

# Georgia

## Dominant foreign banks supported by a strong legal system

Bank branches in Georgia are clustered in Tbilisi and along the Black Sea (Chart 1). Compared to other EBRD countries of operations, Georgian banks reject loan applications relatively often because potential borrowers either lack cash flow or have an inadequate credit history. To stay competitive in this environment, banks report utilising new information technology, launching new services and implementing staff training as the most important strategies in attracting new customers.

In no other EBRD country of operations did so many banks report that they reduced the proportion of FX lending between 2007 and 2011. When questioned about the decrease, Georgian banks reported regulations affecting foreign exchange lending, an increase in the supply of local currency deposits and competition from other banks as the main reasons (Chart 2).

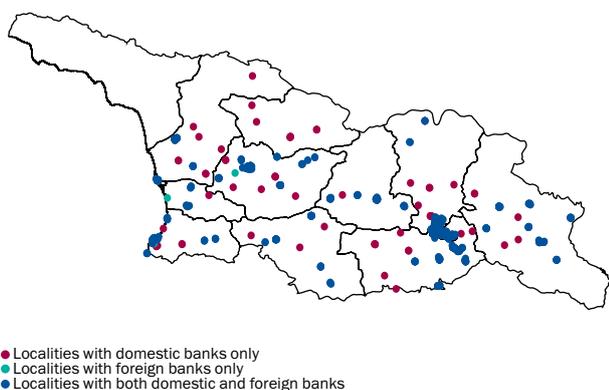
Georgian banks have by far the most positive view of their court system across the CIS region (Chart 3). Slightly over 90 per cent of responding banks

agreed or strongly agreed that the court system is fair, impartial and able to enforce its decisions. However, only about 50 per cent agreed or strongly agreed that the courts are quick and efficient – despite this, it is still the highest satisfaction in the region. Georgia also has the lowest percentage of banks that agreed that it is common to have to pay some irregular “gifts” to court officials.

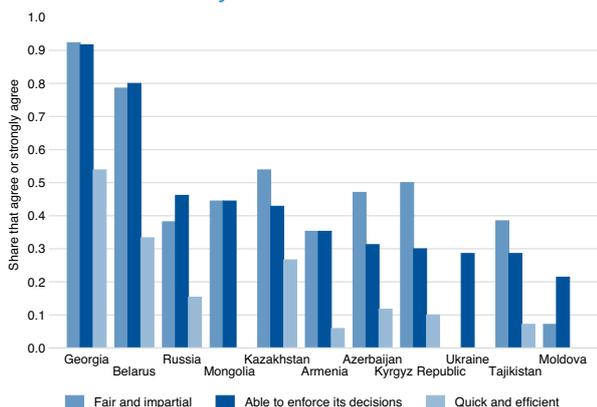
The positive view Georgian banks have on their institutional environment also extends to the financial regulator. Georgia is above the regional average in the percentage of banks agreeing or strongly agreeing that the regulator is fair and impartial as well as quick and efficient. Georgia also ranks among the top countries in the region for the proportion of respondent banks that “agree” or “strongly agree” that laws pertaining to pledges and mortgages adequately protect secured creditor rights (76 per cent) and enable efficient enforcement of security rights (92 per cent).

Interestingly, over half of all interviewed bank CEOs in Georgia were of the opinion that the minimum capital requirements they have to comply with were too high, the largest percentage in the region (Chart 4).

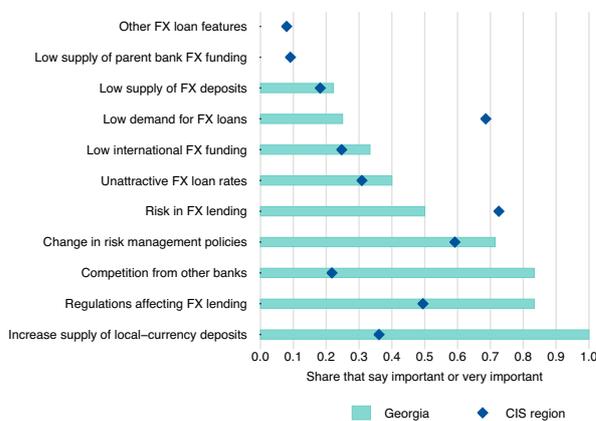
**Chart 1** Bank localities by ownership



**Chart 3** The court system is...



**Chart 2** Reasons for decreasing FX lending



**Chart 4** The capital requirements for banks are...

