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Mikrofinansca  
Shqiptare



Albanian  
Microfinance  
Association

# DIGITALIZATION OF MICROFINANCIAL SERVICES

SURVEY CONDUCTED WITH NON-BANK FINANCIAL  
INSTITUTIONS AND THEIR CLIENTS

*NOVEMBER 2020*

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# ENTRY

During October, a number of actors in the non-banking financial services industry completed the questionnaire regarding the effects of the pandemic on these companies and the impact that digitalization has on the well-being of their operations. The expectations of the companies have been met by the expectations of the clients of these companies in terms of digitalization.

## Purpose

This study was undertaken to understand in essence the importance of adequate digitalization for the operational well-being of the company as well as the direct relationship with the client for the well-being of the business.

## Methodolog

The questionnaire consists of 5 main sections

- a. Profile of microfinance industry actors
  - b. State Economy: forecasts of the entrepreneurial climate in Albania
  - c. Non-banking financial services industry and its digitalization
  - d. Future plans
  - e. Habits of society
- A total of 9 questionnaires were completed by companies which are key players in the industry
  - A total of 270 clients of these actors were interviewed
  - Deadline for data collection: October 2020

# COMPANY PROFILE

67% of the companies that participated in this study are lending companies.

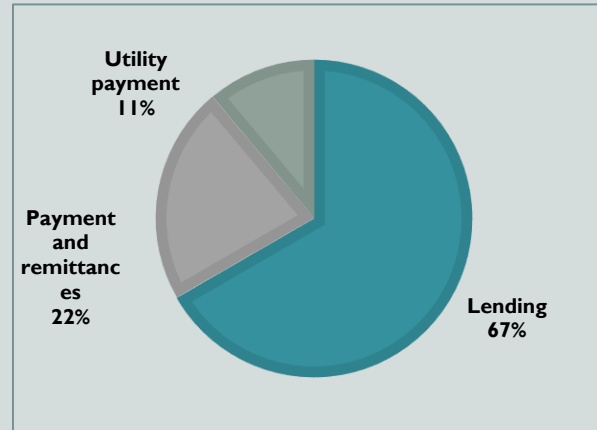
22% are companies that operate services for remittances and various payments and 11% companies for utility payments.

Customer service is the main goal of 89% of companies in this study. 45% of them are B2B and B2C, while 11% of them are B2B2C.

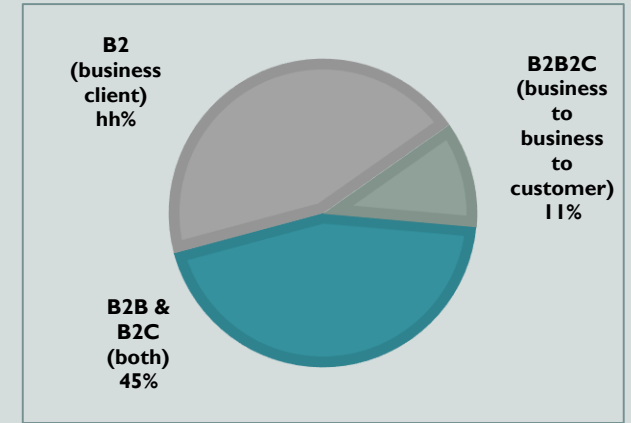
More than half are large companies with over 50 employees, 22% 10-50 employees and 22% of them companies with less than 10 employees.

89% of companies have employees aged 30-45 and 11% have an average age of employees under 30.

