процентных ставок в будущем, в то время как другие ожидали более мягких требований к кредитам и более низких процентных ставок.

В целом эти выводы подчеркивают сложный характер потребительского кредитования и важность учета множества факторов при оценке его развития в будущем.

В исследовательской работе используется метод качественного исследования, если точнее, автор использовал метод опроса, чтобы узнать мнение людей о том, что они думают о будущем потребительского кредитования в Казахстане.

**Ключевые слова:** потребительское кредитование, опрос, перспективы потребительского кредитования, потребительский долг, процентная ставка.

### *Introduction*

Consumer lending has been an essential component of modern economies for decades, providing individuals with access to credit to purchase goods and services they may not be able to afford otherwise. As technology advances and the financial industry evolves, the future of consumer lending is constantly evolving, offering new opportunities and challenges.

In the coming years, consumer lending is expected to undergo significant changes, including the increasing use of technology to improve access to credit, the development of new lending models, and the impact of changing regulatory environments. These changes are likely to have far-reaching implications for consumers, financial institutions, and the economy as

a whole. On July 12 of 2022, the President Kassym-Zhomart Tokayev signed the law "On introducing amendments and additions to certain legislative acts of the Republic of Kazakhstan on the regulation and development of the insurance market and the securities market, banking activities". This law making some restrictions to the commercial banks, because they will can not give a money, if the share of debt burden is more than 50%.

Consumer lending has grown significantly in Kazakhstan in recent years, driven by increasing demand for credit from individuals and households. This trend is not happening only in Kazakhstan, but a lot of countries with capitalistic ideology have met this tendency (Guttmann R., 2008). So, Kazakhstan after gaining independence have changed their policy from communistic view to capitalistic as it was more effective and perspective at that moment. According to the National Bank of Kazakhstan, consumer lending increased by 41% in 2022, next year, in 2023, the growth rate made up 32%, despite some parts of these economic challenges posed by the COVID-19 pandemic. However, other neighbor countries as Russia, Azerbaijan and Belarus also showed positive trends of consumer lending (Pisaryov P.V., 2019)

This research aims to know the opinions of people from different regions, different age groups and from different income levels about the condition of consumer lending in Kazakhstan and about the future and perspective of consumer lending in state.

**Research Problem.** The main problem of consumer lending in Kazakhstan is the absence of effective regulatory system or instruments. Consumer lending has increased rapidly in last five years. But in parallel, the volume CPI and inflation also increased. So, the increasing volume of consumer lending let to businesses to increase their price for goods and services, and it let other structures to change their price and expenses. This domino effect in Kazakhstan, happening from independence period make rich class richer and increase the difference between low-income class. So, the regulation, if more correctly, the absence of effective regulation is main problem in Kazakhstan.

Research question is what future and changes are waiting the consumer lending sector in Kazakhstan.

The data is qualitative, the survey method were used. The data has taken from survey made by author. 783 respondents participated in survey of 7 questions.

### *Literature Review*

The role of banks and consumer lending has increased rapidly since 2008 while the financial crisis happened around the world. A lot of countries have seen the effect of this little element in finance and a lot of economists understood the power of consumer lending in economics. Even if they tried to take it in their hands, a lot of countries have started to increase the volume and

share of consumer lending year by year, quarter by quarter. Many banks and financial institutions lent money to individuals who could not afford to repay their loans, which ultimately led to a collapse of the housing market and a significant economic downturn. Not looking to the 2008 global financial crisis, governments around the world introduced new regulations aimed at reducing the risks associated with consumer lending. These regulations focused on promoting responsible lending practices and protecting consumers from predatory lending practices (Konakbaev, 2009; Brown & Haughwont & Lee, 2013; Kolesnikov, 2016; Paul & Weiss, 2018). One example of such regulations is the Consumer Financial Protection Bureau (CFPB) in the United States. The CFPB is responsible for enforcing consumer protection laws and ensuring that financial institutions are following responsible lending practices. The CFPB also provides consumers with information and resources to help them make informed decisions about their finances (Rimkus, 2016).

