

**Joint project of the National Bank of the Republic of Belarus
and Alliance for Financial Inclusion (AFI)
«Measuring Access to Finance:
Developing Evidence-based Access Policies in Belarus»**

Estimation and analysis of supply of financial services to population in the Republic of Belarus

Executive Summary of the National Survey

Minsk, National Bank of the Republic of Belarus

2012

Assessment of Supply of Financial Services

The purpose of this review is to assess the availability of data related to the supply of financial services, based on the currently available data sources, and to perform an analysis of such data.

It identifies the administrative units of Belarus with the highest and lowest density of access points to financial services. The study was intended to inform finance and credit policies at the national and regional levels, and decisions on the location of financial institutions in different areas of Belarus.

The data used in this assessment were provided by the main and regional offices of the National Bank (based on a survey of commercial banks), the Ministry of Finance of Belarus, the postal services operator BelPochta, and the Oblast executive committees.

The assessment procedure began with the The analysis of the data adequacy from the point of view of supply. This was followed by calculating the measures of access to finance through various types of financial institutions, such as banks, post offices lombards, credit unions and insurance companies. The measures were compared against a benchmark, defined as the average for ten European countries, or based on the fill access criterion. Regional measures were compared to the national average. The supply index was calculated as an aggregate measure of supply, consisting of the following sub-indexes: institutional coverage, geographic coverage, and ease of access. Mapping of the data was performed to ensure usability and transparency.

Summary of the findings and recommendations

The assessment was conducted in two stages. At the first stage, data adequacy was analysed on the following levels: availability, accessibility, granularity, periodicity and reliability. Data were assessed on each of these criteria based on a five-point scale: 1 = poor; 2 = weak; 3 = average; 4 = good; 5 = excellent. The data had been supplied directly by financial institutions, and certified by the relevant CEOs and the official stamps of such institutions. Their adequacy was assigned a ranking of five ("excellent"). At the next stage, the supply of financial services was analysed at the following levels: institutional coverage; geographic coverage; financial products and services; ease of access. The number of financial service access points per 10,000 adult population (aged 16 and above) was calculated at the national Oblast ad regional levels.

Institutional coverage In Belarus, state-owned banks continue to own the majority of assets, as opposed to most European states, where most assets are owned by private banks. In Belarus, private banks ow 33.7% of the total assets, and foreign-owned banks 32.7%.

The number of bank branches, ATMs and post offices per 100,000 residents was found to exceed the average for 10 European countries. However, Belarus remained below the benchmark by the number of automatic points of service, credit unions and pawn-shops.

There are 15 bank branches per 1,000 km², exceeding the average for 10 European states. However, Belarus remained below the benchmark by the number of automatic points of service, exchange offices, credit unions and pawn-shops.

Geographical coverage (G) The assessment found that all five types of institutions, i.e. banks, post offices, credit unions, insurance companies and pawn-shops,

were present across all regions of Belarus, but bank branches and post offices were the most prevalent. Credit unions and pawnshops, on the other hand, were relatively underrepresented. The number of pawn-shops and credit unions was highest in Minsk City.

The largest numbers of bank branches were reported in Brest Oblast (531), Minsk Oblast (489), and Minsk City (508), and the lowest in Mogilev Oblast (369) and Grodno Oblast (319).

The number of post offices was highest in Minsk Oblast (657), followed by Gomel Oblast (650), Vitebsk Oblast (643), and Brest Oblast (601), as compared to the national average of 515. The number of post offices density was below the national average in Mogilev Oblast (493) and Grodno Oblast (435). Minsk had 123 operational post offices.

Minsk City had the highest number of ATMs (1014), followed by Minsk Oblast (701) and Gomel Oblast (539). This compared to the national average of 552 ATMs. There were 466 ATMs in Brest Oblast, 404 in Vitebsk Oblast, 379 in Mogilev Oblast, and 361 in Grodno Oblast.

Automatic points of service were the most numerous in Minsk City (14468 units), followed by Grodno Oblast (8703) and Vitebsk Oblast (8357). This compared to the national average of 8509 units per 100,000 adult population. The lowest numbers of automatic points of service were reported in Grodno Oblast (6684) and Mogilev Oblast (6586).

On average, there are 44 pawnshops per 100,000 population nation-wide, including 83 in Minsk City, 58 in Vitebsk Oblast, 42 in Mogilev Oblast, and 38 in Brest Oblast. Elsewhere, there are around 30 pawn-shops per 100,000 adults.

The number of insurance company offices per 100,000 population is above the national average of 227 in Brest Oblast (276), Gomel Oblast (254), Grodno Oblast (269), and Minsk City (280). Below-average densities of insurance company offices were reported in Vitebsk Oblast (200), Mogilev Oblast (185), and Minsk Oblast (127).

The highest presence of credit unions (17) was reported in Minsk City. Elsewhere, there are no more than 2 - 4 credit unions per 100,000 adult population. Average number of credit unions is 4.6 per 100,000 adults.

