Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Languages

Bachelor Thesis

Strategic analysis of the Kaspi Bank Company: a SWOT perspective.

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

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BACHELOR THESIS ASSIGNMENT

Ademi Nuradin

Business Administration

Thesis title

Strategic Analysis of the Kaspi Bank Company: A SWOT Perspective

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Objectives of thesis

The aim of this bachelor's thesis is to conduct a strategic analysis of Kaspi Bank using the SWOT method to strengthen its market position and promote it as a leader in the global online banking sphere.

Methodology

This thesis will consist of two main parts: theoretical and practical. The theoretical part will include the study of secondary sources to gain an understanding of strategic analysis methods, which will lay the foundation for the SWOT analysis of Kaspi Bank. At the practical stage, both quantitative and qualitative research methods will be used. Quantitative research will involve collecting data from the bank's official website and conducting personal surveys with the bank's users. Simultaneously, qualitative research will include group discussions on improvements and case studies. A quantitative analysis using SPSS software will then be performed, including descriptive statistics, tests for statistical significance, and factor analysis to ensure a comprehensive understanding of the results obtained.

The proposed extent of the thesis

30-40 pages

Keywords

Strategic analysis, SWOT framework, Kaspi Bank Company, quantitative and qualitative research, data collection, SPSS software.

Recommended information sources

AFUAH, A. Strategic Innovation: New Game Strategies for Competitive Advantage (1st ed.). Routledge, 2009. https://doi.org/10.4324/9780203883242

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Declaration

I declare that I have worked on my bachelor thesis titled *"Strategic analysis of the Kaspi Bank Company: a SWOT perspective"* by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15/03/2025 ______________________________

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Strategic analysis of the Kaspi Bank Company, a SWOT perspective

Abstract

This bachelor thesis presents a strategic analysis of Kaspi Bank, one of the leading financial institutions in Kazakhstan, through a SWOT perspective. The research aims to assess the bank's internal strengths and weaknesses, as well as the external opportunities and threats it faces in an evolving financial landscape. By integrating theoretical frameworks and empirical data, the study provides a comprehensive evaluation of Kaspi Bank's strategic position.

The literature review outlines key concepts of strategic management, including vision, mission, and various analytical tools such as PESTLE, Porter's Five Forces, and VRIO analysis. These frameworks facilitate an in-depth understanding of both external and internal environments influencing Kaspi Bank's operations. The external environment analysis employs PESTLE to examine political, economic, social, technological, legislative, and environmental factors, while industry analysis leverages Porter's Five Forces to assess competitive dynamics within the Kazakh banking sector. Additionally, financial ratios and performance indicators offer insights into the bank's financial health and operational efficiency.

The practical part of the bachelor thesis provides an overview of Kaspi Bank and the broader Kazakh banking industry. Through external and internal analyses, including financial assessment and VRIO evaluation, the research identifies the bank's competitive advantages and potential vulnerabilities. A survey-based study further complements the analysis by capturing customer perceptions and satisfaction levels regarding Kaspi Bank's services.

Keywords: Strategic analysis, SWOT framework, Kaspi Bank Company, quantitative and qualitative research, data collection, SPSS Software.

Strategická analýza společnosti Kaspi Bank, pohled SWOT

Abstrakt

Tato bakalářská práce představuje strategickou analýzu Kaspi Bank, jedné z předních finančních institucí v Kazachstánu, z pohledu SWOT. Cílem výzkumu je posoudit vnitřní silné a slabé stránky banky a vnější příležitosti a hrozby, kterým čelí ve vyvíjejícím se finančním prostředí. Integrací teoretických rámců a empirických údajů studie poskytuje komplexní hodnocení strategické pozice Kaspi Bank.

Přehled literatury nastiňuje klíčové koncepty strategického řízení, včetně vize, poslání a různých analytických nástrojů, jako jsou PESTLE, Porterových pět sil a analýza VRIO. Tyto rámce umožňují hloubkové pochopení vnějšího i vnitřního prostředí, které ovlivňuje činnost banky Kaspi Bank. Analýza vnějšího prostředí využívá metodu PESTLE ke zkoumání politických, ekonomických, sociálních, technologických, legislativních a environmentálních faktorů, zatímco odvětvová analýza využívá Porterových pěti sil k posouzení dynamiky konkurence v kazašském bankovním sektoru. Finanční ukazatele a ukazatele výkonnosti navíc nabízejí pohled na finanční zdraví a provozní efektivitu banky.

Praktická část bakalářské práce poskytuje přehled o bance Kaspi a širším kazašském bankovním sektoru. Prostřednictvím externích a interních analýz, včetně finančního hodnocení a hodnocení VRIO, výzkum identifikuje konkurenční výhody a potenciální slabá místa banky. Studie založená na průzkumu dále doplňuje

Klíčová slova: Strategická analýza, rámec SWOT, společnost Kaspi Bank, kvantitativní a kvalitativní výzkum, sběr dat, software SPSS.

Table of content

1 Introduction

The banking sector plays a crucial role in the economic development of any country, serving as a financial intermediary that facilitates transactions, investments, and economic growth. In Kazakhstan, the banking industry has undergone significant transformations in recent years, driven by regulatory changes, technological advancements, and evolving consumer demands. Among the key players in this sector is Kaspi Bank, which has emerged as a leading financial institution renowned for its digital innovations and customer-centric approach.

This bachelor thesis focuses on the strategic analysis of Kaspi Bank, using a SWOT perspective to evaluate its strengths, weaknesses, opportunities, and threats. The study aims to provide a comprehensive understanding of the bank's strategic position by employing various analytical tools, including PESTLE, Porter's Five Forces, VRIO, and financial ratio analysis. Through this assessment, the research seeks to determine the competitive advantages that Kaspi Bank possesses and the challenges it faces in the evolving financial landscape of Kazakhstan.

The structure of the thesis is divided into two main parts: the theoretical and practical sections. The theoretical section reviews key concepts of strategic management and the methodologies used for external and internal analysis. It provides the foundation for understanding how strategic tools can be applied to assess an organization's competitive position. The practical section applies these frameworks to Kaspi Bank, analyzing its financial performance, market position, and customer perceptions through survey data.

The primary objective of this research is to offer strategic recommendations that can enhance Kaspi Bank's competitive edge in the Kazakh banking sector. By integrating qualitative and quantitative analysis, this study aims to contribute to the broader discussion on banking strategies and provide valuable insights for industry stakeholders, including financial institutions, policymakers, and researchers.

Through this research, the thesis will highlight the critical factors influencing Kaspi Bank's success and identify potential areas for improvement, ensuring its continued growth and sustainability in the dynamic financial sector.

2 Objectives and Methodology

2.1 Objectives

The aim is to conduct a strategic analysis of Kaspi Bank using SWOT method to strengthen its market position and promote it as a leader in the global online banking sphere.

2.2 Methodology

This thesis adopts a mixed-method approach, utilizing both qualitative and quantitative methodologies to analyze Kaspi Bank's strategic position. By combining these approaches, a comprehensive understanding of both internal and external factors influencing the bank's performance can be achieved.

The qualitative aspect of the research involves an in-depth review of secondary sources such as academic articles, business reports, and industry analysis related to Kaspi Bank. These sources provide insights into the bank's strategic operations, market positioning, and internal dynamics. This analysis will focus on:

- Kaspi Bank's historical development and growth trajectory
- Competitive landscape and market trends
- Management and organizational structure
- Innovations and strategic initiatives

The quantitative component is based on primary data collection through an online survey distributed among Kaspi Bank's customers. This survey will capture insights into customer satisfaction, service preferences, and the perception of Kaspi Bank's offerings. The collected data will be analyzed to identify patterns, trends, and correlations that are critical for assessing the bank's strategic positioning. Key metrics will include customer loyalty, service quality, and adoption of new digital services.

To conduct a comprehensive strategic analysis of Kaspi Bank, both internal and external factors will be examined. The internal analysis focuses on Kaspi Bank's strengths and weaknesses by assessing key aspects such as financial performance, operational efficiency, and innovation in product development. This will provide insights into how the bank manages its resources, maintains competitiveness, and adapts to technological advancements.

On the other hand, the external analysis explores the opportunities and threats in the broader market environment. This will be achieved using tools like PEST analysis to evaluate the political, economic, social, and technological factors influencing the bank. Porter's Five Forces framework will also be applied to assess competitive pressures from rivals, the threat of new entrants, and the bargaining power of suppliers and customers. Additionally, market trends and consumer behavior will be analyzed to understand external factors impacting Kaspi Bank's strategic decisions and market positioning.

3 Literature Review

3.1 Strategic Analysis and Strategic Management

The corporate strategy and its corresponding strategic management are crucial for the enduring success of any company (Hill & Jones, 2012). The company's internal and external settings are always evolving, posing management difficulties for its leadership (Porter, 1996). Strategic management is an essential instrument for promptly and efficiently addressing evolving circumstances within the organization and its environment (Johnson, Scholes, & Whittington, 2008). Simultaneously, strategic management serves as an essential instrument for effectively attaining the organization's established objectives (David & David, 2016). The ideas of strategic management and its instruments will be elucidated in the future chapters and then applied to a chosen organization in the practical section of this work.

3.1.1 Strategic Management

Strategic management is a multifaceted process essential for the effective future trajectory of an organization. Freeman (2010) defines strategic management as a continuous business process that seeks to formulate a business plan while consistently overseeing the company's trajectory. Johnson, Scholes, and Whittington (2008) define strategic management as a function performed by a company's senior management, involving efforts to sustain long-term coherence among the organization's mission, its strategic objectives, and available resources, while also ensuring congruence between the organization and its external environment. Strategic management encompasses not only the administration of current operations but also the execution of transformative initiatives inside the organization to ensure its prosperity in the future amid the complexities of the contemporary global landscape (FitzRoy, Hulbert, Ghobadian, 2016).

FitzRoy et al. (2016) delineates the primary function of strategic management as the formation of a strategy, the planning for its execution, the execution of the strategy, and the oversight of the strategy itself. Parnell (2014) delineates strategic management into four distinct phases.

Analysis of the External Environment: This study delineates the possibilities and risks stemming from the macro-environment, which the firm cannot control, and the micro-environment, which the company can somewhat impact.

Internal Environment Analysis: This assessment delineates the company's strengths and limitations.

Strategy Execution: The organization devises strategies that establish and sustain a competitive advantage by integrating its strengths and weaknesses with the opportunities and challenges present in its environment.

Strategic Control: The assessment and evaluation of the effectiveness of strategy execution, with possible modifications implemented if the plan fails to achieve the intended outcomes.

3.1.2 Vision and Mission of a Company

For a corporation to delineate its goals and formulate suitable strategies, it must possess a clear comprehension of its future aspirations. The mission is an ambiguous declaration of the company's future objectives and fundamental principles (Gillespie, 2011). Hill & Jones (2012) assert that the mission fulfills an informative role for the firm and its surroundings, publicly articulating the company's purpose and influencing public image of the organization.