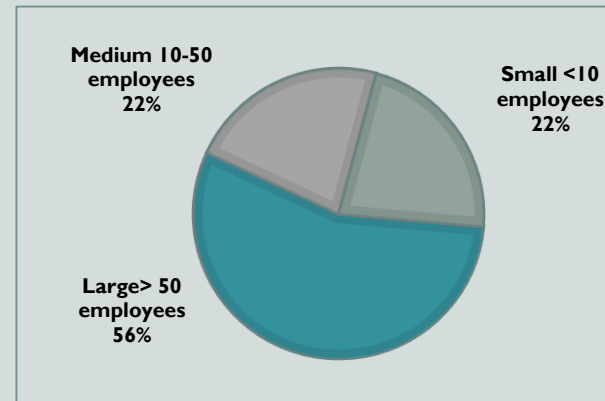
Type of company



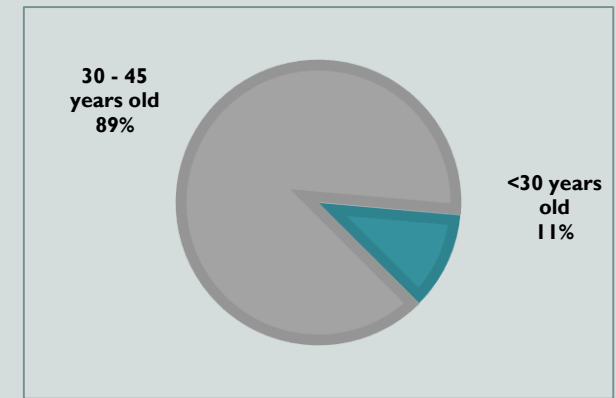
Business Model



Business Size



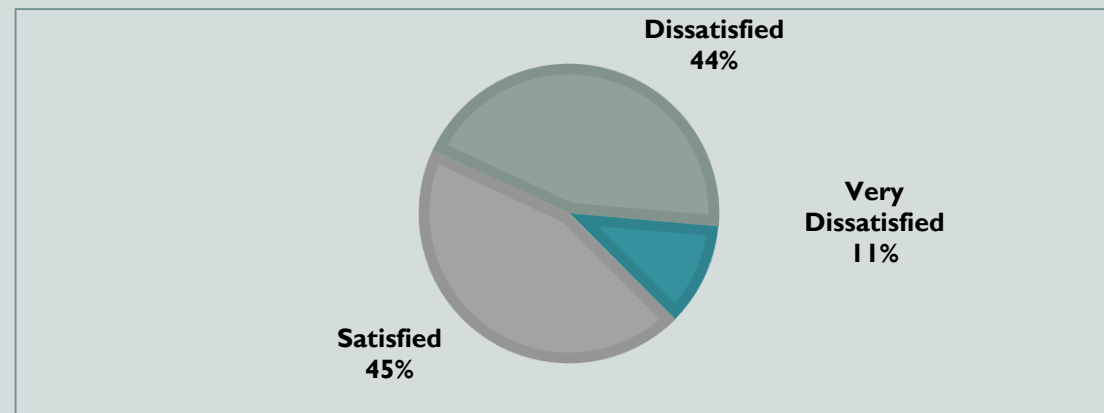
Average age of employees



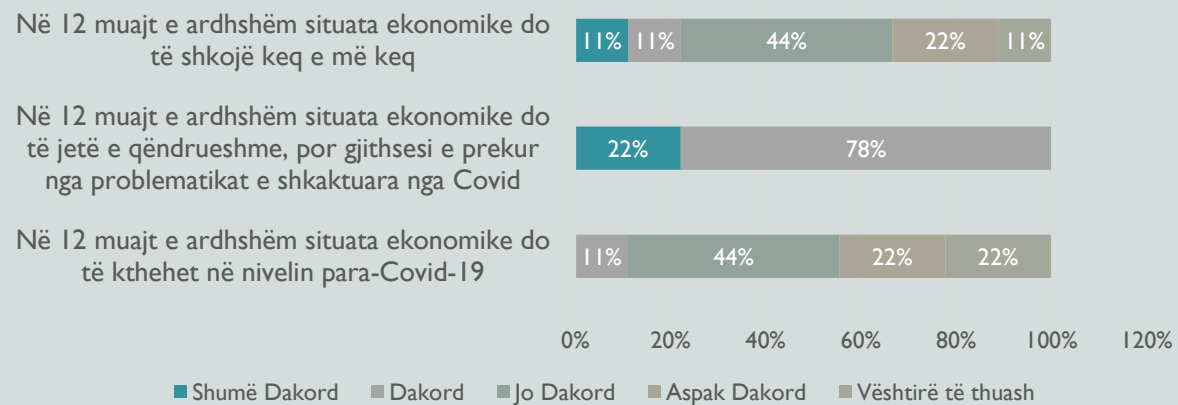
## ENTREPRENEURSHIP CLIMATE FORECASTS IN ALBANIA

It seems that the entrepreneurial climate in the country is almost divided into two main pillars. 45% of companies are satisfied with the entrepreneurial climate in the country. Meanwhile 56% of companies are dissatisfied. Of which 11% very dissatisfied and 44% dissatisfied.

The results reveal that there is agreement among the actors that the crisis it left behind is fading in the effects it has had on these companies and that the following period is expected to be more positive, although under the effects of some time constraints that the Covid-19 pandemic has brought to market. 100% of companies strongly agree or disagree with this statement. Only 11% of companies think that the economic situation will improve to the first level Covid-19. While 22% of companies think that the economic situation will have the following negative impacts.



