Georgia

Georgian banks interviewed as part of the BEPS III survey account for around 94 per cent of the country's total banking assets, with almost 80 per cent of banking assets owned by domestic banks (Chart 1). As in many other EBRD economies, banks in Georgia are split in their expectations for branch networks. About 44 per cent expect their network to grow over the next five years, while another 44 per cent expect it to shrink.

The share of Georgian banks with explicit environmental and climate change policies and targets is slightly above the average in eastern Europe and the Caucasus (EEC) economies and about the same as the EBRD regional average (Chart 2).[1] Some 67 per cent of Georgian banks cite climate change risk as an explicit part of risk management, the highest proportion among the EEC economies.

All of the Georgian banks surveyed report undertaking corporate governance and environmental impact assessments prior to lending to small and medium-sized enterprises (SMEs) (Chart 3). Close to 50 per cent of banks undertake social and climate change-related impact assessments, on a par with or above the EEC and EBRD economies, on average.

More than 60 per cent of Georgian banks surveyed provide loans to improve the energy efficiency of commercial real estate, SMEs and/or corporate clients, similar to the average of the EEC and EBRD economies (Chart 4). The share of Georgian banks offering such loans for residential housing is just over 55 per cent, 15 percentage points higher than the average of the EEC economies.

Chart 1 Branch presence of surveyed banks

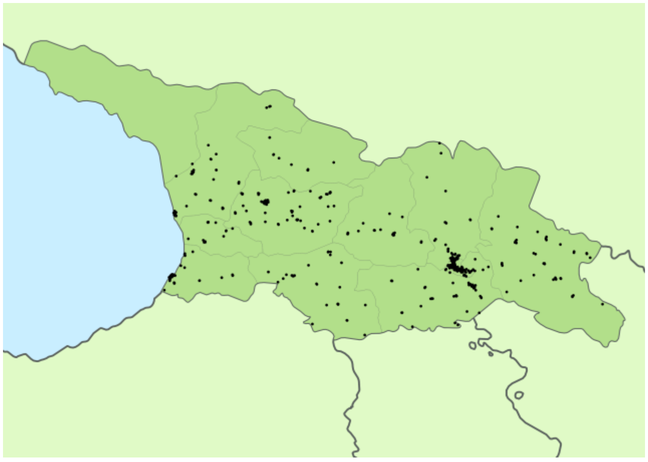


Chart 2 ESG policies and targets

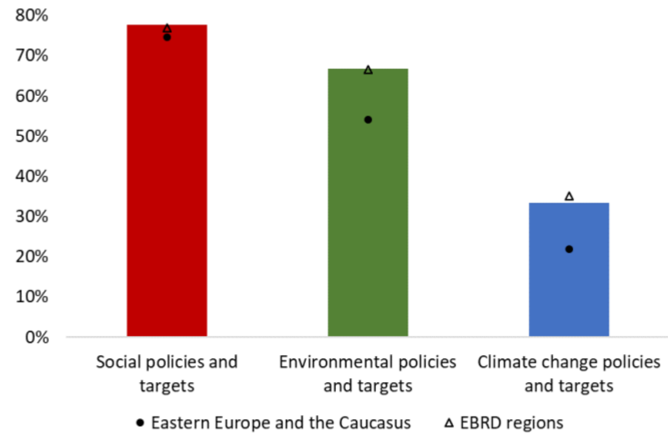


Chart 3 Impact assessment of SMEs before loan approval

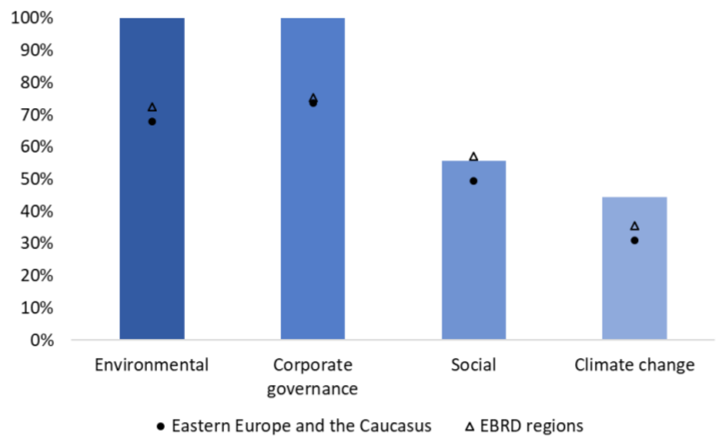
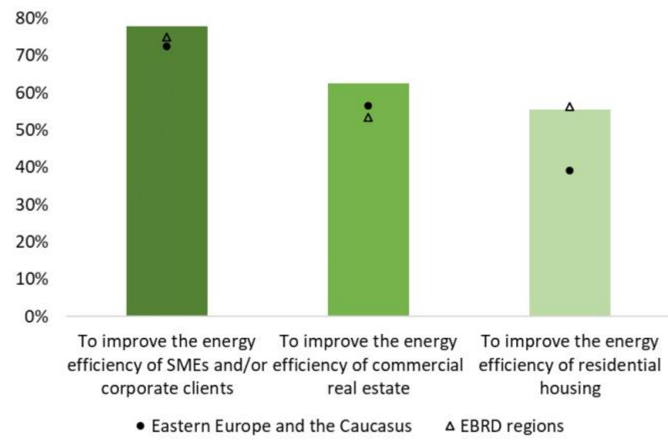


Chart 4 Prevalence of loans to improve clients' energy-efficiency



[1] Bars in Charts 2, 3, 4, 7 and 8 refer to the percentage share of banks in Georgia.