Conversely, the vision is temporal and delineates the company's future ambitions (Gillespie, 2011). Freeman (2010) contends that the vision must be clear, conveyable, and pragmatic. The vision allows the organization to establish strategic objectives and identify the means to accomplish them (Gillespie, 2011). Consequently, the vision encapsulates the company's central concept and is grounded on its foundational principles.

3.1.3 Strategic analysis

Strategic analysis is an essential instrument for strategy development. It assists an organization in identifying and monitoring aspects that may influence its future strategy, as well as assessing their existing interrelationships (Hill & Jones, 2012). Kotler & Keller (2016) assert that strategic analysis is a mechanism for deconstructing a complicated situation into its constituent elements, the identification, inspection, and assessment of which may provide insights essential for establishing the company's objectives and strategy.

The fundamental processes in strategic analysis are examining the company's external environment and assessing its internal resources. The external environment is conventionally categorized into the macro-environment, which impacts the firm without being subject to its control, and the micro-environment, which pertains to the company's market environment. Internal resources include elements that are only accessible to the organization (Freeman, 2010; Porter, 1996).

3.2 External Environment Analysis

The investigation of the external environment is a core tool of strategic analysis. This study enables a corporation to discern elements that may signify opportunities or hazards. Johnson, Scholes, and Whittington (2008) assert that it is essential for a corporation to not only concentrate on the present condition of these components but also to examine their interrelations and foresee future advancements. This study is crucial since it offers the organization a thorough understanding of its operational environment, allowing enhanced and more accurate planning.

A PESTLE study will be used to examine the macro-environment, whilst industry analysis and Porter's Five Forces model will be applied for the micro-environment investigation.

3.2.1 PESTLE Analysis

The PESTLE analysis is an essential instrument for evaluating the influence of the macro-environment on a firm. Johnson, Scholes, and Whittington (2008) assert that this study concentrates on recognizing developmental tendencies that might profoundly impact a corporation, emanating from the external environment. Furthermore, the corporation cannot directly regulate these elements and must adjust to their impact (Gillespie, 2011). This methodology categorizes macro-environmental elements into six areas, identified by their first letters: Political, Economic, Social, Technological, Legal, and Environmental (Johnson et al., 2008).

3.2.1.1 Political Factors

Political considerations include aspects pertaining to international organizations, national governments, and local administrative entities. These elements provide a framework that delineates the parameters for all company and corporate actions (Hill & Jones, 2012). FitzRoy, Hulbert, and Ghobadian (2012) categorize political determinants as include competition policy, tax policy, privatization, financial market regulation, labor legislation, government stability, and international agreements. These characteristics substantially affect the stability and predictability of the household environment (Johnson, Scholes, & Whittington, 2008).

3.2.1.2 Economic Factors

The term "economic factors" refers to the facts and forecasts that are largely characterized by a macroeconomic viewpoint. It is said by Hill and Jones (2012) that these elements include the rate of inflation, the rate of interest, the growth of the gross domestic product, the rate of unemployment, the exchange rate of the local currency, and the buying power of the people. According to Parnell (2014), there are four essential economic variables that are identified. These elements include economic growth, inflation, unemployment, and external balance.

3.2.1.3 Social Factors

Social factors significantly influence the demand for a company's services and goods, as well as the supply side, by affecting the entrepreneurial spirit and work motivation of the people (Johnson, Scholes, & Whittington, 2008). Social variables include demographic elements such as population size and distribution, demographic aging, income distribution, educational attainment, labor availability, and the people's work ethic (Mallya, 2007). FitzRoy, Hulbert, and Ghobadian (2012) further assert that social determinants may include religious views, lifestyle modifications, attitudes towards technology, cultural influences, or population movement.

3.2.1.4 Technological Factors

To sustain long-term competitiveness, a firm must observe and adjust to the evolving trends within its industry. Technological variables are especially pertinent to firms about innovation in development, manufacturing, or product assortment. If a corporation can monitor and anticipate emerging innovations in its sector, it may swiftly establish itself as a leader in the industry. If a corporation neglects to monitor technological changes and fails to adapt, it may rapidly become obsolete and, therefore, irrelevant to the market and consumers (Johnson, Scholes, & Whittington, 2008). FitzRoy, Hulbert, and Ghobadian (2012) underscore that the rate of technological progress is very rapid and perpetually increasing.

3.2.1.5 Legislative Factors

Legislative variables provide the legal framework governing a company's commercial operations within its jurisdiction. These elements include universally applicable rules, norms, and regulations pertinent to the company's operational domain and the industry in which it participates. A crucial element for competitiveness is the enforcement of legal statutes and patent rules. In the current situation, government investment incentives, as well as commercial and civil rules, have significant importance (Boddy, 2017).

3.2.1.6 Environmental Factors

Environmental factors mostly include climatic impacts in the company's operational region, environmental protection, sustainability, recycling, resource availability, and the use of renewable and non-renewable resources (Gordon, 2017). These environmental concerns are anticipated to have a progressively substantial influence on corporate operations (FitzRoy, Hulbert, & Ghobadian, 2016). Moreover, customers increasingly prioritize the environmental sustainability of their purchased items (Kotler & Keller, 2016).

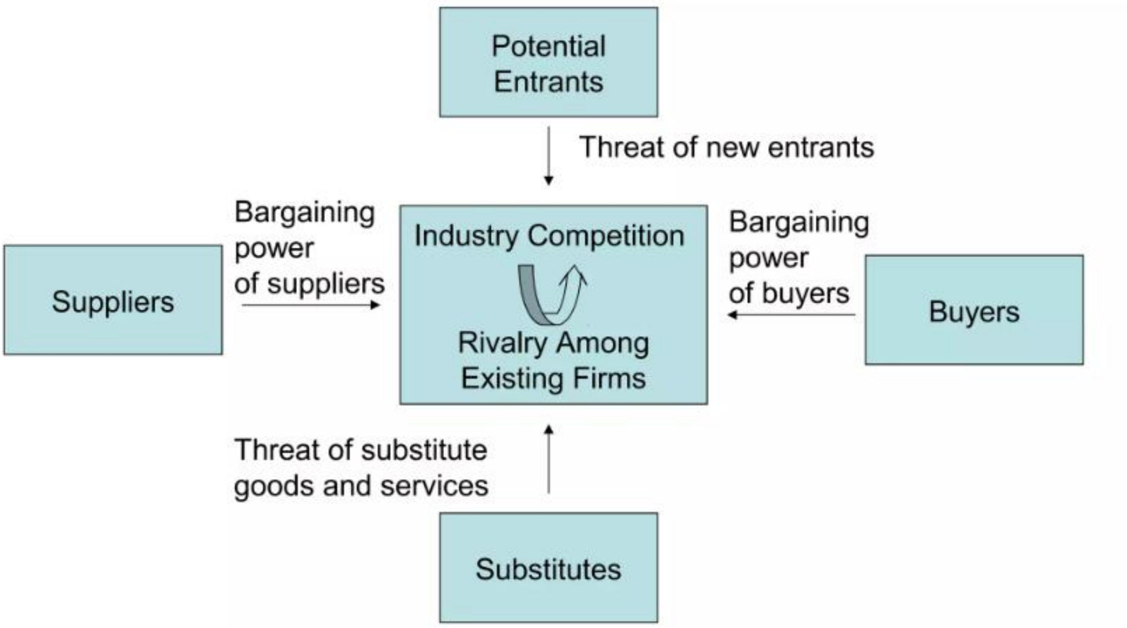
3.3 Industry Analysis

Industry analysis is a critical aspect of strategic analysis, focusing on understanding the dynamics within the industry in which a business operates. This analysis helps businesses identify key factors that can influence their strategy, including competition, market trends, and industry structure.

One of the fundamental tools used for industry analysis is Michael Porter's Five Forces Model. According to Porter (2008), the Five Forces Model assesses the competitive pressures within an industry by analyzing five key factors:

1. **Threat of New Entrants**
2. **Bargaining Power of Suppliers**
3. **Bargaining Power of Buyers**
4. **Threat of Substitute Products or Services**
5. **Industry Rivalry**

Figure 1: Porter's 5 Forces



Source: Slideshare (2024).

3.3.1 Existing competition

Existing competition within an industry is considered the strongest of the five competitive forces affecting businesses in an industry (Porter, 2008). Companies compete in the market for customers, employees, and resources needed for their operations. They engage in competition through pricing, quality of products or services, warranties, advertising, innovation, and other strategies (Kotler & Keller, 2016).

High rivalry within an industry typically reduces the profitability of firms operating within it. This is due to higher operational costs in a competitive environment and lower prices driven by intense competitive pressure (Magretta, 2012). High industry rivalry may be driven by factors such as a high number of competitors, low product or service differentiation, high fixed costs, or significant barriers to exit from the industry (Hill & Jones, 2012).

3.3.2 Threats of New Entrants

Generally, growing industries are more attractive to businesses than those that are stagnating or declining. However, a problem in these growing markets may arise if demand grows more slowly than supply, causing profits to be dispersed among more firms, leading to reduced profitability for existing companies and decreasing the industry's attractiveness (Porter, 2008, p. 111). Porter further notes that as new firms enter the industry, pressure increases on market share, prices, costs, and investment levels (Porter, 2008, p. 111).

The risk of new entrants is related to entry barriers in the industry. If entry barriers are low, there is a greater chance of successful market entry and profit realization for new firms (Barney, 2011, p. 118). Porter (2008, p. 112) describes the following entry barriers:

- **Economies of Scale**: The size of a company can significantly influence its ability to lower prices, for example, through economies of scale or a stronger negotiating position with suppliers (Porter, 2008, p. 112).
- **Capital Requirements**: This factor is a significant barrier, especially in industries with high entry costs, including investments in buildings, machinery, or technology (Barney, 2011, p. 119).
- **Distribution Channels**: Existing firms often have established distribution networks for their products, while new entrants must negotiate terms with distributors or distribute products independently (Grant, 2016, p. 234).

- **Legislation and Government Policy**: Legislation and government policy can either facilitate or hinder the entry of new entities into the market. Many industries are heavily regulated, and government regulations can make entry difficult or sometimes almost impossible (e.g., electricity transmission networks) (Hill & Jones, 2012, p. 98).
- **Switching Costs**: These costs represent the expenses customers incur when switching from one supplier to another. Higher switching costs increase the difficulty of acquiring new customers for new entrants (Porter, 2008, p. 113).

3.3.3 Bargaining Power of Suppliers

Suppliers can impact a company primarily by raising prices, reducing the quality of products, or pushing for more favorable business terms (Porter, 2008, p. 117). These actions can decrease the profitability of firms within the industry. An effective analysis should identify the relationships between the company and its suppliers, uncover potential threats that management should address through strategic actions, and reveal opportunities to enhance supplier relationships and thus improve the company's bargaining power (Hill & Jones, 2012, p. 106).

The bargaining power of suppliers depends on several factors, such as the uniqueness of the supplied product and the associated dependency of the firm on the supplier, the ability to switch suppliers, the costs associated with changing suppliers, the availability of substitutes, the size of the supplying firm, and the customer's sensitivity to price changes (Barney, 2011, p. 126). Hill and Jones (2012) suggest that supplier power can be mitigated by building long-term relationships and maintaining a diverse supplier portfolio (Hill & Jones, 2012, p. 105).