### Economic Situation after Covid-19

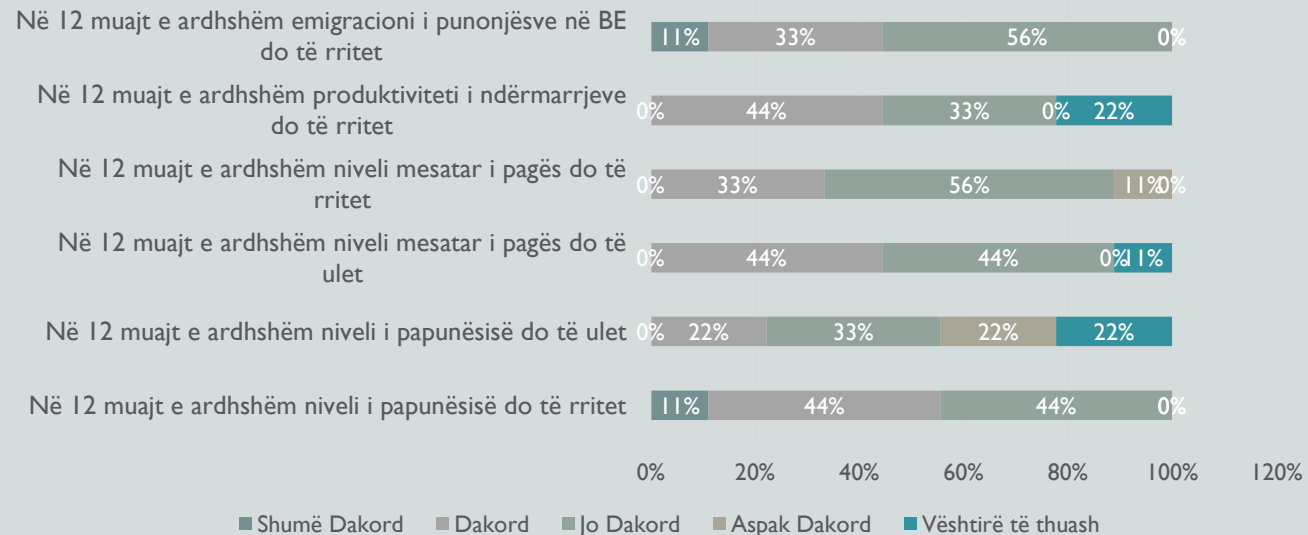


## ENTREPRENEURSHIP CLIMATE FORECASTS IN ALBANIA

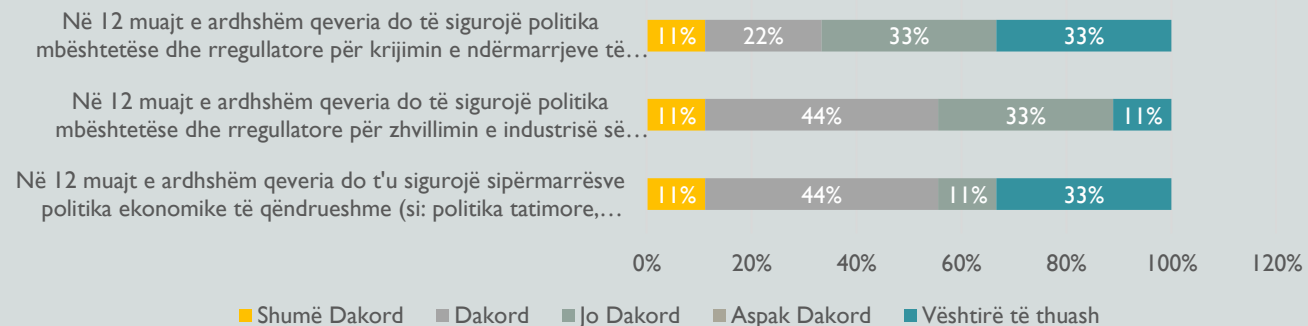
Employment will always be a strong indicator of economic well-being. 56% of companies think that there will be no mass emigration to the EU in the coming period. The productivity of companies will increase 44% think the company, while 56% of companies think the opposite. Wages seem unlikely to change the forecasts of companies with 67% of respondents disagreeing with the above statement. It is also seen that unemployment is expected to rise if the economic situation does not change.

There is a general agreement between the company that the Albanian State through the regulators of this industry will have a positive impact and will intervene with supportive and regulatory policies for the well-being of small and medium business as well as for the actors of this industry. Auxiliary policies for small business are questioned where only 33% think that there will be an initiative by the Albanian Government. Meanwhile, the situation looks different for microfinance, where more assistance is expected at the policy level from the government.

### Your opinion on unemployment



### Your opinion on economic policies in the country



# ENTREPRENEURSHIP CLIMATE FORECASTS IN ALBANIA

33% of the surveyed companies think that the country's governing policies are harsh on illegal entities by fighting them and not allowing the "gray area" to flourish in providing alternative financial services. Meanwhile, 33% of companies think the opposite.

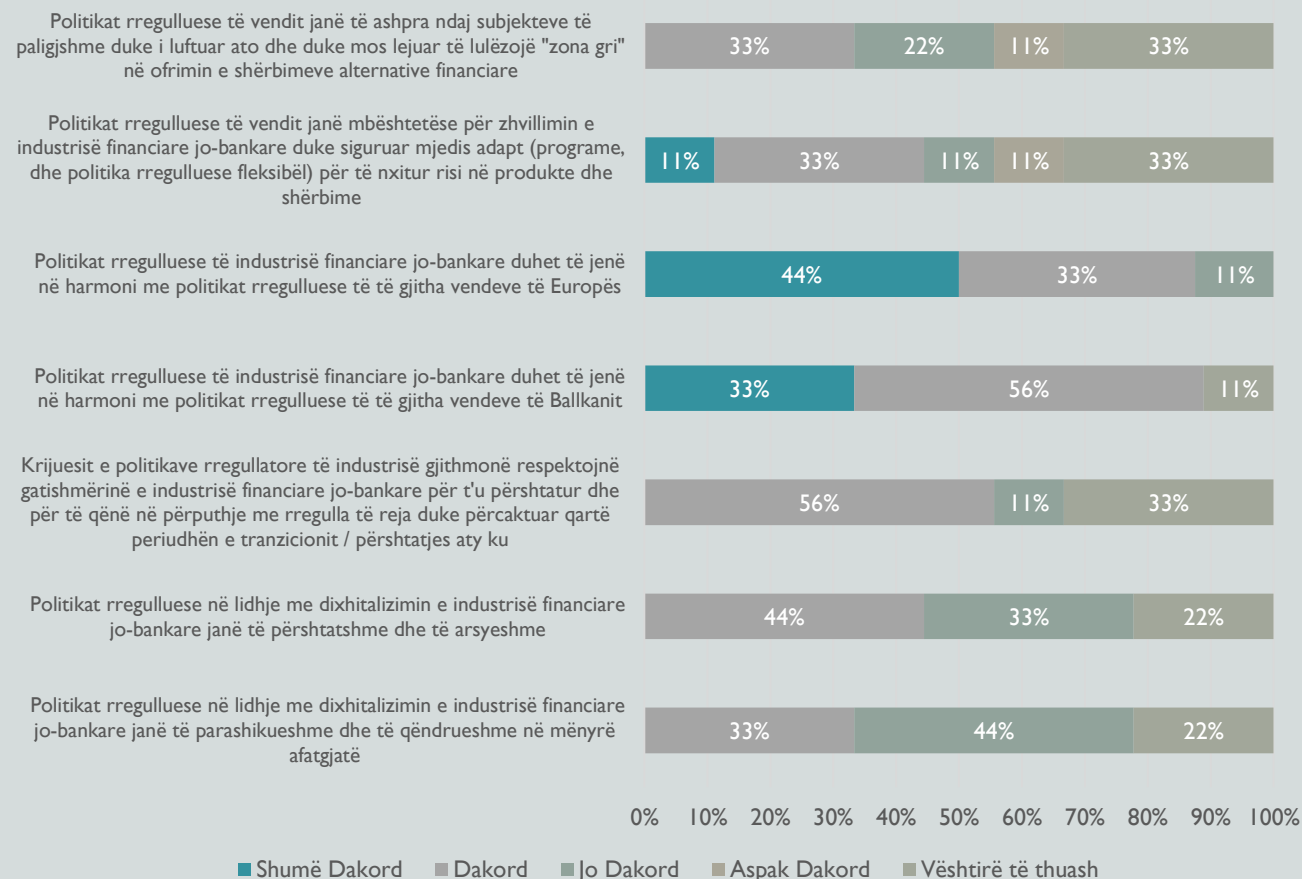
44% of surveyed companies think that the country's governance policies are supportive of the development of the non-banking financial industry by providing an adaptive environment (programs, and flexible regulatory policies) to foster innovation in products and services. 22% see the most difficult situation in bringing new innovations precisely because of regulatory policies.

89% of the surveyed companies think that the regulatory policies of the non-banking financial industry should be in line with the regulatory policies of all European and Balkan countries.

