Uzbekistan

The banks surveyed in Uzbekistan account for 91 per cent of the country's total banking assets. They are all domestically owned, with state banks making up 89 per cent (by assets) (Chart 1). Uzbekistan, Mongolia and the West Bank and Gaza are the only three EBRD economies where only domestic banks were surveyed as part of BEPS III.

In line with other Central Asian (CA) economies, 57 per cent of the banks surveyed in Uzbekistan say they expect their branch network to increase over the next five years. This is much higher than in the EBRD economies, on average, where just over 30 per cent of banks expect their branch network to increase.

The share of surveyed Uzbek banks saying that they have explicit policies and targets on social issues and climate change is on par with banks in other CA economies (Chart 2).[1] The share of banks with environmental policies in place is 10 percentage points higher than the average in the CA and EBRD regions. However, on climate change issues, in particular, Uzbekistan lags the EBRD regions as a whole. When lending to small and medium-sized enterprises (SMEs), a majority of the Uzbek banks surveyed report undertaking environmental, climate change, corporate governance and/or social impact assessments before loan approval (Chart 3). Indeed, Uzbekistan is one of only six economies in the survey in which all banks report conducting environmental impact assessments prior to loan approval.

All of the Uzbek banks surveyed say they provide loans to SMEs and/or corporate clients specifically for the purpose of improving energy efficiency, outpacing most other EBRD economies. More than 69 per cent and 85 per cent of Uzbek banks also report the provision of loans to improve the energy efficiency of commercial real estate and residential housing, respectively (Chart 4).

When it comes to the use of digital technologies, more than 70 per cent of the banks surveyed in Uzbekistan see opportunity in fintech for trade finance, retail lending, payment services, SME lending and corporate lending, ahead

Chart 1 Branch presence of surveyed banks

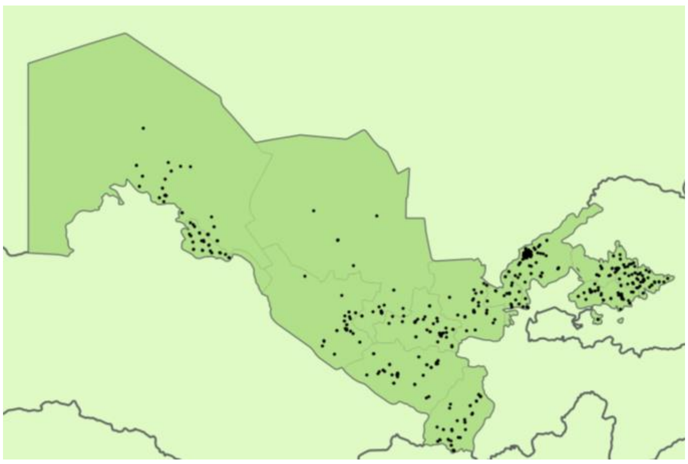


Chart 2 ESG policies and targets

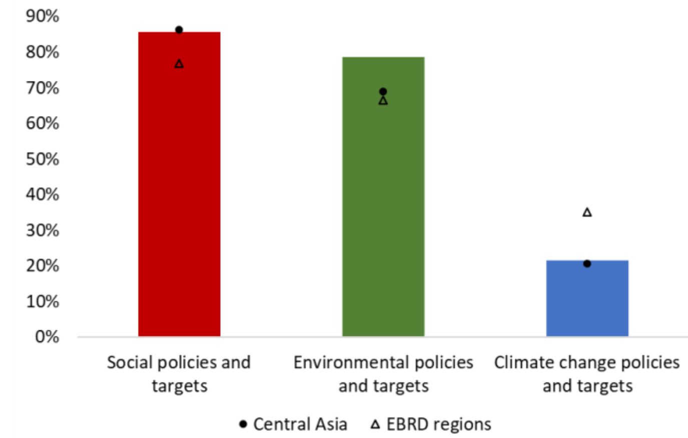


Chart 3 Impact assessment of SMEs before loan approval

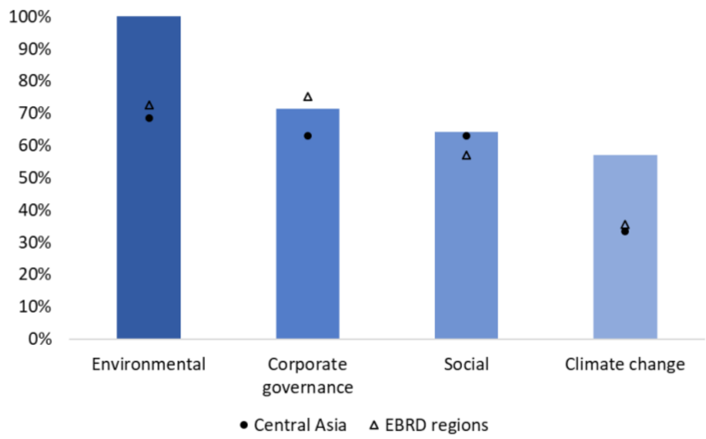
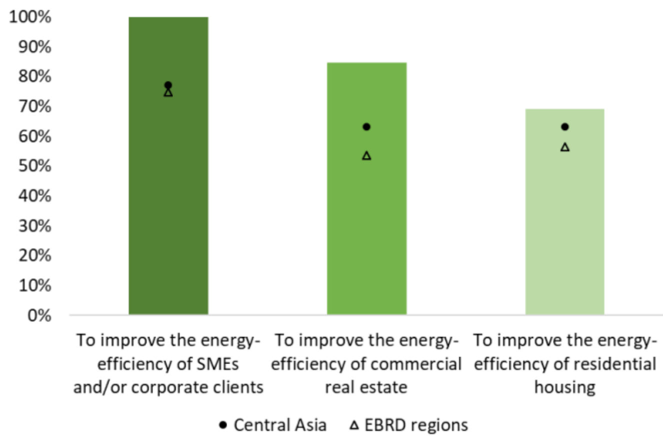


Chart 4 Prevalence of loans to improve clients' energy-efficiency



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

of both the CA regional average and the EBRD regions as a whole (Chart 5). In fact, a majority of surveyed Uzbek banks say that fintech presents an opportunity for all business lines and fewer than 10 per cent say it poses a threat.