3.3.4 Bargaining Power of Customers

Buyers demonstrate their bargaining power towards a company particularly when they are price-sensitive and select the cheapest options available, especially if the products are minimally differentiated (Porter, 2008, p. 119). A buyer with significant bargaining power can negotiate better prices, quality, or other advantages with the company (Hill & Jones, 2012, p. 118).

Buyers achieve a strong position when they are a significant customer for the company, can easily switch to competitors, or have readily available substitutes (Barney, 2011, p. 132). Companies should aim to minimize the bargaining power of buyers to ensure they accept the business terms set by the company (Hill & Jones, 2012, p. 117).

3.3.5 Threat of Substitution

Substitutes are products that can fulfill the same needs as the original product for customers. They represent a competitive threat and can reduce the profitability of a particular product or service (Barney, 2011, p. 142). Porter (2008) notes that companies operating in markets with a high threat of substitutes are compelled to differentiate their products through additional features and marketing strategies to mitigate this threat (Porter, 2008, p. 120). Companies in markets with low risk from substitutes can often charge higher prices for their products and achieve higher profits (Hill & Jones, 2012, p. 119).

3.4 Internal Environment Analysis

Financial indicators are mathematical comparisons of accounts or categories in financial statements between different companies or with industry benchmarks. These relationships between financial statement accounts help investors, creditors, and internal company management understand how well the company is performing and identify areas that require improvement (Atrill & McLaney, 2018).

According to Ross, Westerfield, and Jaffe (2020), financial indicators are one of the most commonly used tools in analyzing a company's financial health. Since the indicators are based on ratios, both large and small companies can use them to assess their financial situation. In a sense, financial indicators do not consider the size of the company or the industry, which allows for the comparison of companies across different sectors and helps identify their strengths and weaknesses. Ross, Westerfield, and Jaffe (2020) divide financial indicators into five main categories:

a) Profitability
b) Activity
c) Liquidity
d) Debt
e) Financial coverage

3.4.1 Profitability Indicators

Profitability is a key indicator of an organization's financial health. The term profitability refers to a company's ability to generate profit from invested funds (Berk & DeMarzo, 2017). Profitability indicators are often referred to as return indicators and measure the efficiency with which a company uses its invested capital to generate profits. Commonly used indicators include return on assets, return on equity, and return on sales. Brealey, Myers, and Allen (2019) also include return on invested capital in this category.

For a better understanding of the profitability concept, it is useful to become familiar with various classification terms used to calculate net profit. Earnings After Taxes (EAT) represents profit after tax, dependent on pre-tax profit and the tax rate. In Czech accounting, this indicator is often referred to as the profit result (Hillier et al., 2020).

EBT (Earnings Before Taxes) is profit before tax and is considered the company's gross profit. EBIT, the acronym for "Earnings Before Interest and Taxes," represents profit before deducting interest and taxes, which is often referred to as operating profit (Hillier et al., 2020).

Return on Assets (ROA)

This profitability indicator shows how much profit a company can generate from its assets. ROA measures the efficiency of the company's management in using its total assets, as listed on the balance sheet, to generate profit (Atrill & McLaney, 2018).

$$\boldsymbol{ROA = \frac{EBIT}{Total\ Assets}}$$

Return on Equity (ROE)

Return on Equity (ROE) is a measure of a company's financial performance. It is calculated as the ratio of net profit to shareholders' equity. Since shareholders' equity equals the company's assets minus its debts, ROE reflects the return on the company's net assets (Brealey, Myers, & Allen, 2019).

$$\boldsymbol{ROA = \frac{EAT}{Shareholder's\ Equity}}$$

Return on Sales (ROS)

Sometimes referred to as the profit margin, this indicator expresses the percentage of profit from operations relative to sales revenue from goods, products, and services. It is generally described as the percentage of profit for each dollar of revenue (Ross, Westerfield, & Jaffe, 2020).

$$\boldsymbol{ROA = \frac{Profit}{Sales}}$$

3.4.2 Activity Ratios

Activity ratios measure the efficiency of a company in using its assets, with these ratios often being compared to sales (Palepu & Healy, 2013). According to Palepu and Healy (2013), these indicators are also referred to as capital turnover ratios. Key activity ratios include the turnover period and the speed of inventory, receivables, and payables, as well as the relative fixed asset turnover.

When calculating activity ratios, authors often differ in their views on the number of days in a year to use. Some, like Palepu and Healy (2013), use 365 days, while others, such as Brigham and Ehrhardt (2016), prefer 360 days.

Activity ratios can be divided into two main groups:

- The first group focuses on the number of turnovers, where a higher value indicates better asset utilization and higher revenue.
- The second group focuses on the turnover period, where a lower value indicates more efficient use of assets within a shorter timeframe, allowing for more turnovers (Palepu & Healy, 2013).

Inventory Turnover Period

The inventory turnover period tells us the average number of days it takes for a company to sell its inventory. In other words, it indicates how long inventory sits in storage, tying up financial resources (Palepu & Healy, 2013).

$$\boldsymbol{Inventory\,Turnover = \frac{Inventory}{Sales} * 365 = Number\ of\ Days}$$

Receivables Turnover Period

This ratio assesses the turnover period of trade receivables by measuring the speed or the number of days that sales revenue is retained in receivables from customers (Brigham & Ehrhardt, 2016).

$$\boldsymbol{Inventory\,Turnover = \frac{Recievables}{Sales} * 365 = Number\ of\ Days}$$

Payables Turnover Period

The payables turnover period measures the average time it takes a company to pay off its trade payables. This indicator provides creditors with insight into the likely payment behavior of a company based on its financial statements (Palepu & Healy, 2013).

$$\boldsymbol{Inventory\ Turnover = \frac{Payables}{Sales} * 365 = Number\ of\ Days}$$

3.4.3 Liquidity Ratios

Liquidity is used in two closely related contexts. First, liquidity ratios determine a company's ability to repay its short-term obligations when they come due, as well as its long-term obligations once they become short-term. In other words, these ratios express the level of cash a company has and its ability to convert other assets into cash in order to meet obligations and other current liabilities (Brigham & Ehrhardt, 2021). Liquidity is not just a measure of how much cash a company has but also an indicator of how easy it will be for the company to acquire sufficient cash or convert assets to cash. Assets like receivables, marketable securities, and inventory are relatively easy to convert into cash within a very short time frame for most companies. All of these current assets are therefore included in the calculation of a company's liquidity (ibid).

Current Ratio

The current ratio is a liquidity and efficiency measure that assesses a company's ability to repay its short-term obligations using its current assets. The current ratio is a critical liquidity metric since short-term liabilities must be paid off within the next year.

$$\boldsymbol{Current\ Ratio = \frac{Current\ Asests}{Short\ Term\ Liabilities}}$$

This ratio expresses a firm's current liabilities in relation to its current assets. Hence, the current ratio measures how many times the company's current assets cover its short-term liabilities. In practice, it indicates how many times a company could satisfy its creditors if all current assets were converted into cash. Determining the optimal value for the current ratio is difficult. According to average working capital management strategies, the current ratio should range between 1.6 and 2.5. A higher current ratio is generally preferable, as it shows that the company can more easily meet its short-term liabilities. The current ratio should not drop below 1 (Ross et al., 2021), as values below 1 can indicate the risk of insolvency.

Quick Ratio

The quick ratio, also known as the acid-test ratio, is a liquidity measure that assesses a company's ability to meet its short-term obligations using only its most liquid assets. Quick assets are current assets that can be converted to cash within 90 days or a short period. These include cash, cash equivalents, short-term investments, or marketable securities, and receivables. A company with a quick ratio of 1 means that its liquid assets equal its short-term liabilities, indicating that it can pay off its short-term obligations without having to sell any long-term assets (Ross et al., 2021).

$$\boldsymbol{Quick\ Ratio = \frac{Current\ Assets - Inventory}{Short - Term\ Liabilities}}$$

Cash Ratio

This ratio is precise and assesses the company's ability to meet its short-term financial obligations at a specific moment in time. The numerator includes only cash, bank balances, and their equivalents. An ideal value is 0.2 (Ross et al., 2021).

$$\boldsymbol{Cash\ Ratio = \frac{Cash + Cash\ Equivalents}{Short - term\ liabilities}}$$

3.4.4 Debt Ratios

Debt Ratios

Debt ratios, also known as leverage ratios, are considered indicators of financial stability. These ratios focus on determining a company's level of indebtedness. Companies typically operate using a combination of equity and debt, and when managed effectively, debt can be a cheaper source of financing but also carries certain risks. It is generally recommended to maintain a debt-to-equity ratio of 1:1 (Ross et al., 2021). However, this recommendation is not universally applicable, and additional factors must be considered. Key concepts like financial leverage and the weighted average cost of capital (WACC) are crucial in determining the optimal capital structure for different companies.

It's important to note that the optimal debt-to-equity ratio can vary depending on the industry, the business's risk profile, growth expectations, and other factors. Financial management aims to maximize firm value and minimize capital costs through these strategies (Brigham & Ehrhardt, 2021).

$$\boldsymbol{Total\ Debt} = \frac{\boldsymbol{Total\ Liabilities}}{\boldsymbol{Total\ Assets}} * \mathbf{100} = \%$$

The total debt ratio, also known as creditor risk, is one of the fundamental debt ratios. Companies can operate effectively at different levels of debt depending on various factors such as the industry in which they operate. It is generally recommended to maintain total debt levels between 30% and 60% (Ross et al., 2021).

Current Debt Ratio

This ratio describes the level of assets covered by short-term liabilities. It compares short-term debt to total assets.

$$\boldsymbol{Current\ Debt\ Ratios} = \frac{\boldsymbol{Short - Term\ Liabilities}}{\boldsymbol{Total\ Assets}} * \mathbf{100} = \%$$

Equity Ratio

The equity ratio characterizes the company's financial stability from a long-term perspective. It shows to what extent a company can cover its assets with its equity. The higher the equity ratio, or the closer it is to 100%, the less dependent the company is on external debt.

$$\boldsymbol{Equity\ Ratio} = \frac{\boldsymbol{Equity}}{\boldsymbol{Total\ Assets}} * \mathbf{100} = \%$$

3.5 Analysis of Internal Sources

The process of strategy development involves not only evaluating a company's internal resources but also examining its external environment. Internal resource analysis, a core component of strategic analysis, aims to understand the available resources, competencies, and skills needed for the organization to carry out various activities and maintain their balance. Every company possesses different resources and strengths, and analyzing these aspects can contribute to gaining a competitive advantage (Grant, 2021).

As mentioned, a company's internal resources include not only its capacity and expertise but also various types of assets. These assets consist of human resources, financial resources, and technical and investment resources. Unlike assets, a company's capacity determines how managers utilize available resources to achieve their objectives. These competencies are typically shaped by the organizational structure and management system of the company (Johnson et al., 2017).