The survey made by Mamedli and Sinakov showed that the 55 percent of all respondents never applied for loans in last 5 years. The greatest potential for taking loans is in the middle-income groups and their share is increasing by age. Authors take the data from Study of Financial Behaviors and Savings Habits of the Russian population from 2013 to 2015. The main descriptive statistics that allow to draw an initial and general information of Russian households in terms of their revenues (income), expenditures (expenses), savings, financial assets and debt burden are provided in the materials published by the Ministry of Finance (Mamedli & Sinakov, 2017).

The modern financial stability and sustainability directly correlated with consumer lending and with the actions of commercial banks. However, author is saying that if we look deeper, we will see the high relation with not only financial stability, also economics of Russian Federation and other post-soviet countries. It's proved with economical with economical instability, change in model of consumer behavior and with unfairly big and increasing difference between high income group and others. Additionally, the author's survey showed that the volume of consumer lending will increase for 5-10% year by year acceleratory (Ternovskaya, 2018).

Modern consumer lending is a complex system with a lot of blocks and degrees. Consumer lending has undergone significant changes over the past decade, with the rise of digital lending platforms and fintech companies disrupting traditional lending practices. These changes have brought about new challenges and opportunities for lenders and borrowers alike. In recent years, there has been a growing interest in personalized lending options, with lenders leveraging data analytics and machine learning to offer tailored lending solutions to borrowers. This trend is expected to continue in the future, with more personalized lending options becoming available to consumers. The survey showed that the role of consumer lending will increase by time and it will be very important for entire economics of states and the role of machines

and led platforms will increase until they will not be automatized fully (Kaminskyi, 2019; Kravchenko, 2022).

Also, one researcher made a survey and make an analysis of condition in commercial bank located in Russian Federation – Sberbank. The survey showed that the relation between volume of consumer lending and debt of households is 0.864, while the relation between income of households is 0.855, and the last, the relation between GDP is 0.898. Respondents said that Sberbank needs serious changes in their structures and also, they need modernization with strict bank elements and models (Markova, 2020).

However, the researchers before and respondents didn't know about the prospective accidents. COVID-19 has also had a significant impact on consumer lending, with many lenders tightening their lending requirements and increasing interest rates in response to economic uncertainty. However, the pandemic has also highlighted the importance of digital lending platforms and contactless lending options, accelerating the adoption of these technologies. The opinions of respondents after COVID-19 has become more negative about future and about perspective of consumer lending. About 71% of respondents think that the increasing level of debts of all sectors, additionally consumer lending will bring to recession (Haslehurst & Ward & Wong, 2021).

Another key trend in consumer lending is the increasing importance of alternative lending options, such as peer-to-peer lending and crowdfunding. These platforms offer borrowers an alternative to traditional lending sources and provide lenders with new investment opportunities. However, the popularity of these options remains uncertain, as some individuals express concerns about the potential risks associated with these platforms (Kudnova & Surai, 2022).

Overall, the researches suggest that consumer lending is a complex and rapidly evolving industry, influenced by a variety of factors, including technological advancements, changing consumer preferences, and economic conditions. This survey aimed to gather insights into the perspectives of individuals regarding consumer lending in the future, providing a valuable contribution to the existing literature on the topic.

### *Results*

In this survey, a total of 783 respondents participated, providing insights into their perspectives on consumer lending. The most part of respondents, if concretely, about 660 respondents are between 18-24 ages. 82 of respondents between 24-30 ages. 18 of respondents between 30-40 ages and 23 of them between 40 and more. The next variable is income group of respondents. The shark part of respondents, 265 of them are earning between 100000-180000 tenge per month. 235 of them earning between 180000-250000 tenge per month. 144 of them are earning between 250000-400000 tenge per month. 93 of them are earning more than 400000 tenge per month and only 46

of them earning less than 100000 tenge per month. Consumer debts have only in 553 of respondents, and 230 of them have not get or take consumer lending in last 3 years.

Based on the survey by the author, the 305 of respondents are choose very likely to use consumer lending services in future. 226 of respondents not sure about this question, 214 of respondents choose likely button. Others, 14 of respondents choose unlikely and 24 of them choose very unlikely.

