

Problems of Financial Security and Financial Stability of the Republic of Kazakhstan

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Abstract

The modern development of countries in the conditions of an economic system imbalance caused by confrontation between global powers as a result of the situation in the Near East, Ukraine, etc., suggests the need to study the problems of financial security and financial stability of the country. In addition, there are a number of reasons necessitating such study: the financial crisis, increasing instability and globalization of economic space, the growing number of threats of financial market instability, abnormal variations in energy resources prices, especially oil, etc. In these circumstances, both the state and its financial institutions encountered with the need to develop innovative approaches to security and stability in its development. The current situation in the national economy of Kazakhstan, suggests the need to consider the legal basis of financial activity and the state financial security in this scientific article, because the state determines the shape and direction of its implementation in the normative order.

Keywords: financial stability of the state, financial activities of the state, legal framework of the financial system, financial security.

1. Introduction

Modern trends in the world of finance in general and financial systems of states in particular, objectively determine the further deepening of financial globalization, strengthening the ties between countries, which is especially evident in the global financial crisis.

Modern state in its activities to ensure the socio-economic needs of the population, the country's security, to solve other challenges it faces, actively uses different economic regulators: finance, taxes, money, credit, etc. Their implementation requires purposeful activity, which in the science of financial law is called "financial activity of the state". With the help of economic regulators, finances in particular, the state controls various cash flows, directing them to solve the problems of social development. Due to their difference from the other activities of the state, the financial activities are exercised by state bodies of all three branches of government: legislative, executive, judicial. Financial activities of the state are closely related to another important category of "financial security".

Ensuring the state financial security is an important task for many countries. This problem becomes a priority before the danger of a financial crisis. This is especially relevant when the state is within range of financial crisis, since such a situation a priori means the loss of financial security to some extent (Khorosheva A. S., 2008).

The state financial security means complete protection of state interests in the financial sector, in other words, when the tax, fiscal and monetary system of the state provides high level of socio-economic development and enables an effective and efficient use of the available financial resources.

Undoubtedly the level of financial security of the country is affected by a number of factors:

- the extent of the domestic market openness;
- the disorder of financial instruments;
- the public propensity for stockbroking;
- the concentration of intellectual resources involved in development of the financial market.

However, the state financial security as a whole, is determined primarily by the efficiency of budgetary, fiscal and

monetary policy.

The issue of financial security has long attracted the attention of many scientists. Leading scientists such as Khorosheva A. S. (2008), Arystanbekov K. (1999), Senchagov V. (2002), Asalieva S. A. (2005) and others systematically reflect different aspects of the state financial security in their works. Foreign science is systematically engaged in the matters of national economic security: Claudio B., Furfine C. and Lowe P. (2001), Adrian T. and Shin H. (2008), Allen F. and Gale D. (2004), Viral A. and Richardson M. (2009), Forni L. (2001), Schinasi G.J. (2005), Stein J.C. (2012) and others authors.

The purpose of this study is to determine the legal framework to ensure the state financial security, taking into account the contradictions inherent in the financial system as a whole and especially their appearance in each of the areas of financial relations.

2. Research Methodology

In the methodological basis of the study lies the system of common, separate and special methodological principles, approaches and methods of scientific cognition, applicable either separately or in combination with each other. In particular, there have been used such methods as dialectical, historical, comparative analysis, simulation, statistical and systematic-structural, action and situational approaches to the study of the processes and phenomena.

Methodological basis of the work is an integrated approach that is applied by the author for the study and analysis of financial security as an essential component of national economic security. The methods are implemented of systematic analysis of the financial security formation processes, structural modeling, historical and economic analysis.

In order to achieve the objective results of the study these methods were applied comprehensively.

3. Results and Discussion

Despite the integration process, each state seeks to preserve its sovereignty and features of the financial systems development. In this regard the problem of national and global financial security remains one of the most urgent problems of the global financial system functioning.

In the recent years the Republic of Kazakhstan has entered a stage of rapid development, associated with the changes, taking place in all spheres of state and society. However, the reform, carried out in Kazakhstan with a view to formation of a market economic system and a democratic state, flows extremely difficult and contradictory.