According to Grant (2021), assessing the state of a company's resources can be a highly challenging process. Therefore, company resources are divided into four basic groups:

1. **Tangible Resources** – These include the physical assets of the company, such as buildings, equipment, machinery, inventory, or land. They are easily measurable and tangible resources.
2. **Human Resources** – This includes the company's employees, their skills, knowledge, experience, and capabilities. An essential part is how the human potential is managed within the organization.
3. **Financial Resources** – These represent the capital available to the company, whether it is equity, debt financing, cash reserves, or investments. These resources are crucial for funding the company's operations and growth.
4. **Intangible Resources** – These include intangible assets such as brand, patents, intellectual property, know-how, corporate culture, and company reputation. Intangible resources are often harder to measure but can offer significant competitive advantages.

3.5.1 VRIO analysis

The VRIO analysis facilitates the identification of a company's internal strengths and weaknesses. The name consists of four letters, each representing a question to assess the potential of a particular resource. The questions relate to the value of the resource (Value), its rarity (Rarity), the difficulty of imitating the resource (Imitability), and the organizational capability of the company to utilize the resource (Barney & Hesterly, 2019).

- **V (Valuable)** – The ability to create value: a resource, activity, or process that does not create value results in an economic disadvantage.

- **R (Rare)** – Rarity: a given resource should be owned by only a few companies, ideally none at all.
- **I (Imitable)** – Imitability: for a resource, activity, or process to lead to a sustained competitive advantage, it must be difficult to imitate. This difficulty can be based on various factors, such as unique raw materials or human capital.
- **O (Organized)** – The economic entity must be organized to exploit the competitive advantage; without this attribute, the advantage is lost (Barney, 1991).

3.5.2 SWOT Analysis

The aim of SWOT analysis is to identify and evaluate the strengths, weaknesses, opportunities, and threats related to a business (Hill & Jones, 2012). This analysis encompasses both external and internal assessments. The external analysis focuses on identifying opportunities and threats in the business environment, such as market trends, competition, and regulatory changes. The internal analysis assesses the company's strengths and weaknesses, including its resources, capabilities, and processes (ibid). Insights gained from the SWOT analysis should be used to formulate actionable conclusions and recommendations (Kotler & Keller, 2016).

When conducting a SWOT analysis, it is essential to adhere to several principles. This analysis should have a clearly defined objective and be tailored to specific conditions. A key element is focusing on long-term facts, prioritizing causes over effects, and approaching the analysis entirely objectively (Kotler & Keller, 2016). It is important to mention that SWOT analysis does not create a strategy for the business but serves as a useful overview for companies that already know where they stand and where they want to go. By maximizing their strengths, a company gains opportunities for its business. To achieve this, it is necessary to study the relationship between the results of the external and internal analyses. In practice, a so-called SWOT analysis is often employed. Strengths and weaknesses are derived from analyses of the internal environment, while opportunities and threats come from the external environment of the company (Chermack & Kasshanna, 2007).

Table 1: SWOT matrix analysis

Opportunities	**Threats**
Strengths	SO (Strengths-Opportunities)
Weaknesses	WO (Weaknesses-Opportunities)

Source: Chermack & Kasshanna (2007).

3.5.3 SO Strategies

"SO" – this strategy is suitable for a company that possesses several strengths while facing business opportunities. By leveraging the interaction between strengths and opportunities, the company adopts an offensive strategy. Such a strategy is the clear objective of most businesses and is highly desirable. The "SO" strategy is acceptable only when strengths align with expected opportunities.

3.5.4 ST Strategies

"ST" – although the company has its strengths, adverse conditions in the external environment (political, economic, climatic) pose direct threats to achieving the company's strategic goals. In this situation, it is necessary to identify threats promptly and transform them into opportunities while utilizing the company's strengths.

3.5.5 WO Strategies

"WO" – this strategy is suitable for companies that encounter numerous market opportunities but also face certain weaknesses. The goal of this strategy is to overcome weaknesses by taking advantage of available opportunities.

3.5.6 WT Strategies

"WT" – at this stage, the company faces many difficulties, as, in addition to weaknesses (which outweigh strengths), there are numerous risk factors in the market. The aim of this strategy is to minimize weaknesses and find opportunities that help avoid risks and threats.

For effective execution of a SWOT analysis, it is crucial to base it on the results of internal and external evaluations of the company, allowing for the identification of strengths and weaknesses, as well as opportunities and threats. It is also important to assess the interrelationships among the various factors (Johnson et al., 2017). To analyze these relationships, it is recommended to use evaluation matrices that express the intensity of individual influences. A negative assessment indicates that a strength may be weakened, or that a weakness prevents the organization from facing threats. Conversely, a positive influence shows that a strength enables the organization to seize opportunities or mitigate risks. If there is no relationship between factors, a value of 0 is assigned (Henry, 2018). The SWOT analysis will be closely linked to the internal and external analysis of the enterprise (PEST and VRIO analyses).

4 Practical Part

4.1 Overview of a Kaspi Bank JSC

Kaspi.kz JSC is a prominent fintech enterprise in Kazakhstan, originating as a modest banking organization in 1999. The organization aims to enhance client lives via technology, establishing a robust reputation for increasing efficiency, prioritizing customer needs, and demonstrating openness to innovation. The Super App platform integrates several financial services, such as e-commerce, payments, and loans, providing users with a seamless user experience. To this end, the Kaspi.kz JSC application was developed in 2017 and has since evolved into a Super App that integrates a variety of services beyond banking, facilitated by the ongoing incorporation of developments throughout the years and continuing to the present. The following picture depicts the logo of Kaspi.

Table 2: Kaspi's Perfomance for 2024.

Bank Name	**ROA, %**	**ROE, %**	**Profit, bln USD (01.01.24)**
JSC "Halyk Savings Bank of Kazakhstan"	4.7	31	1.482
JSC Kaspi Bank	8.1	73	1.046
JSC "Otbas Bank"	4	28	0.323
JSC First Heartland Jusan Bank	4.9	24	0.31
JSC "Bank CenterCredit"	2.7	38	0.287
JSC ForteBank	4	34	0.279
JSC "Citibank Kazakhstan"	9.1	86	0.243
JSC "Eurasian Bank"	3.8	38	0.213
JSC Bank RBK	2.4	34	0.106

Source: National Bank of Kazakhstan (2024).

4.1.1 Overview of Banking Sector in Kazakhstan

As of January 1, 2024, there are 21 commercial banks operating in the Republic of Kazakhstan, along with 260 branches and 1,378 additional offices (bank branches are allowed to have offices located at multiple addresses within a single region). Among these, 11 banks have foreign participation (including eight subsidiaries), and two banks are 100% state-owned. Additionally, there are 19 representative offices of foreign banks in the country, while Kazakhstani banks maintain four representative offices abroad, See Table – 2.

Table 3: Institutional Structure of the Financial Sector in Kazakhstan

Category	01.01.2022	01.01.2023	01.01.2024
Banks	22	21	21
Insurance organizations	27	26	25
Mutual funds (PIFs)	27	29	30
Microfinance organizations	239	230	>229
Pawnshops	599	525	518
Credit cooperatives	218	213	209
Mortgage organizations	2	2	2
Organizations conducting specific banking operations	3	3	3
Total	**1,137**	**1,049**	**1,037**

Source: National Bank of Kazakhstan (2024).

As of October 1, 2023, the largest banking conglomerates in Kazakhstan include JSC "Holding Group ALMEX" (JSC "People's Savings Bank of Kazakhstan"), JSC Kaspi.kz, and JSC Bank Center-Credit. Approximately 91% of the conglomerates' assets are represented by the banking sector, while 3.2% relate to insurance services, 1.6% to activities in the securities market, and 4.7% to the non-financial sector. In 2022, the Russian banks Alfa-Bank and Sberbank sold their Kazakh subsidiaries. Specifically:

- In April 2022, JSC Bank Center-Credit acquired Alfa-Bank's Kazakh subsidiary.
- In August 2022, the government of Kazakhstan, represented by the national holding "Baiterek", acquired Sberbank's Kazakh subsidiary.

Following its purchase, the former JSC DB Alfa-Bank was renamed ECO BANK and subsequently merged with JSC Bank Center-Credit in September 2022.

The total assets of the banking sector at the end of 2023 amounted to 51.4 trillion tenge (113 billion USD), increasing by 15% compared to the previous year. Capital grew at a faster pace (+31%), rising from 5.2 to 6.9 trillion tenge (from 11 to 15 billion USD). The majority of assets are formed by loans to clients (53%) and investments in securities (23%). The current liquidity ratio, which is the ratio of highly liquid assets to demand liabilities, in the banking system as of January 1, 2024, stood at 148%, with a regulatory minimum of 30%. Since 2016, the banking system of Kazakhstan has had an excess of liquidity, which the system has not yet been able to fully redirect towards financing business projects.

Table 4: Aggregate Balance

Aggregated Balance	**01.01.2022**	**01.01.2023**	**01.01.2024**
Assets	**87**	**96**	**113**
Liquid assets	8.8	10.7	9.1
Funds in credit institutions	10.7	11.8	12.2
Investments and other securities	22	21.5	25.8
Loans to clients	40.8	47.5	59.8
Fixed assets	1.4	1.5	1.6
Other assets	3.5	3.7	5
Liabilities	**87**	**96**	**113**
Client funds	60.8	69.3	79
Funds from financial institutions	1.7	2.5	1.9
Issued securities	3.7	3.6	4.8
Subordinated debt obligations	1.5	1.4	1.4
Other liabilities	9	8.4	10.9
Equity	10.5	11.3	15.1

Source: National Bank of Kazakhstan (2024).

As of January 1, 2024, client funds serve as the primary source of funding for the banking sector, accounting for 70% of liabilities. Client funds are distributed almost equally between individuals and legal entities; however, since 2022, there has been a gradual shift in favor of funds from individuals, whose share has increased from 52% to 58%. The average interest rates on funds attracted from both corporate and retail clients saw significant growth in 2022 and stabilized in 2023. The share of client funds in current accounts and demand deposits decreased from 35% to 27% in 2023, driven by a 16% reduction in their balances, while the trend of growing term deposits persisted.

4.2 External Analysis

4.2.1 PESTLE Analysis

4.2.1.1 Political

Kazakhstan is a republic led by a president. From gaining independence in 1991 until 2019, the country was headed by the same leader, Nursultan Nazarbayev. Legislative power is vested in a bicameral parliament, with the lower chamber known as the Mazhilis. In this legislative body, the Nur Otan party plays a dominant role, being entirely controlled by the president (Somfalvy, 2020). The president appoints the government, led by the prime minister, who primarily focuses on the country's economic and social development.

Kazakhstan's internal reforms are based on constitutional changes aimed at further democratizing state policies and revitalizing civil society. These changes, including adjustments to the electoral mechanism and the development of the parliamentary party system, were approved in a general referendum on June 5, 2022. Following these changes, early presidential elections were held on November 20, 2022, where the incumbent president, Kassym-Jomart Tokayev, was re-elected. Elections for part of the Senate took place in January 2023, and early elections for the lower chamber of Parliament and local maslikhats were held on March 19, 2023. According to the new constitutional provisions, 70% of the 107 seats in the Mazhilis are filled through party lists, while the remaining 30% are elected in 29 single-member constituencies. From a political perspective, Kazakhstan can be considered a highly stable state.

