

# Tajikistan

## A weak credit information infrastructure holds back bank lending

The north and south east of Tajikistan is well served by domestic bank branches with a few foreign banks in the larger cities (Chart 1). Tajik banks increasingly perceive these foreign banks as strong competitors in lending to various types of clients. Almost 90 per cent of surveyed banks cite participation in specialised lending programmes of the government or international agencies to support lending to micro, small or medium-sized enterprises (MSMEs) as “important” or “very important” in attracting new customers.

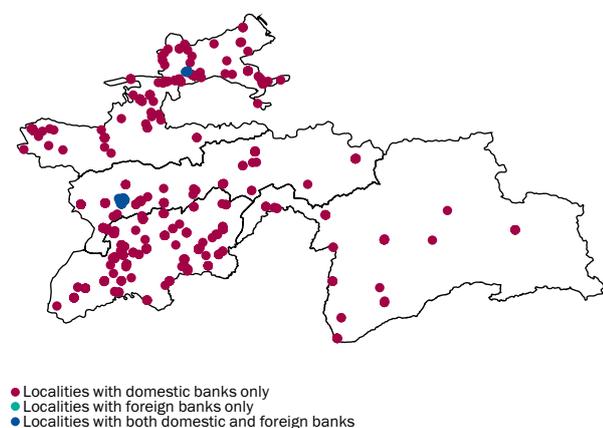
In this competitive environment, Tajik banks mention the inability of their loan officers to adequately assess borrower risk as the main constraint to lending (Chart 2). This situation is very different from the rest of the region where banks generally report insufficient credit demand as the most binding constraint. The use of credit bureaus is almost universal in the rest of the region, whereas in Tajikistan all surveyed banks reported that no public or private credit bureau exists. This suggests that the absence of a functioning credit information infrastructure in Tajikistan, rather than a lack of funding, is currently

holding back banking sector development. The BEPS survey also reveals that, perhaps as a result of the aforementioned inability of loan officers to assess credit risks, loan applications are subjected to a relatively high number of hierarchical layers before a bank is able to make a lending decision (Chart 3).

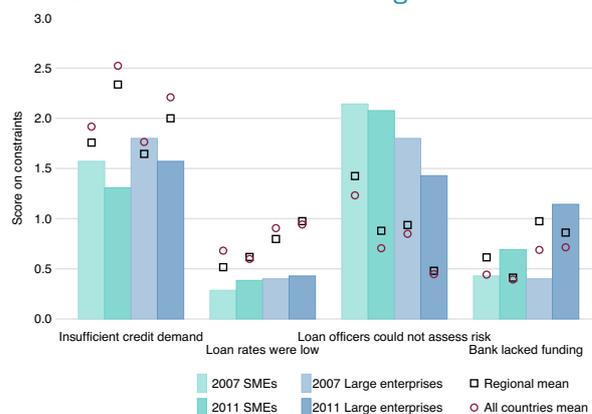
When asked whether they “frequently” or even “always” have to make some irregular payments or gifts to court officials, 77 per cent of Tajik banks agreed that this indeed was the case (Chart 4). Not only is this the highest percentage in the CIS region, but it was also an increase on 2007.

In sharp contrast, less than 20 per cent of Tajik banks agreed when asked the same question about the banking regulator. However, 43 per cent of Tajik banks, the second highest in the region, “agree” or “strongly agree” that direct instructions from the regulator over and beyond published laws and regulations presented their bank with a significant burden. In summary, Tajik banks appear to be increasingly worried about corruption among court officials, whereas they think the financial regulator is more honest though at times imposes a heavy regulatory burden.

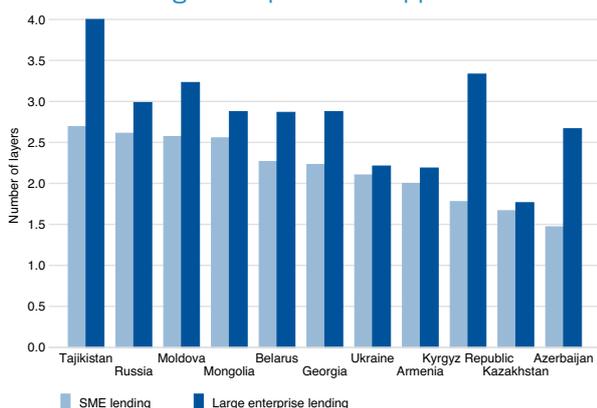
**Chart 1** Bank localities by ownership



**Chart 2** Main constraints to lending



**Chart 3** Hierarchical decision-making layers of SME and large enterprise loan applications



**Chart 4** Common for banks to pay some irregular payments or gifts to court officials

