

Bulgaria

Bulgarian banks covered by BEPS III account for 71 per cent of the country's total banking assets (Chart 1). Foreign banks make up just under 93 per cent of surveyed assets. Almost all of the Bulgarian banks interviewed expect their branch network to shrink over the next five years, the second-highest proportion among all economies surveyed (Chart 2).¹ Meanwhile, the share of banks expecting a decline in south-eastern Europe (SEE) and the EBRD economies, on average, is 56 per cent and 47 per cent, respectively.

Over 80 per cent of Bulgarian banks report having explicit social and environmental policies and targets, while half have climate change policies and targets (Chart 3). Across all three categories, the share of Bulgarian banks that report having such policies exceeds the average share of the SEE and EBRD economies. Similarly, more than 90 per cent of Bulgarian banks report undertaking corporate governance impact assessments before lending to small and medium-sized enterprises (SMEs), 10 percentage points more than banks across SEE, on average. However, they appear to be lagging the share of banks undertaking social and environmental impact assessments before loan approval. Relatedly, at least 80 per cent of Bulgarian banks provide loans for the specific purpose of improving the energy efficiency of SMEs and/or corporate clients, commercial real estate and residential housing (Chart 4). The share of banks providing these loans in SEE and EBRD economies is at least 15 to 20 percentage points lower, on average.

Bulgarian banks appear to be much further ahead of banks in the SEE and EBRD economies more broadly in the commercial use of certain digital technologies (Chart 5). More than half of banks surveyed say they are already using technologies such as biometric authentication for customer identification, algorithms to improve decision-making and alternative credit-scoring data. The use of digital wallet solutions slightly lags that of banks across the EBRD economies as a whole, however, almost 70 per cent of Bulgarian banks say the technology is either being developed or piloted.

Chart 1 Branch presence of surveyed banks



Chart 2 Branch network expectations, next five years

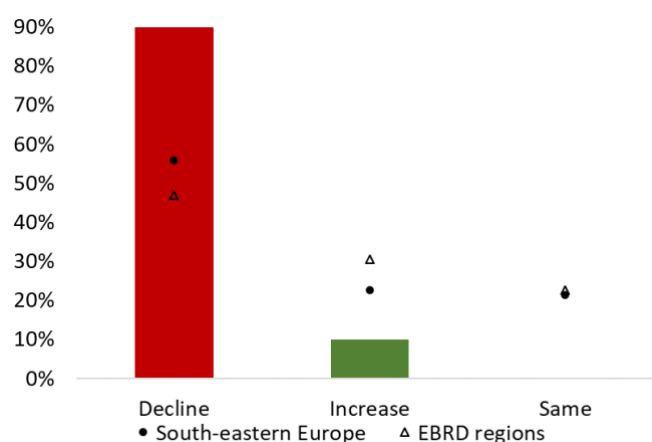


Chart 3 ESG policies and targets

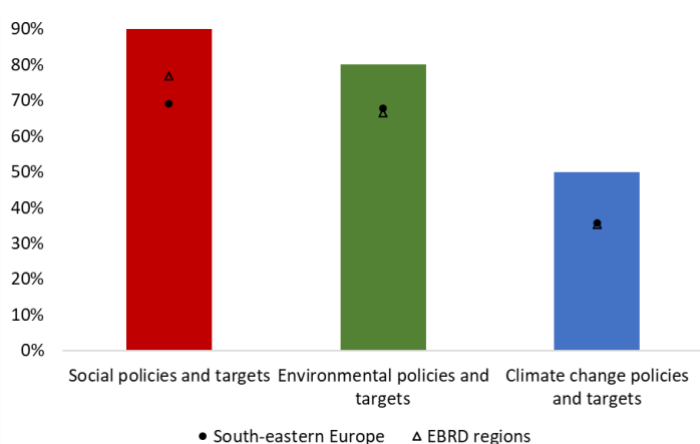
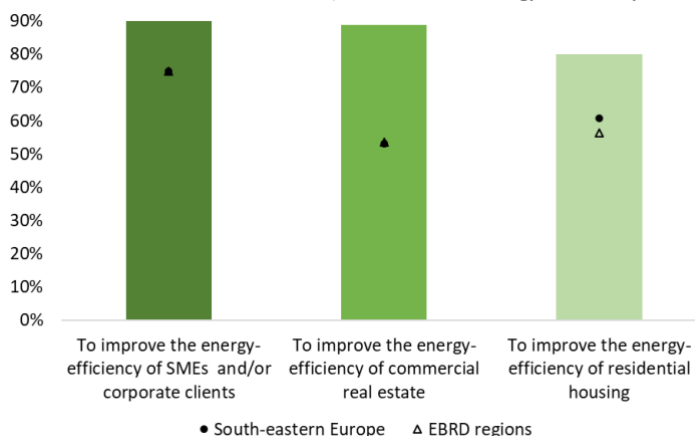