The Tax Code dates back to 2017 and has been amended several times, with the most recent changes in 2023. According to the law, unchanged since January 1, 2020, the following taxes apply: corporate income tax for the non-resource sector at a rate of 20%; corporate income tax for the agricultural sector at a rate of 10%; value-added tax (VAT) at a rate of 12% (KazGov, 2024).

A non-resident legal entity operating in Kazakhstan through a permanent establishment (e.g., a branch, joint venture, etc.) pays, in addition to the 20% corporate income tax, a 15% net income tax. A non-resident legal entity earning income from sources in Kazakhstan without operating through a permanent establishment is also subject to additional taxes, such as a 15% dividend income tax or a 15% business risk insurance tax, among others.

As of January 1, 2023, several significant changes to the tax code came into effect. Among the most important are changes in fee rates, such as in the area of international transport. The changes also affect special tax regimes and the taxation of dividends. Starting in 2023, Kazakhstan introduced a unified payment from employee wages. The unified payment rate, including a 9% personal income tax component, amounts to 20% of the payroll fund. The 12% VAT applies to the sale of goods and services where Kazakhstan is the place of supply and to taxable imports. Exempt from VAT are exports, the sale of precious metals between residents, income from international transfers, sales of goods in special zones, and some other specific cases.

4.2.1.2 Economical

Kazakhstan is the strongest economy in Central Asia, primarily based on the extraction and export of mineral resources, especially oil and gas. Its priorities include diversifying the economy, developing non-extractive sectors, attracting foreign investments, supporting localized production with a focus on exporting local products, and fostering promising sectors such as agriculture, which has favorable conditions for growth, energy, and engineering (World Bank, 2024). Despite challenges such as reduced oil production in the first half of 2022 and disruptions in supply chains due to the country's close economic ties with Russia, Kazakhstan recorded a GDP growth of 3.1% in 2022. This growth was mainly driven by increased oil and gas production. Other sectors contributing to growth included agriculture, manufacturing, construction, and services (BTI, 2024). Economic growth was further supported by the influx of Russian tourists and immigrants. However, high inflation led to a decline in consumer demand among the Kazakh population, most notably reflected in rising food prices, with inflation in this category reaching 20.3%. To stabilize inflation, the Kazakh government provides various forms of support to businesses, particularly in achieving food self-sufficiency (World Bank, 2024).

Measures include preferential financing, construction of modern storage facilities for vegetables, pre-harvest supply contracts for fruits and vegetables, and protecting the domestic market from dumping imported products. Supporting businesses in general remains a priority for Kazakhstan. The government focuses on the development of small and medium-sized enterprises (SMEs), which contributed 35.7% of GDP in 2022. The number of business entities increased by 20% compared to 2021, reaching 1.7 million, while employment in the sector rose by 9.3% to 3.7 million people (BTI, 2024).

Table 5: Key Indicators, 2020-2024.

Indicator	2020	2021	2022	2023	2024
GDP Growth (%)	-2.6	4.1	3.1	3.8	4.3
GDP per Capita (USD/PPP)	26,435.32	27,803.10	30,250.00	32,210.00	33,770.00
Inflation (%)	6.76	8	14.99	13.2	5.3
Unemployment (%)	4.9	4.9	4.9	4.8	4.6
Export of Goods (billion USD)	47.54	60.32	84.39	83.08	91.75
Import of Goods (billion USD)	38.93	41.42	50.04	45.75	56.17
Trade Balance (billion USD)	9.25	18.76	35.13	38.07	36.43
Industrial Production (% Change)	1.29	-1.64	1.09	4.5	6.3
Population (million)	18.98	19.2	19.4	19.61	19.83

Source: adopted from Kazstat, World Ban, BTI (2024)

Another significant area of government activity in 2022 aimed at supporting the business sector was combating monopolies, promoting fair and transparent economic competition, and reclaiming assets illegally transferred out of state ownership. This effort was overseen by the Commission for the Demonopolization of the Economy, chaired by Prime Minister Alikhan Smailov (KazStat, 2024). The state reclaimed ownership of 11 key companies in industries such as energy, railways, telecommunications, and several large real estate projects in Astana and Almaty. Measures to combat the shadow economy were enabled by improvements in the legislative framework, currency control, digitization of tax and customs administration, the establishment of a national goods traceability system, and the development of cashless payments.

4.2.1.3 Social

The world's internet users have grown by leaps and bounds, creating new ways to pay, do business, and do other things. Statista (2023) says that as of June 2023, 5.18 billion people, or 62.5 percent of the world's population, were online. Because of this, 16.41 million people in Kazakhstan used the internet in January 2022, which is 85.9 percent of the total population. The rate of internet users in Kazakhstan was slowly rising during the last decade, for instance, it went from around 32% in 2011 to 86% in 2020 (World Bank, 2024). The PwC study says that the amount of non-cash payments made rose 2.5 times between 2019 and 2021. It also says that the number of Smart Pays payments (like QR codes, Apple Pay, Google Pay, etc.) made rose 33 times between 2019 and 2021. This shows that faster and faster more people in Kazakhstan are using the internet to bank.

There are almost 20 million people living in Kazakhstan, but because the country is so big, there are only about 7 people per square kilometer. About 57% of the people live in cities, with Almaty having about 11% of the total population. The population of Kazakhstan has grown at a rate of 1.4% per year (World Bank, 2023). The poverty rate has gone down from 50% in 2001 to 2.7% in 2020 (World Data, 2023). Also, a lot of people in the country can read and write; almost all of the male and female population has finished obligatory schooling (Human Development Report, 2023).

4.2.1.4 Technological

The technological aspects only consider the Kaspi Bank, because Kaspi is the only bank that started the revolution of Fin-Tech in 2017. Kaspi Bank has revolutionized Kazakhstan's FinTech landscape with cutting-edge technological advancements and customer-centric innovations (Jerentz, 2017). Through its mobile app, Kaspi has integrated a wide range of digital services, including digital documents, vehicle registration, driver’s license replacement, child birth certificates, individual entrepreneur registration, and foreign vehicle legalization. The app also supports seamless access to government-subsidized services, such as discounted diesel, and enables residency registration, all with VAT-free and commission-free transactions (Bae, 2018).

One of Kaspi’s standout innovations is its Buy Now Pay Later (BNPL) product, which offers small, short-term loans with interest-free options for individuals. Powered by AI and machine learning, the system approves 99.9% of loans within six seconds, making every day financial transactions more accessible. In 2021 alone, Kaspi issued 60 million interest-free BNPL loans, showcasing the product's effectiveness and popularity.

The bank's broader technological ecosystem integrates AI-driven credit scoring and data analytics to enhance decision-making and customer experience. This innovation is complemented by a comprehensive suite of customer-oriented services, including the

Kaspi.kz Online Branch with its intuitive interface and zero commission fees, and a nationwide terminal network featuring over 5,500 stations for bill payments, credit repayment, and balance top-ups without fees (Koshkarbayev, 2023).

Kaspi also rewards customer loyalty through its Kaspi Bonus Program, which provides cashback on purchases that can be redeemed within its ecosystem. The Kaspi Shop allows customers to compare and purchase products online with integrated credit options, while Kaspi Red facilitates installment purchases across various retail categories (Koshkarbayev, 2023). Additionally, the Kaspi Gold Card offers consistent cashback and elevated rewards under its bonus program.

By leveraging advanced technologies like AI, machine learning, and big data analytics, Kaspi Bank has significantly improved customer satisfaction, as reflected in its high Net Promoter Score (NPS). With these innovations, Kaspi Bank has not only transformed the financial and digital experience in Kazakhstan but also established itself as a leader in the FinTech sector.

4.3 Porter’s 5 Forces

4.3.1 Threat of New Entrance

The threat of new entrants refers to the potential risk posed by new competitors entering the market and eroding the profits of established banks. This threat is determined by two primary factors: the level of existing entry barriers and the anticipated reaction of current competitors. High entry barriers or the expectation of strong retaliation from incumbents significantly reduce the likelihood of new entrants (Porter, 1998). Key barriers to entry, such as patents and strong brand recognition, serve to discourage potential competitors and give established banks a competitive advantage (Bateman & Snell, 2004).

In the context of Kazakhstan's banking sector, acquiring a license from the National Bank of Kazakhstan is mandatory for entry, effectively blocking unlicensed entities from operating. Another major obstacle is the substantial capital investment required, given that the primary product offering revolves around providing loans to the population. Notably, the main assets of all Kazakhstani banks consist predominantly of "Loans to clients," accounting for 60% of total assets, as shown in Table 4. This reliance on loans underscores the high-risk nature of the industry, further deterring new entrants.

4.3.2 Threat of Substitution

Banks in the same industry compete not only with each other, but also with banks in other industries that give similar goods and services. Alternatives are a big problem because they limit the prices banks can charge and still make a profit, which means the business could make less money. Looking for alternatives means looking for goods or services that can do the same things that the business does (Riley, 2012). Savings and Credit Societies are often used as alternatives to banks because they offer lower interest rates and more open loan terms and conditions. Digital platforms, portable contact, teleconferencing, and e-commerce are just a few examples of new technologies that can be used as options to standard business and financial activities. Because of this, managers have to think about competition from areas that don't seem to have anything to do with banks. Particularly, families, friends and other who lend the money at their own risks for a certain interest rate but doesn’t even have a license. Although, it is against the tax law in Kazakhstan, it is merely impossible to follow the cash-flow of the whole population.

4.3.3 Buyer Power

The table you provided lists various banks in Kazakhstan along with their number of branches, ATMs, and offices. To connect this with buyer's power in the banking industry, we can analyze how these factors influence customer choice and bargaining power in the market. In the banking industry, buyer's power refers to the ability of customers to influence the terms, prices, and offerings of the services provided by banks. This power can be high or low depending on various factors such as market competition, service differentiation, accessibility, and customer loyalty. Banks with more branches, such as JSC "People's Savings Bank of Kazakhstan" with 405 branches, have higher accessibility, which can increase customer satisfaction and loyalty. The number of ATMs, such as Kaspi Bank with 1,314 ATMs, plays a crucial role in enhancing buyer's power (Raexpert, 2024). A bank with a larger ATM network provides greater convenience to its customers, making it easier for them to withdraw cash, check balances, and perform other services without the need to visit a physical branch. This is especially important in an increasingly cashless society, where easy access to digital banking services is highly valued by consumers, See Table – 6.

Table 6: Ranking of banks by branch network

Bank Name	Number of Branches	Number of ATMs	Number of Offices
JSC "People's Savings Bank of Kazakhstan"	405	2,128	25
JSC Home Credit Bank	172	49	17
JSC "Eurasian Bank"	151	239	19
JSC "Otbasy Bank"	124	3	20
JSC "Kaspi Bank"	120	1,314	19
JSC "Bank CenterCredit"	118	331	21
JSC "Bereke Bank"	104	868	18
JSC "ForteBank"	103	636	20
JSC First Heartland Jusan Bank	89	562	19
JSC "Nurbank"	69	241	17
JSC Bank RBK	25	92	13

Source: Raexpert (2024).

