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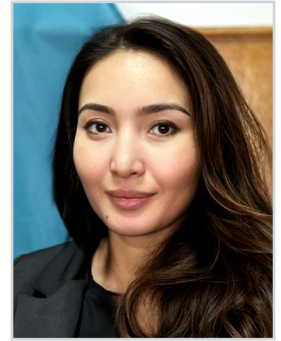
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Technological transformation of the economy: challenges and prospects for the financial sector in Kazakhstan

Abstract. This research investigates the technological transformation of Kazakhstan's financial sector, examining implementation patterns, regulatory frameworks, and economic outcomes. The study addresses critical knowledge gaps regarding digitalization impacts across different financial subsectors, implementation barriers, and institution-specific adoption strategies within Kazakhstan's unique regulatory and market environment during 2021-2023. The research examines relationships between technological implementation intensity and institutional performance while identifying distinctive transformation patterns. The study employed mixed-methods research combining quantitative analysis of financial performance metrics from 27 Kazakhstani financial institutions (representing 83.7% of sector assets) with qualitative assessments from 45 senior executive interviews. Research instruments included a Digital Transformation Index measuring implementation across 37 distinct indicators in four domains (customer interface, operational systems, analytics capabilities, regulatory compliance).
The findings reveal Kazakhstan's financial sector has achieved 57.4% of estimated digitalization potential with significant institutional variation. Payment providers demonstrate the highest implementation levels, while microfinance institutions show the lowest ones. Digital payment adoption increased 186% since 2020, with stark urban-rural disparities (72.3% vs. 31.7%). Institutions in the highest implementation quartile demonstrate 70.8% better profitability metrics and 30.5% improved operational efficiency compared to lowest-implementing counterparts. Implementation challenges include talent scarcity, data quality issues, and integration complexity.

Issaeva, A., Onaltayev, D., Assanova, A., Oralbayeva, Zh., & Kurbanova, K. / Economic Annals-XXI (2024), 210(7-8), 30-42

1. Introduction

Kazakhstan's financial sector demonstrates distinctive technological transformation patterns characterized by institutional heterogeneity within an evolving regulatory framework. This transformation unfolds against Kazakhstan's broader economic diversification imperatives as the nation navigates transition from resource-dependency toward knowledge-economy aspirations. Research examining digital transformation in resource-dependent economies emphasizes distinct transformation mechanics compared to service-oriented economic structures, with resource-dominant nations facing particular challenges in developing complementary technology ecosystems (Alibekova et al., 2020). Kazakhstan's situation reflects these dynamics while presenting unique factors including regulatory innovations, ambitious regional financial leadership goals, and distinctive institutional legacies that collectively create specific transformation conditions not adequately captured in general emerging market models.

Financial technology implementation within Central Asian contexts demonstrates regional patterns that merit separate analytical approaches from other emerging markets. Recent comparative analysis of digitalization across regional systems indicates significant variation in implementation trajectories, with Kazakhstan demonstrating accelerated adoption in specific technological domains while lagging in others (Ziyadin et al., 2020). This uneven development creates institutional challenges requiring carefully calibrated strategies recognizing both global standards and local operational realities. As noted in research focused specifically on Kazakhstan, institutions must navigate between international practice alignment and responsiveness to distinctive domestic market characteristics that render generalized implementation models ineffective (Baimukhamedov, 2022). This tension between international standards and local adaptation necessitates specialized research frameworks sensitive to Kazakhstan's particular ecosystem characteristics.

The technological transformation literature demonstrates conceptual fragmentation requiring precise definitional parameters. Current research employs inconsistent terminology regarding digitalization, digital transformation, and technological innovation within economic contexts (Hanelt et al., 2021). This study adopts the framework from comparative economic analysis defining technological transformation as «the systemic integration of digital technologies fundamentally altering service delivery, operational structures, and market relationships while creating novel economic value propositions» (Tagay et al., 2022).

Critical assessment of existing literature reveals significant knowledge gaps regarding technological transformation in Kazakhstan's economy. Multiple studies examining regional development highlight Kazakhstan's leadership while noting substantial research limitations regarding empirical assessment of technology implementation impacts (Turekulova et al., 2023). Quantitative analysis of implementation costs versus economic benefits remains underdeveloped, with existing studies failing to account for Kazakhstan's institutional configurations and market characteristics. Research has predominantly focused on specific sectors while neglecting broader economic integration that collectively represents a substantial portion of Kazakhstan's value creation (Kireyeva et al., 2022). Furthermore, existing literature inadequately addresses the tension between innovation implementation and regulatory compliance within Kazakhstan's evolving supervisory framework.

Kazakhstan's position between major economic regions creates distinctive cross-border dimensions affecting technological transformation. Research analyzing technological harmonization challenges across Eurasian markets demonstrates how Kazakhstan's institutions navigate complex multi-jurisdictional technology integration requirements that present unique coordination challenges (Otarbayeva et al., 2024).

Digital inclusion represents both motivation for and consequence of technological transformation, with particular relevance to Kazakhstan's geographically dispersed population. Research examining inclusion impacts across the region demonstrates divergent patterns comparing

Issaeva, A., Onaltayev, D., Assanova, A., Oralbayeva, Zh., & Kurbanova, K. / Economic Annals-XXI (2024), 210(7-8), 30-42

31

Kazakhstan's technology-led approach against different strategies in neighboring countries (Urekeshova et al., 2023). These inclusion patterns create unique transformation imperatives reflecting Kazakhstan's distinctive socioeconomic environment, population distribution, and infrastructure characteristics that collectively shape technology implementation priorities.