One of the main reasons hindering the authorities' efforts to strengthen the statehood, to create a strong, multifaceted economy, oriented to achieve sustained economic development of the state and society, their protection against economic threats, is the existing instability of the financial system of the Republic of Kazakhstan.

The rapid pace of changing stages of market reform did not allow the financial system to take a stable shape and form its main institutions, including legal. It all necessitated the creation of an effective institutional arrangement to ensure the financial security of the Republic of Kazakhstan.

In the XXI century the Republic of Kazakhstan is affected by numerous external and internal environmental factors, caused by the change in the geopolitical status of the country, the processes of globalization, changes in the political and economic spheres, as well as structural and social problems that hinder the formation of a high level of social development.

Economy of the Republic of Kazakhstan, being under active transformation has not yet recovered from the shock of liberal reforms, and is extremely vulnerable to various kinds of external and internal threats. Currently, detection, prediction, suppression and neutralization of threats to economic security of the Republic of Kazakhstan does not correspond to the challenges of the time.

A crucial component of economic safety of the state in modern conditions is financial security. Without financial security it is almost impossible to solve the problems facing the state. Currently the Republic of Kazakhstan lacks a uniform system of financial security, covering national and local levels, an adequate teaching materials and aids, where scientifically based approaches to its creation would be offered.

The need for a system of financial security is the result of a number of objective reasons confluence, the main of which are the following:

- the necessity to develop a long-term financial strategy of the state;
- the optimization of monetary and credit policy;
- the requirement for the national currency convertibility;
- the availability of real opportunities for increasing the state budget through improving public financial control,

tax and investment policies;

- the need for investors to protect the value of existing resources in the conditions of inflation;
- the improvement of banking institutions activities;
- the increasing the "transparency" of the executive authorities, including law enforcement agencies, the degree of confidence between government and business and mutual responsibility;
- the low standard of living of the majority of the population, high income differentiation;
- the presence of the "shadow" economy.

Under the financial security of the Republic of Kazakhstan is understood the most important subsystem of the country economic security, representing the condition of protection of the state financial system, when providing the guaranteed protection of the financial interests of the multinational people of the Republic of Kazakhstan from internal and external threats. Moreover, in order to build an effective system of financial security, we must have a clear understanding of the various threats.

We deem it expedient to classify the threats existing in the modern time. Among the external threats of particular danger to the national financial system, should be included:

- High concentration of capital;
- Constant increase and capital mobility in the world markets;
- Deep interconnection and interdependence of financial markets and their actual unaccountability to public institutions;
- Growing dependence on global finances;
- Virtualization of the financial sector;
- The use of the strategies to win the world economic space by powerful economic factors;
- Inefficient use of foreign loans;
- An uncontrolled foreign capital inflow, granted any advantages in comparison with domestic and others.
- Among the most dangerous internal threats include:
 - Massive transfer (export) of fuel and raw (non-renewable) resources from Kazakhstan;
 - Lack of effective supervision of currency transactions and capital outflow from Kazakhstan;
 - Unsuccessful or untimely measures to reform the economy of the Republic of Kazakhstan in the market direction;
 - Criminalization of the economy, generating new types of Kazakhstan criminal manifestations;
 - Ineffectiveness of the Republic of Kazakhstan banking system;
 - Lack of credit resources in the real economy sector;
 - Problem of using the National Fund of the Republic of Kazakhstan;
 - High differentiation in incomes of the population and others (Arystanbekov K., 1999).

Financial security is a key component (subsystem) of economic security, which in turn is a kind of national security. At the same time as part of the state financial security should be allocated such types (subsystems) of safety as budget, tax, monetary and currency and investment.

Modern state of the legal framework for ensuring financial security of the Republic of Kazakhstan can be described as formed, but demanding further improvement. Development of the legal framework ensuring financial security should be based on and within the scope of domestic financial security strategy and rely on complex legal and financial-economic monitoring in the country and the world.

