

CONSUMER BEHAVIOUR AND POST COVID – 19 BUSINESS EXPECTATIONS

June 2021



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SUMMARY

This report summarizes the findings of the study on the topic - CONSUMER BEHAVIOR AND BUSINESS EXPECTATIONS FOR THE POST COVID PERIOD - 19. The study was conducted during the months May-June 2021 and was distributed to all microfinance actors regardless of the service they provide and really all the expectations of Albanian citizens for the recent period and the consequences it has left on their behaviour as consumers.

In total 9 actors of the microfinance industry facilitated the research and helped with the interview of 177 businesses, as users of these services.

Entry

During May - June 2021 9 actors of the microfinance industry facilitated the research and helped with the interview of 177 businesses regarding the effects of the pandemic on the customers they serve and their ongoing consumer behaviour. These individuals have expressed not only their expectations regarding their income and expenses but also their service and opinion about microfinance actors in Albania.

Purpose

This study will serve not only for microfinance actors to have the opportunity to serve their customers with more personalized products but also to have the opportunity to improve their service or education efforts of this target group according to the specific needs that individuals may have.

METHODOLOGY

1. The questionnaire consists of 5 main sections

- a. Profile of individuals to question
- b. How Covid-19 has affected their income
- c. What are their expectations for future spending
- d. Use of the product offered by microfinance companies
- e. Market awareness and individuals' opinion about the service received

1. A total of 177 clients of these actors were interviewed

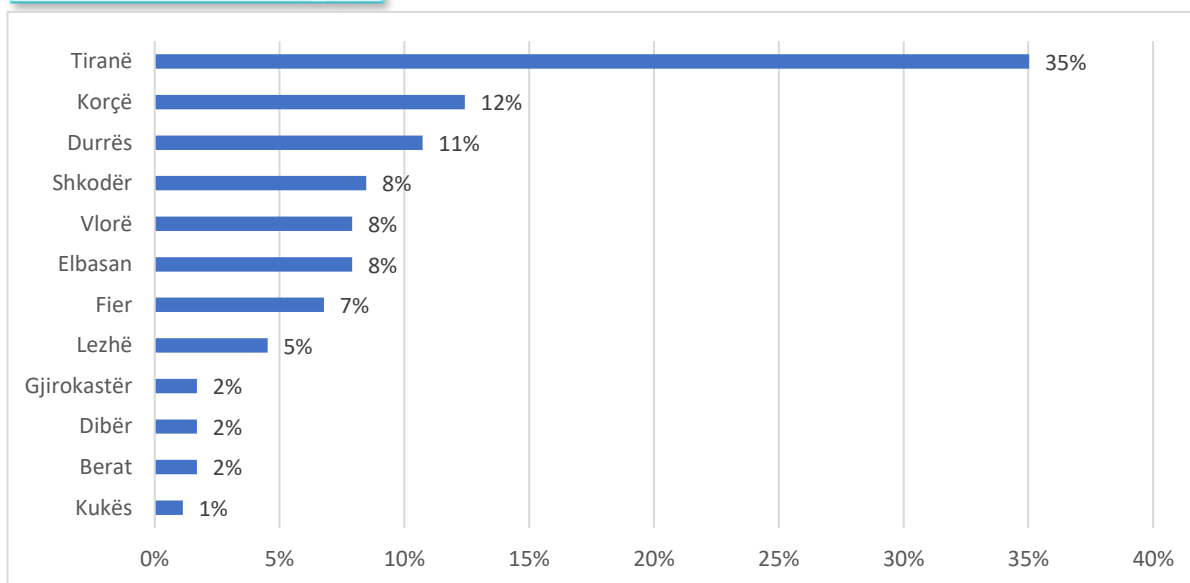
Deadline for data collection: June 2021

*) This activity has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult: <http://ec.europa.eu/social/easi>

