Kyrgyz Republic

Banks covered by the survey account for 84 per cent of all banking assets in the Kyrgyz Republic, most of them domestic.[1] Bank branches are concentrated around the country's capital, Bishkek, and along the border with Uzbekistan (Chart 1). Just over 50 per cent of Kyrgyz banks expect their branch networks to grow over the next five years, on a par with the average in Central Asia and well above that of the EBRD regions as a whole (Chart 2).[2]

The share of Kyrgyz banks with climate change policies and targets lags the Central Asian average by 15 percentage points, while the share of banks with environmental policies and targets lags by 28 percentage points (Chart 3). When it comes to lending to small and medium-sized enterprises (SMEs), at least half of the banks surveyed in the Kyrgyz Republic undertake social, corporate governance and environmental impact assessments before loan approval. However, similar to their policy and target setting, the share of Kyrgyz banks conducting environmental and climate-change impact assessments prior to lending remains far lower than the Central Asian average.

Approximately 65 per cent of Kyrgyz banks provide loans to improve the energy efficiency of commercial real estate, residential housing, SMEs and/or corporate clients. The proportion of banks offering such loans to SMEs and/or corporate clients lags that of Central Asia and the EBRD regions by 10 percentage points, on average, but is similar in the other two areas.

At least 80 per cent of Kyrgyz banks view fintech as an opportunity for trade finance and leasing, marginally higher than the average in Central Asia (Chart 5). Only a few Kyrgyz banks view fintech as a threat to any business line, even payment services, where just under 30 per cent of banks in the EBRD regions see it as a risk.

When it comes to the uptake of digital technologies, the proportion of banks that have already launched products and services using biometric authentication, algorithms to improve credit decision-making, digital wallet solutions

Chart 1 Branch presence of surveyed banks

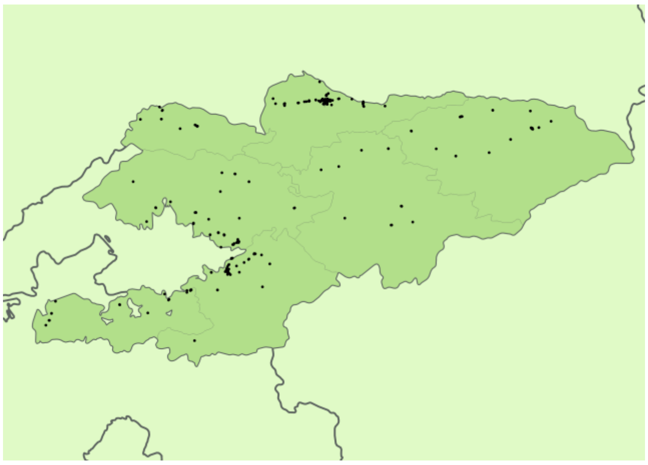


Chart 2 Branch network expectations, next five years

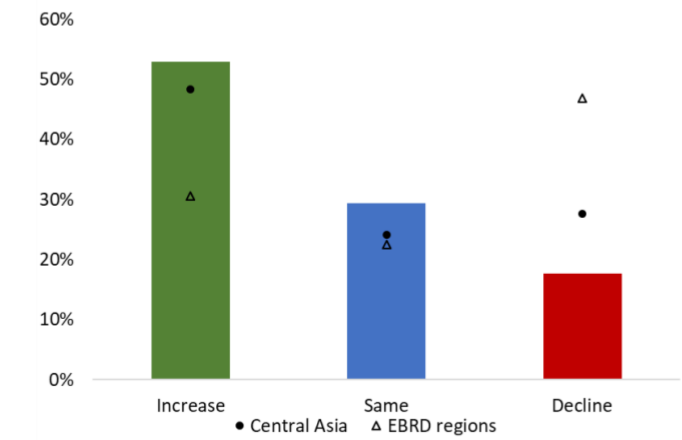


Chart 3 ESG policies and targets

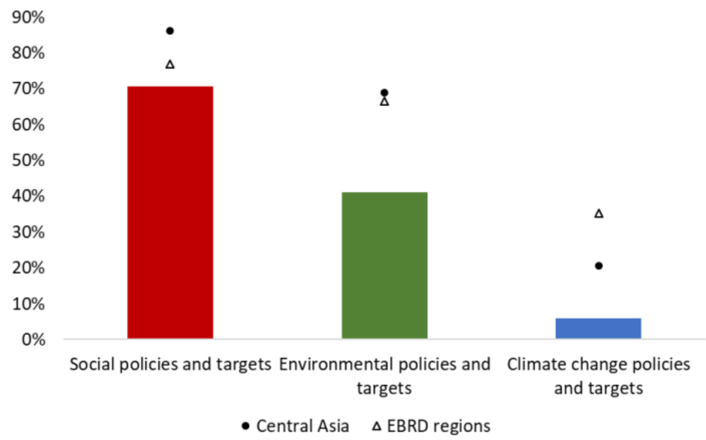
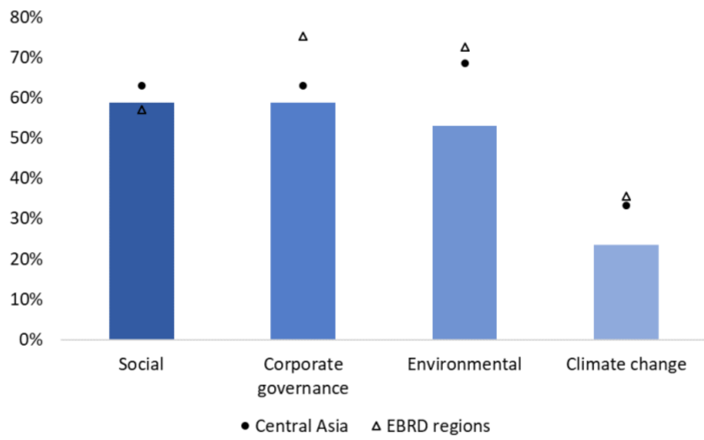


Chart 4 Impact assessment of SMEs before loan approval



[1] Domestic bank assets account for almost 75 per cent of this.