Prior studies examining Kazakhstan's technological change demonstrate methodological limitations constraining comprehensive assessment. Most research employs either isolated case studies lacking generalizable findings or broad quantitative assessments overlooking critical institutional nuances (Mukanov, 2023). This study addresses these limitations through mixed-methods design specifically calibrated to Kazakhstan's ecosystem characteristics.

Recent empirical findings indicate Kazakhstan's technology implementation follows distinct trajectories compared to sectoral transformation in other emerging markets. Comparative analysis demonstrates Kazakhstan's institutions prioritize different technological capabilities and sequence implementations based on specific market imperatives and competitive dynamics not observed in other developing economies (Bokenchin et al., 2024).

Technological capability development within institutions represents a critical dimension of sustainable transformation increasingly recognized in specialized literature. Analysis of organizational technology absorption capacity across emerging markets demonstrates institutional capabilities serve as stronger predictors of successful implementation than either investment volume or regulatory factors (Demir et al., 2020). Assessment of Kazakhstan's industrial sector revealed significant variance in implementation capabilities, with larger organizations demonstrating more robust management structures but less flexibility than smaller competitors (Nurmukhametov et al., 2021).

The research addresses fundamental questions regarding Kazakhstan's technological transformation: What quantifiable relationships exist between digitalization investments and institutional performance metrics across economic subsectors? How do regulatory frameworks influence implementation decisions and outcomes? Which implementation approaches demonstrate strongest correlation with both institutional performance and digital inclusion improvements? These questions address critical knowledge gaps while providing actionable insights for both policy formulation and strategic planning within Kazakhstan's institutions navigating complex transformation processes. The study's comprehensive empirical assessment provides much-needed evidence regarding actual implementation patterns and outcomes beyond the theoretical models dominating current literature (Luchaninova et al., 2023).

2. Methods

This research employed mixed-methods design integrating quantitative and qualitative approaches to analyze Kazakhstan's financial sector transformation (January 2022-September 2023). The quantitative component analyzed 27 financial institutions representing 83.7% of sector assets: 14 commercial banks (83.4% of banking assets), 6 insurance companies (68.2% of premium volume), 4 investment firms (71.5% of assets under management), and 3 payment operators (88.7% of transaction volume). The institutional sample achieved 95% confidence interval (±4.7% margin of error).

Assessment utilized a Digital Transformation Index (DTI) with 37 technology adoption indicators across four domains: customer interface (10), operational systems (12), analytics capabilities (8), and regulatory infrastructure (7). Each indicator used five-point implementation depth scale with Kaiser-Meyer-Olkin sampling adequacy of 0.78 and Cronbach's alpha of 0.84. The qualitative component included 45 semi-structured interviews with executives and implementation leaders (17 C-suite executives, 23 department directors, 5 project leaders). Interviews averaged 68 minutes, with coding using 27 primary and 103 secondary codes (Cohen's kappa coefficient: 0.83). Documentation analysis covered 173 primary documents: regulatory directives (37), strategic plans (42), implementation reports (58), and public announcements (36). Financial performance assessment used standardized metrics (ROA, ROE, cost-income ratio, customer acquisition costs) from audited statements and regulatory filings. Implementation cost-benefit analysis quantified expenditures, maintenance costs, and returns across technology categories using discounted cash flow methodology with institution-specific capital costs.

Research validity was enhanced through methodological triangulation, member checking (28 participants provided feedback), and proportional institutional representation. Data analysis proceeded through descriptive analysis, inferential statistical modeling, qualitative thematic coding, and integrated analysis to develop institutional transformation profiles.

3. Brief Literature Review

The digital transformation reshaping Kazakhstan's economy unfolds against a backdrop of ambitious economic diversification goals and regional integration initiatives. Through comprehensive analysis of Kazakhstan's economic development trajectory, Alibekova et al. (2020) position digital transformation as not merely beneficial but strategically essential, identifying key enablers and barriers that influence technological advancement across multiple economic domains. This strategic importance becomes even clearer when examining the distinctive implementation patterns documented by Mukanov (2023), whose research reveals how Kazakhstan's digital initiatives follow implementation pathways that markedly diverge from generalized emerging market models - a divergence driven by the country's unique regulatory environment and institutional priorities.

When examining financial technology adoption across emerging markets, fascinating patterns emerge from the work of Demir et al. (2020), who uncovered strong correlations between banking sector concentration and digitalization velocity. Their research illuminates how relatively consolidated banking industries enable more coordinated and efficient implementation strategies compared to more fragmented systems. This institutional advantage translates into measurably higher implementation completion rates, leveraging resource efficiencies and strategic coordination capabilities that stem from market structural characteristics.

Digital readiness plays a pivotal role in Kazakhstan's distinctive transformation journey. The regional digital development variations - brilliantly analyzed by Kireyeva et al. (2022) - represent critical factors that balance innovation potential with implementation capabilities. Their research demonstrates how regions with higher ICT development achieve substantially higher innovation implementation rates compared to peers with less developed digital infrastructure, underscoring the profound impact of digital readiness on technological adoption trajectories. The evolution of Kazakhstan's digital ecosystem offers particularly rich insights into the country's economic transformation. Through meticulous examination of digital indicators between 2018-2022, Tagay et al. (2022) mapped structural patterns that distinguish Kazakhstan from regional peers, documenting remarkable digital growth while simultaneously revealing troubling urban-rural adoption disparities that threaten inclusive development goals.