Among the EBRD economies, Uzbekistan has one of the highest shares of banks that have launched the use of algorithms to improve credit decision-making (Chart 6). The Uzbek banks surveyed are on par with other CA economies in their use of digital technologies, such as digital wallet solutions, alternative credit scoring data sources and robo-advisors. However, they have been slower to adopt biometric authentication and cloud computing than in CA as a whole or the other EBRD economies. It is worth noting that the slow adoption of cloud computing may be explained by legislative limitations on the storage of data under personal data protection laws.

The shift towards digital technologies is also evident in the share of banks accepting online applications for loans. For SMEs and large enterprises, 86 per cent and 64 per cent, respectively, of banks surveyed accept online loan applications. In both cases, this is about 20 percentage points higher than in the CA and EBRD economies, on average. Even for retail lending, 33 per cent and 50 per cent of Uzbek banks say that they face strong competition from internet banks and non-bank finance companies, respectively.

While more than a third of surveyed Uzbek banks say they are concerned about information technology (IT) security and regulatory uncertainty in the fintech space, this is about half the CA average.

Over 85 per cent of banks surveyed in Uzbekistan offer loans to innovative R&D intensive industries such as IT, chemicals and pharmaceuticals. These loans account for 17 per cent of all loans issued by surveyed banks in Uzbekistan (by volume). When questioned, these banks cited a lack of creditworthy customers and insufficient demand for credit as the main constraints on lending to innovative industries. Indeed, the problem of insufficient demand for credit is experienced by a greater share of Uzbek banks than banks in the CA economies, on average.

Chart 5 How fintech will affect banks' business lines

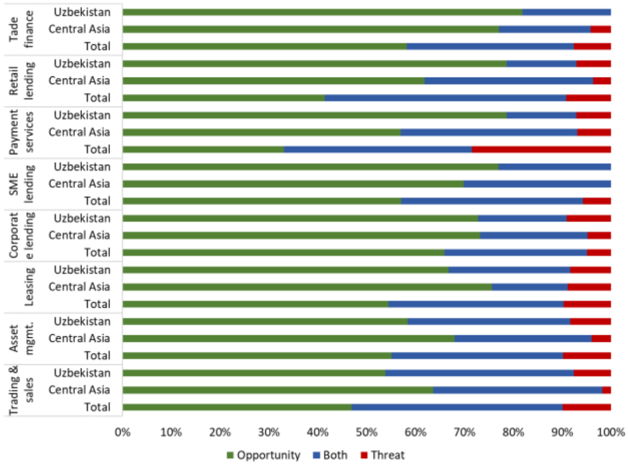
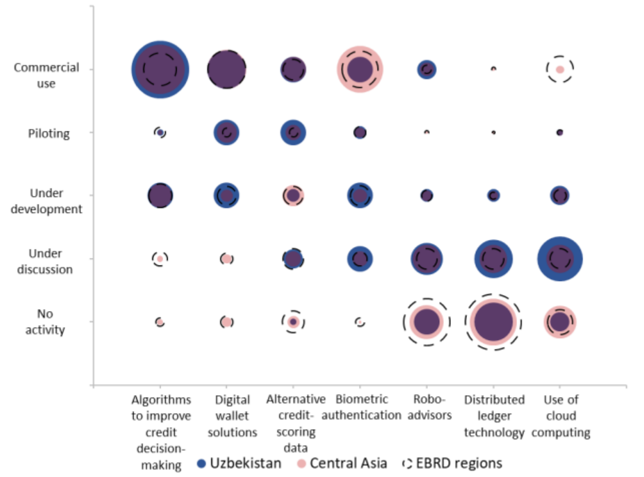


Chart 6 Digital technology development and use



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

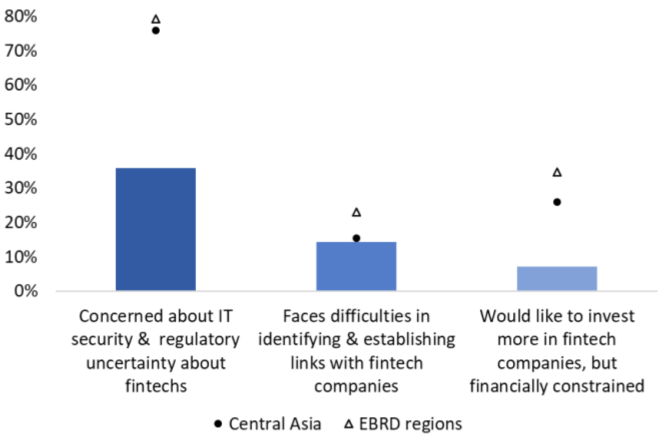


Chart 8 Constraints on lending to innovative industries