

CONSUMER BEHAVIOR AND EXPECTATIONS OF INDIVIDUALS FOR THE POST COVID – 19 PERIOD

June 2021



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Abstract

This report summarizes the findings of the study on the topic - CONSUMER BEHAVIOR AND EXPECTATIONS OF INDIVIDUALS 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 to really understand all the expectations of Albanian citizens for the recent period and the consequences it has left on their behaviour as consumers.

In total we have 9 actors of the microfinance industry who facilitated the research with the interviews of 600 clients, who are users of these services.

Introduction

During May - June 2021, 9 companies operating in the microfinance industry have completed the questionnaire 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 of microfinance actors in Albania.

Purpose

This questionnaire 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 educational efforts for this target group according to the specific needs of each of the individuals have.

Methodology

1. The questionnaire consists of 5 main sections
 - a. Profile of individuals interrogated
 - b. How Covid-19 has affected their income
 - c. What are their expectations for future expenses
 - d. Use of the product offered by microfinance companies
 - e. Market awareness and individuals' opinion about the service received

2. A total of 594 clients of these actors were interviewed

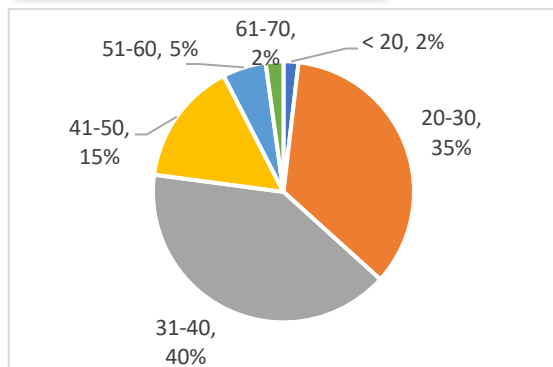
Deadline for data collection: June 2021



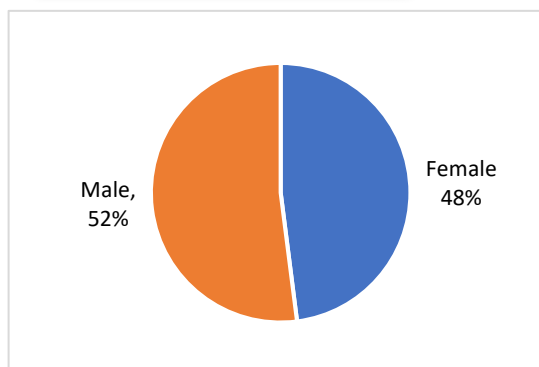
Key Findings (Sorted by questions)

