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MORTGAGE LENDING IN KAZAKHSTAN: CURRENT TRENDS, CHALLENGES, AND FUTURE DEVELOPMENT PROSPECTS

[1]Turabaeva M.B., [1]Turgumbayeva G.T., [2]Hijriani H., [1*]Baimuratov R.B.

[1]Karaganda Industrial University, Temirtau, Kazakhstan
[2]Sulawesi Tenggara University, Indonesia
**Corresponding author e-mail: r.baymuratov@tttu.edu.kz*

Author information:
Turabaeva M. B. – Karaganda Industrial University, Temirtau, Kazakhstan. E-mail: m.turabaeva@mail.ru
Turgumbayeva G. T. – Karaganda Industrial University, Temirtau, Kazakhstan. E-mail: g.turgumbayeva@tttu.edu.kz
Hijriani H. - Master of Law Program, Postgraduate School, Sulawesi Tenggara University, Indonesia. Email: hijriani@gmail.com
Baimuratov R. B. – Karaganda Industrial University, Temirtau, Kazakhstan. E-mail: r.baymuratov@tttu.edu.kz

Abstract. Mortgage lending plays a fundamental role in improving housing affordability, supporting financial sector development, and fostering sustainable economic growth. In Kazakhstan, the mortgage market has undergone significant transformation over the past decade, driven by government housing initiatives, changes in monetary policy, and evolving macroeconomic conditions. Despite considerable market expansion, challenges such as high interest rates, inflationary pressures, regional disparities in housing affordability, and continued dependence on government-supported programs constrain the long-term sustainability of mortgage market development.
Keywords: mortgage lending; housing finance; housing affordability; banking sector; government housing policy; macroeconomic factors; financial stability; Kazakhstan.

ҚАЗАҚСТАНДАҒЫ ИПОТЕКАЛЫҚ НЕСИЕЛЕУ: ҚАЗІРГІ ҮРДІСТЕРІ, ПРОБЛЕМАЛАРЫ ЖӘНЕ ДАМУ ПЕРСПЕКТИВАЛАРЫ

[1]Турабаева М.Б., [1]Тұрғымбаева Г.Т., [2]Hijriani H., [1*]Баймұратов Р.Б.

[1] Қарағанды индустриялық университеті, Теміртау, Қазақстан
[2] Суловеси Тенггара университеті, Индонезия
** Автор-корреспондент e-mail: r.baymuratov@tttu.edu.kz*

Авторлар туралы мәліметтер:
Турабаева М. Б. – Қарағанды индустриялық университеті, Теміртау, Қазақстан. E-mail: m.turabaeva@mail.ru
Тұрғымбаева Г. Т. – Қарағанды индустриялық университеті, Теміртау, Қазақстан. E-mail: g.turgumbayeva@tttu.edu.kz
Hijriani H. – Құқық магистрі бағдарламасының магистранты, Жоғары мектеп, Суловеси Тенггара университеті, Индонезия. E-mail: hijriani@gmail.com
Баймұратов Р. Б. – Қарағанды индустриялық университеті, Теміртау, Қазақстан. E-mail: r.baymuratov@tttu.edu.kz

Аңдатпа. Ипотекалық несиелеу тұрғын үйдің қолжетімділігін арттыруда, қаржы секторын дамытуда және тұрақты экономикалық өсуді қамтамасыз етуде маңызды рөл атқарады. Соңғы онжылдықта Қазақстанның ипотекалық нарығы мемлекеттік тұрғын үй бағдарламаларының, ақша-кредит саясатының өзгерістерінің және макроэкономикалық жағдайдың ықпалымен елеулі өзгерістерге ұшырады. Нарықтың айтарлықтай кеңеюіне қарамастан, жоғары пайыздық мөлшерлемелер, инфляциялық қысым, тұрғын үй қолжетімділігіндегі өңірлік айырмашылықтар және мемлекеттік қолдау бағдарламаларына тәуелділіктің сақталуы ипотекалық нарықтың ұзақ мерзімді тұрақты дамуын шектеуді жалғастыруда.
Түйін сөздер: ипотекалық несиелеу; тұрғын үйді қаржыландыру; тұрғын үйдің қолжетімділігі; банк секторы; мемлекеттік тұрғын үй саясаты; макроэкономикалық факторлар; қаржылық тұрақтылық; Қазақстан.

