Serbia

Serbian banks covered by the survey account for 72 per cent of the country's total banking assets, the majority of which are owned by foreign banks (Chart 1).[1] Two-thirds of Serbian banks expect their branch network to decline over the next five years, slightly higher than the average for south-eastern Europe (SEE), where just over half of banks surveyed expect their branch networks to shrink.

Serbian banks are, on average, in line with banks in the SEE and EBRD regions in having environmental and climate change-related policies and targets in place (Chart 2).[2] However, just under 60 per cent of Serbian banks have social policies and targets, below the 77 per cent average of the broader EBRD region. The proportion of Serbian banks that conduct environmental and social impact assessments lags the SEE average by about 10 percentage points (Chart 3). However, with 85 per cent and 40 per cent, respectively, of banks undertaking corporate governance and climate change-related impact assessments, Serbian banks exceed the SEE and EBRD regional averages in these categories.

Serbian banks lag their peers in the SEE region by about 10 percentage points when it comes to lending to improve the energy efficiency of residential housing and small and medium-sector enterprises (SMEs) or corporate clients (Chart 4). Around half of Serbian banks surveyed provide such loans for residential housing, while two out of three offer such loans to SMEs or corporate clients.

On the adoption of technologies such as digital wallet solutions, Serbian banks are on par with the EBRD regions, with just over 40 per cent of banks already using this particular technology commercially (Chart 5). However, while a quarter of Serbian banks already use algorithms to improve credit decision-making – in line with the SEE average – this is far lower than the 40 per cent of banks using this tool commercially in the wider EBRD regions. Likewise, only

Chart 1 Branch presence of surveyed banks

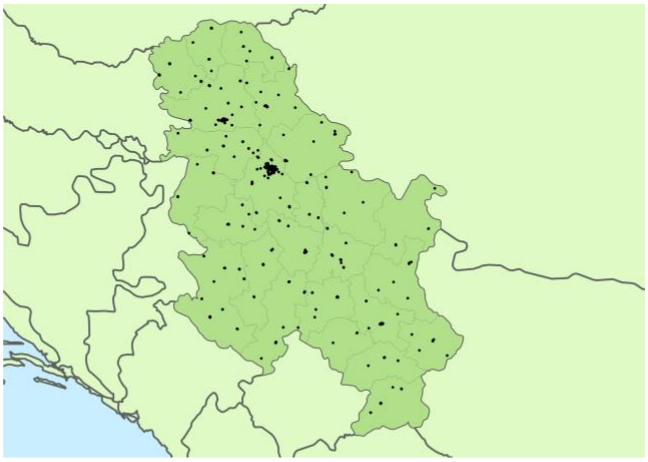


Chart 2 ESG policies and targets

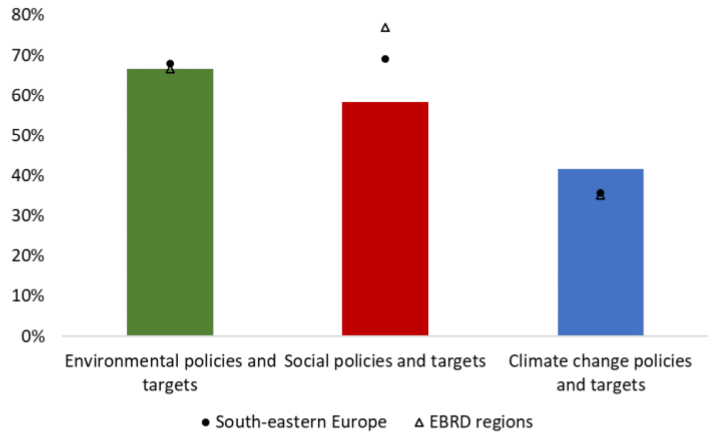


Chart 3 Impact assessment of SMEs before loan approval

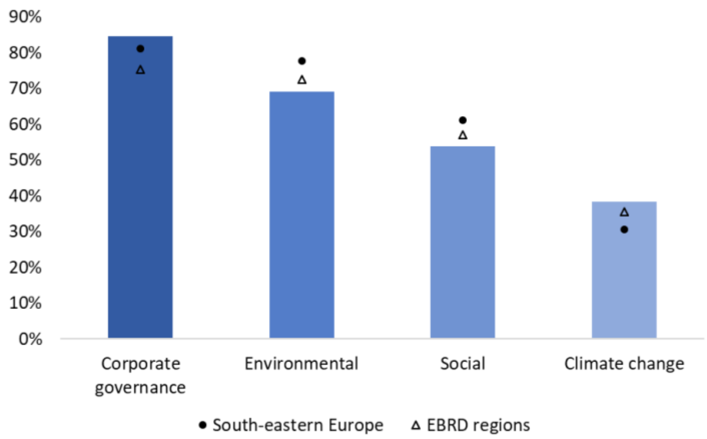
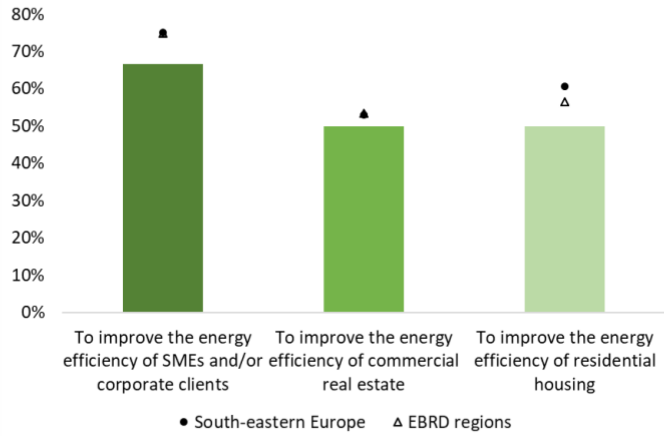


Chart 4 Prevalence of loans to improve clients' energy-efficiency



[1] Foreign banks account for 92 per cent of these banking assets.