Company Profile

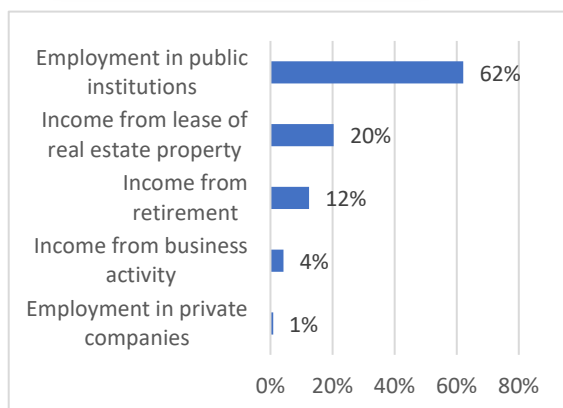
Age



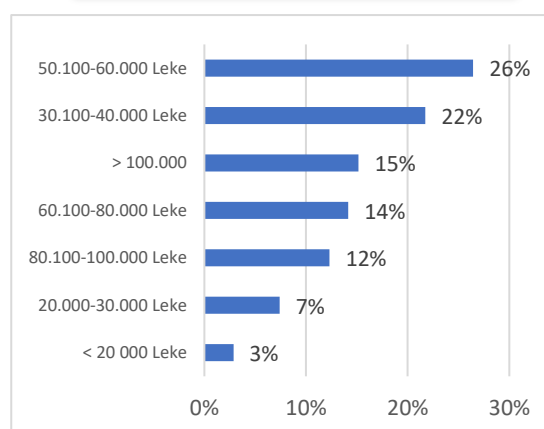
Gender



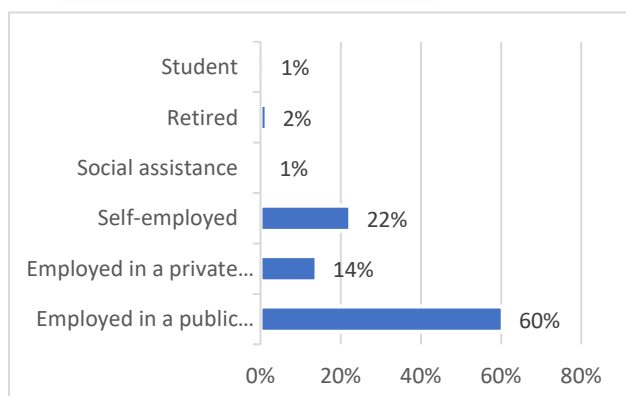
Employment



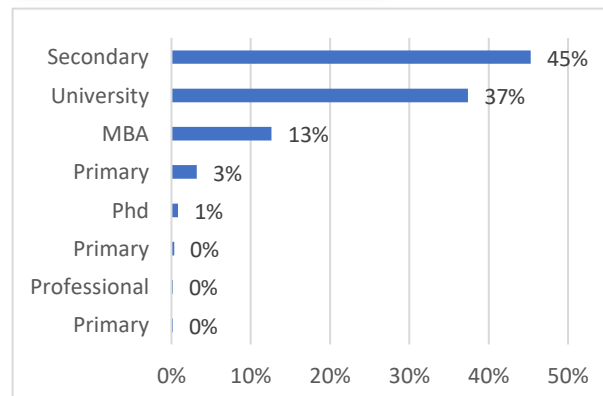
Family income



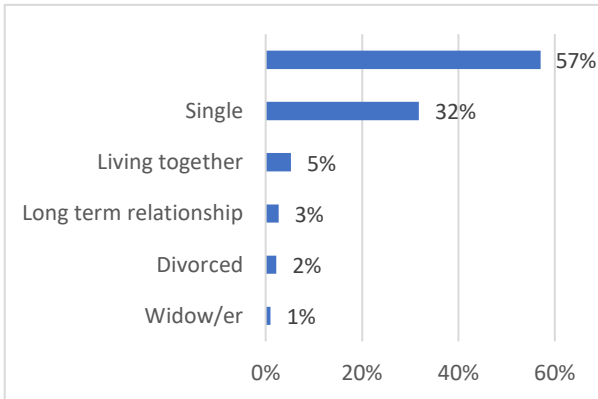
Source of income



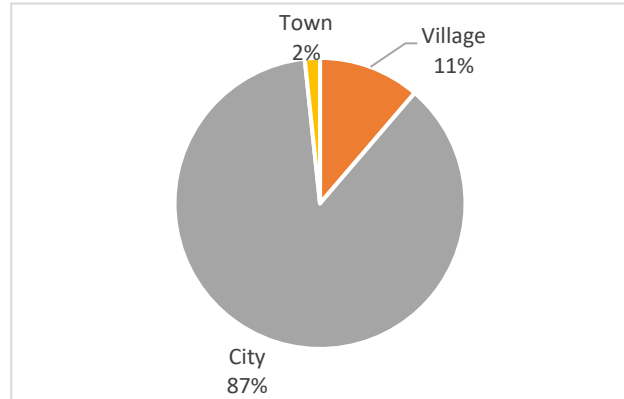
EDUCATION



Civil Status



Residence



70% of individuals are between the ages of 20-40, which is the most common age reported as a borrower by microfinance companies in Albania. Gender seems to be divided almost equally. Although not intentionally it seems that the taboo of getting credit only from men has been broken and we already have a balance in taking this initiative.

About 87% of respondents are based in the city, due to the presence of physical branches of microfinance companies.

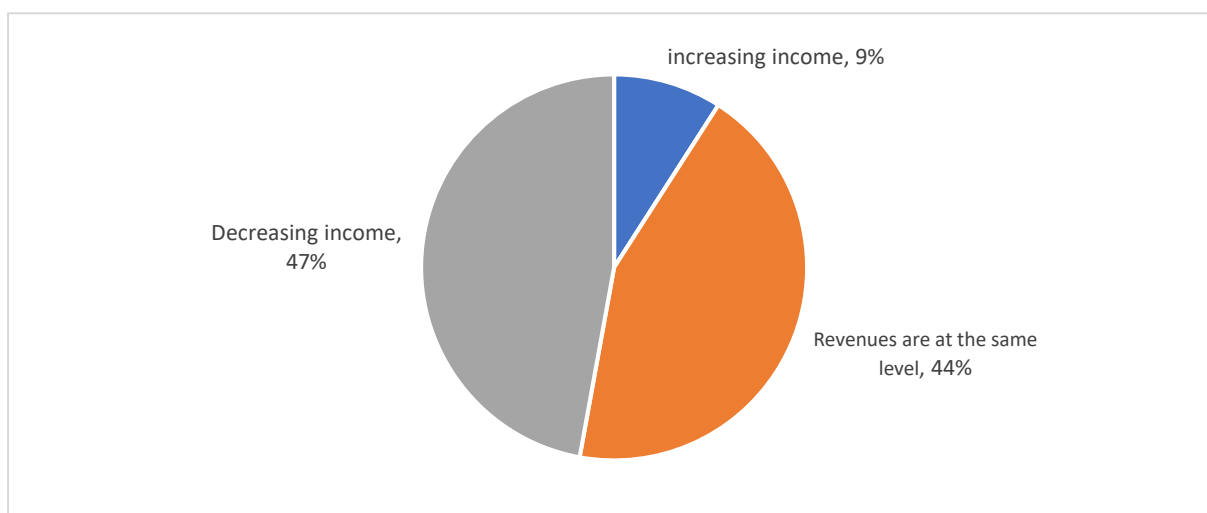
74% of respondents are employed, 60% are employed in private companies. The main source of income is only from the monthly salary that employees receive. 20% of respondents stated that they benefit from rental income and only 4% have income from a private business.

45% of respondents have completed high school, while 37% have a bachelor degree and 13% have a master's degree.

62% of respondents are married or cohabiting, so they are in a common economy. 32% of respondents are single.