СОВРЕМЕННОЕ СОСТОЯНИЕ, ТЕНДЕНЦИИ И ПЕРСПЕКТИВЫ РАЗВИТИЯ ИПОТЕЧНОГО КРЕДИТОВАНИЯ В РЕСПУБЛИКЕ КАЗАХСТАН

[1]Турабаева М.Б., [1]Тұрғымбаева Г.Т., [2]Hijriani H., [1*]Баймұратов Р.Б.

[1] Карагандинский индустриальный университет, Темиртау, Казахстан
[2] Университет Сулавеси Тенггара, Индонезия
[*]Автор-корреспондент e-mail: r.baymuratov@tttu.edu.kz

Сведения об авторах
Турабаева М. Б. – Карагандинский индустриальный университет, Темиртау, Казахстан. E-mail: m.turabaeva@mail.ru
Тургумбаева Г. Т. – Карагандинский индустриальный университет, Темиртау, Казахстан. E-mail: g.turgumbayeva@tttu.edu.kz
Hijriani H. – магистрант программы «Магистр права», Высшая школа, Университет Сулавеси Тенггара, Индонезия. E-mail: hijriani@gmail.com
Баймуратов Р. Б. – Карагандинский индустриальный университет, Темиртау, Казахстан. E-mail: r.baymuratov@tttu.edu.kz

Аннотация. Ипотечное кредитование играет важную роль в повышении доступности жилья, развитии финансового сектора и обеспечении устойчивого экономического роста. За последнее десятилетие ипотечный рынок Казахстана претерпел значительные изменения под влиянием государственных жилищных программ, изменений денежно-кредитной политики и трансформации макроэкономической среды. Несмотря на существенное расширение рынка, такие факторы, как высокие процентные ставки, инфляционное давление, региональные различия в доступности жилья и сохраняющаяся зависимость от государственных программ поддержки, продолжают ограничивать долгосрочную устойчивость развития ипотечного рынка.
Ключевые слова: ипотечное кредитование; жилищное финансирование; доступность жилья; банковский сектор; государственная жилищная политика; макроэкономические факторы; финансовая стабильность; Казахстан.

MAIN PROVISION

This study examines the current state and future development prospects of mortgage lending in Kazakhstan under changing macroeconomic conditions. The research identifies the key institutional, economic, and policy factors influencing housing finance and mortgage market sustainability. The findings demonstrate the significant role of government housing programs in improving mortgage accessibility while highlighting the risks associated with excessive dependence on state support. Policy recommendations are proposed to strengthen financial stability, improve housing affordability, and enhance the long-term resilience of Kazakhstan's mortgage market. The study contributes to the growing literature on housing finance in emerging economies by providing an integrated assessment of mortgage market development.

INTRODUCTION

Housing is widely recognized as one of the fundamental components of social welfare and sustainable economic development. Access to affordable housing significantly influences living standards, social stability, labor mobility, and long-term economic growth. Consequently, mortgage lending has become an essential financial mechanism that enables households to purchase residential property while simultaneously stimulating investment in the construction and banking sectors. Globally, mortgage finance constitutes one of the largest segments of financial markets. Well-developed mortgage systems contribute not only to expanding homeownership but also to strengthening financial stability through efficient capital allocation and long-term investment mechanisms. However, mortgage markets are highly sensitive to macroeconomic conditions, including inflation, interest rate fluctuations, monetary policy decisions, household income, and housing price dynamics. The recent tightening of monetary policy in many countries has renewed interest in evaluating the sustainability and resilience of national mortgage markets [1].

In Kazakhstan, mortgage lending has become a key component of housing policy since the early 2000s. Government-supported programs such as *7–20–25*, *Baspana Hit*, and *Nurly Zher* have substantially expanded access to housing finance and stimulated residential construction. These initiatives have contributed to the growth of mortgage portfolios, improved housing affordability for specific population groups, and supported economic activity in the construction industry. Nevertheless, the mortgage market continues to face several structural challenges, including relatively high lending rates, inflationary pressures, regional disparities in housing affordability, increasing household debt burdens, and dependence on government support mechanisms. These issues create uncertainty regarding the long-term sustainability of mortgage market development. The original article also highlights the role of government housing programs, macroeconomic instability, and interest-rate changes as key determinants of mortgage lending in Kazakhstan [2].