346 of respondents think that increased use of AI and machine learning in lending decisions are the main way and trend of consumer lending in future. 221 of respondents thinking that commercial banks will use more personalized lending options. 163 of respondents thinking that banks will give more lenient lending requirements. 52 of them thinking that increased competition between lenders leading to lower interest rates, only 1 respondent thinks that it will be like in China's economy with high regulation.

Despite of this, respondents also write their variants to question about the concern of the potential risks associated with consumer lending, such as high interest rates and debt accumulation. 353 of respondents are just concerned with the potential risks associated with consumer lending, such as high interest rates and debt accumulation. 193 of respondents not sure about this. 132 of respondents are very concerned with the potential risk. 84 of respondents are not very concerned and 21 of them did not worry with potential risk.

Next question was do they believe that alternative lending options, such as peer-to-peer lending or crowdfunding, will become more popular in the future, 271 of respondents said that peer-to peer lending, crowdfunding will be not so popular, 176 of them said that it will be popular, but no very popular. 129 of respondents said that it will be just a simple element of alternative lending, and will not be popular. 127 of respondents are not sure about the popularity of peer-to-peer and crowdfunding in future and 80 of respondents thinking that it will be very popular in future.

257 of respondents are thinking that the main factor in choosing the commercial banks or other element of lend institutions is interest rate. Next 228 of respondents are looking to the reputation of lender as main factor, it is goodwill of them. Other 145 respondents think that the main factor is customer service, and if the consumer lenders have good and excellent customer service, they will try to take debt from them. 114 of respondents are looking for loan terms and conditions of lender and last 39 of them said their own opinions, distinct from variants above. But, most of them, about 20 of them highlighted the availability of lend, if the banks or other institutes are giving money for a loan, it is not important, from which place they are taking.

Next question was about the opinion of respondents about the COVID-19 pandemic and its impact to consumer lending, and do they believe these changes will continue in the future. 304 of them are thinking that it has had

little to no impact on consumer lending, and things will return to pre-pandemic conditions in the future. The main reason why a lot of them believe to this scenario is that after one year of pandemic all industries and firms have started work in their previous pre-Covid capacity. 193 of respondents think that it has led to tighter lending requirements and higher interest rates, and these changes will continue. 184 of them think that it has led to more lenient lending requirements and lower interest rates, and these changes will continue. Last 102 respondents have another opinion about the scenario of consumer lending after Covid-19. 50% of respondents think that it has led to more lenient requirements, but because of macroeconomic factors the interest rate will be high.

The last question was not mandatory and was not given in a test-format. Some respondents add that convenience of lending system is very important and it will make consumer lending in Kazakhstan affordable and accessible. Many consumer lending products are convenient and easy to use, such as credit cards and online loans. Led platforms and concurrency in Kazakshtan banks sector is affecting very good to economy and making the bank services more comfort and convenient to people and businesses. That's why it is a right path.

Overall, these findings highlight the complex and ever-evolving nature of consumer lending, with multiple factors influencing its development and future trajectory.

*Conclusion.* In conclusion, this research showed the opinion of randomly selected group of respondents living Kazakhstan about the future and perspective of consumer lending in Kazakhstan. This research suggests that consumer lending and other type of lending is very important to a lot of sectors in economy, not only to economics, but even in regional level, and author asked for a group of people their opinion about the situation happening in our state, and their opinion and thinking about the future condition of consumer lending.

Most of them like our country's consumer lending services. Author is highlighting that even the customers of other countries that came to our country massive are also was excited and wondered with the services that we have got. A lot of respondents think that in future the main direction of our consumer lending trend will be in the increased use of AI and machine learning in lending decisions and even today a lot of commercial banks showing very good and effective uses of machine learning and AI system. Despite of this, a lot of respondents are worried and concerned with the risks creates by the accumulation of debt and high interest rate in state. The number of borrowers that can not pay for the debt are increasing. Next question was about the



popularity of alternative lending options and most of them think that it will not be so popular in future. Also, in Kazakhstan, for customers the main factor while they are choosing the lending institute is goodwill, concretely the reputation of banks. Also, the impact of Covid-19 to economics was high, and consumer lending is no exception. Respondents are thinking that it has had little to no impact on consumer lending, and things will return to pre-pandemic conditions in the future. Overall, the perspective of consumer lending is complex and multifaceted, with many different factors influencing its trajectory in the future.