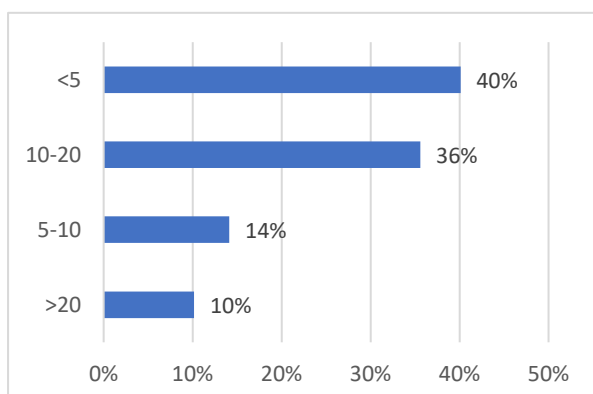


Main findings (Sorted by questions) Company Profile

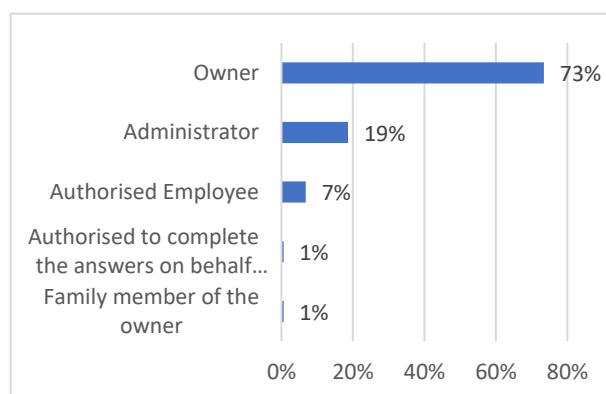
Region

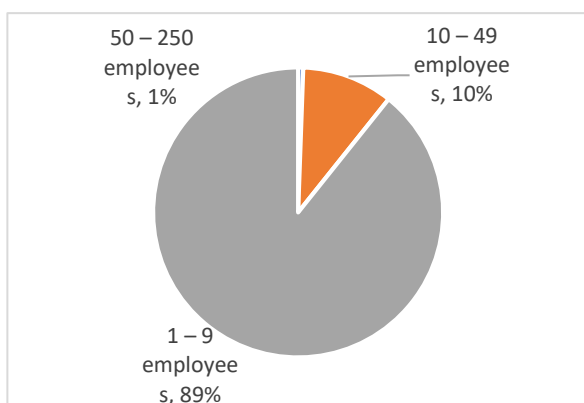


Years in business

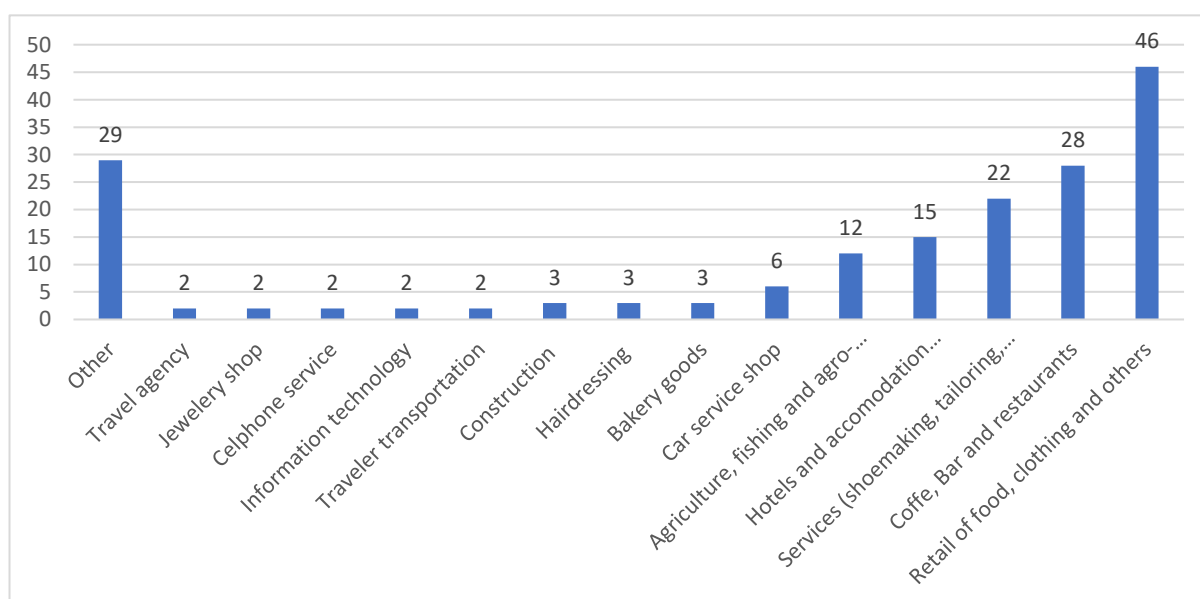


Interviewee's function



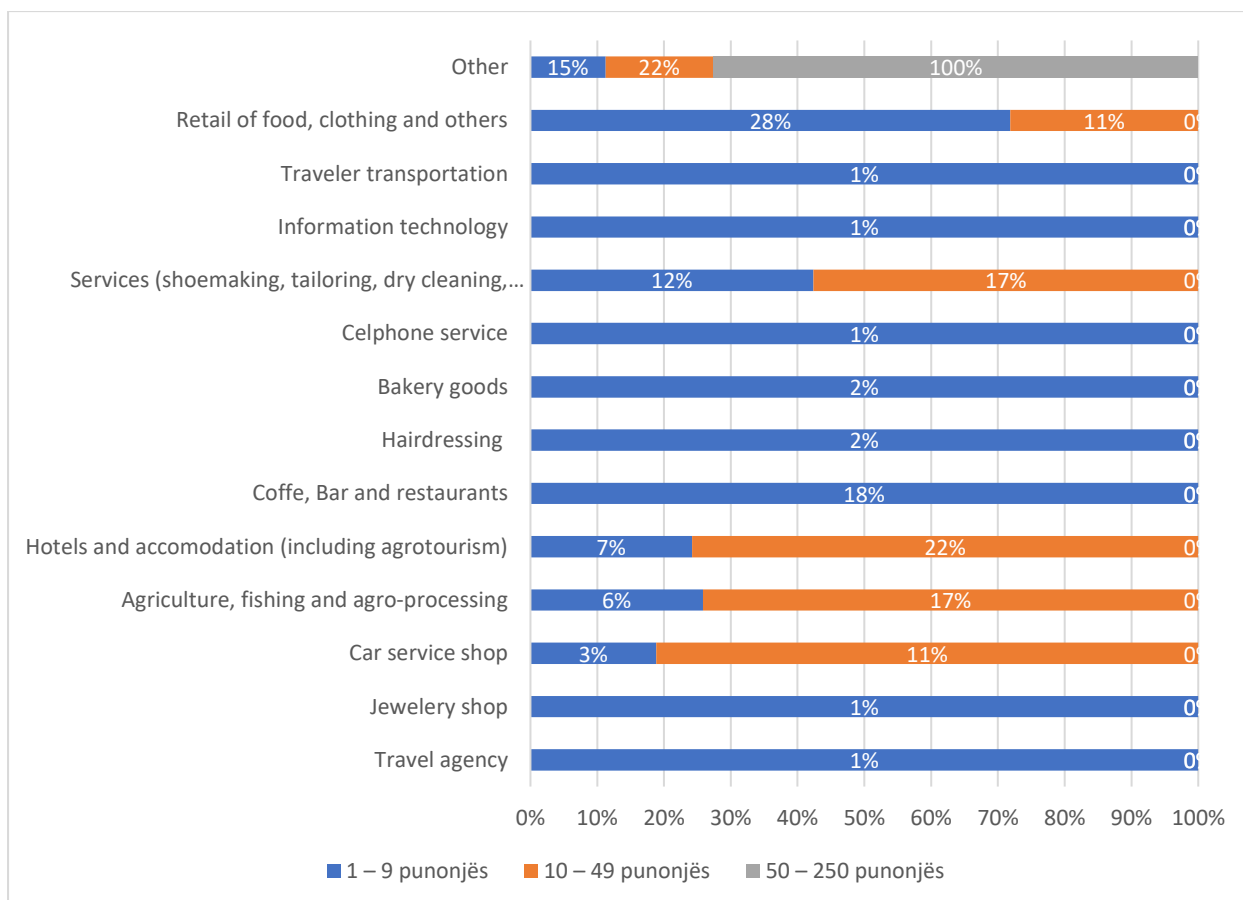


FIELD OF ACTIVITY



40% of businesses interviewed have 5 or fewer years on the market, 14% of them 5-10, 36% 10-20 years of activity. Most of the businesses interviewed are in Tirana (35% of them) but the distribution of interviewed businesses is in most of Albania's cities, which makes this study nationally representative.