Although previous studies have examined various aspects of mortgage lending in Kazakhstan, most have focused on individual dimensions such as banking performance, state housing programs, or regulatory policies. Limited attention has been paid to the integrated interaction between macroeconomic conditions, financial institutions, and government intervention in shaping the long-term development of the mortgage market. Moreover, recent changes in monetary policy and economic conditions require an updated assessment of mortgage-lending performance and prospects. Therefore, this study aims to examine the current state of mortgage lending in Kazakhstan by analyzing the influence of macroeconomic, institutional, and policy factors on mortgage market development. The study also identifies the major challenges affecting housing finance and proposes strategic directions for strengthening the sustainability, accessibility, and efficiency of Kazakhstan's mortgage lending system [3].

Research Gap. Despite numerous studies on mortgage lending and housing finance in Kazakhstan, limited research has comprehensively examined the combined influence of macroeconomic factors, banking sector performance, and government housing policies on the long-term sustainability of the mortgage market. Existing studies predominantly analyze individual components of mortgage finance without adequately investigating their dynamic interactions under changing economic conditions. Therefore, a comprehensive assessment of Kazakhstan's mortgage lending system is necessary to identify current challenges, evaluate policy effectiveness, and formulate evidence-based recommendations for sustainable market development.

Research Novelty. The scientific novelty of this study lies in providing an integrated assessment of mortgage lending development in Kazakhstan through the combined analysis of macroeconomic conditions, government housing policy, and banking sector performance. Unlike previous studies that primarily focused on individual aspects of mortgage finance, this research examines the interrelationships among monetary policy, housing affordability, institutional regulation, and financial stability. Furthermore, the study proposes policy recommendations aimed at improving the sustainability and long-term resilience of Kazakhstan's mortgage market under changing economic conditions.

LITERATURE REVIEW

Mortgage lending has long been recognized as one of the primary mechanisms for improving housing affordability and promoting sustainable economic development. Efficient mortgage systems facilitate long-term capital allocation, stimulate residential construction, and contribute to financial market stability. At the same time, mortgage markets remain highly sensitive to macroeconomic conditions, including inflation, monetary policy, employment, and household income, making them an important subject of economic and financial research. International studies suggest that sustainable mortgage market development depends on a balanced interaction between financial institutions, government regulation, and macroeconomic stability. According to the Organisation for Economic Co-operation and Development [4, 5], effective housing finance systems should combine market-based lending with targeted government support to improve housing accessibility while minimizing systemic financial risks. Similarly, the World Bank (2024) emphasizes that mortgage market resilience largely depends on stable monetary policy, responsible lending practices, and well-developed financial institutions [5, 6].

Recent empirical research has demonstrated that rising policy interest rates significantly reduce mortgage demand and housing affordability while increasing borrowing costs for households [7]. Inflationary pressures further complicate mortgage financing by reducing household purchasing power and increasing financial uncertainty. Consequently, many countries have introduced subsidized mortgage programs, preferential lending schemes, and targeted housing policies to maintain housing affordability during periods of economic instability. Kazakhstan has experienced substantial growth in mortgage lending over the past two decades. Government initiatives, including the *7–20–25*, *Baspana Hit*, and *Nurly Zher* programs, have expanded access to housing finance and stimulated residential construction. These programs have played a significant role in increasing mortgage portfolios and supporting housing demand. Nevertheless, several studies indicate that Kazakhstan's mortgage market remains highly dependent on government intervention, while commercial mortgage products remain relatively expensive because of high interest rates and inflation [8].

The foundations of the modern mortgage system in Kazakhstan were established in the early 2000s through legislative reforms and the introduction of specialized housing finance mechanisms. Baybulekova and Kozhakhmetova analyzed the evolution of mortgage lending in Kazakhstan and emphasized the importance of effective credit risk management and government housing programs for sustainable market development [8, 9, 10]. The original article likewise identifies government support programs, interest rate policy, household income, and macroeconomic conditions as the principal factors influencing mortgage lending in Kazakhstan. Although previous studies have investigated individual aspects of mortgage lending, relatively limited attention has been devoted to the integrated assessment of institutional, macroeconomic, and policy factors affecting the long-term sustainability of Kazakhstan's mortgage market. Existing research has primarily focused on descriptive analyses of housing programs or banking activities, with comparatively less emphasis on the interaction between monetary policy, housing affordability, financial stability, and mortgage market resilience under changing economic conditions. Addressing this gap is essential for developing evidence-based recommendations that support sustainable mortgage finance and improve access to housing.

MATERIALS AND METHODS

Research Design. This study employed a qualitative analytical research design to examine the current state and development prospects of mortgage lending in the Republic of Kazakhstan. The research focused on identifying the economic, institutional, and regulatory factors influencing mortgage market development and evaluating their implications for housing affordability and financial stability. A descriptive and comparative approach was adopted to analyze recent developments in Kazakhstan's mortgage lending system and to assess the effectiveness of existing government housing policies.