Also 56% of respondents think that industry regulators always respect the readiness of the non-banking financial industry to adapt and comply with new rules by clearly defining the transition / adjustment period where it is necessary.

44% of companies think that regulatory policies related to the digitalization of the non-banking financial industry are appropriate and reasonable but more companies (44%) think that regulatory policies related to the digitalization of the non-banking financial industry are unpredictable and unstable in the long run.

## Regulatory policy environment



## COOPERATION WITH STAKEHOLDERS AND REGULATORS

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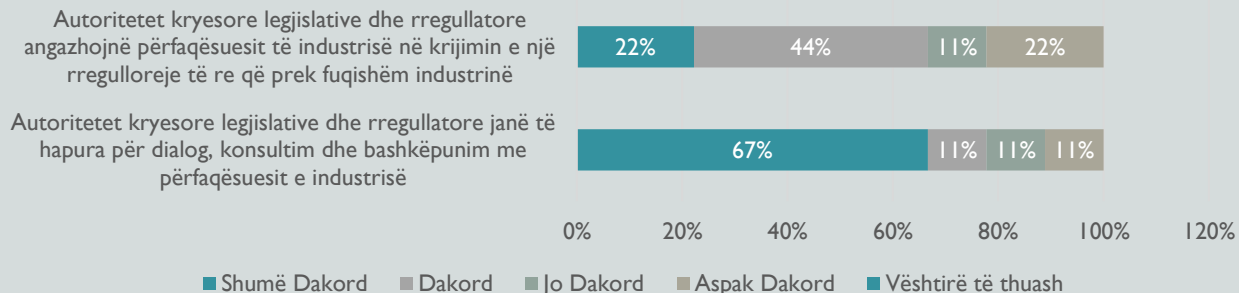
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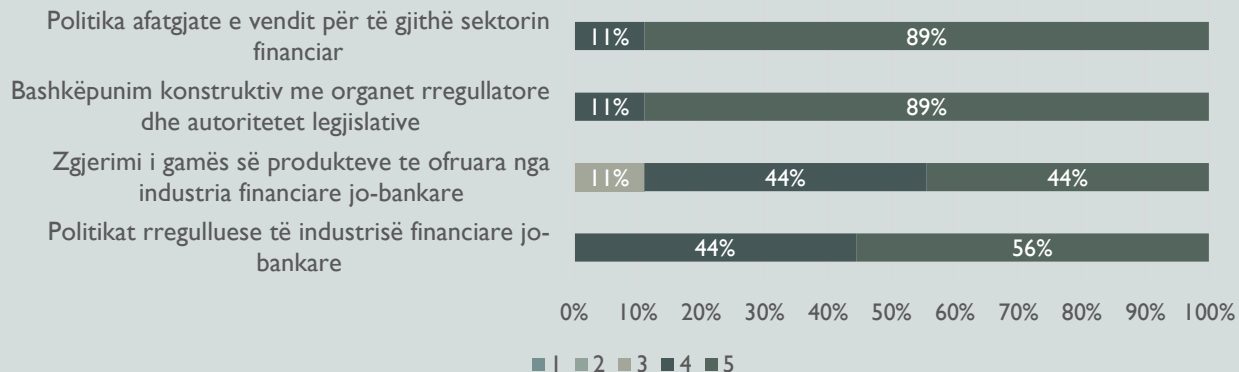
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### Collaboration with stakeholders



### How important is each of the following aspects for Non-Banking Financial Institutions to continue to develop their business in Albania?

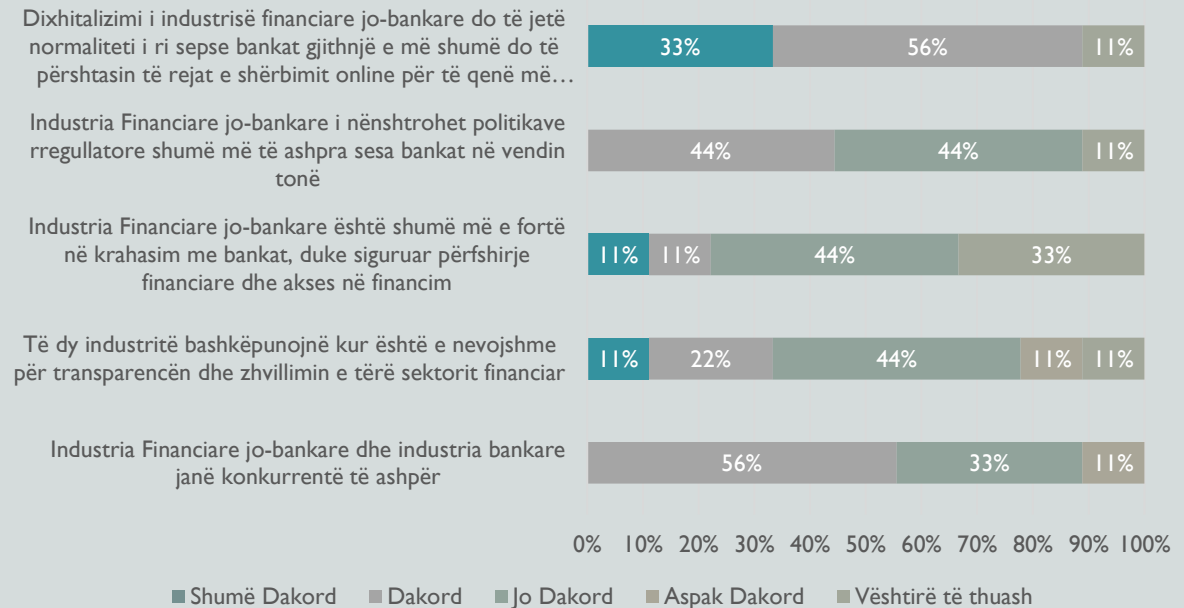




## COOPERATION WITH STAKEHOLDERS AND REGULATORS

There is an agreement among microfinance companies that microfinance institutions generally possess a higher information technology integrated in their services and operations and it will be a matter of time before banks reach this technological level. Meanwhile it is also thought that the microfinance industry still has the potential to gain market share and the actors of this industry see banks as strong competitors.

