Lithuania

The Lithuanian banks covered by the survey account for 98 per cent of the country's total banking assets (Chart 1). The share of assets owned by foreign banks is just below 90 per cent. All of the banks surveyed expect their branch network to shrink over the next five years, the only EBRD economy surveyed where this is the case. The proportion of banks expecting a network decline in central Europe and the Baltic States (CEB) during the same period is 73 per cent, while the share of banks across the EBRD economies as a whole is 47 per cent, on average.

All of the banks surveyed in Lithuania say that they have explicit policies and targets on social and climate change issues, exceeding the average share of banks with such policies in the CEB and EBRD regions, on average (Chart 2).[1] When it comes to lending to small and medium-sized enterprises (SMEs), most Lithuanian banks undertake social, climate change, environmental and corporate governance-related impact assessments.

All of the Lithuanian banks surveyed provide loans to improve the energy efficiency of SMEs and/or corporate clients and residential housing, compared with just under 70 per cent of banks in the CEB economies more broadly. However, no Lithuanian bank surveyed offers loans to improve the energy efficiency of commercial real estate (Chart 3).

As far as the use of digital technologies is concerned, a minority of Lithuanian banks view fintech as a threat to payment services, in line with the CEB and EBRD averages. In retail lending, however, fewer than 10 per cent of banks in the CEB and EBRD regions, on average, view fintech as a threat, in contrast to one in every three banks surveyed in Lithuania. Lithuanian banks also report strong competition from non-bank online lenders and internet banks in the retail lending segment.

Chart 1 Branch presence of surveyed banks

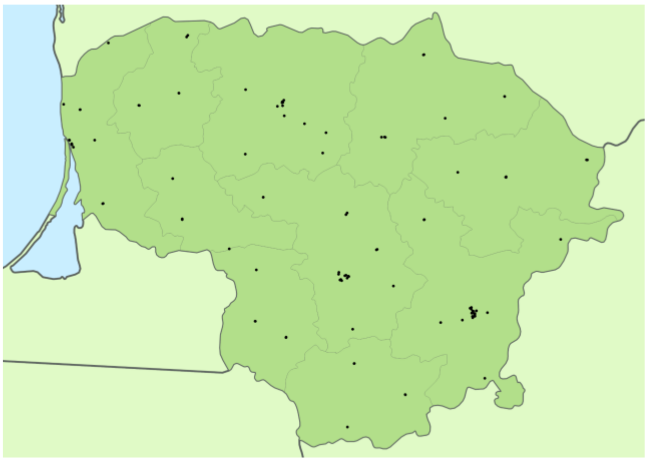


Chart 2 ESG policies and targets

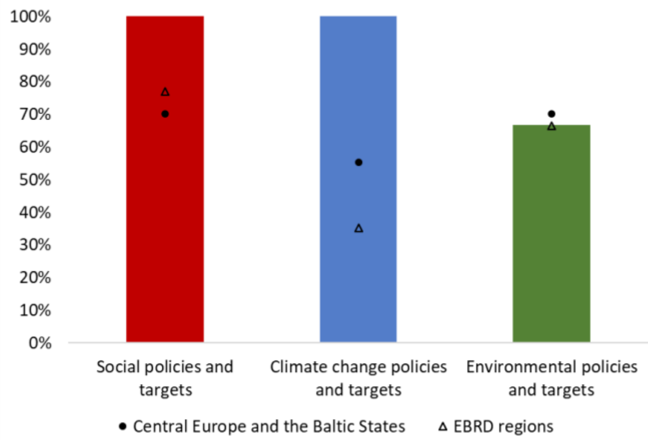


Chart 3 Prevalence of loans to improve clients' energy efficiency

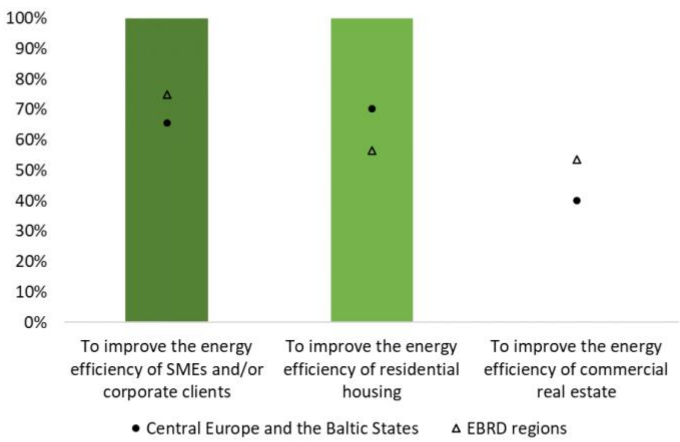
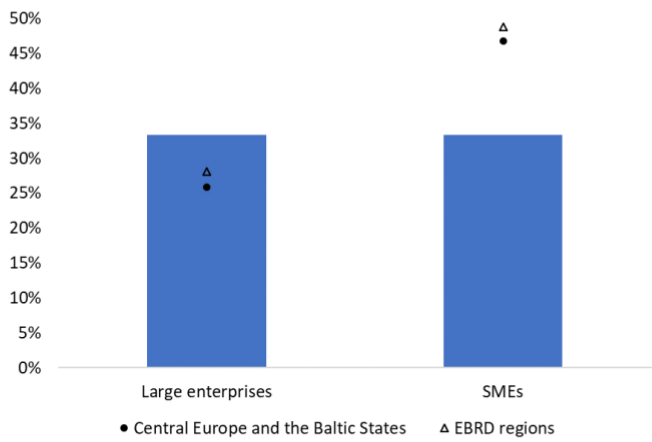