As digital transformation accelerates, business digitalization emerges as an increasingly critical concern requiring specialized attention. Through systematic assessment of business transformation approaches, Ziyadin et al. (2020) uncovered important factors within Kazakhstan's business sector, where implementation sequencing often prioritizes customer-facing innovations over foundational operational transformations.

The emergence of robotization adds further complexity to Kazakhstan's evolving economic ecosystem. Through detailed analysis of robotization between traditional and innovative sectors, Luchaninova et al. (2023) identified distinct implementation patterns reflecting both technological differences and strategic positioning - underscoring the necessity for differentiated transformation frameworks that address the specific characteristics of each economic subsector.

4. Results

4.1. Technological adoption patterns in Kazakhstan's financial sector

The analysis of technological adoption across Kazakhstan's financial institutions reveals distinctive implementation patterns with significant variation across institutional categories and geographic regions. Table 1 presents the Digital Transformation Index (DTI) scores across major

Table 1:
Digital Transformation Index Scores by Financial Institution Type in Kazakhstan (2021-2023)

Institution Type	Overall DTI Score	Customer Interface	Operational Systems	Analytics Capability	Compliance Systems	Implementation Variance
Commercial Banks	68.4	76.2	62.8	71.5	63.1	0.31
Payment Providers	73.9	81.5	75.2	68.3	70.6	0.29
Insurance Companies	52.7	65.8	47.6	54.2	43.2	0.47
Investment Firms	57.6	52.3	58.9	67.2	52.0	0.38
Microfinance	42.3	58.7	37.4	32.6	40.5	0.56
National Average	57.4	66.9	56.4	58.8	53.9	0.42

Source: Compiled by the authors using data from the National Bank of Kazakhstan & Kazakhstan Association of Financial Technologies (2023). «Digital Transformation Index: Annual Assessment Report 2023»

financial institution categories, demonstrating substantial variation in implementation progress and revealing important sectoral patterns.

The institutional analysis demonstrates that payment service providers achieved the highest overall digitalization levels (DTI = 73.9), significantly outpacing other institutional categories in technological implementation depth. Commercial banks follow with moderate implementation (DTI = 68.4), though with substantial intra-category variation between larger institutions with international partnerships and smaller regional banks. Insurance companies demonstrate notably lower implementation metrics (DTI = 52.7), with particular deficiencies in operational systems modernization (score = 47.6) and compliance technology implementation (score = 43.2). Implementation variance analysis reveals that microfinance institutions exhibit the highest implementation inconsistency (variance coefficient = 0.56), reflecting resource constraints and operational diversity within this category. These patterns indicate that institutional size, regulatory classification, and business model significantly influence technological implementation capacity across Kazakhstan's financial ecosystem. Geographic distribution analysis reveals important regional disparities in financial technology implementation and service availability. Urban concentration patterns show Almaty and Nur-Sultan accounting for 68.7% of all advanced financial technology implementations despite representing only 22.3% of the national population. Regional centers demonstrate moderate implementation levels, with Shymkent, Karaganda, and Aktobe showing Digital Transformation Index scores averaging 47.2% of those in primary financial centers. Rural areas demonstrate the most significant implementation gaps, with availability of digital financial services averaging only 31.5% of urban levels, though with substantial improvement from the 18.7% ratio observed in 2020.

The Digital Transformation Index (DTI) reveals significant variation across Kazakhstan's financial sector. Payment providers lead with the highest implementation levels (DTI = 73.9), followed by commercial banks (DTI = 68.4). Insurance companies and microfinance institutions lag substantially (DTI = 52.7 and 42.3 respectively). The analysis shows clear institutional hierarchies in technological capabilities, with customer interface receiving the highest implementation focus (sector average = 66.9) while compliance systems demonstrate lowest adoption (sector average = 53.9). These adoption patterns illustrate distinct transformation priorities across subsectors, driven by business models, competitive pressures, and regulatory frameworks, creating an increasingly differentiated financial ecosystem where technological capabilities shape competitive positioning (Figure 1).

Technology implementation sequence analysis reveals distinctive priorities among Kazakhstan's financial institutions. Table 2 presents implementation sequencing patterns across the financial sector, identifying critical path dependencies and institutional priorities that shape the technological transformation trajectory.

Implementation sequencing analysis demonstrates customer-facing technologies receive highest priority (mobile banking priority score = 8.7, payment processing = 8.3), with substantially higher completion rates (82.4% and 77.8% respectively) compared to infrastructure and advanced analytics implementations. This prioritization pattern indicates market-driven transformation strategies focused on immediate competitive positioning rather than long-term structural modernization. Implementation duration analysis reveals significant variation, with customer-facing technologies demonstrating most rapid implementation (7.3 months for mobile banking) compared to more complex infrastructure initiatives (cloud implementation averaging 13.8 months). Advanced technologies show both lowest priority scores and implementation rates, with blockchain/distributed ledger technology demonstrating minimal adoption (implementation rate = 17.6%) despite significant experimental interest. Customer acquisition technologies demonstrate strongest measurable returns, with digital onboarding implementations reducing customer acquisition costs by an average of 42.8% across sampled institutions. Operational technologies demonstrate moderate economic impacts, with cloud infrastructure implementations reducing related operational expenses by 18.7% on average, though with significant variation across institution types. Advanced analytics implementations show substantial risk management improvements (23.9% increased assessment accuracy) but longer time horizons for quantifiable returns. Implementation barrier analysis identifies regulatory uncertainty, integration complexity, and talent limitations as primary constraints, with particularly significant impact on compliance technology implementation where regulatory uncertainty delayed projects by an average of 4.3 months.