## Appendix

Figure 1. The descriptive statistics of respondent's information

### Statistics

Variable	N	N*	Percent	Mean	SE Mean	StDev	Minimum	Q1	Median
Age group	783	0	100	1,2388	0,0227	0,6360	1,0000	1,0000	1,0000
Income group	783	0	100	2,9655	0,0397	1,1103	1,0000	2,0000	3,0000
Consumer lending volume	783	0	100	0,7063	0,0163	0,4558	0,0000	0,0000	1,0000

Variable	Q3	Maximum	Mode	Mode
Age group	1,0000	4,0000	1	660
Income group	4,0000	5,0000	2	265
Consumer lending volume	1,0000	1,0000	1	553

Figure 2. Histogram of respondent's age group, income group, consumer lending dummy.

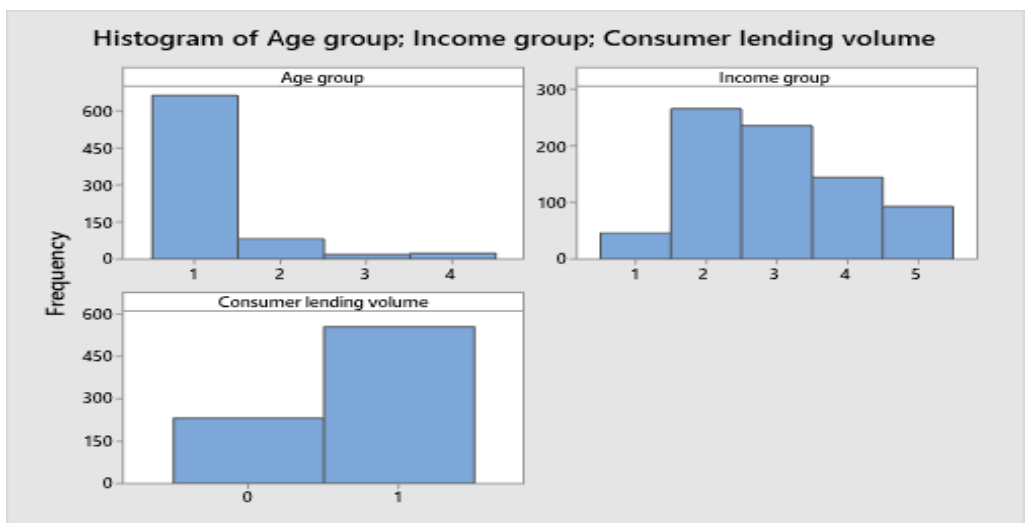


Figure 3. Answer histogram for 1<sup>st</sup> question

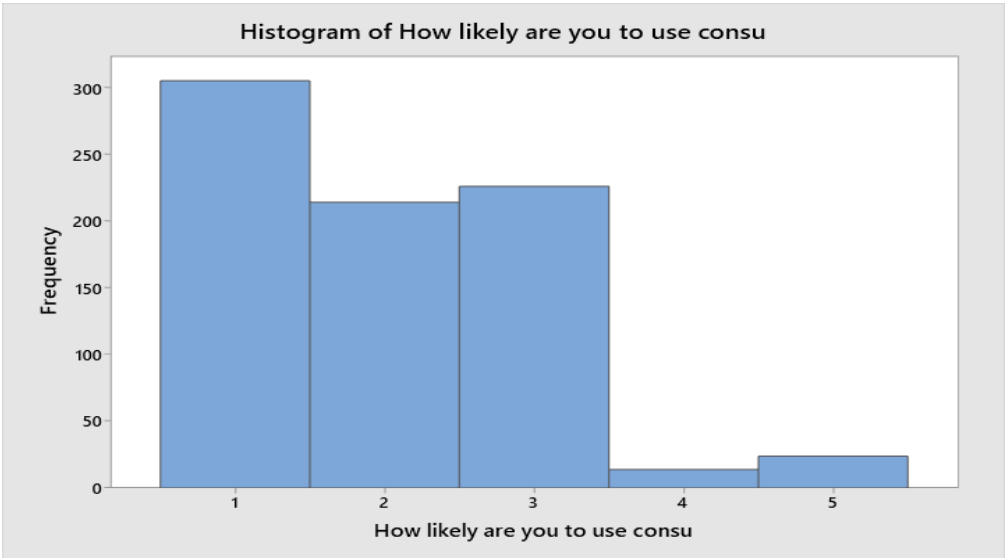


Figure 4. Answer histogram for 2nd question