### Cooperation with the banking industry



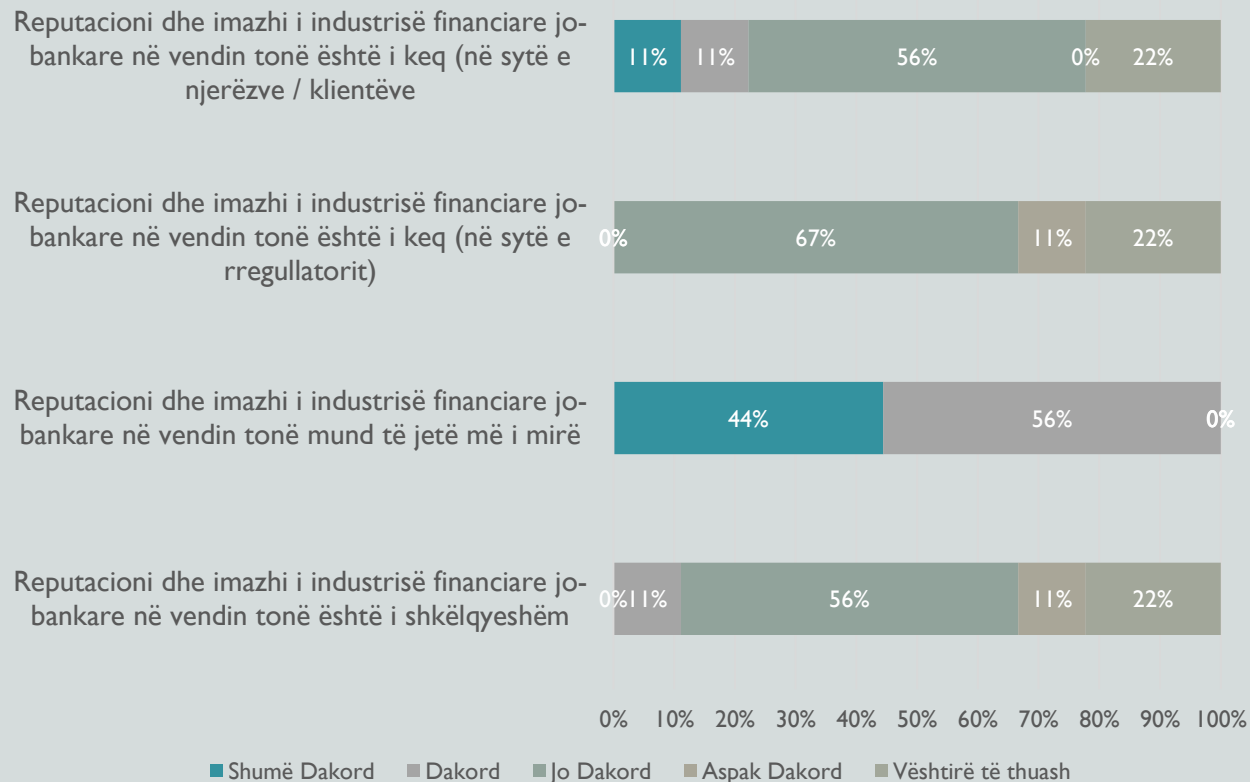
# INDUSTRY REPUTATION

The actors of this industry agree that the image of these companies in the eyes of the client as well as the regulators is not bad, but there is room for improvement to reach higher levels.

Only 22% of the surveyed companies think that the reputation and image of the non-banking financial industry in our country is not good in the eyes of people / clients, while 56% do not agree with this statement.

The same happens with the image that these companies have with the regulator where 87% of companies think that the reputation and image of the non-banking financial industry in our country is good in the eyes of the regulator. 11% of companies think that the reputation and image of the non-banking financial industry in our country is excellent and 100% of them agree that the reputation and image of the non-banking financial industry in our country can be better.