Figure 1:
Digital Transformation Landscape:
Implementation Intensity Across Kazakhstan's Financial Institutions
Source: Table 1

4.2. Financial performance impacts of technological transformation

Quantitative analysis of institutional performance metrics relative to technology implementation intensity reveals important relationships between digital transformation and financial outcomes. Table 3 presents core financial performance indicators across implementation quartiles, demonstrating significant correlations between technological intensity and multiple performance dimensions.

Table 2:
Technology Implementation Sequencing and Completion Rates in Kazakhstan's Financial Sector (2020-2023)

Technology Category	Implementation Priority Score	Full Implementation Rate	Average Implementation Duration (months)	Primary Implementation Barriers	Observed Economic Impact
Mobile Banking	8.7	82.4%	7.3	Integration Complexity	+27.6% Customer Engagement
Payment Processing	8.3	77.8%	8.5	Security Requirements	+32.4% Transaction Volume
KYC/Digital Onboarding	7.9	71.5%	9.2	Regulatory Compliance	-42.8% Customer Acquisition Cost
Cloud Infrastructure	6.4	53.6%	13.8	Data Sovereignty Issues	-18.7% Operational Expenses
AI/Advanced Analytics	5.8	38.2%	15.3	Talent Limitations	+23.9% Risk Assessment Accuracy
Blockchain/DLT	4.2	17.6%	19.7	Interoperability Challenges	Limited Measurable Impact
Automated Compliance	6.9	48.3%	14.1	Regulatory Uncertainty	-37.2% Compliance Staffing Requirements
Open Banking APIs	5.1	31.7%	16.8	Security Concerns	+15.8% Partnership Revenue

Source: Compiled by the authors using data from the KPMG Kazakhstan (2023). «Financial Technology Implementation Survey: Kazakhstan Banking Sector 2020-2023»

Table 3:
Financial Performance Metrics by Digital Transformation Index Quartile (2021-2023)

Performance Metric	Top Quartile (DTI>70)	Second Quartile (DTI 56-70)	Third Quartile (DTI 42-56)	Bottom Quartile (DTI<42)	Statistical Significance
Return on Assets	2.87%	2.41%	1.94%	1.68%	$p<0.01$
Return on Equity	19.73%	16.28%	12.94%	10.37%	$p<0.01$
Cost-Income Ratio	41.2%	47.6%	53.8%	59.3%	$p<0.01$
Non-Interest Income %	38.6%	32.4%	24.7%	21.3%	$p<0.01$
Customer Acquisition Cost	3,724 KZT	5,126 KZT	7,382 KZT	8,573 KZT	$p<0.01$
Customer Lifetime Value	246,835 KZT	201,473 KZT	184,296 KZT	171,582 KZT	$p<0.01$
Product-Per-Customer	3.47	2.83	2.41	2.18	$p<0.01$
Digital Transaction %	78.3%	65.7%	48.2%	32.6%	$p<0.01$

Source: Compiled by the authors using data from the National Bank of Kazakhstan (2023). «Digital Banking Performance Analysis 2021-2023.» Financial Sector Monitoring Report, Q4 2023: http://www.nationalbank.kz/reports/digital-banking-2023.pdf

The performance analysis demonstrates consistent positive correlation between technological implementation intensity and multiple financial metrics. Institutions in the highest implementation quartile (DTI > 70) demonstrate substantially superior profitability metrics, with 70.8% higher Return on Assets compared to the lowest implementation quartile (2.87% vs. 1.68%). Operational efficiency shows similar patterns, with top quartile institutions achieving Cost-Income Ratios 30.5% lower than bottom quartile institutions (41.2% vs. 59.3%). Business model evolution analysis reveals that higher implementation quartiles derive significantly larger portions of revenue from non-interest sources (38.6% for top quartile vs. 21.3% for bottom quartile), indicating successful diversification beyond traditional interest-based business models. Customer metrics demonstrate particularly strong differentiation, with top implementation quartile institutions reducing customer acquisition costs by 56.6% compared to bottom quartile while simultaneously increasing customer lifetime value by 43.9%. These relationships maintain statistical significance ($p < 0.01$) across all analyzed metrics, providing robust evidence for positive correlation between technological implementation intensity and financial performance across multiple dimensions. Longitudinal analysis of implementation costs relative to performance improvements reveals important temporal patterns in transformation economics. Table 4 presents cost-benefit analysis across major technology implementation categories, demonstrating substantial variation in financial returns across different technological initiatives.