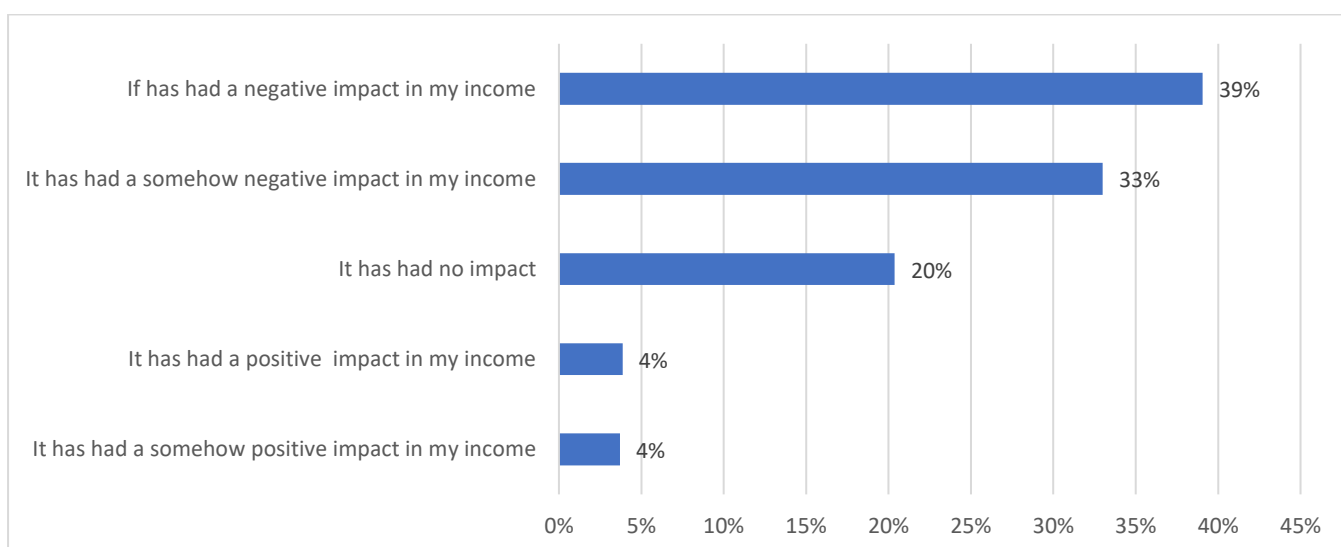
INCOME AND EFFECT OF COVID 19

What have you and your family noticed in the last 12 months regarding income?



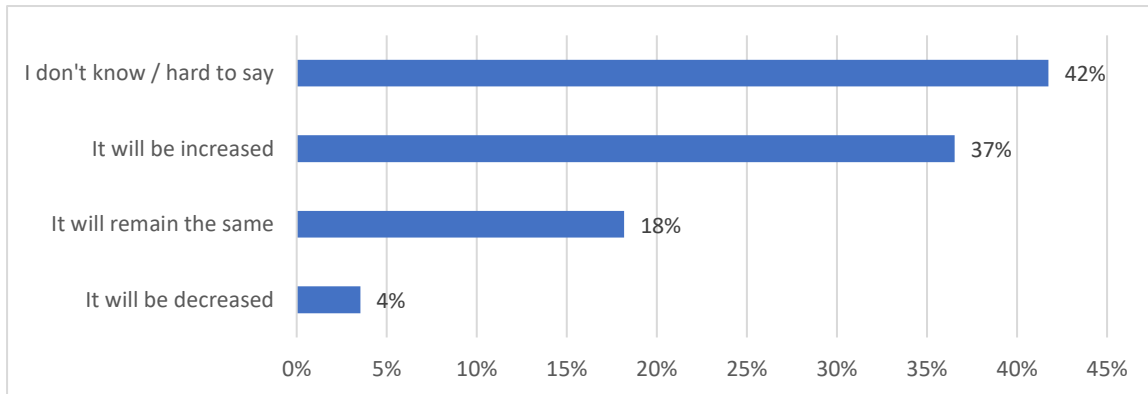
47% of respondents have noticed a decrease in their income over the last 12 months, as a result of the situation created in the country by Covid 19. However, at almost the same level about 44% of respondents state that the income of them have remained the same, and only 9% have witnessed revenue growth.

To what extent has the Covid-19 pandemic affected your personal income?



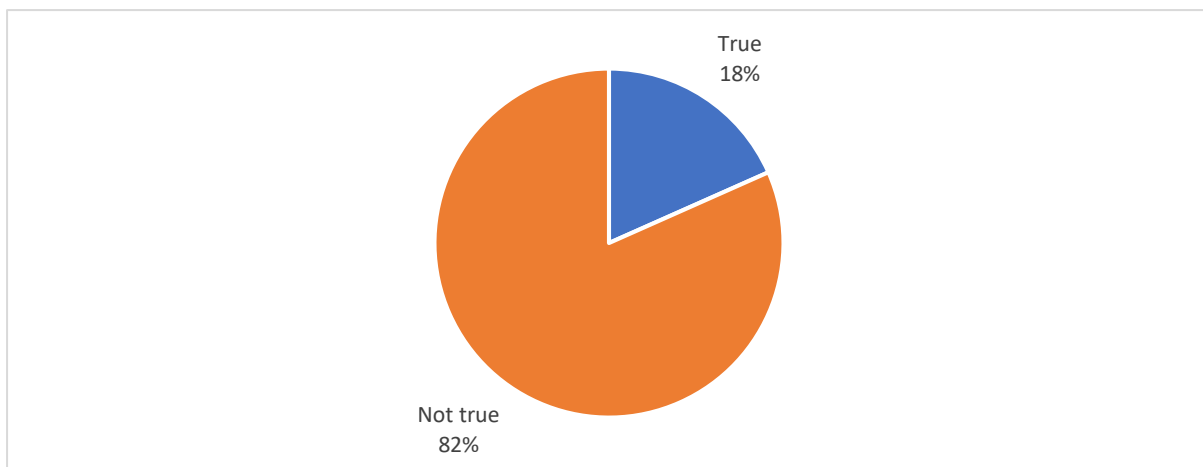
As seen in the chart above and levels of impact on the income of individuals remain the same. 72% of respondents state that the pandemic has had a negative and somewhat negative impact on their income. Only 20% seem to have been affected and have stayed at the same level and about 8% have a positive impact.