4.3.4 Supplier Power

Suppliers can exert pressure on an industry by increasing prices or reducing the quality of the products or services they provide. Strong suppliers have the ability to significantly impact the profitability of the banking sector, potentially to the extent that banks struggle to recover the costs of their essential inputs. These suppliers include companies that provide raw materials, equipment, machinery, specialized services, and labor. Just because there are 21 banks in Kazakhstan, suppliers can literally pick and choose a better bank, terms and conditions that they prefer and willing to pay for.

4.3.5 Rivalry Between Existing Competitors

When banks in the same business are competing hard for market share, this is called rivalry (Hill & Jones, 2007). In this battle for market share, companies often use tactics like lowering prices, running bold advertising campaigns, coming up with new products, making quality better, and offering better customer service or guarantees (Pearce & Robinson, 1994). When there is competition, dealing with other companies is the most important thing (Bateman & Snell, 2004).

4.4 Financial Analysis

This chapter is dedicated to analyses the financial ratios of the Kaspi AS thru the last three years, 2021, 2022 and 2023.

4.4.1 Profitability Ratios

The profitability dynamics from 2021 to 2023 reveal a gradual decline across key margins, reflecting shifts in cost structures and financial pressures. The gross margin fell from 87.38% in 2021 to 84.5% in 2023, suggesting rising production costs or pricing pressures that slightly eroded the company's ability to retain revenue after direct expenses. Similarly, the operating margin dropped from 75.21% in 2021 to 69.5% in 2022 before partially recovering to 72.5% in 2023, indicating temporary inefficiencies or increased operational costs that were later mitigated through cost-cutting measures or improved revenue management.

Table 7: Profitability ratio

Metric	2021	2022	2023
Gross Margin	87,38%	85,21%	84,5%
Operating Margin	75,21%	69,5%	72,5%
Pretax Margin	50,61%	46,45%	42,45%
Net Profit Margin	41,01%	39,5%	37,5%

Source: Based on financial reports (2021-2023).

At the financial level, the pretax margin steadily declined from 50.61% to 42.45%, pointing to increased financial burdens such as interest expenses or tax liabilities that weighed on profitability before taxation. This trend is further reflected in the net profit margin, which decreased from 41.01% to 37.5%, highlighting the compounded effect of rising costs and financial obligations on the company's bottom line. While the partial recovery in operating margins suggests some stabilization in internal cost management, the overall decline across profitability ratios signals the need for strategic adjustments to maintain financial performance. However, looking at other ratios is important to see whether it has affected the debt ratios and its free cash flow and compare them with the average industry.

4.4.2 Management effectiveness

The company's profitability dynamics from 2021 to 2023 reflect both internal operational shifts and external financial pressures. The gross margin declined from 87.38% in 2021 to 84.5% in 2023, indicating increasing production costs or pricing pressures that slightly eroded the ability to retain revenue after direct expenses. A similar trend is observed in the operating margin, which dropped from 75.21% to 69.5% in 2022 before recovering to 72.5% in 2023. This suggests that while operational inefficiencies or rising expenses initially impacted performance, cost-management measures or revenue adjustments helped stabilize profitability in the following year.

On the financial side, the pretax margin steadily declined from 50.61% in 2021 to 42.45% in 2023, reflecting growing financial obligations, such as higher interest expenses or tax liabilities. This is mirrored in the net profit margin, which decreased from 41.01% to 37.5%, reinforcing the notion that rising costs and external financial burdens reduced the company's ability to retain earnings.

Table 8: Effectiveness ratios

Metric	2021	2022	2023
Return on Equity	82.89%	85.45%	93.23%
Return on Assets	16.27%	15.62%	12.79%
Return on Investment	82.26%	88.34%	86.75%

Source: Based on financial reports (2021-2023).

Despite these challenges, return on equity (ROE) improved, increasing from 82.89% in 2021 to 93.23% in 2023. This indicates that shareholders' equity generated higher returns, likely due to increased financial leverage or effective capital utilization. In contrast, return on assets (ROA) declined from 16.27% to 12.79% over the same period, suggesting that asset efficiency weakened, possibly due to higher asset investments or declining profitability relative to total assets. Meanwhile, return on investment (ROI) showed some volatility, rising from 82.26% in 2021 to 88.34% in 2022 before slightly decreasing to 86.75% in 2023, indicating that investment efficiency remained strong but faced minor fluctuations.

4.4.3 Liquidity Ratio

From a financial stability perspective, liquidity ratios remained strong, with the quick ratio fluctuating from 5.66 in 2021 to 5.19 in 2022 before rising again to 5.74% in 2023. Similarly, the current ratio followed a similar trend, dipping from 5.71 to 5.28 before recovering to 5.65% in 2023. These ratios indicate the company maintained a solid liquidity position, ensuring sufficient short-term assets to cover liabilities.

In terms of leverage, long-term debt to equity increased from 10.09% in 2021 to 12.45% in 2023, suggesting a gradual rise in financial leverage. However, total debt to equity remained stable, decreasing slightly from 11.75% in 2021 to 10.86% in 2023, which implies that while long-term obligations grew, overall debt levels remained controlled.

Table 9: Liquidity ratio

Metric	2021	2022	2023
Quick Ratio	5.66	5.19	5.74%
Current Ratio	5.71	5.28	5.65%
LT Debt to Equity	10.09%	10.85%	12.45%
Total Debt to Equity	11.75%	11.68%	10.86%

Source: Based on financial reports (2021-2023).

While profitability ratios indicate some margin compression, the company demonstrated strong equity returns and liquidity management. However, the declining ROA suggests a need for better asset utilization, and the increasing long-term debt-to-equity ratio highlights the importance of managing financial leverage to sustain long-term growth.

4.5 Internal source analysis of Kaspi

The tangible resources of KASPI Bank include long-term tangible assets, leased assets, and inventory.

As of 2023, the total acquisition value of long-term tangible assets amounted to 602,206 million KZT. The most significant item was the revaluation surplus on acquired assets, valued at 140,779 million KZT. Additionally, a substantial portion consisted of buildings and land, valued at 320,623 million KZT, with their worth determined based on technical improvements. Other key tangible assets included new IT infrastructure and security systems, valued at 27,528 million KZT. Further assets included office furniture worth 14,155 million KZT and computers valued at 1,854 million KZT. (KASPI Bank Financial Statements, 2023).

A crucial tangible resource for KASPI Bank is leased assets, particularly rented office spaces and ATM networks essential for banking operations. The total annual cost associated with leased assets in 2023 was 78,454 million KZT, including expenses for financial software (accounted for under intangible resources). As of December 31, 2023, KASPI Bank reported inventory worth 329 million KZT and other banking supplies amounting to 1,405 million KZT, with no impairment provisions created for these items. (KASPI Bank Financial Statements, 2023).

4.5.1 Human Resources

The bank’s average number of full-time equivalent employees, including those working on contractual agreements, totalled 3785 in 2023. Employee-related expenses amounted to 80,127 million KZT, with the largest portion allocated to salaries (60,032 million KZT), followed by social and health insurance costs (19,058 million KZT), and other employee benefits totalling 1,037 million KZT. (KASPI Bank Financial Statements, 2023).

KASPI Bank's long-term strategy focuses on fostering a positive work environment to reduce employee turnover and enhance job satisfaction. (KASPI Bank Financial Statements, 2023, p. 7) Each year, the bank conducts an employee satisfaction survey, covering workplace conditions, job responsibilities, and team relationships (KASPI Bank Financial Statements, 2023, p. 7).

Financial advisors and relationship managers represent a critical human resource for KASPI Bank. While they are not direct employees, they work under independent contracts with the bank, allowing them to operate within the bank's branch network. The bank maintains high service quality standards by prioritizing the recruitment of certified financial advisors through a selection process managed by branch managers.

4.5.2 Financial Resources

As of December 31, 2023, KASPI Bank's total cash and cash equivalents amounted to 38,905 million KZT, including 760 million KZT in cash holdings and 38,145 million KZT in bank accounts. (KASPI Bank Financial Statements, 2023).

The bank's long-term financial assets, primarily consisting of security deposits for leased office spaces, totalled 11,213 million KZT. Short-term receivables, including trade receivables from business clients and affiliated entities, reached 22,556 million KZT. These receivables primarily stemmed from corporate banking services, such as business account management and loan processing. (KASPI Bank Financial Statements, 2023). The total amount of impairment provisions for receivables was 3,664 million KZT.

KASPI Bank heavily relies on loans provided by its parent companies, Benefit Systems S.A. and Benefit Systems International S.A. The total loan amount stood at 165,427 million KZT (KASPI Bank Financial Statements, 2023). These loans carry interest rates based on EURIBOR 12M + 3.26% and 3 months + 4.25%).

4.5.3 Intangible Resources

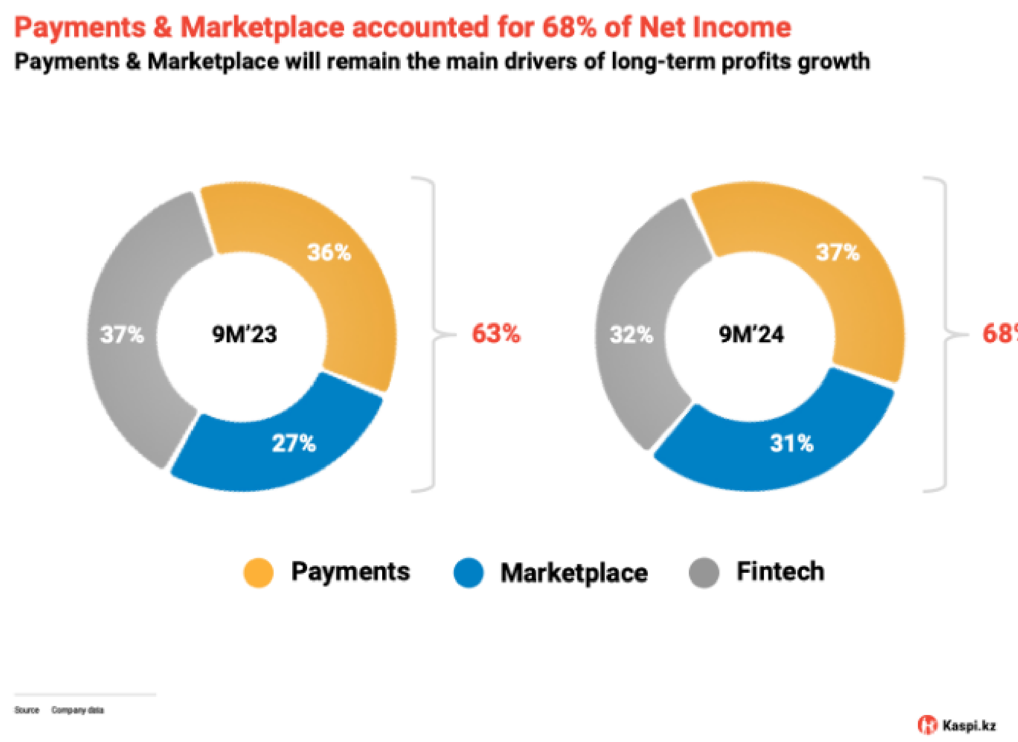
KASPI Bank's intangible assets primarily consist of financial software, with an acquisition cost of 630 million KZT in 2023. As of December 31, 2023, the net book value of software reached 1,854 million KZT due to significant upgrades, including improvements to the bank's online banking platform and the launch of digital advisory services. (KASPI Bank Financial Statements, 2023).

