



Argentina

Promoting financial development in the context of the Middle-Income Trap

Overview

Between **2011 and 2017**, the economy has grown on average **1.2%** annually, while the **LAC average is 1.7%**

Banking sector overview:



Public banks
42% market



Foreign banks
1/3 market



Top 5 banks
~50% market
(not very concentrated)



Compliant with **Basel III**

ROE: **33%**

Tier 1: **12.7%**

NPL ratio: **2.2%**

Financial Access

MIFI:

70th position
(out of 137 countries)

DiGiX:

77th position
(out of 100 countries)

Number of commercial bank branches:

14 offices per **100,000** adults
(26.4 is the average for HI)

Low access to capital markets:

2.1 listed companies per **1,000,000** people

Financial Depth



Low level of financial depth in the region: credit to GDP of **16.7%** and deposits to GDP of **25.8%**



Small banking sector measured in terms of assets over GDP, **around 20%**



Stock market capitalization is very low: **8%** of GDP

Efficiency and Stability of the Financial System



The banking sector in Argentina stands out for its high profitability, with ROA of **3.5%**



Room for efficiency improvements: overhead costs to total assets of **5.7%**

Institutional factors

Argentina's indicators are below average

Ease of doing business
(Average HI: 33 out of 190)

117th

Registering property
(Average HI: 66 out of 190)

117th

Getting credit
(Average HI: 67 out of 190)

77th

Enforcing contracts
(Average HI: 47 out of 190)

102th

Resolving insolvency
(Average HI: 22 out of 190)

101th

Recommendations

- Investing in digitalisation will bring better services to clients and people not banked yet
- Focus on increasing activity without a concurrent increase in operating costs
- Policies aimed at reducing the costs for firms to switch from informality to the formal sector
- Implementation of measures that increase the recovery rate of insolvency, and continuing the process of reducing bureaucracy involved in enforcing contracts and registering property
- Financial depth can improve by introducing measures aimed at promoting loans

For further details:

Policy priorities to promote financial development in the context of the Middle-Income Trap: The cases of Argentina, Colombia, Mexico and Peru