Availability of services In Belarus, clients can access a wide range of financial services. Current accounts can be opened in banks throughout Belarus. Credit is offered by a large majority of banks across all regions. On average, credit is available from 90% of banks, and in Gomel Oblast, this service is offered by every bank. Consumer loans are available from 87.5% of banks in Minsk City and 81.85% of banks in Minsk Oblast.

The highest proportion of banks offering mortgage loans is in Grodno Oblast (46%), and the lowest (37.5%) is in Brest Oblast. In Minsk City, this proportion is at 34.4%.

SME loans are available from 95.7% of banks in Vitebsk Oblast, 93.7% in Minsk City, and only 81.7% in Minsk Oblast.

Deposits are offered by 90% of banks nation-wide and 100% of banks in Gomel Oblast. The service is available from 81.8% of banks in Minsk City and 78.1% of banks in Minsk Oblast.

Debit and credit cards are issued by all banks in Gomel Oblast, and by over 80% of banks in Grodno and Minsk Oblasts.

Bonds and securities are offered by a relatively small proportion of banks, varying from 25 to 30% across sub-national units (Oblasts and Minsk City). Minsk Oblast has a somewhat higher proportion of banks that offer this service (36%).

On average, money transfer is offered by around 90% of banks nation-wide, varying from 93.8% in Minsk City to 81.8% in Minsk Oblast.

Ease of access There are no significant financial barriers to opening a current account in Belarus. De-facto minimum maintenance fee and minimum balance are zero, as most banks do not establish such minimum requirements. Minimum deposit amount relative to per capita GDP is 0.009, as compared to the European average of 0.6. Client passport is the only document required to open an account. In Belarus, the time to process a credit application is generally longer than the European average, some banks practise making lending decisions within one hour of submitting the loan application.

Number of service access points per 10,000 adult population (aged 16 and above) at the national, Oblast, and district levels.

At the regional level, the number of bank branches per 10,000 population aged 16 and above is highest in Brest Oblast (4.6) and lowest in Gomel Oblast (3.5). The density of post offices ranges from a high of 6.2 per 10,000 adult population in Vitebsk Oblast to a low of 4.9 per 10,000 in Grodno Oblast. The number of access points (the sum of bank branches and post offices) varies from 10.2 in Vitebsk Oblast to 8.5 in Grodno Oblast. The highest density of ATMs was reported in Minsk Oblast (6.0 units per 10,000 adults). Overall, the points of access to financial services are distributed across the country fairly evenly.

Across sub-national units (Districts), the density of access points shows significant regional variations. District-level calculation of access point density did not include districts with populations of less than 10,000. -

Above-average numbers of bank branches per 10,000 adults were recorded in Berestovitsa (10.8) and Malorita Districts (9.9). Some of the lowest densities of bank branches per 10,000 adults were recorded in Dubrovno (2.3), Zhitkovichi (2.2), Gomel (2.1), Vetka (2.0), Loev (1.8), Oktyabrsky (1.6) and Chechersk (1.6) Districts.

Above-average densities of post offices per 10,000 adults were recorded in Bragin (17.1), Dubrovno (16.6), Sharkovschina (15.9), Miory (15.5), Liozno (15.5), Polotsk (15.2), Oktyabrski (15.2), Beshenkovichi (14.9), Bobruisk (14.8) and Glussk Districts (14.8). Districts with the lowest numbers of post offices per 10,000 adults included Minsk (4.1), Svetlogorsk (3.8), Mozyr (3.6), Lida (3.2), Borisov (3.1), Soligorsk (3.0) and Molodechno (2.5).

The sum of post offices and bank branches per 10,000 adults was highest in Bobruisk (22.8), Berestovitsa (22.4), Klichev (21.5), Liozno (21.1), Beshenkovichi (21.0), Shumilino (21.0), Bragin (20.9), Sharkovschina (20.8), Ushachi (20.5), Miory (20.3), and Glussk Districts (20.3). This ratio was the lowest for Soligorsk (6.7), Molodechno (6.7), Borisov (6.5), and Lida (6.2) Districts.

Minsk District had the highest ratio of ATMs per 10,000 adults. Elsewhere, ATM density was slightly above the national average of 4.9 units per 10,000 adults, including in Zhlobin (7.8), Mozyr (6.2), Molodechno (5.4), and Osipovichi (5.0) districts. ATM density ratio was lowest in Brest (0.6), Polotsk (0.5), Pinsk (0.5), Gomel (0.0) and Bobruisk (0.0) Districts.

The supply sub-index equalled 3.93 out of 5.0, indicating significant potential for expanding the network of financial institution and the range of services on offer. Some of the lowest subindex values were for institutional coverage (2.96) and availability of services (3.8). These are the areas most in need of improvement. The subindex value was highest on the ease of access dimension, suggesting that few barriers exist in Belarus for access to services.

Based on the survey outcomes, the following areas of need can be identified:

- 1) expanding the network of non-bank financial institutions;
- 2) decreasing the government's share on the assets of banks;
- 3) ensuring a more even distribution of financial services access points across districts;
- 4) promotion of automatic points of service, Internet, and mobile banking provision.