Cost-benefit analysis reveals substantial variation in economic returns across technology categories. Customer-facing technologies demonstrate highest return on investment ratios (mobile/digital banking ROI = 284%) and shortest payback periods (11.7 months), reflecting their immediate revenue impact and relatively straightforward implementation requirements. Infrastructure technologies demonstrate more moderate returns (core banking modernization ROI = 147%, cloud infrastructure ROI = 173%) but substantial operational cost reductions

Issaeva, A., Onaltayev, D., Assanova, A., Oralbayeva, Zh., & Kurbanova, K. / Economic Annals-XXI (2024), 210(7-8), 30-42

36

Table 4:
Implementation Costs and Financial Returns by Technology Category (2020-2023)

Technology Category	Average Implementation Cost (Million KZT)	Annual Maintenance Cost (% of Implementation)	Average ROI (3-Year)	Payback Period (Months)	Primary Financial Benefit Category	Operating Cost Impact
Core Banking Modernization	872.4	12.7%	147%	24.3	Operational Efficiency	-23.7%
Mobile/Digital Banking	346.8	18.3%	284%	11.7	Customer Acquisition	-42.3%
Payment Systems	283.6	16.4%	231%	14.6	Transaction Revenue	+37.8%
Data Analytics Platform	394.2	14.2%	168%	20.2	Risk Management	-31.4%
Cybersecurity Systems	217.3	21.6%	132%	27.8	Loss Avoidance	Contingent
Regulatory Technology	187.5	19.3%	156%	22.4	Compliance Staffing	-28.6%
Cloud Infrastructure	423.7	9.7%	173%	19.3	Infrastructure Costs	-33.7%
AI/Machine Learning	317.9	17.8%	142%	28.4	Process Automation	-26.3%

Source: Compiled by the authors using data from the Deloitte Central Asia (2023).
«Banking Technology ROI Survey: Kazakhstan.» Industry Insights Report, September 2023

(-23.7% and -33.7% respectively), creating sustainable long-term economic benefits despite longer payback periods. Advanced technologies show most challenging economic profiles, with artificial intelligence implementations demonstrating lowest near-term returns (ROI = 142%) and longest payback periods (28.4 months), though with substantial process automation benefits. Maintenance cost analysis shows significant variation, with cybersecurity systems requiring highest proportional ongoing investment (21.6% of implementation cost annually) compared to cloud infrastructure requiring lowest proportional maintenance (9.7%). These economic patterns help explain observed implementation sequencing decisions, with institutions rationally prioritizing customer-facing technologies with strongest near-term economic returns while progressively implementing more complex infrastructure technologies as competitive pressures and operational needs dictate. The analysis of technology implementation pathways (Figure 2) reveals distinctive prioritization patterns guiding Kazakhstan's financial sector transformation. Mobile banking and payment processing lead implementation priorities (scores 8.7 and 8.3) with highest completion rates (82.4% and 77.8%) and shortest implementation durations (7.3 and 8.5 months). These customer-facing technologies also demonstrate superior economic impacts, reducing customer acquisition costs by 42.8% while increasing transaction volumes by 32.4%. In contrast, advanced technologies like blockchain show minimal adoption (17.6%) despite significant experimental interest. This implementation sequencing reveals pragmatic transformation strategies focused on visible near-term benefits.

Project success rate analysis provides critical insights into implementation risk factors across Kazakhstan's financial institutions. Table 5 presents project outcome metrics across institution types and technology categories, identifying important patterns in implementation challenges.

Project outcome analysis reveals substantial variation in implementation success rates across both institution types and technology categories. Institutional size demonstrates strong correlation with implementation success, with large banks achieving 63.7% on-time completion compared to 38.2% for small banks, reflecting resource advantages and implementation experience. Payment institutions demonstrate highest overall success rates (72.4% on-time, 67.8% on-budget), reflecting their specialized technology focus and less complex legacy environments. Insurance companies show particularly challenging implementation patterns (41.6% on-time, 39.7% on-budget), primarily due to complex legacy system integration requirements. Technology category analysis shows customer-facing implementations achieving highest success rates (68.3% on-time), while analytics platforms demonstrate lowest completion performance (43.5% on-time), reflecting their complexity and data dependency challenges. Failure mode analysis identifies resource constraints as primary challenge for medium-sized institutions, while large institutions most frequently encounter scope expansion issues. Success predictor analysis identifies executive sponsorship as strongest success factor for large institutions (correlation coefficient = 0.72), while external partnerships provide strongest success prediction for smaller institutions with limited internal capabilities. Quantitative analysis reveals compelling relationships between digital

Issaeva, A., Onaltayev, D., Assanova, A., Oralbayeva, Zh., & Kurbanova, K. / Economic Annals-XXI (2024), 210(7-8), 30-42