Chart 4 Prevalence of loans to improve clients' energy-efficiency



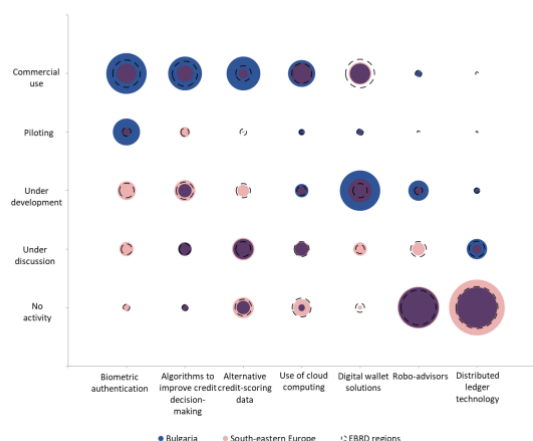
¹ In Charts 2, 3, 4, 6 and 8, bars refer to the percentage share of banks in Bulgaria.

Eighty per cent of banks surveyed in Bulgaria are concerned about information technology (IT) security and regulatory uncertainty, in line with the SEE and EBRD regions more broadly (Chart 6). Unlike banks across the SEE region, Bulgarian banks do not report difficulties in establishing links with fintech companies or say they would like to invest more in fintech companies, but are financially constrained.

When it comes to SME lending, about 40 per cent of Bulgarian banks accept online applications for loans. Bulgarian banks do not view internet banks or non-bank online lenders as strong competitors in SME lending (Chart 7). However, in retail lending, close to 40 per cent of Bulgarian banks view internet banks as strong rivals, while more than two-thirds of Bulgarian banks view non-bank online lenders and non-bank finance companies as strong competitors.

A lack of creditworthy customers, insufficient demand for credit and insufficient government programmes for guaranteed loans are the three main constraints faced by banks in Bulgaria when lending to innovative industries such as IT, chemicals and pharmaceuticals (Chart 8). The lack of government programmes appears to be a constraint faced by a greater proportion of banks in Bulgaria than in SEE or EBRD economies, on average. Still, 90 per cent of Bulgarian banks surveyed provide loans to innovative industries, with these accounting for 10 per cent of loans (by volume), on average.

Chart 5 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 6 Concerns about digital technologies

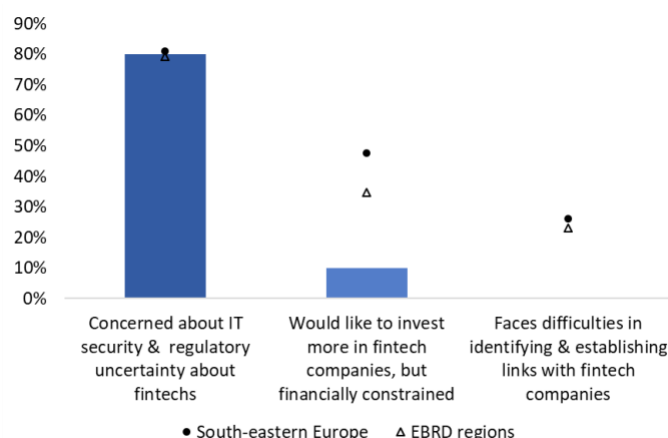


Chart 7 Banks face strong competition from non-bank lenders

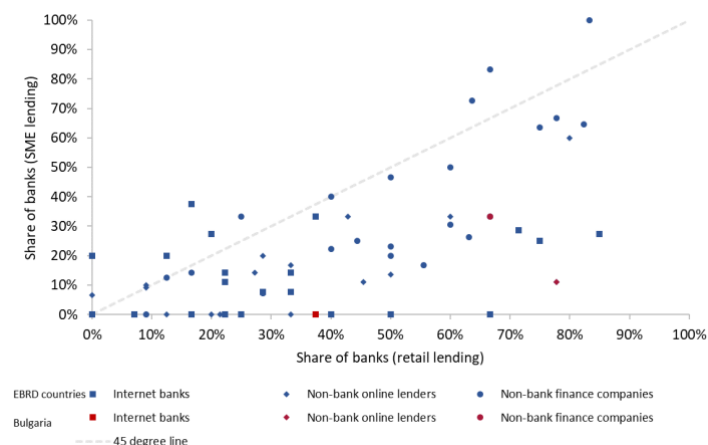


Chart 8 Constraints on lending to innovative industries