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



It is difficult for respondents (about 42%) to predict what their income will be like. 37% of respondents think that they will increase, 18% think that income will remain the same and only 4% think that it will decrease.

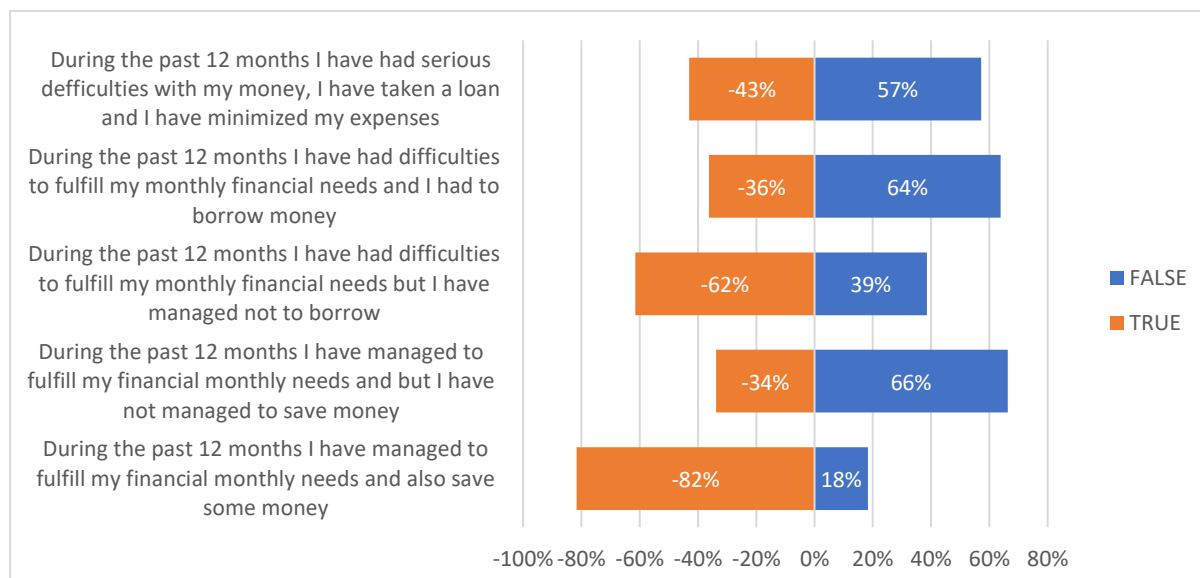
In the last 12 months I managed to fulfill my needs until the end of the month and I managed to save some money



Saving seems to be not uncommon these days and 82% of respondents admit that they have not managed to save money after all the monthly expenses. Only 18% of them manage to save after all expenses.



What needs have you managed to accomplish in the last 12 months?

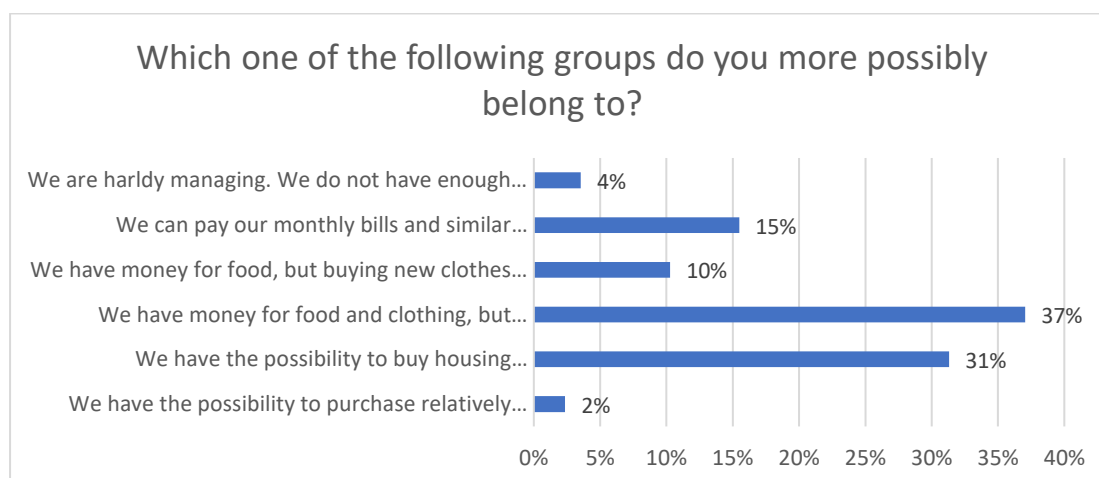


57% of respondents have encountered financial difficulties and they have undertaken cuts in their spending to manage the income they have.

64% of respondents state that the difficulties encountered in the last 12 months have not been affordable so they have taken out a loan to meet their needs. This is also confirmed by the answers to the statement below where we actually see clearly that only 39% of respondents had difficulties but they succeeded and did not borrow.

66% of respondents fail to save after spending all their expenses and only 18% of them actually manage to save.

Which of the spending groups do the respondents belong to?



25% of respondents can meet only the basic necessities of life with their income, while 31% of respondents have the opportunity with little care to manage to buy household appliances but not of high quality and high price.