State legal mechanism of ensuring financial security of the state includes three components (legal, institutional and instrumental) and is understood as a system of bodies and institutions, fixed by the effective legislation and aimed at creating conditions for stable operation and sustainable development of the country's financial system, as well as identifying, preventing and responding to its threats.

- 1) The legal component is a set of normative legal acts in the field of financial security.
- 2) The institutional component is represented by a system of state bodies and institutions, ensuring the state financial security.
- 3) Instrumental component includes a set of methods and techniques ensuring financial security.

As a special unit in the state-legal mechanism to ensure the state financial security should be allocated mechanism of maintenance of financial control. Increased threats to the state financial system security from the increasing volume of money laundering and financing of terrorism led to extraction of bodies and institutions combating money laundering and terrorist financing in the mechanism of ensuring financial control.

System of authorities combating money laundering and terrorism financing comprises two major subsystems that differ in their subject composition and tasks: a law enforcement unit and financial monitoring. At the same time financial

monitoring can be, in turn, divided into two levels: primary financial monitoring and state financial monitoring.

The complex of factors (paths) to improve the efficiency of interaction of state bodies and institutions for the state financial security. All of them can be divided into three groups:

- 1) Peculiar to the whole country;
- 2) Peculiar to the mechanism for ensuring the state financial security;
- 3) Peculiar to a particular body or institution of the mechanism for ensuring the state financial security.

Efficiency of interaction of state bodies and institutions, providing financial security of the state, is directly dependent on the performance of each of them individually. On the other hand, the quality and effectiveness of each state body and institution for the financial security of the country, separately is directly dependent on the efficiency of their interaction (Senchagov V., 2002).

Creating a full-fledged system of financial security in the Republic of Kazakhstan envisages the solution of a wide range of issues which, among other things, relate to the formulation of criteria of financial security in order to monitor the factors that may cause a threat to the financial security of the country and to develop measures for their prevention and resolution. A conventional system of such criteria is not offered, although there are various approaches for economic security. In this regard, a group of indicators of financial security and financial security indicator signals is proposed.

The system of counteraction to the state financial security threats should be considered as the authorized subjects activity for the vital facilities protection from the real and potential threats, with clearly defined goals and objectives of the financial safety, in particular circumstances of an object functioning, at a specific period of time, by means of specific organizational-legal, technological, technical, financial, information and human resources.

System of fighting financial security threats includes: the basic elements; mechanism of financial security maintenance, security infrastructure and indicators of financial security.

The mechanism of financial security maintenance is defined as a system of procedures forming administrative decisions or rules for their adoption and implementation in the field of countering threats to financial security.

The mechanism of financial security maintenance consists of a number of specific management tools, including: mechanism of realization of general and other principles of management: mechanisms of planning, organization, motivation, coordination, execution, accounting, analysis and control, using economic, institutional, social and other management techniques.

Formation of the mechanism of financial security maintenance is represented by certain state organs and realized both with the use of mechanisms of state regulation, supervision and control, and by the subjects, ensuring compliance with the financial security requirements.

To the basic principles of financial safety maintenance are suggested:

- 1) Promotion and protection of fundamental rights and freedoms of human and citizen;
- 2) Legitimacy;
- 3) Inevitability of punishment for activities harmful to the financial interests of the state;
- 4) Systematic and comprehensive use of political, informative-propagandistic, socio-economic, legal, and other special measures against threats to financial security;
- 5) Cooperation between the state and public associations, international and other organizations and citizens in addressing the threats to financial security;
- 6) Priority of measures to identify and suppress threats to financial security;
- 7) Undivided management of forces and resources when undertaking activities to ensure the financial security;
- 8) Combination of public and secret methods used to combat threats to financial security;
- 9) Confidentiality of special means, techniques and tactics of implementation of the activities to identify, disrupt and neutralize threats;
- 10) Minimization of damage to national financial interests;
- 11) Proportionality of the measures to combat and neutralize threats to financial security;
- 12) Ensuring external and internal entities interaction countering threats to financial security.

