Ukraine

The Ukrainian banks in the survey account for 81 per cent of the country's total banking assets, most of them owned by domestic banks (Chart 1).[1] It is important to highlight that the Ukrainian survey took place before the 2022 Russian invasion; all interviews took place subsequently, between March and June 2021. Consistent with the average in eastern Europe and the Caucasus (EEC), more than 45 per cent of Ukrainian banks expect their branch network to increase over the next five years (Chart 2).[2]

Ukrainian banks' appear to lack confidence in the court system. Fewer than 10 per cent of the banks surveyed perceive the court system to be fair and impartial and no bank deems it to be quick and efficient. The equivalent figures in the EEC region are 31 per cent and 7 per cent, respectively, while in the EBRD economies more broadly, they are 44 per cent and 11 per cent. In contrast, at least two in three Ukrainian banks deem the regulator to be fair and impartial and quick and efficient, in line with or better than the averages in the EEC and EBRD economies.

Fewer than half of Ukrainian banks have explicit environmental policies and targets in place, lagging both the EEC and EBRD regional averages. In addition, although only 30 per cent of Ukrainian banks have climate change policies, half of those surveyed undertake climate-change impact assessments before lending to small and medium-sized enterprises (SMEs), exceeding the EBRD and EEC regional averages (Chart 3). However, while 75 per cent of banks across the EBRD economies undertake corporate governance impact assessments before approving SME loans, the corresponding share among Ukrainian banks is less than 60 per cent.

Chart 1 Branch presence of surveyed banks

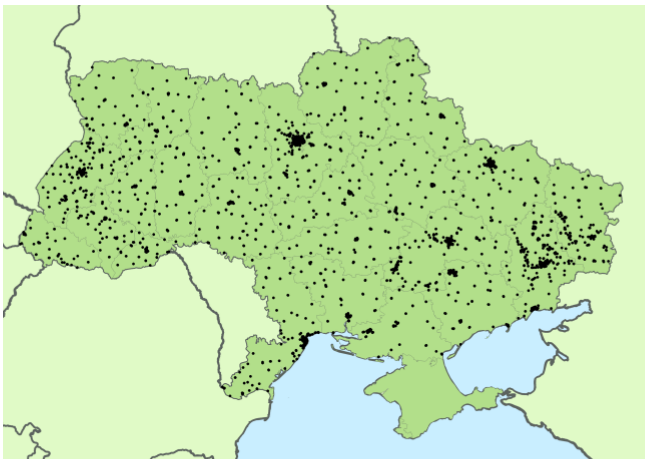


Chart 2 Branch network expectations, next five years

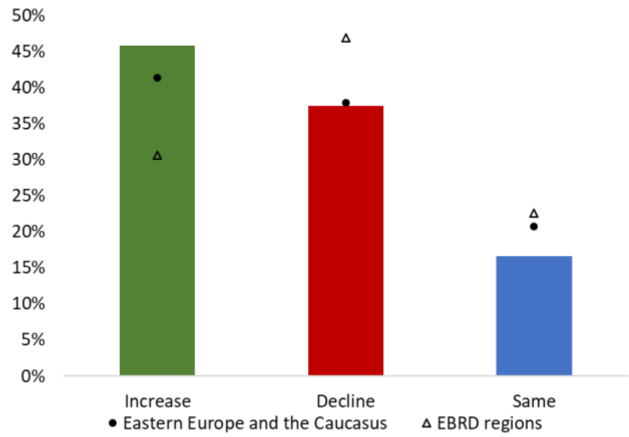


Chart 3 Impact assessment of SMEs before loan approval

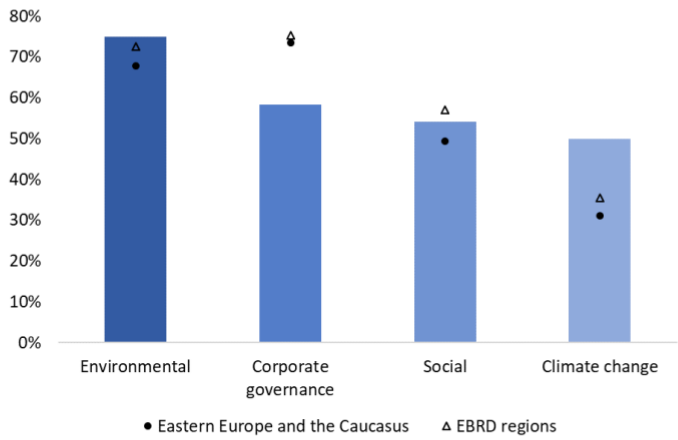
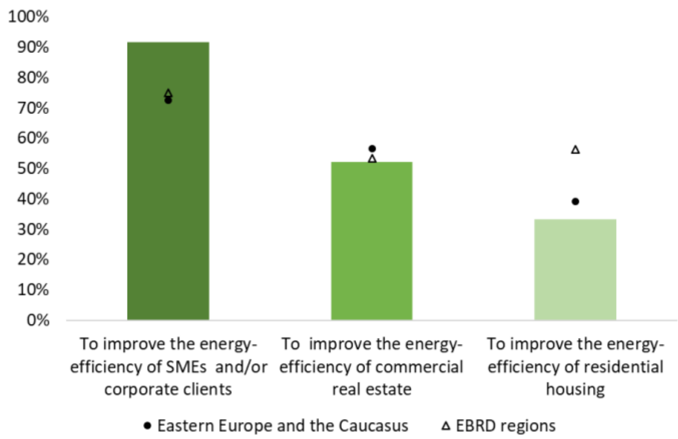


Chart 4 Prevalence of loans to improve clients' energy-efficiency



[1] Domestic banks account for 77 per cent of these banking assets.