Most of the interviewees are either owners or managers, which indicates small companies often manage at a family level. The same proves to us, and the graph afterwards, where we see that 90% of businesses are with fewer than 9 employees.

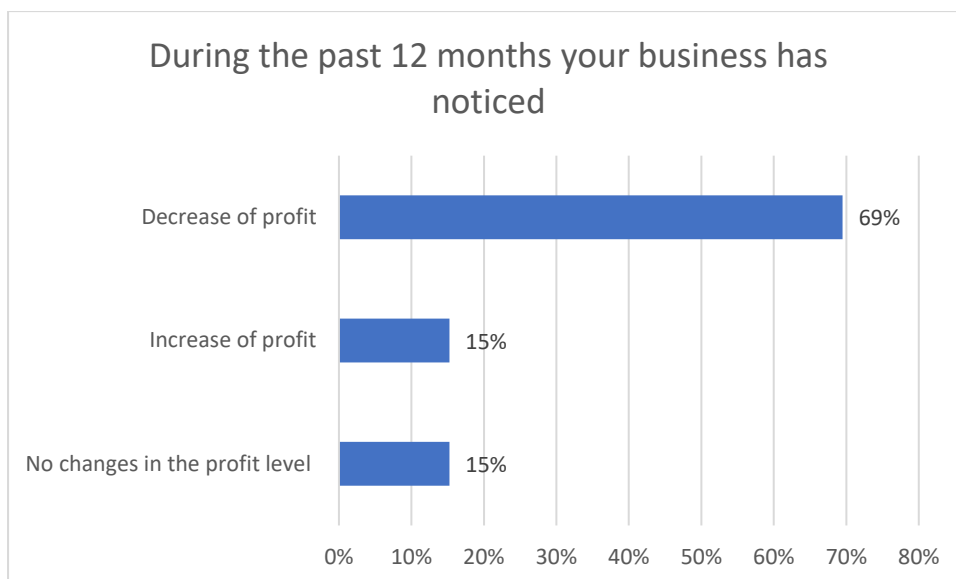


These companies mainly operate in hotels and accommodation services, coffee shops and bar, services to individuals (shoemaker, dentist, tailor, chemical cleaning, etc.), agriculture, fishing and agro-processing, transport and retail markets.

REVENUE AND COVID-19 IMPACT

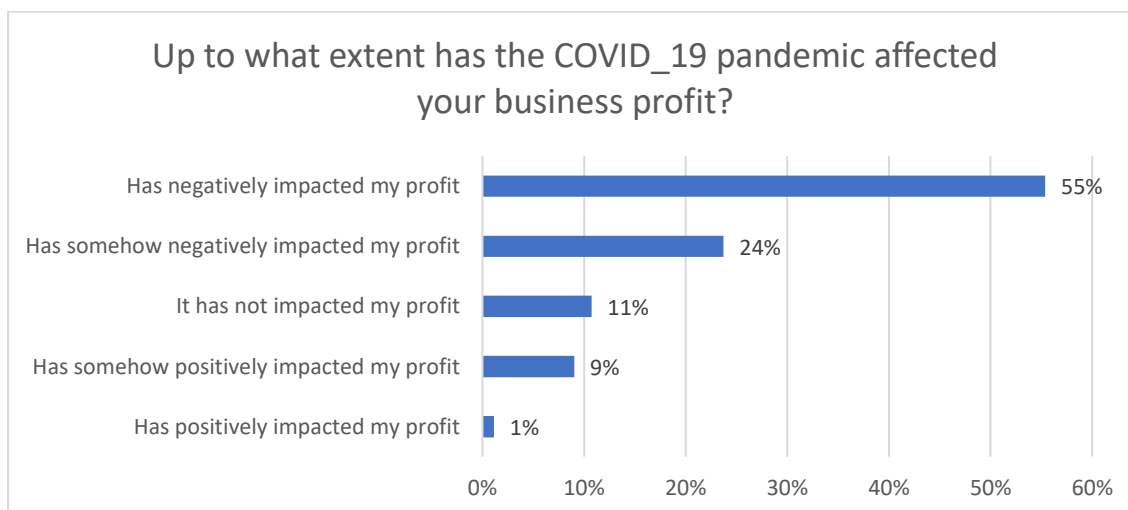
What have you noticed in the last 12 months as a business owner in relation to profit?





69% of respondents have noticed a decline in their profits over the past 12 months, as a result of the situation created in the country by Covid -19. 15% of interviewees declare that their profit has remained the same, and also 15% have witnessed growth in their profits.

To what extent has Covid-19 pandemic affected your business profits?



As we saw in the graph above, the levels of impact on business' profits remain the same. 79% of interviewees say the pandemic has had a negative and somewhat negative impact on their profits. Only 11% appear to have not been influenced and have stayed at the same levels and about 10% have had a positive impact.