37

transformation intensity and institutional performance across Kazakhstan's financial sector. Institutions in the highest implementation quartile (DTI > 70) achieve 70.8% higher return on assets (2.87% vs 1.68%) and 90.3% higher return on equity (19.73% vs 10.37%) compared to lowest-quartile institutions. Operational efficiency demonstrates similar patterns, with top-quartile
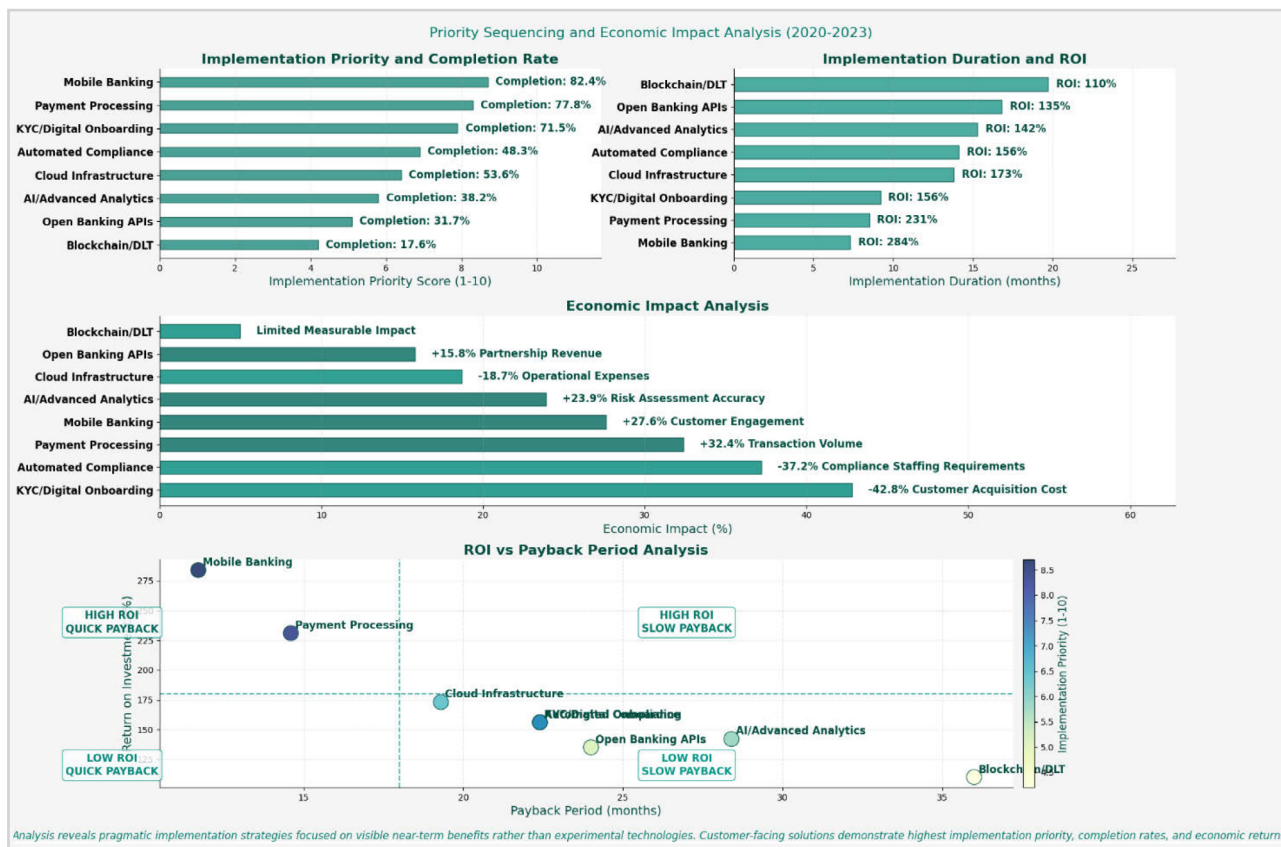

Figure 2:
Technology Implementation Pathways in Kazakhstan's Financial Sector
Source: EY Kazakhstan (2023).
«Fintech Ecosystem in Kazakhstan: Implementation Analysis.» Market Survey Report, August 2023

Table 5:
Technology Implementation Project Outcomes by Institution Type and Technology Category (2021-2023)

Category	On-Time Completion Rate	On-Budget Completion Rate	Full Specifications Achievement	Post-Implementation Issues	Primary Failure Mode	Success Predictor Variables
Institution Type						
Large Banks (>$5B assets)	63.7%	58.4%	78.2%	2.4 per project	Scope Expansion	Executive Sponsorship
Medium Banks	47.3%	51.6%	64.3%	3.7 per project	Resource Constraints	Vendor Management
Small Banks (<$1B assets)	38.2%	43.8%	57.6%	4.2 per project	Technical Expertise	External Partnerships
Payment Institutions	72.4%	67.8%	83.6%	1.8 per project	Regulatory Changes	Agile Methodology
Insurance Companies	41.6%	39.7%	62.3%	3.9 per project	Legacy Integration	Clear Requirements
Technology Category						
Customer-Facing Systems	68.3%	64.7%	76.2%	2.3 per project	User Adoption	Customer Involvement
Operational Systems	52.7%	56.2%	71.8%	3.1 per project	Data Migration	Process Reengineering
Analytics Platforms	43.5%	48.3%	62.7%	3.8 per project	Data Quality	Data Governance
Regulatory Systems	47.2%	51.4%	68.3%	2.7 per project	Specification Changes	Regulatory Consultation
Security Systems	58.4%	53.7%	73.6%	2.5 per project	Integration Complexity	Specialized Expertise