Chart 4 Bank accepts online loan applications



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

Only a minority of the Lithuanian banks surveyed accept online applications for loans to SMEs (Chart 4). As in Estonia, Lithuanian banks have few hierarchical layers involved in the processing of SME loan applications, with typically just 1.6 decision layers of approval compared with CEB and EBRD averages of 2 and 2.2, respectively (Chart 5).

On the uptake and use of digital technologies, banks in Lithuania appear to lag their peers in the CEB and EBRD regions, on average (Chart 6). Only a minority of Lithuanian banks report the commercial use of biometric authentication for customer identification and digital wallet solutions for mobile payments, while at least half of banks in the CEB economies have launched these technologies commercially.

A majority of banks in Lithuania are concerned about information technology (IT) security and regulatory uncertainty, and face difficulties in establishing links to fintech companies. Banks in the EBRD economies more broadly are more often concerned about the former and less often concerned about the latter (Chart 7).

A lack of creditworthy customers, insufficient collateral and insufficient government loan guarantee programmes are the three most important constraints Lithuanian banks report facing when lending to innovative industries, such as IT, chemicals and pharmaceuticals (Chart 8). Even so, all of the Lithuanian banks surveyed provide loans to innovative industries. These account for 10 per cent of all loans (by volume).

Chart 5 Typical number of decision layers, SME lending

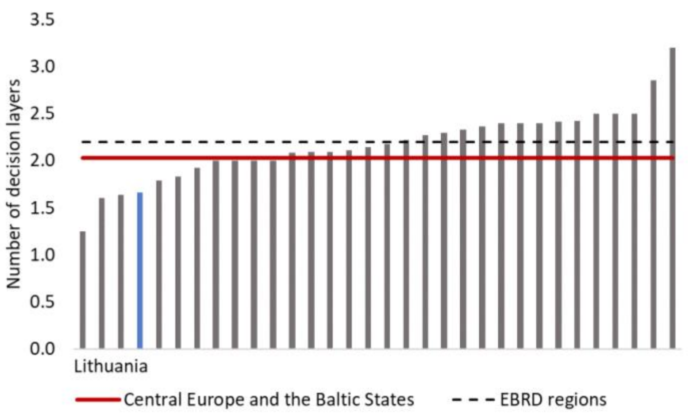
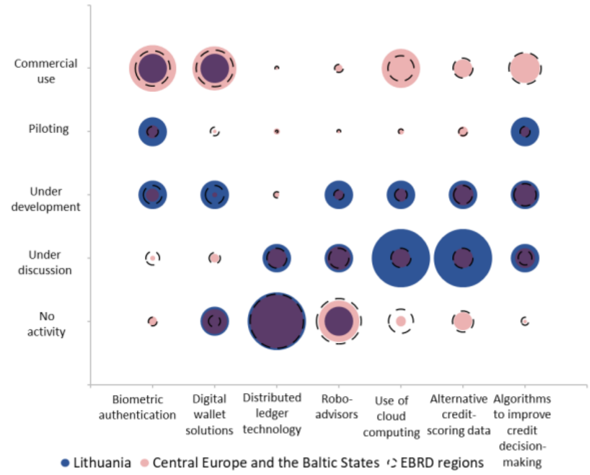


Chart 6 Digital technology development and use



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 related to digital technologies

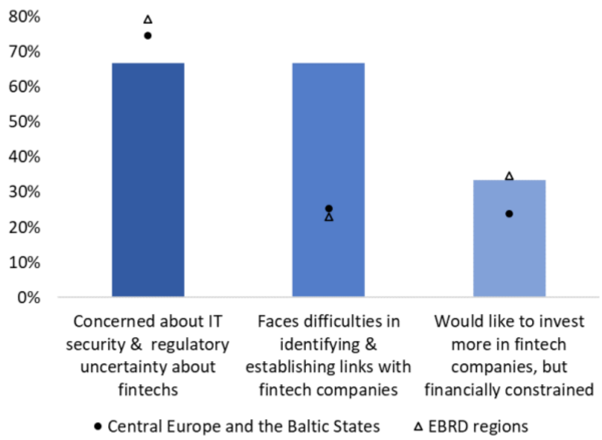


Chart 8 Constraints on lending to innovative industries