[2] In Charts 2, 3, 4, 6 and 7, the bars refer to the percentage share of banks in Serbia.

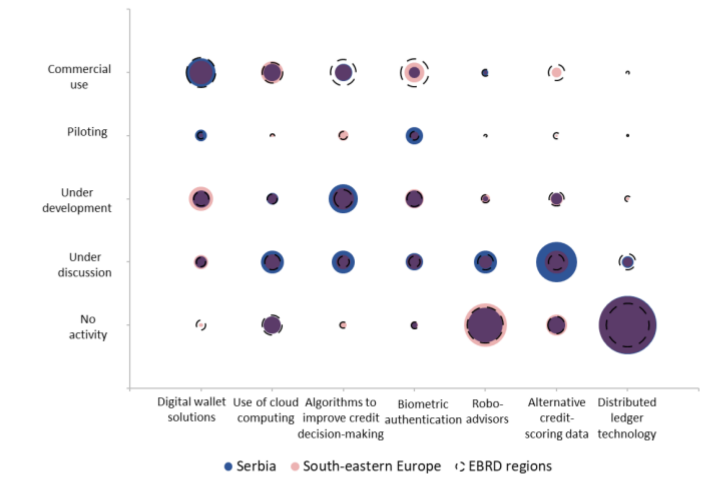
a small minority of Serbian banks report having launched the use of biometric authentication for customer identification. On average, 30 per cent and 40 per cent of banks in the SEE and EBRD regions, respectively, say this technology is in commercial use.

Almost 60 per cent of Serbian banks say that they would like to invest more in fintech companies, but are financially constrained from doing so. By comparison, fewer than 50 per cent of banks in SEE and 35 per cent of banks in the EBRD regions report this as a concern. Fewer than 60 per cent of Serbian banks say they are concerned about IT security and regulatory uncertainty with regard to fintech, a far smaller proportion, on average, than in the SEE or EBRD regions, where 80 per cent of banks share this worry (Chart 6). Only a small minority of Serbian banks surveyed report facing difficulties in identifying and establishing links with fintech companies. Fewer than 40 per cent of Serbian banks accept online loan applications for SMEs, on a par with SEE countries, on average, but lower than the EBRD economies as a hole, where half of banks accept online submissions.

In Serbia, borrowers' lack of sufficient collateral is the most frequently cited constraint on lending to innovative industries such as information technology (IT), chemicals and pharmaceuticals (Chart 7). Almost a quarter cite this as the main limitation, compared with just 15 per cent of banks in the SEE and EBRD regions. Although insufficient demand for credit is one of the top constraints among banks in the SEE region, with 30 per cent of banks declaring it the main issue, this is double the share reported by Serbian banks. A lack of creditworthy customers, loan officers' inability to obtain information to evaluate credit risks and banks' lack of equity capital are also some of the other main constraints on lending to these industries, the latter reported by banks in only four other EBRD economies.

Serbia has the lowest share of banks in SEE viewing the court system in a positive light (Chart 8). Only a small minority of Serbian banks see the courts as fair and impartial or believe in their ability to enforce decisions. No bank deemed the court system to be quick and efficient. The latter appears to be a common theme across SEE economies, where fewer than 5 per cent of banks report the same; this figure is just over 10 per cent for the EBRD regions as a whole.

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

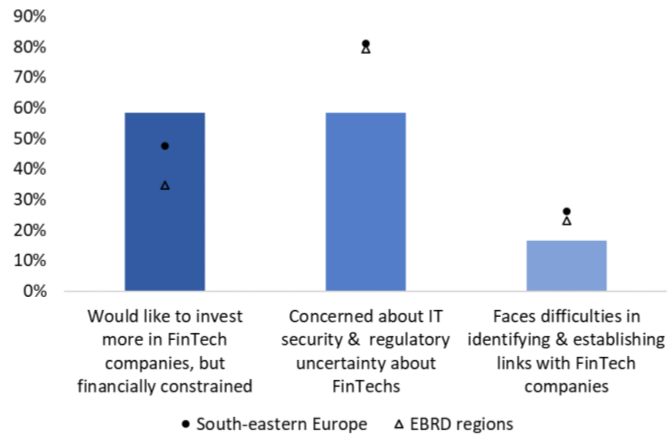


Chart 7 Constraints on lending to innovative industries

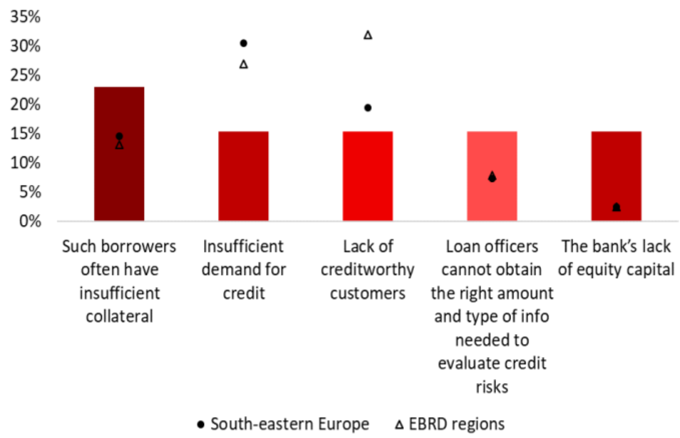


Chart 8 How the court system resolves business disputes