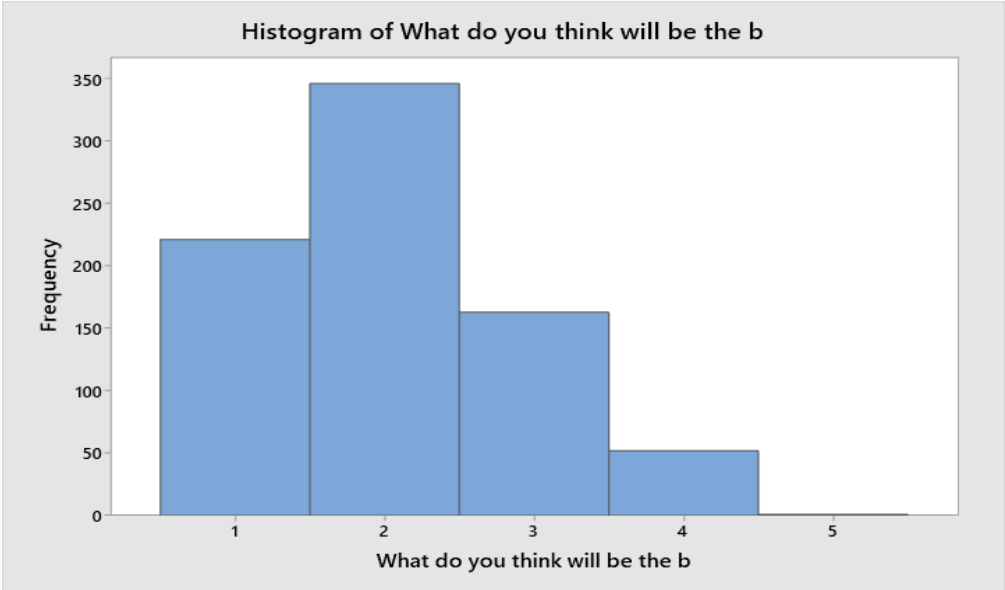


Figure 5. Answer histogram for 3rd question

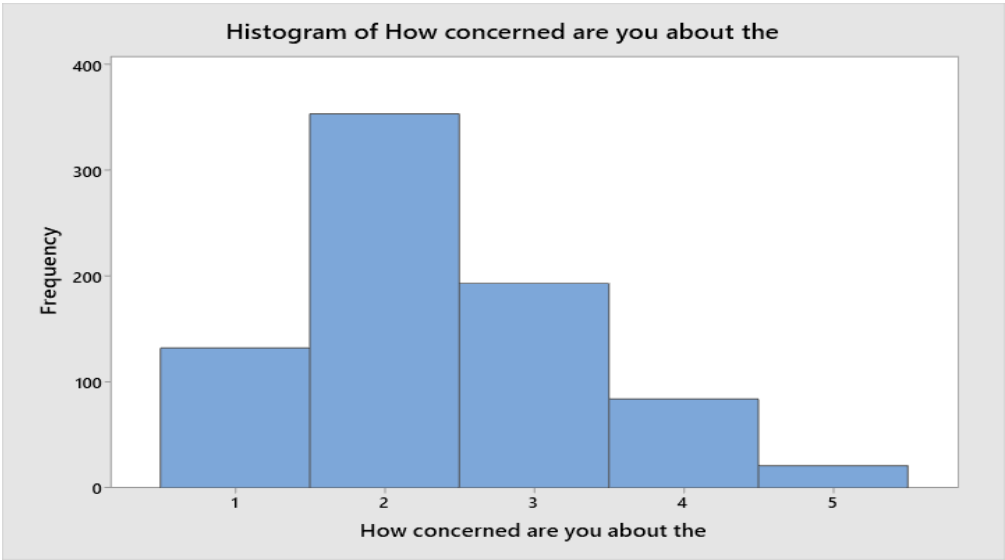


Figure 6. Answer histogram for 4th question

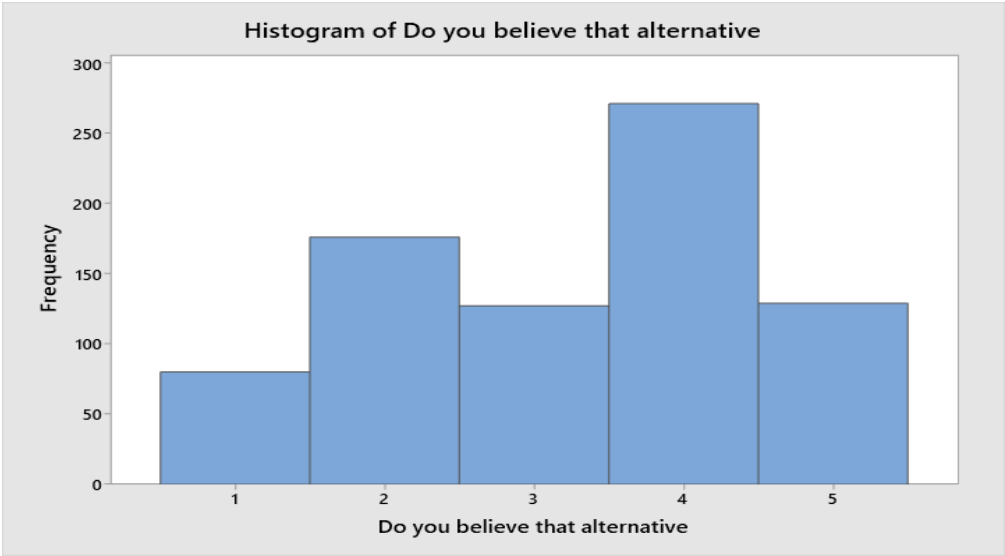


Figure 7. Answer histogram for 5th question

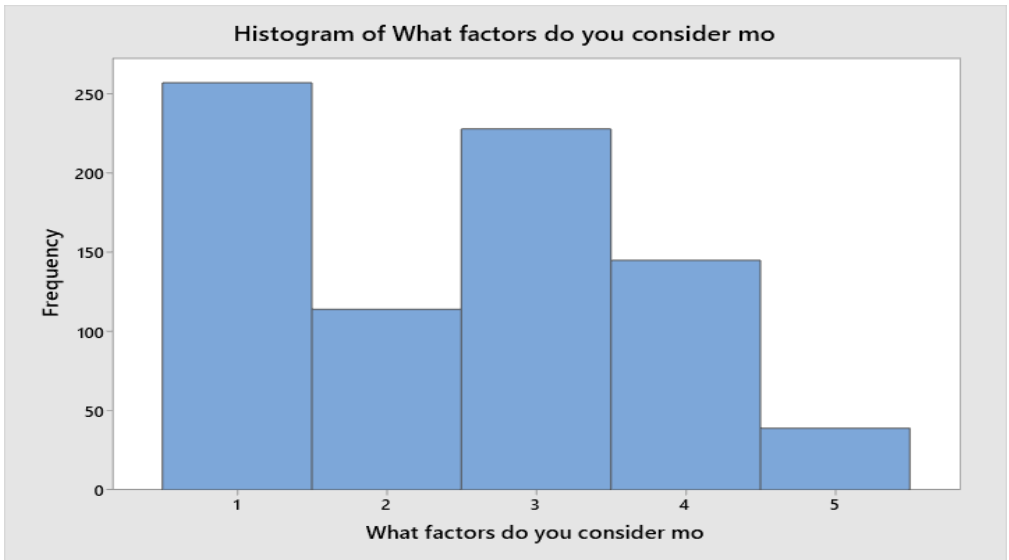


Figure 8. Answer histogram for 6<sup>th</sup> question

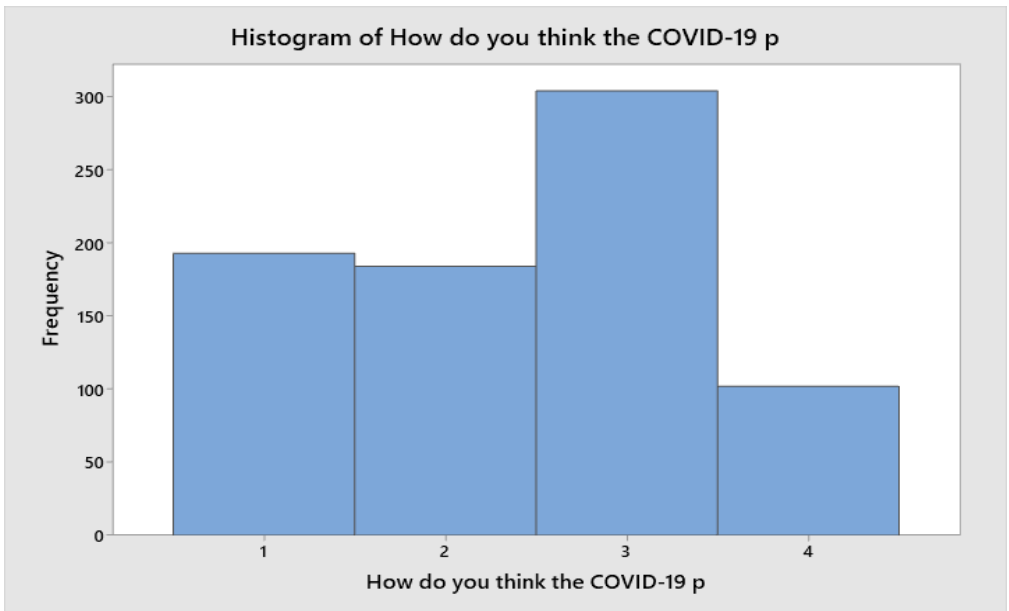


Figure 9. Survey questions with answers

1. How likely are you to use consumer lending services in the future? a. Very likely b. Somewhat likely c. Not sure d. Somewhat unlikely e. Very unlikely
2. What do you think will be the biggest trend in consumer lending in the future? a. More personalized lending options b. Increased use of AI and machine learning in lending decisions c. More lenient lending

- requirements d. Increased competition between lenders leading to lower interest rates e. Other (please specify)
3. How concerned are you about the potential risks associated with consumer lending, such as high interest rates and debt accumulation? a. Very concerned b. Somewhat concerned c. Not sure d. Not very concerned e. Not at all concerned
  4. Do you believe that alternative lending options, such as peer-to-peer lending or crowdfunding, will become more popular in the future? a. Yes, significantly more popular b. Yes, somewhat more popular c. Not sure d. No, not very popular e. No, not at all popular
  5. What factors do you consider most important when choosing a lender? a. Interest rates b. Loan terms and conditions c. Reputation of the lender d. Customer service e. Other (please specify)
  6. How do you think the COVID-19 pandemic has impacted consumer lending, and do you believe these changes will continue in the future? a. It has led to tighter lending requirements and higher interest rates, and these changes will continue b. It has led to more lenient lending requirements and lower interest rates, and these changes will continue c. It has had little to no impact on consumer lending, and things will return to pre-pandemic conditions in the future d. Other (please specify)
  7. In your opinion, what steps can lenders take to make consumer lending more accessible and affordable in the future?

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