Under the system infrastructure of ensuring financial security is meant a collection of institutional structures, technology, material resources, and organizational practices that are designed to counteract economic and financial security threats. Such infrastructure includes several subsystems: the scientific and methodological support; providing legislative activity; organizational, personnel, financial and information support.

Indicators of financial security are a combination of economic, social and financial performance, both qualitatively and quantitatively reflect the status and trends in financial security.

Given the fact that currently the country has not resolved the complex of legal, structural institutional, procedural, personnel, technological and resource issues of ensuring financial security, as well as unreadiness of the authorized

bodies to establish an effective system of financial security responding to modern challenges, we believe it appropriate to suggest the need to develop the Concept of financial security of the Republic of Kazakhstan. It would be designed to identify the goals and objectives of financial security, coordinate nation-wide activities in the field of security at the level of individual citizens, economic entities, regions, and sectors of the national economy, including international and global levels.

Based on the Concept of financial security of the Republic of Kazakhstan the Strategy of financial security of the Republic of Kazakhstan will be developed, taking into account the current external and internal threats. The state financial security strategy should clearly define the objects, subjects, forces, means and methods of security.

We believe the state financial security strategy should include at least:

- a) Definition of geo financial zones of influence (based on the economic, climate, ethno-national and other community of peoples of Kazakhstan);
- b) Determining the criteria and parameters (quantitative and qualitative threshold values) of Kazakhstan's financial system meeting the requirements of the financial and of economic security;
- c) Development of mechanisms and measures to identify threats to financial and economic security of the Republic of Kazakhstan and their carriers;
- d) Description of areas of their manifestations (spheres of threats localization);
- e) Establishment of the main subjects of threats, mechanisms of their functioning, criteria for their impact on the national economic (including financial) and socio-political system;
- f) Development of a methodology of forecasting, detection and prevention of factors that determine the appearance of threats to economic security, conducting research to identify trends and opportunities for the development of such threats;
- g) Organization of an adequate system of state financial control (SFC), corresponding to certain geo financial zones;
- h) Formation of mechanisms and measures of financial - economic policy and institutional changes, neutralizing or mitigating the impact of negative factors;
- i) Definition of objects, subjects, parameters of control of financial and economic security of the Republic of Kazakhstan.

Among the priority measures to improve the state financial security must be present an objective creation of efficient mechanisms preventing, on the one hand penetration in the country of illegal origin funds, on the other – the illegal outflow of resources from the country. In connection with this, in our opinion, the task of public authorities engaged in national security, is the organization of mechanisms of national economic interests defense, which must resist the influence of internal and external threats to the economic development of our state.

The most important stages in the process of neutralizing threats to financial security of the state are:

- An adequate assessment of the state of world markets and position of Kazakhstan in geo-economic and geo financial aspects;
- Creation of the Concept of Development of the Republic of Kazakhstan in all key areas;
- Collection, accumulation, analysis and forecasting of various external and internal threats to financial security;
- Creation of a special center to coordinate the activities of the authorized bodies in the field of financial security and developing financial security strategy;
- Development of specific measures to neutralize the threats identified and evaluate their effectiveness.

In our opinion, the most important part of the financial safety are law enforcement bodies. This conclusion is based on analysis of their main functions in the sphere of security. The problem is that in the domestic science are not developed even the basic fundamentals of participation of law enforcement agencies to ensure the financial security, despite the fact that a significant portion of their authority directly or indirectly aims at achieving the objectives of financial security.

Currently, the specific forms and procedures of joint law enforcement activities in the field of financial security legislation is not defined, there are no interdepartmental instructions and guidelines for this kind of interaction, which is very complicated and reduces the overall efficiency of their work.

To successfully solve a large range of complex in their nature targets to ensure financial security, a clear organization is required of law enforcement activities in this direction. Such an organization can provide daily purposeful activity of a specialized unit (Center), staffed by professionals in various fields of science, engineering, economics, psychology, statistics, protection and investigation, as well as other areas of knowledge and practice. We believe that it is necessary to create a Center for maintenance of financial safety, which will be called to perform tasks on scientific and methodological support, to plan and implement science-based interventions aimed at achieving the maximum possible

beneficial effect of interventions by the use of the newest technologies for protection of financial information etc.