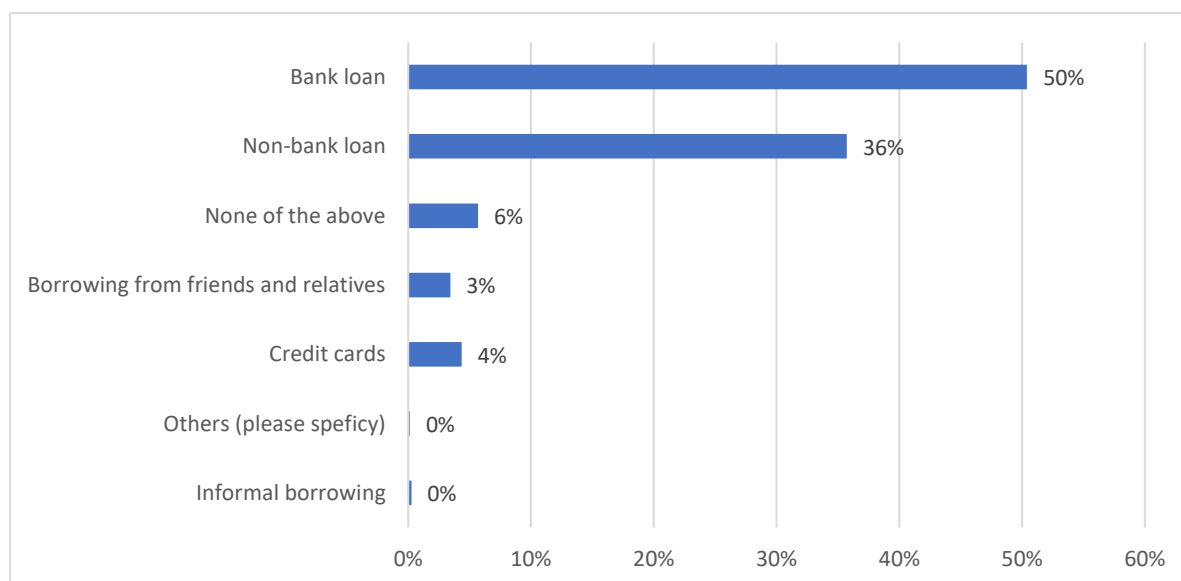
37% of respondents have money to live a somewhat comfortable life but not to have large expenses without good planning in advance.

4% state that they are living in extreme poverty and their income is not even enough to buy food.

Only 2% of respondents live in good conditions and are able to make expenses in the moment they arrive.

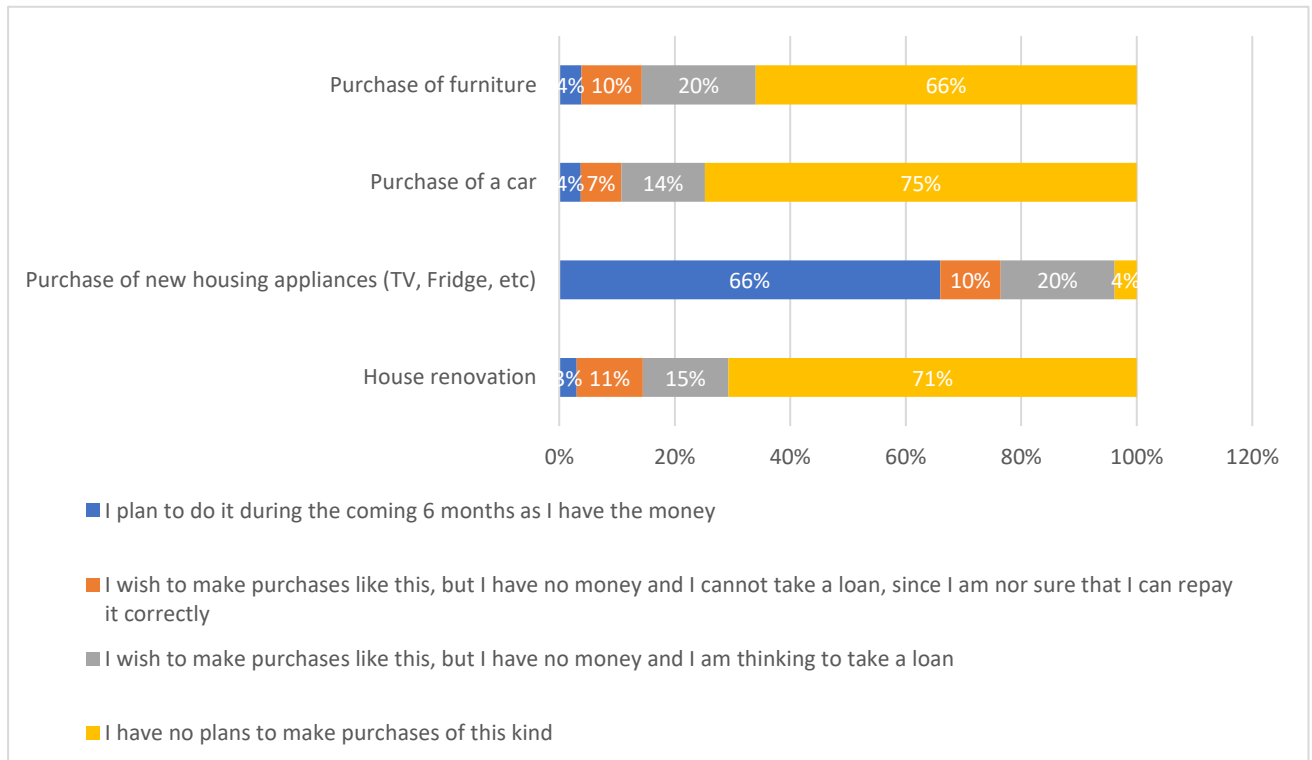
USE OF FINANCIAL PRODUCTS AND THE NEED FOR FINANCING

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



It seems that bank loans are still first on the list of respondents whenever they need money. However non-bank loans are in second place as consumers' choice to solve their financial needs (36%). Meanwhile, it seems that borrowing from relatives is not preferred as a solution.