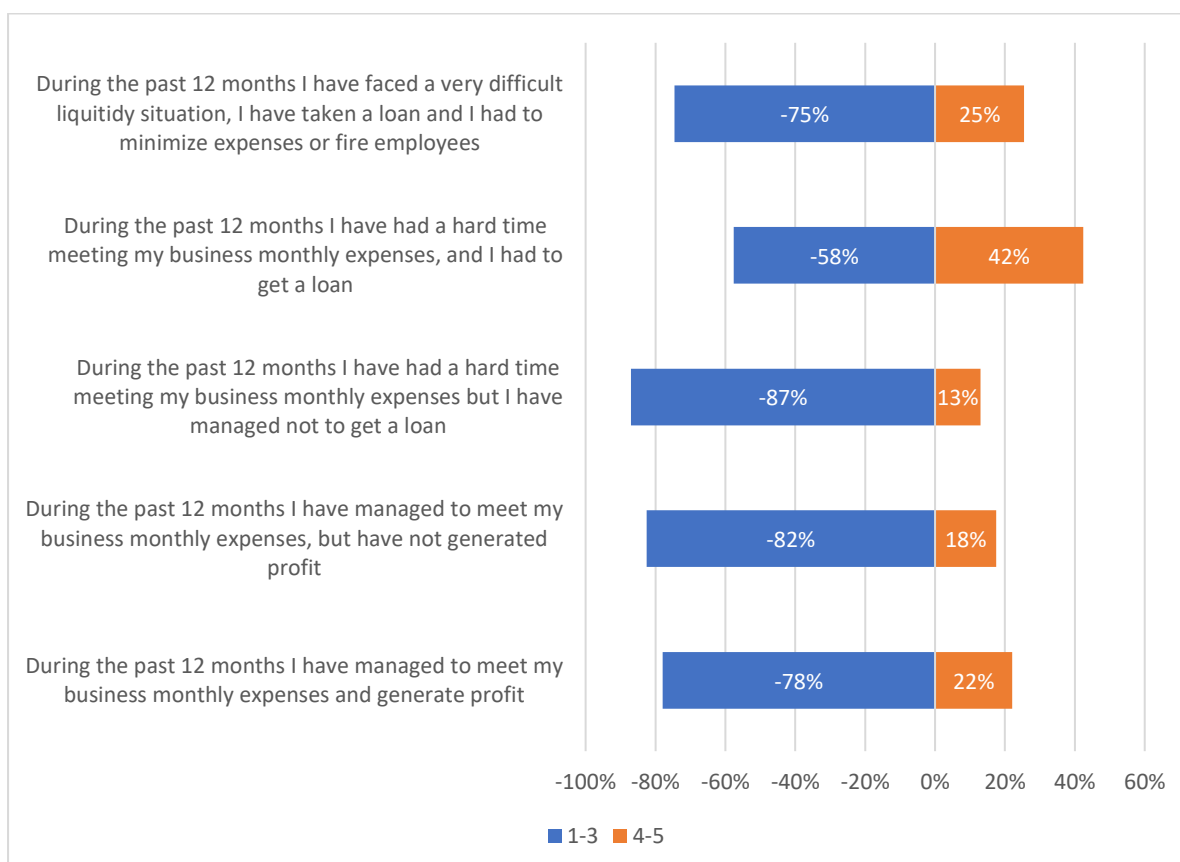


How do you expect your business profit to change in the next 12 months?



It is difficult on the part of interviewees (about 41%) predict what their business profit will be like. 42% of interviewees think they will increase, 15% think it will stay the same and only 2% think they will be lowered.

How has your company done economically in the last 12 months?

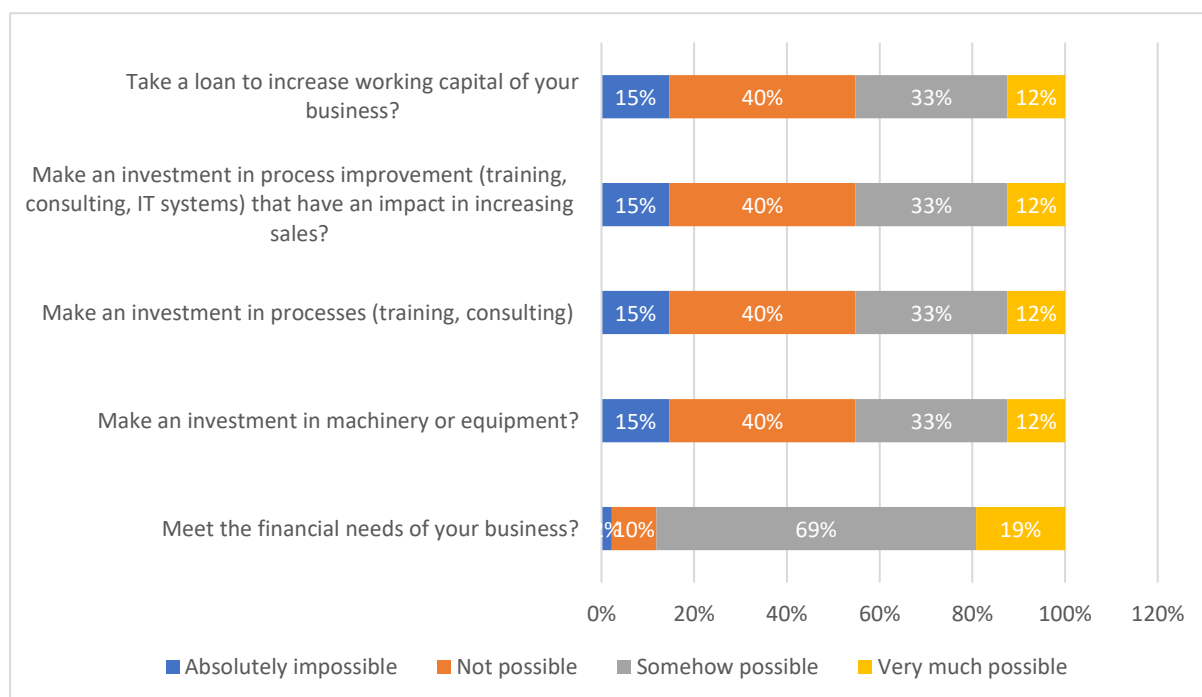


25% of interviewees have faced financial difficulties and they have made cuts to their expenses to manage to maneuver with the income they have as well as the departure of employees from work.

13% of the companies interviewed have managed to maneuver with the revenue the company has generated and not receive loans. 18% of them have succeeded but have not been able to generate profit, and only 22% of the companies interviewed have managed to generate profit after all expenses.

The scale of 1-5 is asked from the clients to judge the likeness of them corresponding to the statements given. 1 – Absolutely not likely and 5 – Absolutely likely. Hence 1-3 is considered as negative and 4-5 as positive.