## Industry reputation (self-assessment)

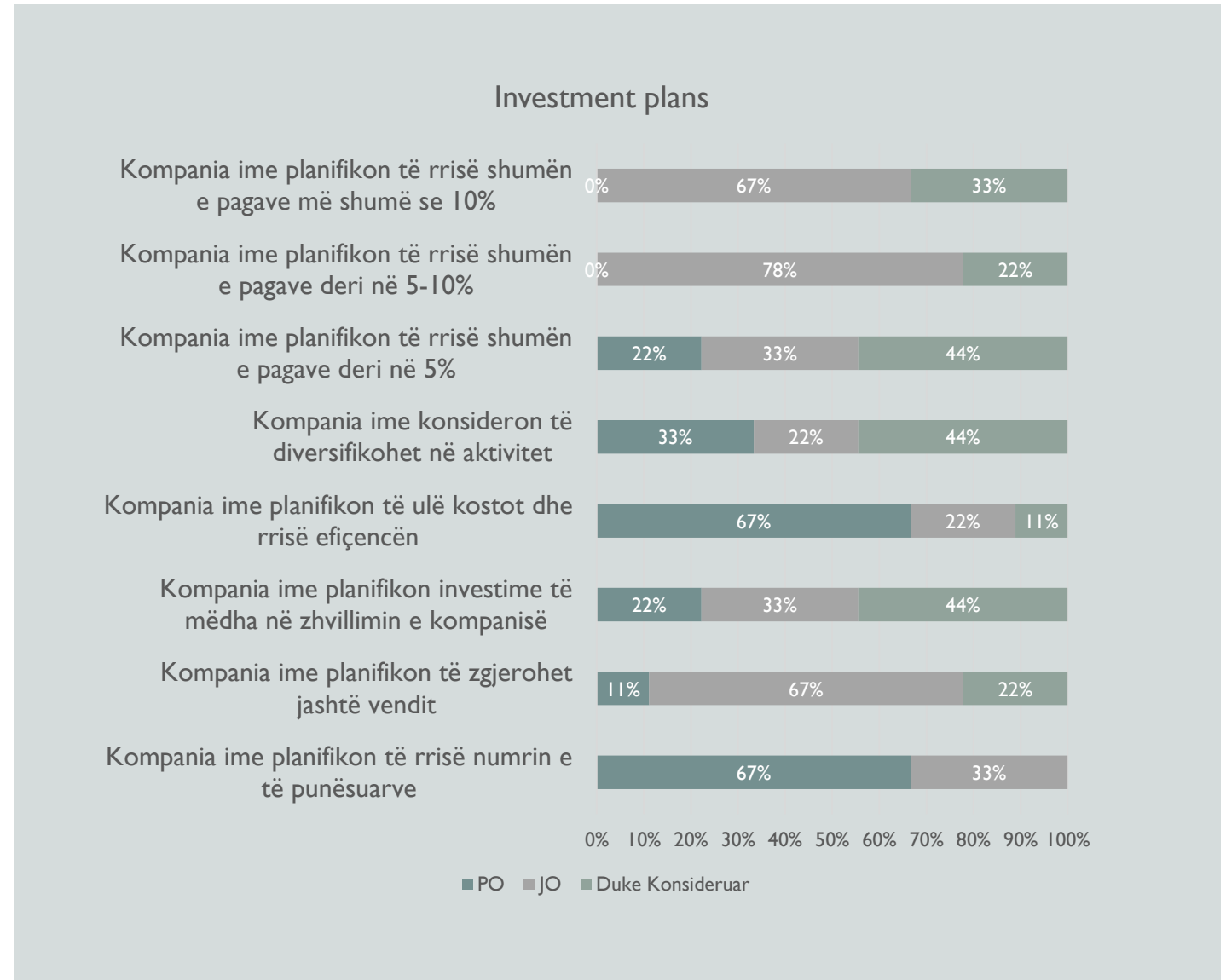


# INVESTMENT PLANS

The future seems to be moving very cautiously. As noted above, microfinance industry companies do not plan to have significant salary increases, only 22% of companies plan to increase salaries by 5% in the future. While none of the companies are planning a higher growth.

33% of surveyed companies plan to diversify their services and 44% are considering something like this. 67% of them plan to reduce costs and increase efficiency, but the good news seems that most microfinance actors are planning to increase the number of employees. - 67% of them.

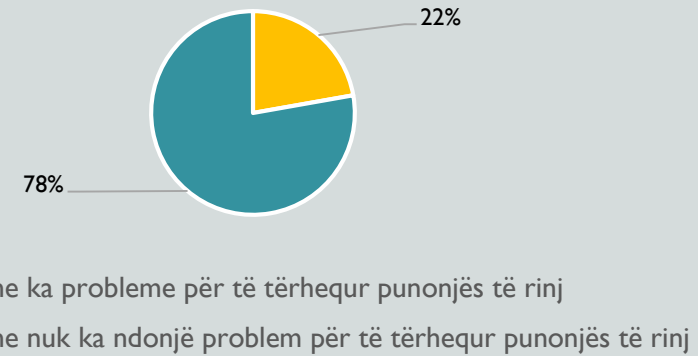
It is also seen that 22% of companies plan large investments in the development of the company and 11% of them plan to expand abroad.



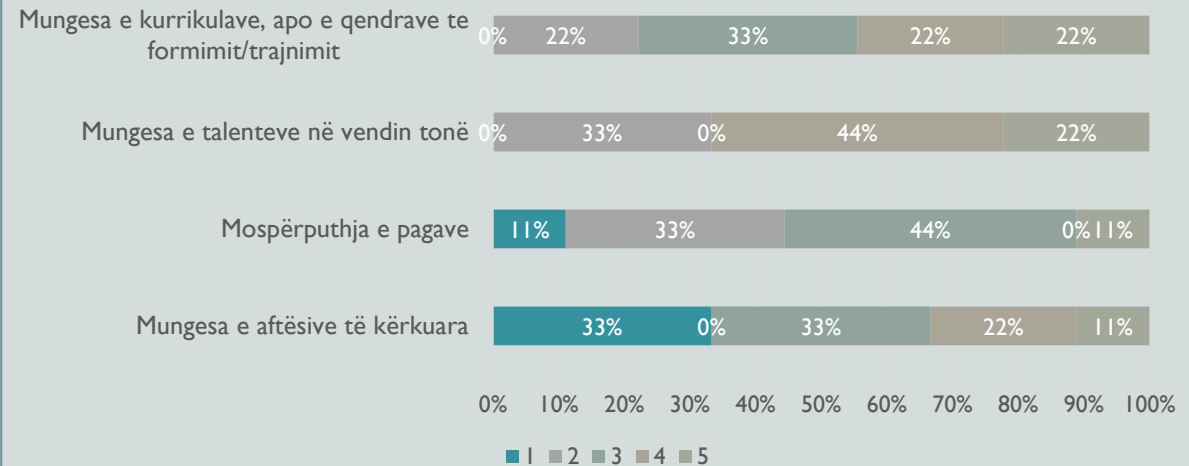
# ATTRACTING TALENTS

In most cases it is easy for the surveyed companies to recruit employees for key positions - 78% of companies claim this. In cases where difficulties are encountered this occurs as lack of knowledge of specific technical positions or lack of adapt certification. The most important reasons are the lack of talent (44%), the mismatch between the required salary and the offered one (44%) and the lack of required skills (33%)