Fewer than half of the banks surveyed in Georgia view fintech as an opportunity for any of their business lines (Chart 5). Just over 43 per cent say fintech could be an opportunity in retail lending and trading and sales, similar to the EEC and EBRD economies, on average. Only a small minority of Georgian banks see fintech as an opportunity in trade finance and leasing, in contrast to more than half of banks in the EEC and EBRD economies, on average.

On the uptake of digital technologies, 44 per cent of banks in Georgia say they use algorithms to improve decision-making, biometric authentication for customer identification and alternative credit-scoring data (Chart 6). The Georgian banks surveyed generally express clear concerns and constraints in relation to fintech (Chart 7). Just under 90 per cent of them would like to invest more in fintech, but are too financially constrained to do so. This compares with fewer than 45 per cent of banks in the EEC and EBRD economies, on average. Similarly, two-thirds of Georgian banks face difficulties in identifying and establishing links with fintech companies, something that is an issue for fewer than a quarter of banks in the EEC and EBRD economies, on average.

Two-thirds of Georgian banks accept online loan applications from SMEs, above the EEC average. In addition, just under 40 per cent of banks surveyed cite strong competition from internet banks in SME lending, one of the highest shares of the EBRD economies.

Banks in Georgia cite insufficient demand for credit and a lack of equity capital as the main constraints on lending to innovative research and development-intensive industries such as information technology (IT), chemicals and pharmaceuticals (Chart 8). Indeed, the share of Georgian banks reporting these as their main constraints is 28 percentage points higher than the EEC average.

Chart 5 How fintech will affect banks' business lines

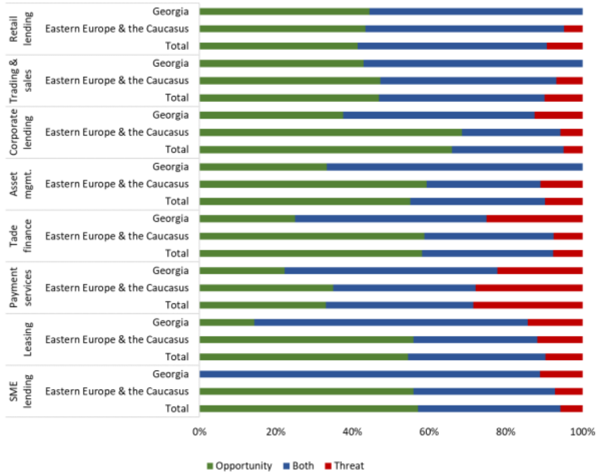
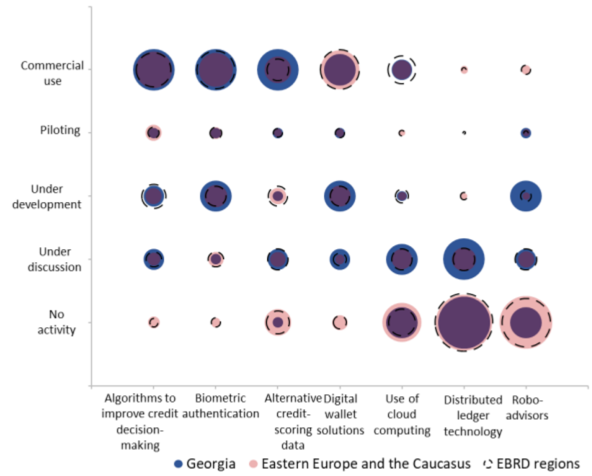


Chart 6 Digital technology development and use



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 7 Concerns about digital technologies

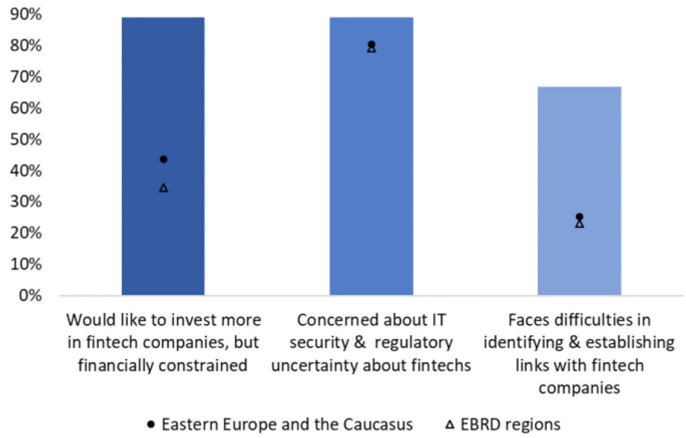


Chart 8 Constraints on lending to innovative industries