Which is the likelihood that in the coming 6 months you will invest in:

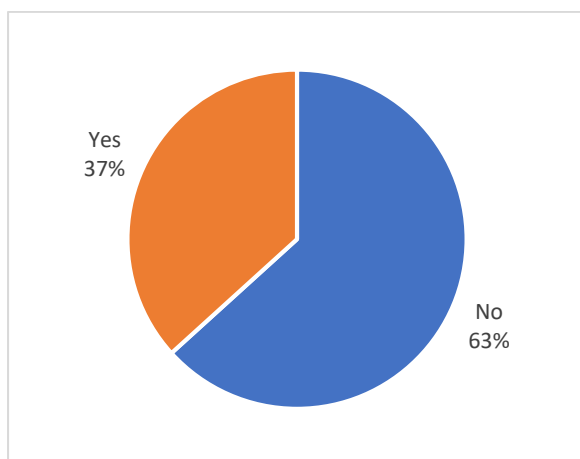


Interviewees have expressed that they can choose to invest through credit in the next 6 months to grow their business. 45% call it somewhat possible or possible for them to invest to increase liquidity. 45% think they can invest in training and consulting that will help them increase sales. 45% can invest in processes, 45% can invest in machinery and equipment, and 89% would invest to meet the company's needs whatever that needs.

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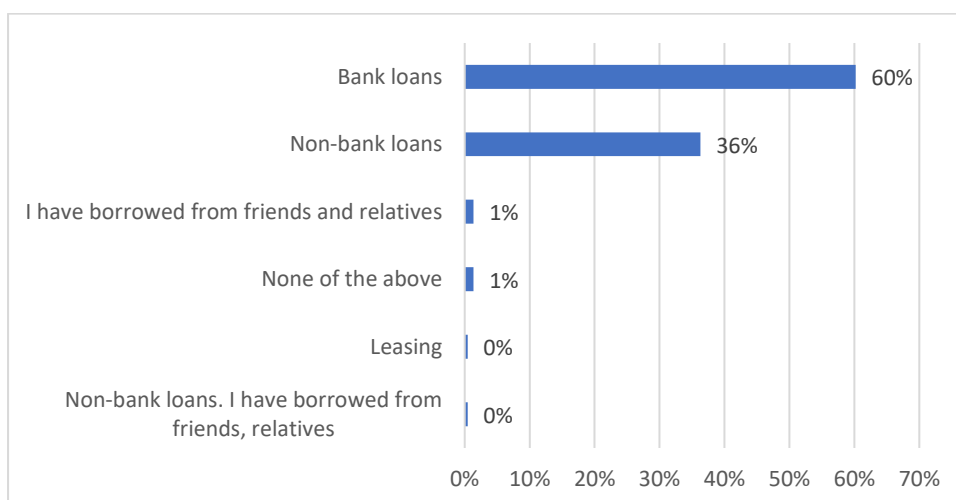
Have you received support from the state over the last 12 months (as a result of the lockdowns due to COVID-19)?



63% of businesses have not received state support in the last 12 months. They have faced all the obstacles and expenses that have come during these months.

USE of FINANCIAL PRODUCTS and NEED for FINANCING

Which of these financial services have you used as business in the last 3 years to cover your needs?

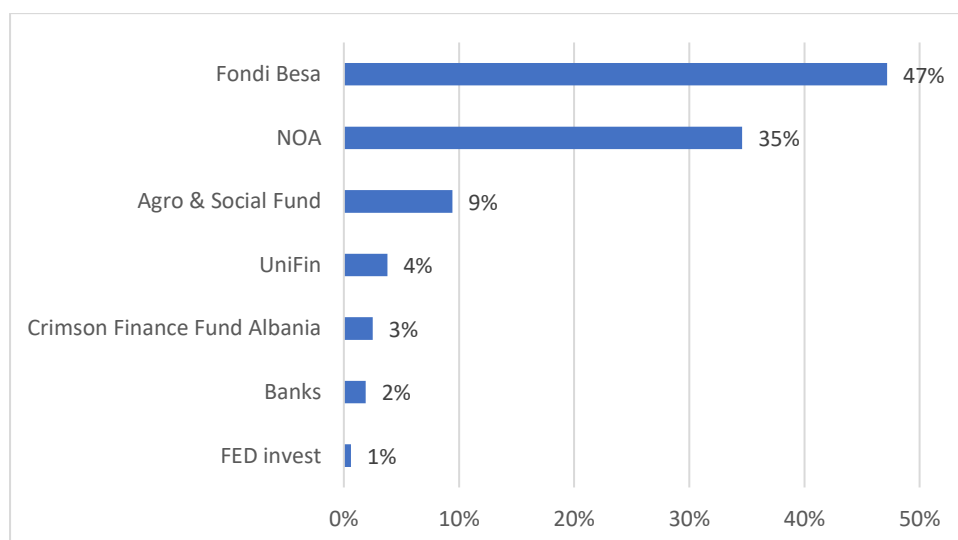


It seems that bank loans are still the first on the list of interviewees whenever they need money. However, non-bank loans are in second place as consumers' choice to resolve their

financial needs (36%). Meanwhile, it seems that debt to relatives does not like as a solution.