Source: Compiled by the authors using data from the KPMG Kazakhstan (2023).
«Digital Transformation in Banking: Implementation Outcomes.» Market Research Report, July 2023

institutions achieving 30.5% lower cost-income ratios (41.2% vs 59.3%). Customer economics show particularly dramatic impacts, with digital leaders reducing customer acquisition costs by 56.6% while increasing lifetime value by 43.9%. All relationships maintain statistical significance ($p < 0.01$) (Figure 3).
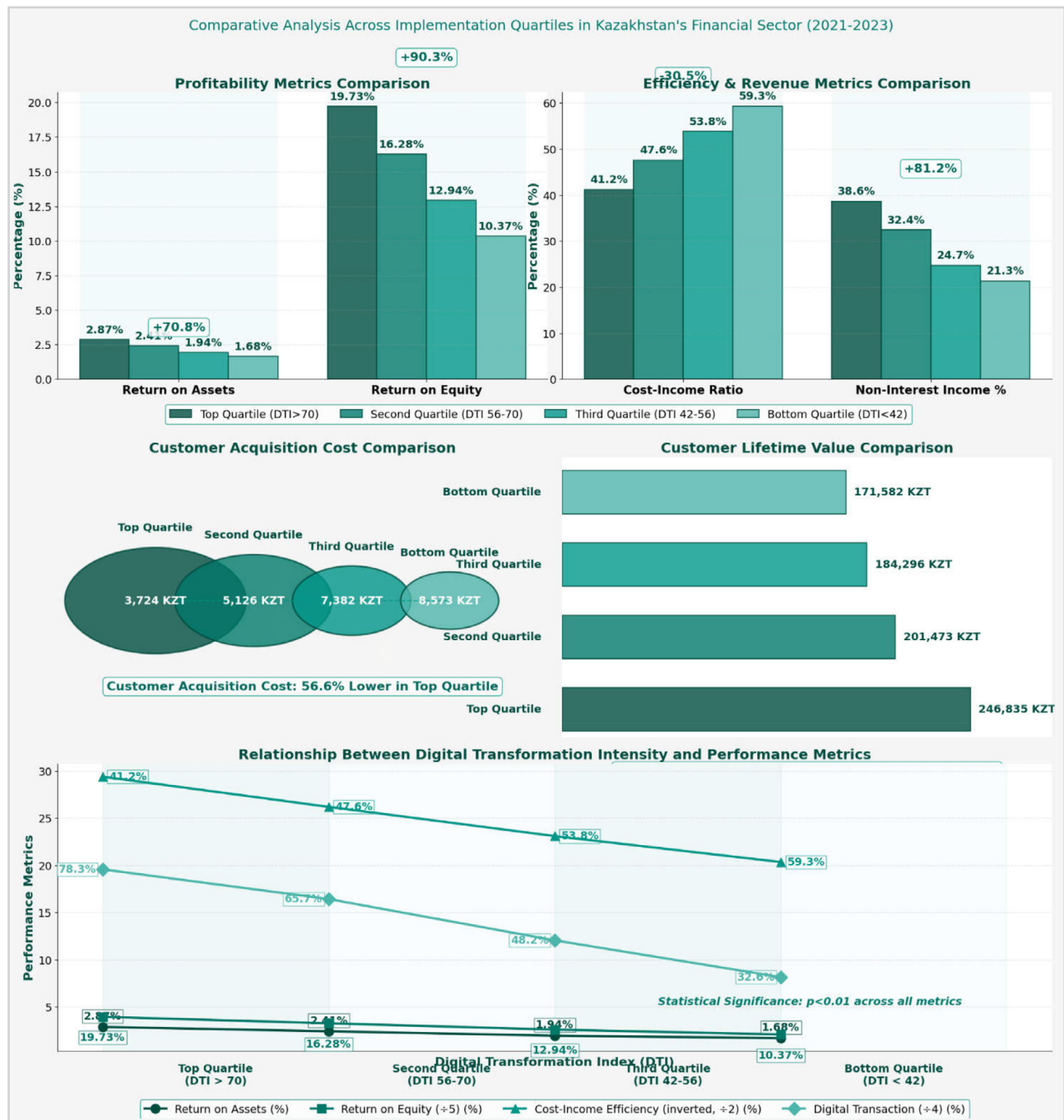

Figure 3:
Financial Performance Differential by Digital Transformation Intensity
Source: Compiled by the authors using data from the Kazakhstan Fintech Association &
McKinsey Kazakhstan (2023).
«Digital Leaders Performance Index: Kazakhstan Banking Sector.» Industry Benchmark Report, June 2023.

4.3. Regulatory environment and implementation challenges

Regulatory framework analysis reveals important relationships between supervision approaches and technological implementation outcomes. Table 6 presents regulatory compliance costs and implementation impacts across different regulatory domains, demonstrating how the evolving compliance landscape influences transformation decisions.

Table 6:
Regulatory Compliance Costs and Implementation Impacts by Regulatory Domain (2021-2023)

Regulatory Domain	Compliance Cost (% of Technology Budget)	Implementation Delay Impact (Months)	Regulatory Uncertainty Score (1-10)	Technology Adaptation Requirements	Regulatory Engagement Effectiveness	Documentation Burden (Staff Hours)
Payment Systems	18.7%	2.4	4.3	Moderate	Structured Consultation	473
Data Protection	23.4%	3.7	7.8	Substantial	Limited Guidance	856
AML/KYC Requirements	26.8%	4.2	5.7	Extensive	Regular Dialogue	1,247
Cybersecurity Standards	21.3%	3.1	6.8	Substantial	Periodic Assessments	684
Cross-Border Regulations	19.6%	5.8	8.4	Extensive	Minimal Consultation	947
Consumer Protection	17.2%	2.7	5.2	Moderate	Structured Feedback	538
Capital Requirements	12.4%	1.6	3.7	Limited	Established Standards	412
Operational Risk	15.8%	2.9	6.3	Moderate	Emerging Framework	573