Please consider which of the following situations is most true for you in the next 6 months:

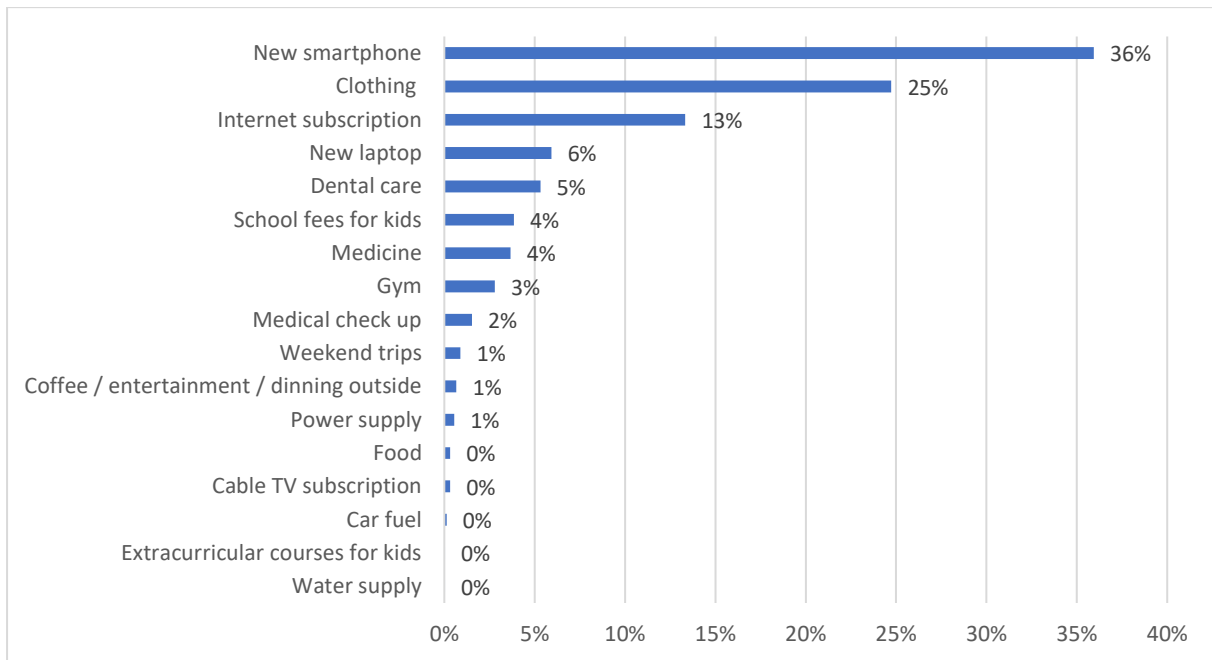


The chart above shows respondents' tendency to make their purchases in the next 6 months. As we can see in the graph, buying furniture is something unthinkable for 66% of respondents, while buying a car is considered inappropriate by 75% of respondents and home renovation. The purchase of household appliances is considered possible only by those who have the money to buy it.

Generally, only 20% of respondents consider buying a large purchase by taking out a loan.



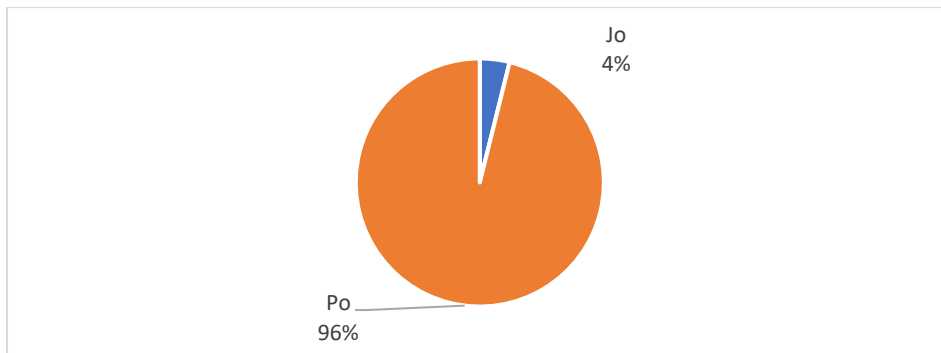
From the following expenses please list the ones you think you should avoid, so as not to spend the money you have saved from income.



When interviewees are asked what they would sacrifice to stop buying so that they can afford not to spend on their income, it shows that they are ready to give up some products which may be considered non-vital. (new cell phone, clothing and internet subscription) but they are also willing to give up health services, medicines or even changing children's school.