[2] Bars in Charts 2, 3, 4 and 8 refer to the percentage share of banks in the Kyrgyz Republic.

and alternative credit-scoring data for e-commerce activities is roughly the same in the Kyrgyz Republic as in Central Asia and the EBRD economies, on average (Chart 6). However, the share of banks not pursuing any development of cloud computing and distributed ledger technology is higher than in other Central Asian economies.

Just over half of the banks surveyed in the Kyrgyz Republic accept online applications for loans to SMEs, a lower share than in other Central Asian economies, on average. Even so, when lending to SMEs, 65 per cent of Kyrgyz banks say they face strong competition from non-bank financing companies. Likewise, in retail lending, more than 70 per cent of banks report strong competition from internet banks and non-bank financing companies.

Banks in the Kyrgyz Republic express a number of concerns about fintech companies and emerging technologies. Over 80 per cent of banks are worried about information technology (IT) security and regulatory uncertainty in the fintech space, while almost 60 per cent say they would like to invest more in fintech, but are too financially constrained to do so.

At the time of the last BEPS survey in 2011, Kyrgyz banks reported having fewer than two hierarchical layers involved in making lending decisions to SMEs. In the latest BEPS, with an average of 2.4 approval layers, Kyrgyz banks appear to have become slightly less streamlined in terms of lending procedures for small business loan applications (Chart 7).

A lack of creditworthy customers, insufficient demand for credit and deficient loan officer skills in evaluating credit risks are cited as key constraints on providing loans to innovative research and development (R&D)-intensive industries such as IT, chemicals and pharmaceuticals (Chart 8).

Chart 5 How fintech will affect banks' business lines

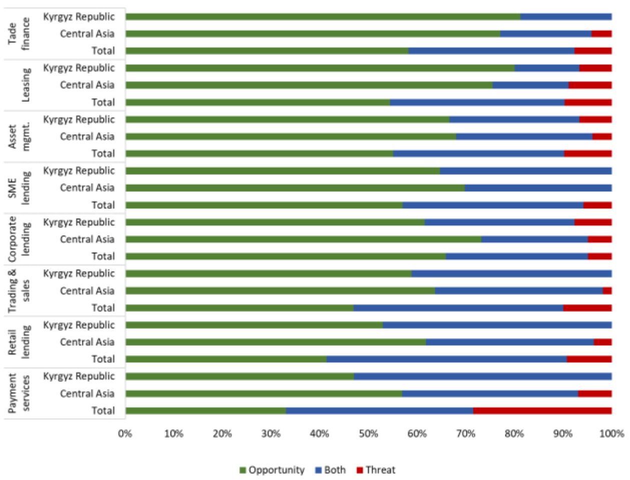
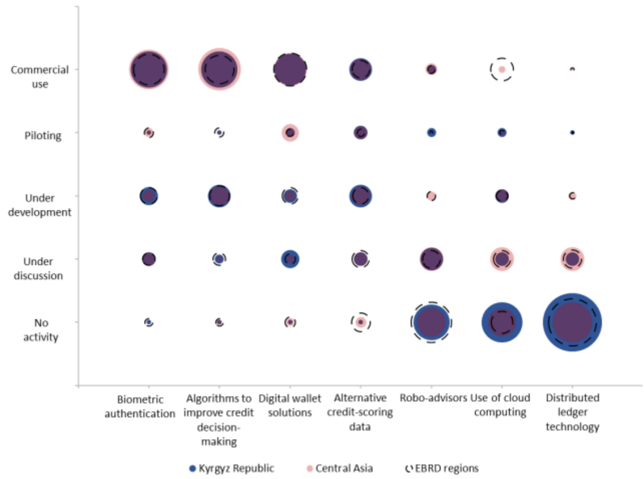


Chart 6 Digital technology development and use



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 Typical number of decision layers, SME lending

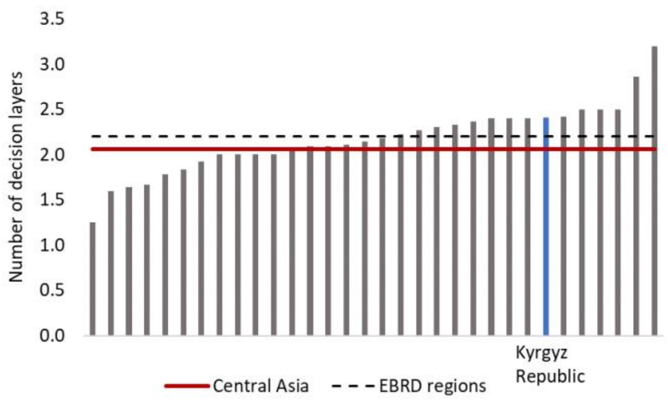


Chart 8 Constraints on lending to innovative industries