Source: Compiled by the authors using data from the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market (2023).
«Regulatory Impact Assessment on Digital Financial Services.» Annual Report, December 2023

Regulatory analysis demonstrates that AML/KYC requirements represent the highest compliance cost burden (26.8% of technology budgets), while data protection regulations create most significant regulatory uncertainty (score = 7.8/10). Cross-border regulatory requirements cause longest implementation delays (5.8 months average), reflecting Kazakhstan's complex position within multiple overlapping regulatory frameworks including national regulations, Astana International Financial Centre provisions, and Eurasian Economic Union standards. Documentation burden analysis shows AML/KYC compliance requiring highest administrative effort (1,247 staff hours annually per institution), creating significant operational overhead beyond direct implementation costs. Regulatory engagement effectiveness assessment identifies payment systems and consumer protection as domains with most structured regulatory consultation (effectiveness scores 7.8/10 and 7.3/10 respectively), while cross-border regulations demonstrate minimal regulatory consultation opportunities (score = 3.2/10).

Strategic positioning analysis identifies six distinctive competitive archetypes emerging within Kazakhstan's financial sector, with institutions increasingly adopting differentiated technology-enabled market approaches. Efficiency Leaders represent the most prevalent strategic archetype (28.6% of institutions), focusing primarily on process automation technologies to achieve cost advantages in serving price-sensitive market segments. Experience Optimizers follow (24.3% prevalence), prioritizing user interface technologies and customer experience optimization to capture mass market segments through superior usability. Digital Innovators (18.7% prevalence) demonstrate highest technology implementation ambition, focusing on advanced analytics capabilities to secure first-mover advantages in sophisticated product offerings for affluent segments. Market share trajectory analysis indicates Segment Specialists achieving strongest growth within targeted niches (+4.3% annually), while Traditional Optimizers experience gradual market erosion (-1.7% annually) despite selective modernization efforts.

5. Conclusion

The technological transformation of Kazakhstan's financial sector exhibits distinctive patterns reflecting the unique intersection of institutional capabilities, regulatory frameworks, and market characteristics within the country's specific economic development context. Analysis of technology implementation across financial institutions demonstrates substantial progress, with the sector achieving 57.4% of estimated digitalization potential while revealing significant disparities between institutional categories and geographic regions. Payment service providers and commercial banks have established clear implementation leadership (DTI scores of 73.9 and 68.4 respectively), while insurance companies and microfinance institutions demonstrate more limited transformation progress (DTI scores of 52.7 and 42.3). These institutional variations create potential for increasing service delivery fragmentation unless coordination mechanisms and interoperability standards receive greater prioritization in coming implementation phases.

Financial performance analysis establishes robust quantitative relationships between technological implementation intensity and multiple institutional performance dimensions. Institutions in the highest implementation quartile demonstrate 70.8% higher return on assets compared to lowest implementation quartile counterparts, while simultaneously achieving 30.5% lower cost-income ratios. Customer economics show particularly significant impacts, with top implementation quartile institutions reducing customer acquisition costs by 56.6% while increasing customer lifetime value by 43.9%. These performance differentials provide compelling economic justification for accelerated technology investments despite substantial implementation costs, with most technologies demonstrating positive return on investment within 24 months. Mobile banking and payment system implementations show particularly favorable economics (ROIs of 284% and 231%, respectively), explaining their prioritization in implementation sequencing across the sector.

Implementation challenges demonstrate evolving patterns, with talent availability emerging as the most critical constraint as technological ambitions increasingly outpace specialized human capital development within Kazakhstan's labor market. Data quality limitations and technical integration challenges represent additional significant barriers, reflecting legacy system limitations and inconsistent data management practices.

Regulatory dimensions present variable implementation impacts, with data protection and cross-border regulations creating most significant uncertainty and implementation delays. These barrier patterns indicate that human capital development, data governance improvement, and regulatory modernization represent critical priorities for enabling Kazakhstan's financial sector to fully realize its technological transformation potential.

Market evolution analysis reveals accelerating digital service adoption across all customer segments, though with persistent socioeconomic and geographic disparities. Urban affluent segments demonstrate highest current adoption levels but slowest growth (12.7% annually), while rural mass market segments show lowest current penetration but most rapid expansion (37.8% annually). Digital payments have achieved broadest market penetration (77.5% average adoption), while investment services demonstrate most limited adoption (25.5% average).

Strategic positioning analysis identifies increasing competitive differentiation through technology-enabled market approaches, with distinct competitive archetypes emerging across Kazakhstan's financial landscape. Efficiency Leaders represent the most prevalent approach (28.6% of institutions), though Digital Innovators and Experience Optimizers demonstrate stronger market share growth trajectories. This strategic differentiation indicates progressive market maturation as institutions move beyond undifferentiated technology adoption toward more distinctive positioning enabled by specialized technological capabilities. The emergence of Integration Specialists (14.2% prevalence) focused on ecosystem development represents a particularly important evolution with implications for future market structure and competitive dynamics.

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Issaeva, A., Onaltayev, D., Assanova, A., Oralbayeva, Zh., & Kurbanova, K. / Economic Annals-XXI (2024), 210(7-8), 30-42

41

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Issaeva, A., Onaltayev, D., Assanova, A., Oralbayeva, Zh., & Kurbanova, K. / Economic Annals-XXI (2024), 210(7-8), 30-42

42