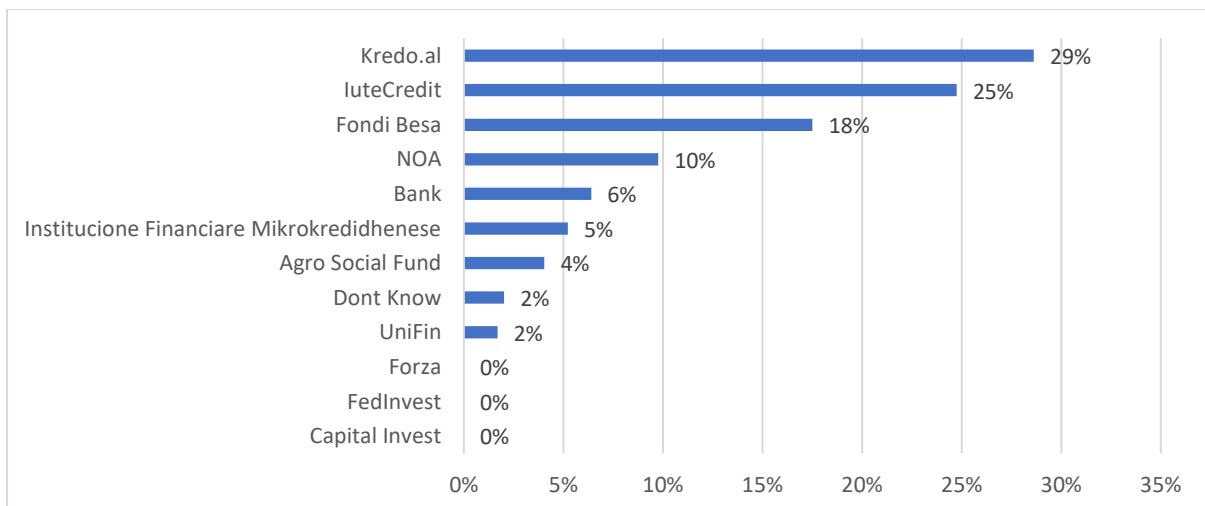
MICROFINANCE INDUSTRY AWARENESS AND ITS USE

Do you know what a small, fast loan is?



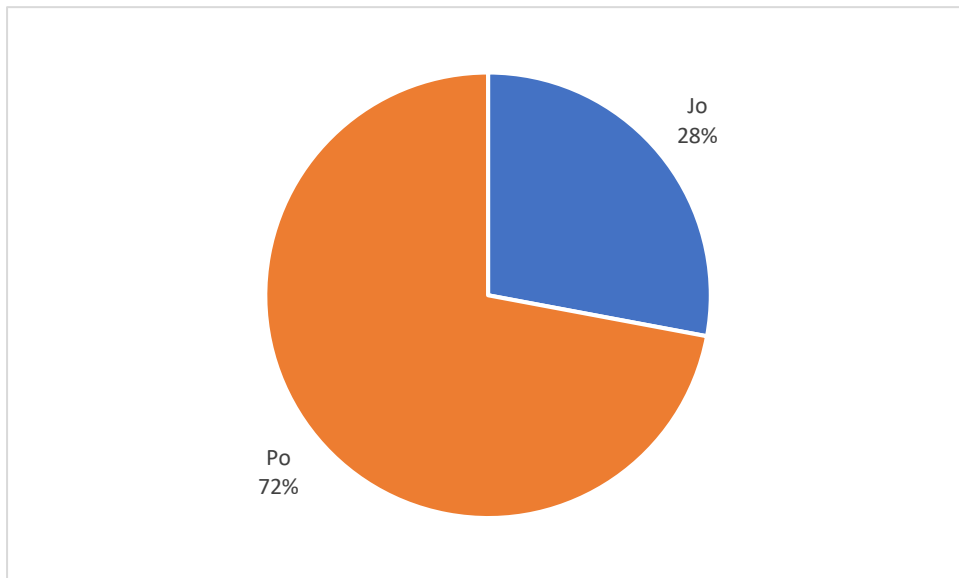
It seems that the respondents are clear about what a small quick loan is, as 96% answered yes to the same question.

Please tell us where to get a small quick loan?



In this open question (acquaintance without help) we see that Kredo.al is the institution that comes to mind first as an institution that can get small loans, followed by luteCredit, Fondi Besa and NOA.

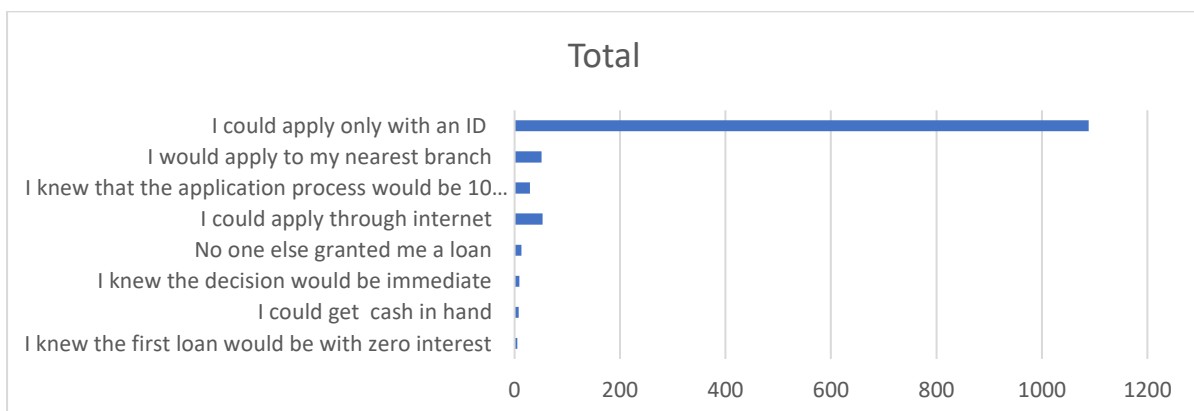
Have you taken out a small loan in the last 12 months?