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

The share of Ukrainian banks providing loans specifically to improve the energy efficiency of SMEs and/or corporate clients is relatively high. More than 90 per cent of banks offer such loans, compared with 75 per cent, on average, in the EEC and EBRD economies.

Turning to digital technology use in banking, three in four Ukrainian banks view corporate lending and trade finance as the business lines in which fintech offers most opportunity (Chart 5). In retail lending, only a fifth of Ukrainian banks view fintech as an opportunity, in contrast to banks in the EEC and other EBRD economies, which see more scope for fintech in this business segment.

On the uptake of certain digital technologies, such as digital wallet solutions and the use of alternative credit scoring data, Ukrainian banks fare better than or similar to other EBRD economies, on average (Chart 6). More than 40 per cent of banks use or are piloting cloud computing in banking services commercially, a greater share than in the EEC region. However, Ukrainian banks lag the regional average on the commercial use and adoption of biometric authentication for customer identification, as well as on the use of algorithms to improve credit decision-making.

Just over 40 per cent of Ukrainian banks accept online applications for SME loans, while fewer than 30 per cent report strong competition from internet banks and non-bank finance companies on SME lending (Chart 7). However, in retail lending, 85 per cent of banks cite internet banks as strong competitors, the highest of all countries surveyed. Ukrainian banks seem to be less concerned than other banks in the region about difficulties in establishing links with fintech companies, information technology (IT) security, regulatory uncertainty or financial constraints with respect to investing in the fintech space.

Just under 90 per cent of Ukrainian banks lend to innovative industries such as IT, chemicals and pharmaceuticals. The most frequently cited constraint on these banks when lending to these sectors is a lack of creditworthy customers, followed by insufficient demand for credit (Chart 8).

Chart 5 How fintech will affect banks' business lines

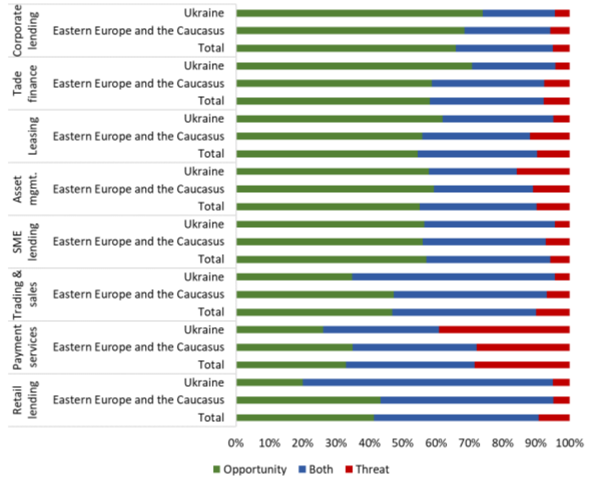
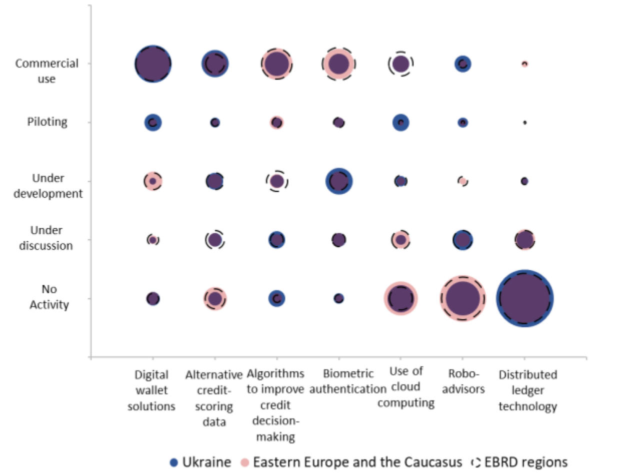


Chart 6 Digital technology development and use



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 Banks face strong competition from online lenders

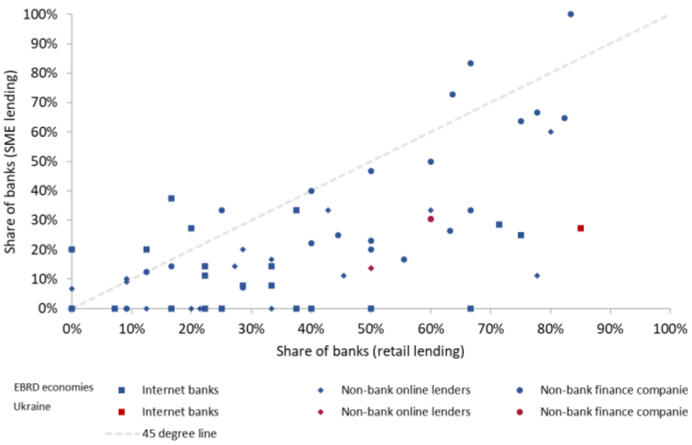


Chart 8 Constraints on lending to innovative industries