Strategic partnerships with major companies, such as Mastercard, Visa further enhance the bank's market position. Additionally, the bank benefits from strong industry expertise and financial know-how. (KASPI Bank, 2023).

4.5.4 VRIO Analysis

The VRIO analysis for the banking sector in Kazakhstan identifies key competitive advantages that allow KASPI bank to maintain a strong position in the market. Among the main resources are technological platforms and over 234 branches with 1750 ATMs, which are the foundation for providing a wide range of banking services. KASPI Bank in Kazakhstan invest in modern digital channels that allow customers easy access to financial products, both at branches and online. This factor provides banks with a stable competitive advantage because technological platforms and services are rare, difficult to imitate, and effectively utilized. Another key resource is skilled employees, whom banks regularly train to provide the most professional advice and customer support. This enables banks in Kazakhstan to maintain a high standard of service, contributing to their long-term competitive advantage. In 2023, some KASPI bank achieved record financial results and growth in the number of clients, confirming the effectiveness of this approach.

Figure 2: Payments and Marketplace results



Source: Kaspi (2024, p. 17).

Kaspi’s Payments Platform has driven consistent top-line growth, primarily due to the ongoing success of Kaspi Pay and B2B Payments. In addition, the Marketplace, particularly eCommerce and e-Grocery, has experienced strong momentum. The integration of Kaspi Pay and B2B Payments is a valuable technological platform, offering seamless access to financial products and services across different sectors. These platforms are rare in Kazakhstan’s banking and fintech sector, providing a unique customer experience across payments, shopping, and services. The combination of these services is difficult to imitate, as it requires sophisticated technology and deep integration between financial products, retail services, and consumer behavior data. Kaspi has successfully exploited these resources, leveraging its platforms to expand its customer base and drive revenue, making the organization highly efficient in utilizing its technological assets.

The continued growth of Value-Added Services (VAS) in the Marketplace is another key resource for Kaspi, generating additional revenue streams. This VAS growth is valuable because it enhances the overall user experience, contributing to customer retention and increasing revenue. Kaspi’s ability to provide unique VAS offerings tailored specifically to the needs of Kazakhstan’s market gives it a rare advantage, making its platform more attractive to customers. These services are also difficult to replicate, as they depend on a combination of technological expertise, local market understanding, and an established user base. Kaspi has effectively utilized these services, integrating them into its marketplace to drive growth and engagement.

Table 10: Summary of VRIO Analysis

Resources	**Value**	**Rarity**	**Inimitability**	**Organizational Exploitation**	**Competitive Advantage**
Tangible Resources					
Branches	Yes	Yes	Yes	Yes	Long-term
ATM's	Yes	Yes	No	No	Neutral
Human Resources					
Qualified Employees	Yes	Yes	Yes	Yes	Long-term
Financial Resources					
Loans[1]	Yes	Yes	Yes	Yes	Long-term
Intangible Resources					
Software	Yes	No	No	No	Neutral
Brand Awareness	Yes	Yes	Yes	Yes	Long-term
Know-how	Yes	Yes	Yes	Yes	Long-term

Source: Own processing.

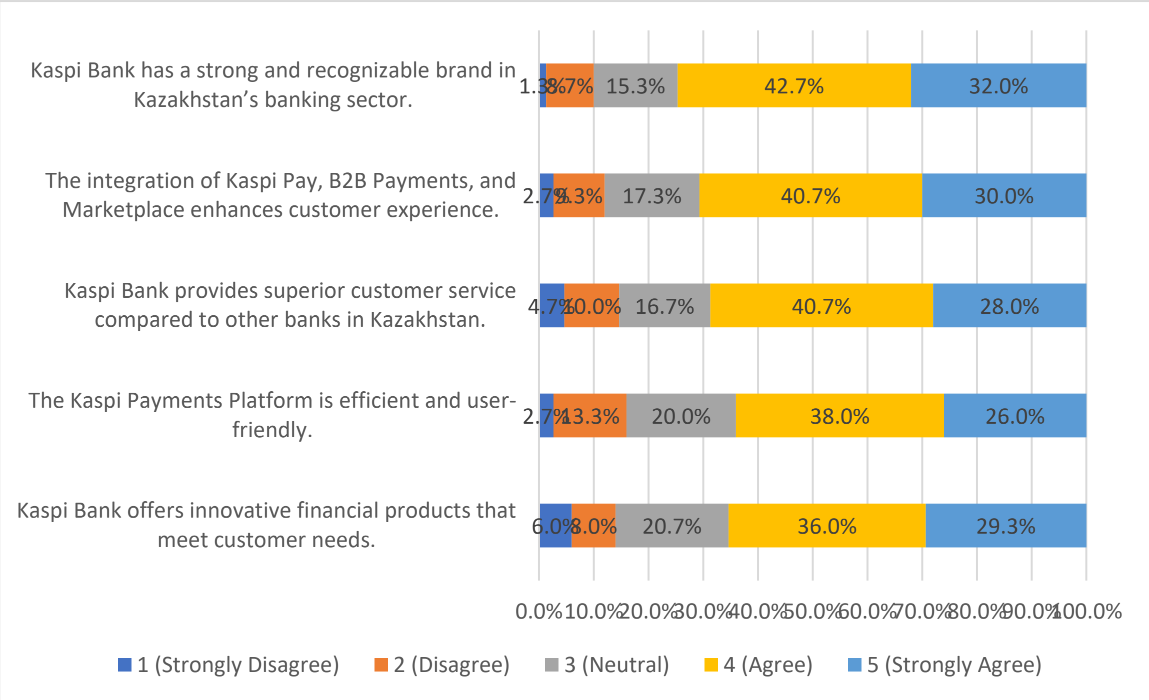
The VRIO analysis, see Table 10, shows that Kaspi bank in Kazakhstan have strong competitive advantages in areas where their resources are difficult to imitate and provide long-term benefits, enabling them to maintain a leading market position and continue expanding and innovating in the financial services sector.

[1] Loans landed to the nation of Kazakhstan.

4.6 Survey Results

This section presents the survey results. The recommendations will be provided based on the participants' responses. The survey included sets of questions that focused on specific dimensions that were related to SWOT abbreviation to identify what potential aspects could impact on the strategic development of a Kaspi Bank. The survey was distributed via google forms mainly in telegram channel and my own Instagram account.

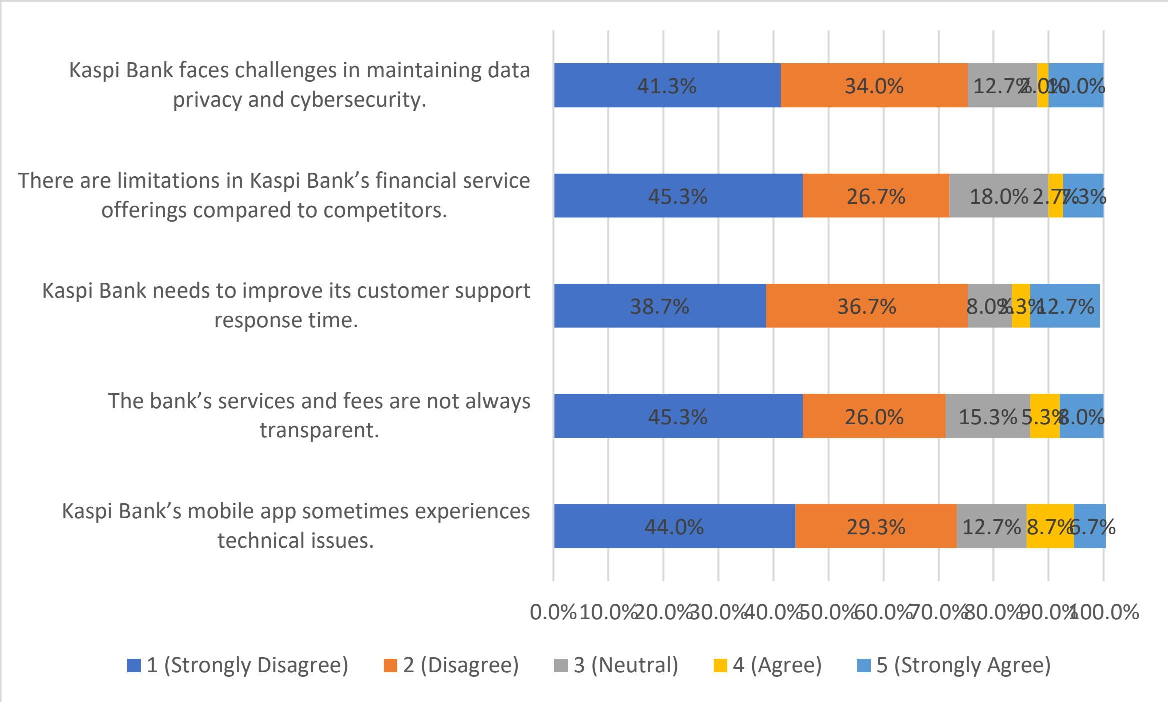
Figure 3: Strengths



Source: Own processing.

The results indicate that Kaspi Bank enjoys a strong market position, with a majority of respondents recognizing its innovative financial products, superior customer service, and well-integrated payment platform. The bank's brand is widely acknowledged as strong and recognizable within Kazakhstan's banking sector. However, a notable portion of respondents (15-21%) remained neutral, suggesting opportunities for improving awareness and engagement. While negative feedback was relatively low (10-16%), areas such as customer service and platform efficiency may require further refinement. To maintain its competitive advantage, Kaspi Bank should focus on enhancing user experience, addressing potential pain points, and increasing customer education on its offerings.