Data Sources. The study is based exclusively on secondary data obtained from official and publicly available sources. The principal sources include reports and statistical publications of the National Bank of Kazakhstan, the Bureau of National Statistics, government housing policy documents, analytical reports on Kazakhstan's mortgage market, and previously published academic literature concerning mortgage finance, banking, and housing policy. In addition, official information regarding government housing programs, including *7–20–25*, *Baspana Hit*, and *Nurly Zher*, was reviewed to evaluate their contribution to mortgage market development. These sources correspond to the documents discussed throughout the original article.

Research Methods. Several complementary research methods were applied. First, a descriptive analysis was conducted to characterize the current state of mortgage lending in Kazakhstan and identify major market trends. Second, a comparative analysis was used to examine relationships between macroeconomic conditions, including inflation, interest rates, household income, and government support measures, and mortgage market performance. Third, a document analysis was performed to evaluate legislative documents, policy initiatives, analytical reports, and scientific publications related to mortgage finance and housing policy. Finally, system analysis was employed to investigate interactions among financial institutions, government regulation, and macroeconomic factors affecting the long-term sustainability of the mortgage market.

Analytical Framework. The analytical framework assumes that mortgage market development is influenced by the interaction of four major dimensions:

- macroeconomic conditions (inflation, monetary policy, and economic growth);
- banking sector performance (mortgage portfolios, lending conditions, and risk management);
- government housing policies (subsidies and preferential mortgage programs);
- household financial capacity (income level, housing affordability, and borrowing ability).

These dimensions were analyzed collectively to identify the principal challenges and future development opportunities for mortgage lending in Kazakhstan.

RESULTS AND DISCUSSION

Current Trends in Mortgage Lending in Kazakhstan. Mortgage lending has become one of the principal mechanisms supporting housing accessibility and residential investment in Kazakhstan. During the last decade, the mortgage market has demonstrated continuous expansion, primarily driven by government-supported housing programs, increasing demand for residential property, and the growing participation of commercial banks in long-term housing finance. The original article notes that programs such as *7–20–25*, *Baspana Hit*, and *Nurly Zher* significantly stimulated mortgage demand, expanded access to housing finance, and contributed to the development of the construction sector. The recovery of mortgage lending observed in 2024 indicates renewed confidence among both financial institutions and households. Rising mortgage issuance suggests improving market expectations despite continuing macroeconomic uncertainty. However, market growth remains uneven because borrowing capacity continues to depend heavily on government support and preferential lending conditions.

The development of the mortgage lending market in Kazakhstan is influenced by a combination of macroeconomic, institutional, and social factors. These determinants affect both the supply of mortgage loans by financial institutions and the demand for housing finance among households. Understanding the interaction of these factors is essential for evaluating the sustainability and future development of the national mortgage market. Table 1 summarizes the principal factors influencing mortgage lending development in Kazakhstan and their respective impacts.

Table 1. Major Factors Influencing Mortgage Lending Development in Kazakhstan

Factor	Positive Impact	Challenges
Government housing programs	Improve housing affordability and stimulate mortgage demand	High dependence on state financial support
Interest rate policy	Stable rates encourage long-term borrowing	Rising policy rates increase mortgage costs
Household income	Higher income expands mortgage accessibility	Low purchasing power limits borrowing capacity
Inflation	Moderate inflation supports investment activity	High inflation reduces affordability and increases financial risks
Banking sector development	Expands mortgage products and competition	Higher credit risk during economic instability
Housing supply	Supports market equilibrium	Regional housing shortages increase prices

The data presented in Table 1 indicate that mortgage lending development depends on the interaction of economic conditions, government policy, and banking sector performance. Government housing programs have significantly expanded access to mortgage financing, while macroeconomic factors such as inflation and interest rates continue to influence both borrowers' repayment capacity and financial institutions' lending decisions. Furthermore, increasing household incomes and ensuring adequate housing supply remain critical prerequisites for achieving a sustainable and accessible mortgage market in Kazakhstan.