## Attracting talents



## Problematikat në tërheqjen e talenteve



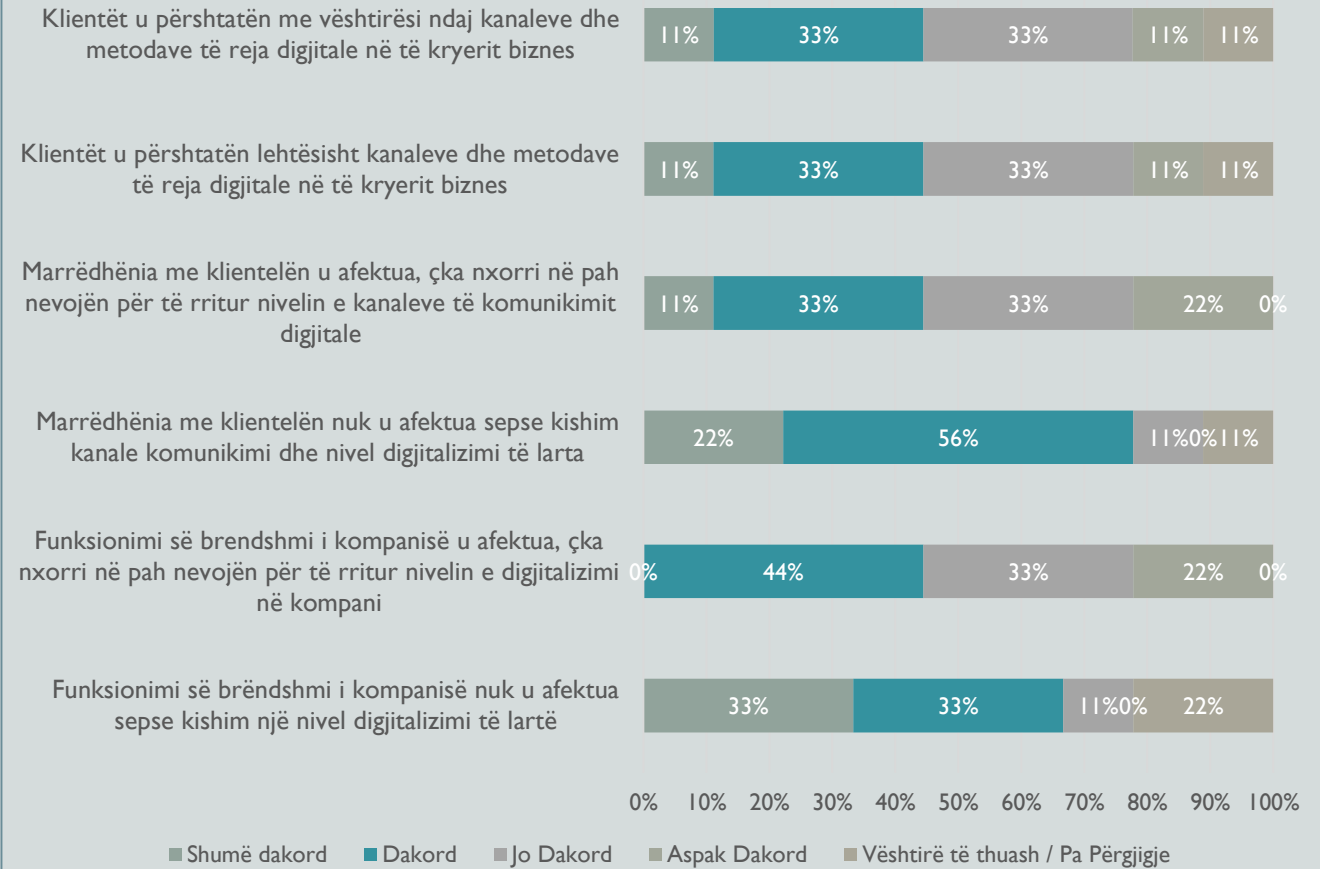
## NON-BANKING FINANCIAL SERVICES INDUSTRY AND ITS DIGITALIZATION

It seems that companies have had both extremes of experiences during the pandemic as those results are 44% of companies have found it difficult to reconcile with customers and 44% admit that customers easily adapted to the new digital channels and methods in it doing business during the pandemic.

The relationship with the clientele does not seem to have been massively affected as 78% of companies agree that they have had the right digital channels of communication with them. The latter highlighted the need to increase the level of digital communication channels

It also seems that the internal functioning of the company was affected but was managed by these companies as 66% of the companies, which highlighted the need to increase the level of digitalization in the company for those companies that have been affected by the internal operational functioning.