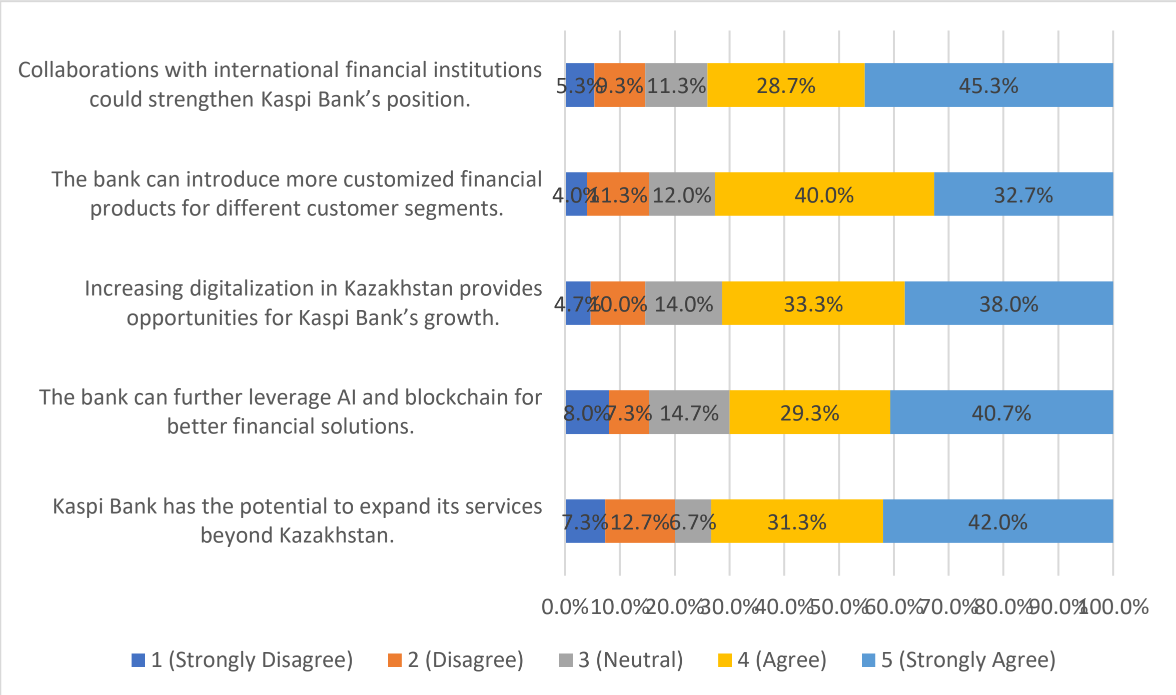
Figure 4: Weaknesses



Source: Own processing.

The survey responses highlight key concerns regarding Kaspi Bank's services, particularly in technical reliability, service transparency, customer support, service offerings, and cybersecurity. A majority of respondents (44.0% strongly disagree, 29.3% disagree) reported experiencing technical issues with Kaspi Bank's mobile app, suggesting potential stability or performance concerns. Similarly, dissatisfaction with the transparency of services and fees was evident, with 45.3% strongly disagreeing and 26.0% disagreeing, indicating a need for clearer communication and disclosure of costs to enhance customer trust. Customer support response time was another significant issue, as nearly 75% of respondents (38.7% strongly disagree, 36.7% disagree) found it inadequate, which could negatively impact overall satisfaction. Additionally, Kaspi Bank's financial service offerings were perceived as limited compared to competitors, with 45.3% strongly disagreeing and 26.7% disagreeing, highlighting a potential competitive disadvantage. Concerns about cybersecurity and data privacy were also prevalent, with 41.3% strongly disagreeing and 34.0% disagreeing that the bank sufficiently maintains security measures. To improve customer satisfaction and maintain its competitive edge, Kaspi Bank should focus on enhancing the mobile app's reliability, ensuring greater fee transparency, improving customer service efficiency, expanding financial service offerings, and strengthening cybersecurity measures.

Figure 5: Opportunities



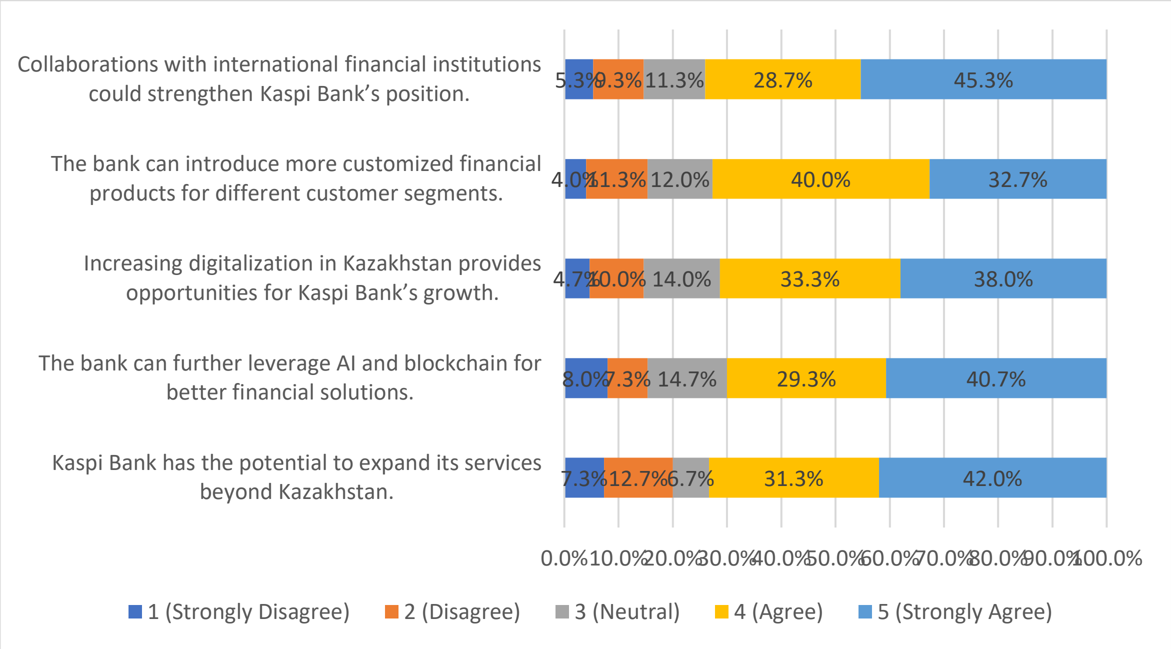
Source: Own processing.

The survey responses indicate strong optimism regarding Kaspi Bank's potential for growth and innovation. A significant majority (73.3%) believe that the bank has the potential to expand beyond Kazakhstan, with 42.0% strongly agreeing and 31.3% agreeing. This suggests confidence in Kaspi Bank's brand strength and operational scalability.

Similarly, the use of AI and blockchain for enhanced financial solutions is widely supported, with 70.0% of respondents (40.7% strongly agree, 29.3% agree) recognizing it as a valuable opportunity, indicating a demand for advanced digital financial services. The increasing digitalization in Kazakhstan is also seen as a growth driver, as 71.3% of respondents agree or strongly agree that it presents opportunities for the bank.

The introduction of more customized financial products is another area of opportunity, with 72.7% (40.0% agree, 32.7% strongly agree) supporting this initiative, emphasizing the need for more tailored banking solutions. Additionally, international collaborations are viewed as a key strategy to strengthen Kaspi Bank's position, with 74.0% (45.3% strongly agree, 28.7% agree) endorsing partnerships with global financial institutions.

Figure 6: Threats



Source: Own processing.

A majority of respondents (54.7%) remain neutral on whether rising competition in the banking and fintech sector threatens Kaspi Bank's market dominance, suggesting uncertainty or confidence in the bank's ability to maintain its position. However, government regulations are perceived as a significant risk, with 67.3% (36.0% agree, 31.3% strongly agree) acknowledging potential negative impacts on the bank's operations.

Economic instability in Kazakhstan is another notable concern, as 64.0% of respondents (36.7% agree, 27.3% strongly agree) believe it could affect Kaspi Bank's financial performance. Additionally, cybersecurity threats are seen as a serious risk, with 74.0% (45.3% agree, 28.7% strongly agree) fearing potential damage to customer trust.

Global financial trends and crises are also considered a relevant factor, with 66.7% of respondents (36.7% agree, 30.0% strongly agree) acknowledging their potential impact on Kaspi Bank's long-term stability.

4.7 SWOT Analysis

Category	Key Factors
Strengths	- Dominant position and strong brand recognition in Kazakhstan, associated with reliability and innovation.
	- The integrated platform provides a user-friendly experience with various banking and shopping services.
	- Data-driven approach using machine learning and big data for personalized offers, fraud prevention, and credit risk monitoring.
	- Fast and efficient decision-making through automated and centralized procedures.
	- Integrated ecosystem as part of its Super App Kaspi.kz JSC, enhancing convenience and customer loyalty.
	- Effective credit risk management with data analytics, collection tactics, and credit rating systems.
Weaknesses	- Dependence on technology makes it vulnerable to outages, cyberattacks, and technological obsolescence.
	- Limited geographical coverage, as Kaspi.kz JSC mainly serves the Kazakhstan market.
	- High dependence on Kazakhstan's economy, making it susceptible to economic fluctuations.
Opportunities	- Expansion beyond Kazakhstan's market by leveraging its platform and expertise.
	- Growth in fintech services and e-commerce to expand its financial product offerings.
	- Diversification into new financial services such as wealth management, insurance, and investment products.
Threats	- Increased competition from fintech companies like ForteBank JSC and Halyk Bank JSC.
	- Regulatory changes requiring adjustments to business procedures (e.g., amendments by the National Bank of Kazakhstan).
	- Cybersecurity risks due to handling confidential financial data.
	- Fluctuations in interest rates and currency values affecting loan profitability and maturity.

Source: Own processing.

Kaspi Bank holds a strong market position in Kazakhstan, leveraging its integrated digital platform, data-driven decision-making, and effective credit risk management to enhance customer experience and operational efficiency. However, its heavy reliance on technology and limited geographical reach make it vulnerable to cyber threats, system disruptions, and economic fluctuations. Opportunities lie in international expansion, fintech growth, and service diversification into wealth management and insurance. However, rising competition, regulatory changes, cybersecurity risks, and economic instability pose significant challenges. To maintain its competitive edge, Kaspi Bank should focus on expansion, innovation, and strengthening cybersecurity measures while proactively managing risks.

5 Conclusion

This bachelor thesis has provided a comprehensive strategic analysis of Kaspi Bank, assessing both internal and external factors that influence its market position. The findings reveal that Kaspi Bank has successfully leveraged digital innovation and customer-oriented services to establish itself as a leader in Kazakhstan's banking sector. However, challenges such as regulatory pressures, economic fluctuations, and increasing competition necessitate continuous adaptation and strategic planning.

The external environment analysis using PESTLE highlighted the influence of political, economic, social, technological, legislative, and environmental factors on the bank's operations. Industry analysis through Porter's Five Forces further demonstrated the competitive landscape, emphasizing the need for differentiation strategies to sustain long-term success. Internal assessments, including financial ratio analysis and VRIO evaluation, confirmed that Kaspi Bank possesses significant competitive advantages, particularly in technological capabilities and brand reputation.

The SWOT analysis integrated these insights, leading to the formulation of strategic recommendations. The study proposed various strategies, including capitalizing on technological advancements, expanding digital banking services, strengthening regulatory compliance, and enhancing customer relationship management. The SO, ST, WO, and WT strategies offer a structured approach for Kaspi Bank to maximize opportunities while mitigating potential threats.

This bachelor thesis contributes to the field of strategic management by applying a multifaceted analytical approach to a leading financial institution in an emerging market. The insights gained from this study can aid Kaspi Bank in maintaining its competitive edge while also serving as a reference for other financial institutions navigating similar challenges. Future research could explore the long-term impact of digital transformation on banking strategies or conduct comparative studies with other financial institutions to further enrich the understanding of strategic management in the banking sector.

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7 List of pictures, tables, graphs and abbreviations

7.1 List of tables

7.2 List of figures