Macroeconomic Factors Affecting Mortgage Lending. The findings indicate that mortgage market performance in Kazakhstan is strongly influenced by macroeconomic conditions. Inflation, monetary policy, and household income directly affect both mortgage demand and banks' lending strategies. In particular, increases in the National Bank's policy interest rate raise borrowing costs, reducing mortgage affordability and slowing housing demand. The original study likewise identifies interest rates, inflation, household income, and government regulation as the principal determinants of mortgage market development. Inflation represents an additional challenge because it simultaneously reduces household purchasing power and increases uncertainty within financial markets. Under such conditions, commercial banks typically adopt more conservative lending policies, which further limits access to mortgage finance. The findings indicate that mortgage lending in Kazakhstan is determined by the interaction of macroeconomic conditions, government regulation, banking sector performance, housing market characteristics, household financial capacity, technological development, and external economic risks. These interrelated factors are summarized in Figure 1.

As illustrated in Figure 1, mortgage lending is influenced by multiple interconnected dimensions rather than by individual economic indicators. Macroeconomic variables such as inflation and interest rates affect both household borrowing capacity and banks' lending strategies. Government policies and housing support programs further shape market accessibility, while technological innovation and banking sector development contribute to improving the efficiency and sustainability of mortgage financing.

Role of Government Housing Policy. Government intervention remains one of the defining characteristics of Kazakhstan's mortgage market. Preferential mortgage programs have substantially expanded access to housing finance for many households while simultaneously supporting residential construction and related industries. Nevertheless, excessive reliance on government subsidies may reduce market competitiveness and discourage the development of sustainable commercial mortgage products. A gradual transition toward a more balanced mortgage system - combining targeted government support with competitive market-based lending—would likely improve both financial sustainability and long-term market resilience.

Figure 1. Factors Affecting Mortgage Lending

Research findings. The findings of this study are consistent with international research demonstrating that mortgage market development depends on the interaction between macroeconomic stability, financial institutions, and public policy. Similar patterns have been observed in both developed and emerging economies, where rising interest rates and inflation reduce mortgage demand, while government support programs partially offset these negative effects. However, Kazakhstan exhibits several distinctive characteristics. Unlike many mature mortgage markets, housing finance remains closely linked to government-supported lending schemes. While these programs have successfully expanded housing accessibility, they also increase the mortgage market's dependence on fiscal policy. Consequently, future reforms should prioritize strengthening market-based mortgage financing, expanding private sector participation, improving long-term funding mechanisms, and enhancing financial literacy among potential borrowers. Overall, the evidence suggests that sustainable mortgage market development requires coordinated monetary policy, prudent banking regulation, stable macroeconomic conditions, and well-targeted housing policies. Such an integrated approach would contribute not only to greater housing affordability but also to broader financial stability and sustainable economic growth.

CONCLUSIONS

This study examined the current state and development prospects of mortgage lending in the Republic of Kazakhstan by analyzing the interaction between macroeconomic conditions, government housing policies, and banking sector performance. The findings demonstrate that mortgage lending has become an essential component of Kazakhstan's housing finance system, contributing to improved housing accessibility, residential construction, and broader economic development. Government-supported mortgage programs have played a particularly important role in expanding access to homeownership and maintaining market activity during periods of economic uncertainty. However, the study also identifies several structural challenges that continue to constrain sustainable mortgage market development. High interest rates, inflationary pressures, regional disparities in housing affordability, limited household purchasing power, and the significant dependence of the mortgage market on government support remain key obstacles to long-term market stability. These findings suggest that future mortgage market development should be based on a balanced combination of effective public policy, prudent banking regulation, and market-oriented financial mechanisms.

The practical implications of this research are relevant for policymakers, financial institutions, and housing market stakeholders. Strengthening long-term funding mechanisms, expanding competitive mortgage products, improving financial literacy, and introducing more targeted housing support measures may contribute to a more resilient and accessible mortgage financing system. In addition, greater digitalization of mortgage services and improvements in credit risk assessment could enhance operational efficiency and increase consumer confidence in the housing finance market.

This study has several limitations. It relies exclusively on secondary data obtained from official publications and previously published research and does not include primary empirical evidence collected from borrowers, commercial banks, or policymakers. Furthermore, the rapidly changing macroeconomic environment may influence mortgage market performance beyond the period covered by this analysis. Future research should employ quantitative econometric approaches to investigate the causal relationships between monetary policy, housing prices, household income, and mortgage demand. Comparative studies involving other Central Asian countries may also provide valuable insights into regional mortgage market development and the effectiveness of different housing finance policies. Overall, sustainable mortgage lending in Kazakhstan will require coordinated economic policy, stable financial institutions, responsible lending practices, and continuous improvements in housing affordability. Achieving an appropriate balance between government support and market-based financing will be essential for ensuring the long-term resilience and competitiveness of Kazakhstan's mortgage market.

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