Thus, the effectiveness of law enforcement agencies in this area can be achieved mainly through the collaboration of different services and departments under the leadership of a single center, coordinating the work in the field of financial security.

Among the forms of such interactions can be identified:

- Prosecution (in the pre-trial and judicial criminal proceedings);
- International cooperation and legal assistance in criminal cases;
- Bringing to attention of the various authorities of information (in the form of methodical and information letters, recommendations) on the preliminary investigation, inquiry and production of urgent investigatory actions in certain criminal cases, legal entities and individuals;
- Organizational activities to combat economic crime, which is expressed in joint meetings on the issues of the inquiry and in the preparation of joint plans for the organization of the fight against crime in the particular law enforcement agency activity area.

The important area of the work would be elaboration of special methods for evaluation and prediction of the level of crime in the financial sector based on the information of a single database.

The experience of many developed countries demonstrates that high results in financial security ensuring can be achieved not under the aegis of Ministry of Finance, but on condition of consolidation of various departments' efforts in this direction.

Tracking illegal financial flows, analysis and exchange of information between various departments without a single focal point, the lack of a single strategic objective, unifying activity in specific areas of the different services and departments so far do not allow to fundamentally change the situation in this sphere, to adequately assess the threat to the financial security in combination with other threats and dangers to national security, including at the international level and in a global context.

Another aspect that may enhance the effectiveness of law enforcement in the area of financial security is adequate evaluation of their work. It is therefore necessary to develop a methodology for the evaluation of law enforcement agencies on ensuring financial security of the state, where the ultimate goal of evaluation will be to raise the overall quality of policy in the field of security, improve the performance of law enforcement agencies to detect, disrupt and neutralize threats. Analysis of law enforcement authorities is based on the introduction of coefficients and generalized concepts, comparison of which with the values of similar items in different time periods to determine the quality of financial investigations in cases of violations of legislation in this area, staff workload, economic efficiency of proceedings etc.

The main objective of the national system of financial security is to reduce the overall costs, eliminate duplication of services and various departments in the field of security, achieving maximum synergy by combining the techniques, technologies and resources of the various social institutions in the direction of strengthening the financial position of the Republic of Kazakhstan on the world stage.

4. Conclusions

In conclusion, we should reflect the main findings relevant for improvement of the activity of state-legal mechanism to ensure the state financial security.

1. Power and national security, as a guarantee of the independence of the country, the conditions of stability and efficiency of society, are characterized, above all, by the state of its economy and immunity to threats to financial security. Virtually there is no aspect of national security, which would not be directly dependent on its level of financial security. The theory of financial security of the Republic of Kazakhstan is in the process of its formation.
2. Under the conditions of formation and development of a market economy in the Republic of Kazakhstan, protecting the financial security becomes a major independent function of the state. For its effective implementation, each state strives to create an appropriate state legal mechanism to ensure financial security. Formation of an effective mechanism to ensure the state financial security should be based on the establishment of a comprehensive monitoring, i.e. multilevel and comprehensive system of tracking the dynamics of all the major financial and economic processes in the country.
3. Effectiveness of interaction of state bodies and institutions, providing financial security of the state, is directly dependent on the performance of each of them individually. On the other hand, the quality and effectiveness of each state body and institution for the state financial security separately is directly dependent on the efficiency

of their interaction. Overcoming defects in operation of the mechanism ensuring financial security of the state is possible only when taking into account the complexity of the problem being solved.

4. The system of counteraction to crime proceeds legalization and terrorism financing active in Kazakhstan is based on the principle of priority use of the banking structure for the purpose of combating money laundering. Therefore, the essence of the problem lies primarily in the effective interaction of primary financial monitoring institutions and law enforcement agencies.

Thus, from the standpoint of theory and practice it can be affirmed with confidence that a necessary and sufficient condition for financial stability of the Republic of Kazakhstan is its financial security.

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