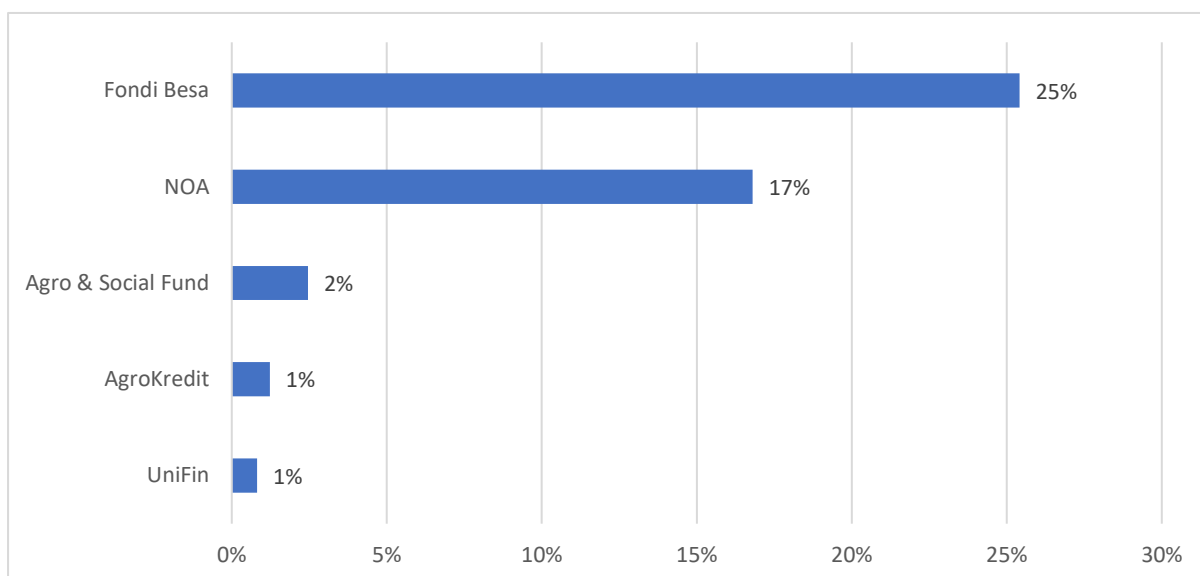
The knowledge of the MICROFINANCE industry and its use

Please tell us where you can get a quick small loan for your business? - Top of the mind



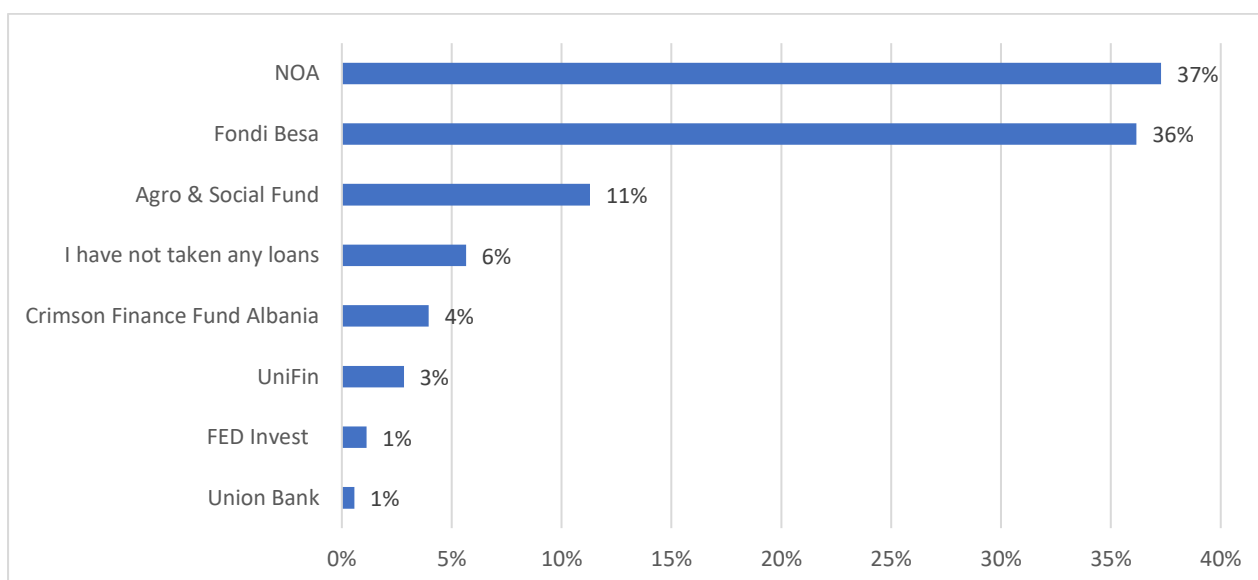
Which of the below logo-s do you identify as belonging to the companies that offer non-bank business (micro) loans?





In this open question (knowledge without help) we see that the Besa Fund is the institution that comes first in mind as an institution that can receive small loans, followed by NOA and the Agro & Social Fund. On the same levels are also the gratitude for their logo, when interviewees are visually presented with their logos.

In Which institution have you received your last business loan in the last 12 months?