### What was the impact of information technology on meeting the challenges of Covid19 for your business?



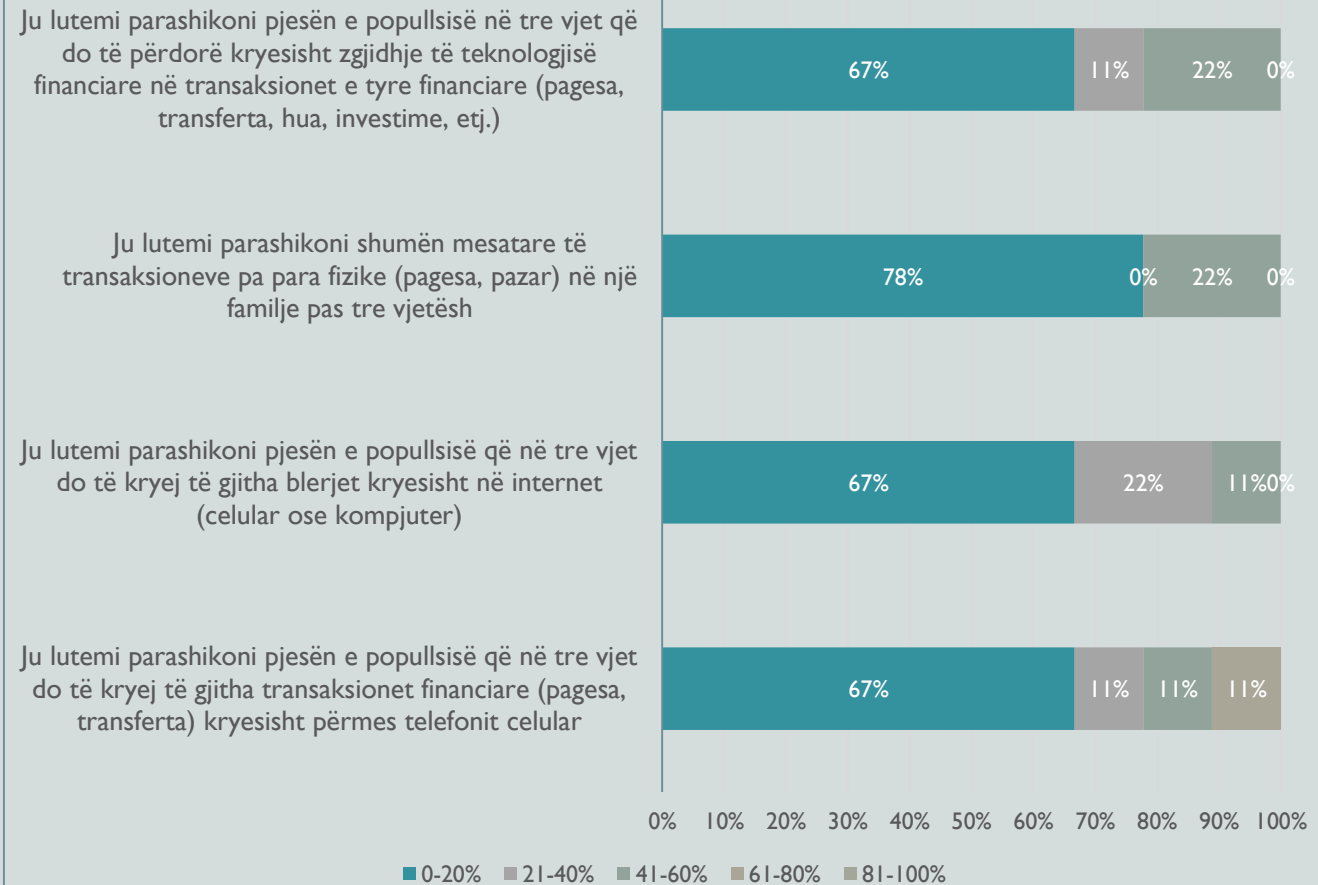
# NON-BANKING FINANCIAL SERVICES INDUSTRY AND ITS DIGITALIZATION

That is why the microfinance sector remains one of the most technologically advanced sectors, yet its services are not totally digitized.

The future belongs to digitalization but it seems that in the Albanian market the expectations for a massively digitized service are far away.

The main microfinance actors seem to agree that only 30% of the Albanian population will make all financial transactions (payments, transfers) mainly through mobile phone, all purchases mainly online (mobile or computer) and will use mainly solutions financial technology in their financial transactions (payments, transfers, loans, investments, etc.).

## In your experience, express in% your forecast on the habits of individuals



# NON-BANKING FINANCIAL SERVICES INDUSTRY AND ITS DIGITALIZATION

From the questionnaires conducted with the clients of the companies that participated in this survey show a more positive picture.

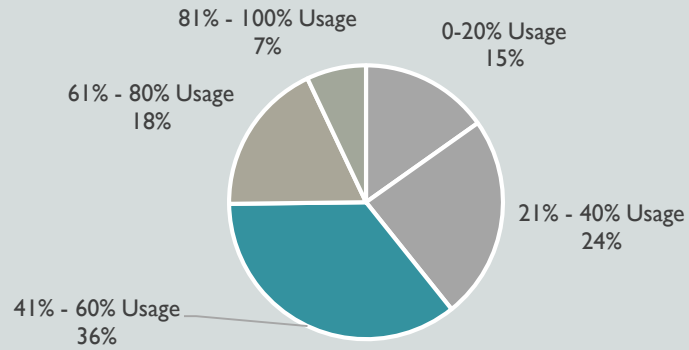
Regarding family transactions 64% of respondents answered that they will perform 50% of their online, 28% of them that they will perform 70% of online family transactions and meanwhile 8% all.

Regarding financial transactions 19% of respondents answered that they will perform 50% of their online, 45% of them that they will perform 70% of online family transactions and meanwhile 36% all.

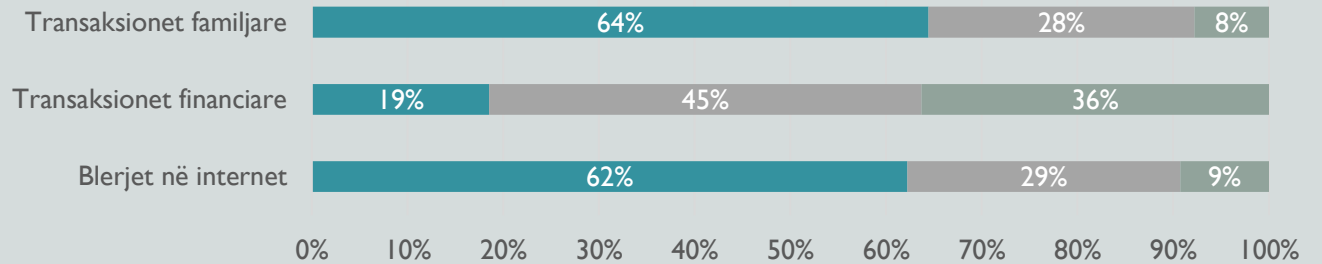
Regarding online shopping 62% of respondents answered that they will do 50% of their online, 45% of them that they will do 29% of online family transactions and meanwhile 9% all.

61% of respondents plan that in 3 years they will use information technology solutions for financial transactions at the rate of 40-100%

## In three years you will mainly use financial technology solutions transactions



## According to your needs as well as from previous experience please choose one of the following options that is most real to you



- Në tre vjet do të bëni të paktën 50% të blerjeve tuaja kryesisht në internet (celular ose kompjuter)
- Në tre vjet do të bëni të paktën 70% të blerjeve tuaja kryesisht në internet (celular ose kompjuter)
- Në tre vjet ju do të bëni të gjitha blerjet tuaja kryesisht në internet (celular ose kompjuter)

# CONCLUSIONS

- The future is digital!
- The above is turning into an inevitable reality, influenced by the latest developments of the pandemic.
- There is an agreement among microfinance companies that microfinance institutions generally possess a higher information technology integrated in their services and operations and it will be a matter of time before banks reach this technological level.
- The need for technological tools to carry out financial operations will always grow and microfinance companies must be ready with their solutions.
- More intensive collaboration is needed between microfinance actors and regulators in order to accelerate the adaptation of technology tools to deliver more online services!
- More intensive cooperation is needed between all stakeholders to increase the level of financial education to make the implementation of financial services totally online more effective and on a large scale.