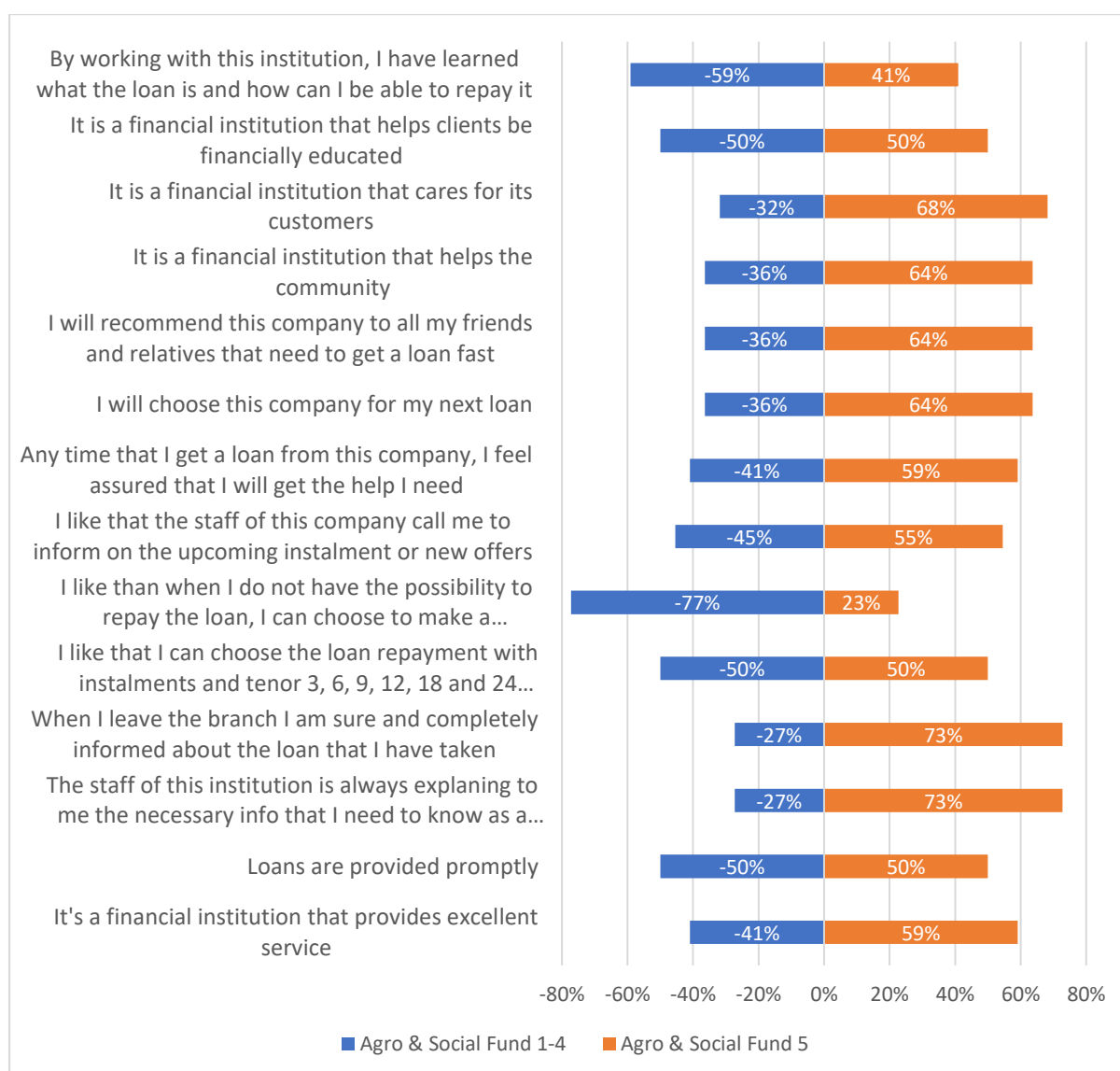
37% of interviewees say they have received a loan at NOA recently, followed by 36% in the Besa Fund, 11% at the Agro & Social Fund.



INDUSTRY REPUTATION

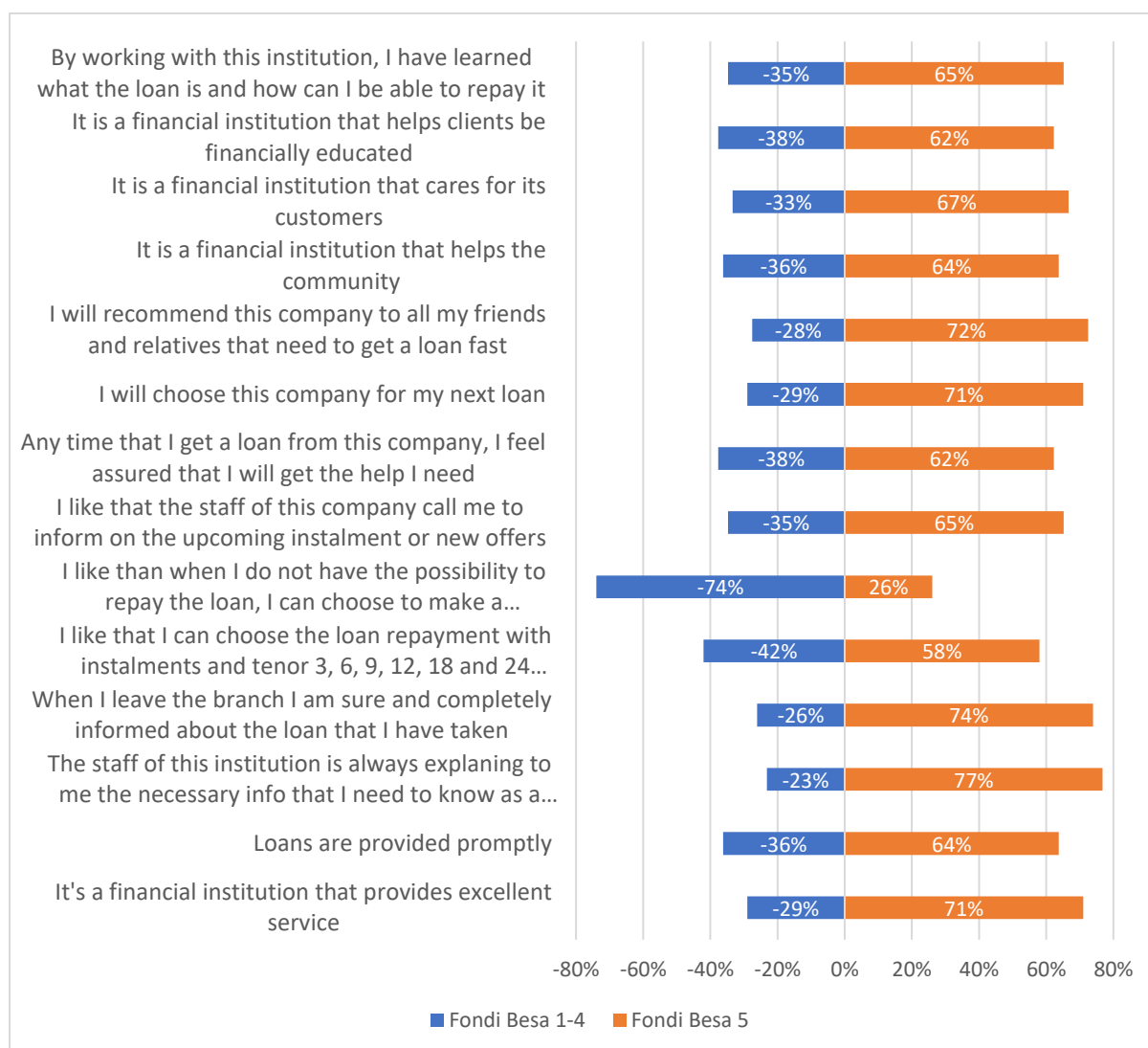
In this part of the interviewee questionnaire they were asked to give their opinion on the companies that participated. In this section we will set the answers for those companies that have had enough interviews to create a neutral opinion. The scale of 1-5 is asked from the clients to judge the likeness of them corresponding to the statements given. 1 – Absolutely not likely and 5 – Absolutely likely. Hence 1-3 is considered as negative and 4-5 as positive.

Agro & Social Fund



The strengths of the Agro Social Fund are the provision of appropriate information to customers, they escape safely when they leave the premises of this institution. The client also appreciates the contact employees have with them and the information they provide. Meanwhile, the Agro Social Fund needs to do more for financial education, as well as give more flexible opportunities for installment payments when customers are in trouble.

Fondi Besa



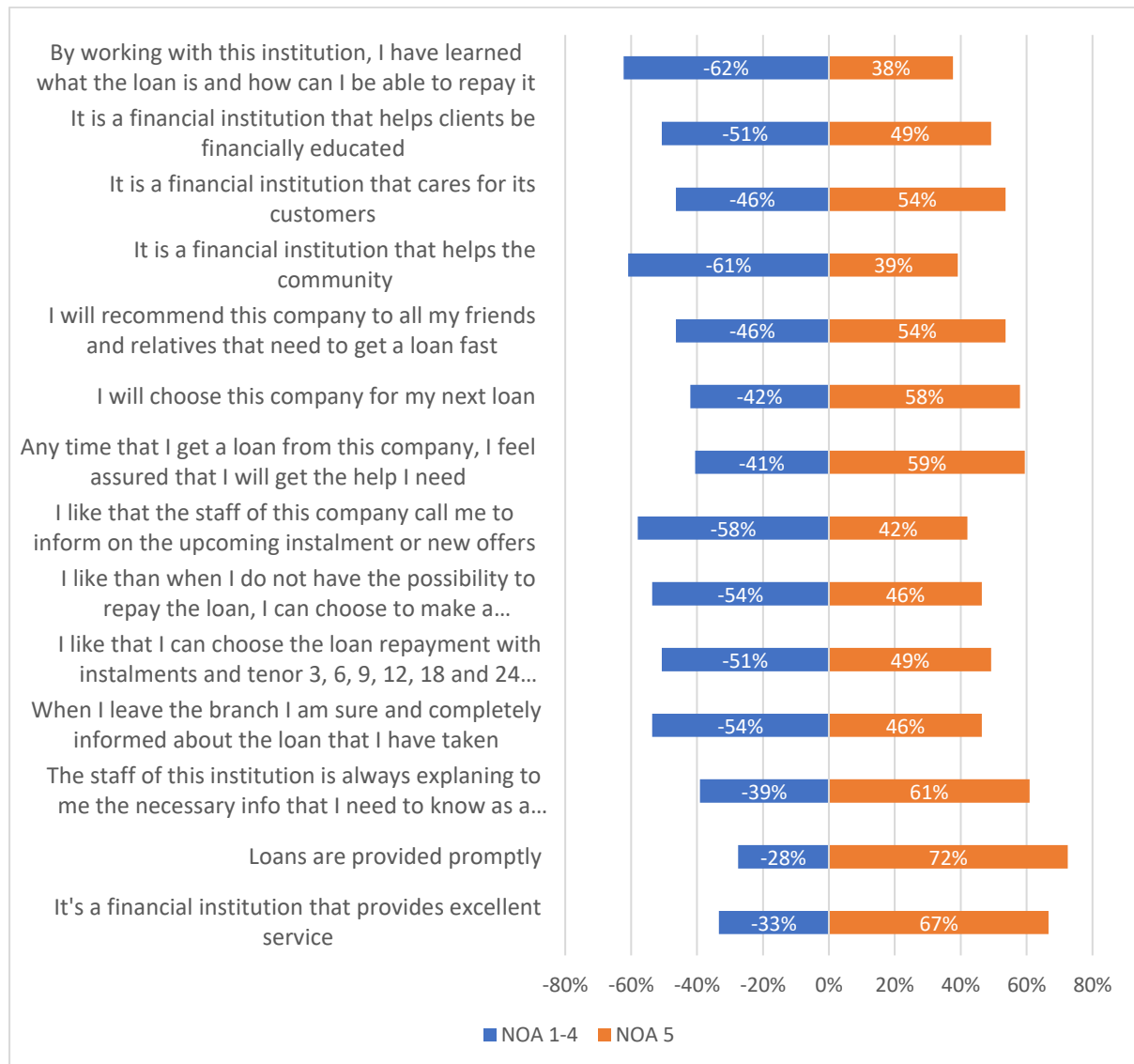
The strengths of the Besa Fund are the provision of appropriate information to customers, they leave safely when they leave the premises of this institution. The client also appreciates the contact employees have with them and the information they provide. Meanwhile Fond Besa must do more for financial education, as well as give more flexible opportunities for

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installment payments when customers are in trouble, as well as provide more options for the duration of loans.

NOA



NOA's strengths are providing relevant information to customers, speed of credit delivery and branch service. The client also appreciates the contact employees have with them and the information they provide. Meanwhile NOA must do more for financial education as well as do more for the community as well as give more flexible opportunities for the duration of the loan.

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CONCLUSIONS

1. Businesses went through hard times during the pandemic.
 - In the majority of cases revenues went down
 - State support was insufficient to maintain the same level
 - Almost half of firms had to borrow in order to cover the expenses, one-fifth had to additionally reduce expenses or staffing
2. There is some uncertainty about the future
 - 40% of the respondents could not predict if their income is going to increase or decrease
3. But there is a group of businesses with positive expectations about the future.
4. 45% of the interviewed clients are likely to take a new loan for investment and liquidity during the coming 6 months
5. 36% of the interviewed clients consider non-bank financial institutions as a first resource to ask for a loan (second place after banks, which are still seen as the main source of financing with 60% of the interviewed clients)
6. Fondi BESA and NOA are the NBFIs that score highest when it comes to “Top of mind” loan providers, followed by the rest of the NBFIs.