Respondents were then given the definition of a small loan and asked if they had taken one in the last 12 months. We see that 72% of them are regular users of these institutions, where 72% state that they have received such a loan.

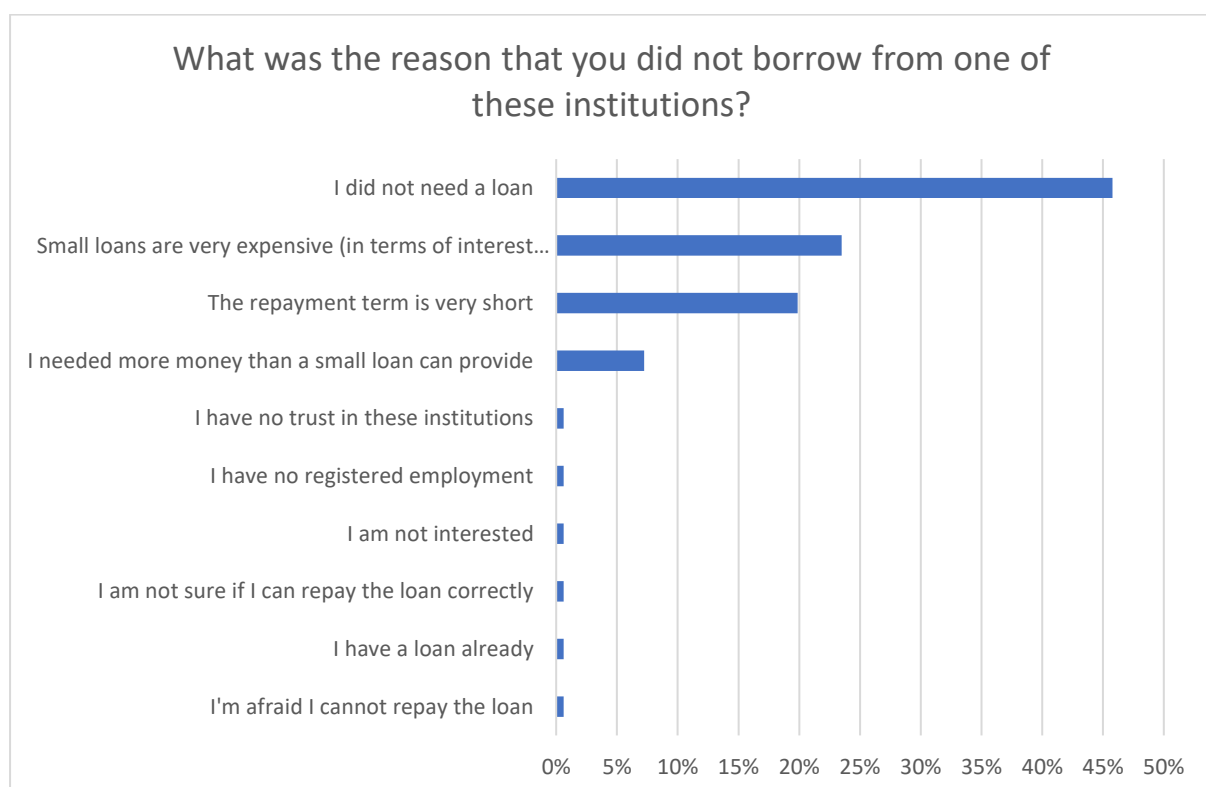
* Definition: A small loan is a short-term loan given to individuals for personal use up to 3,000,000 ALL. These loans only deal with ID cards and can be repaid in 1-24 months terms.

Why did you borrow such a loan?



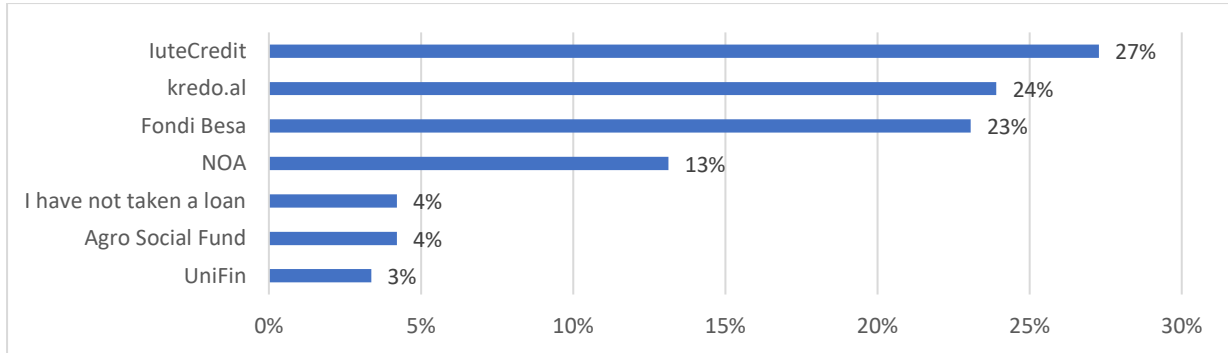
It seems that the main reason for getting a loan in these institutions is the lack of documents and the possibility to get a loan only with an ID card. Meanwhile the other reasons mentioned are proximity to the branch, short application time, and the fact that the application could be done directly online.

Why not get a small, fast loan?



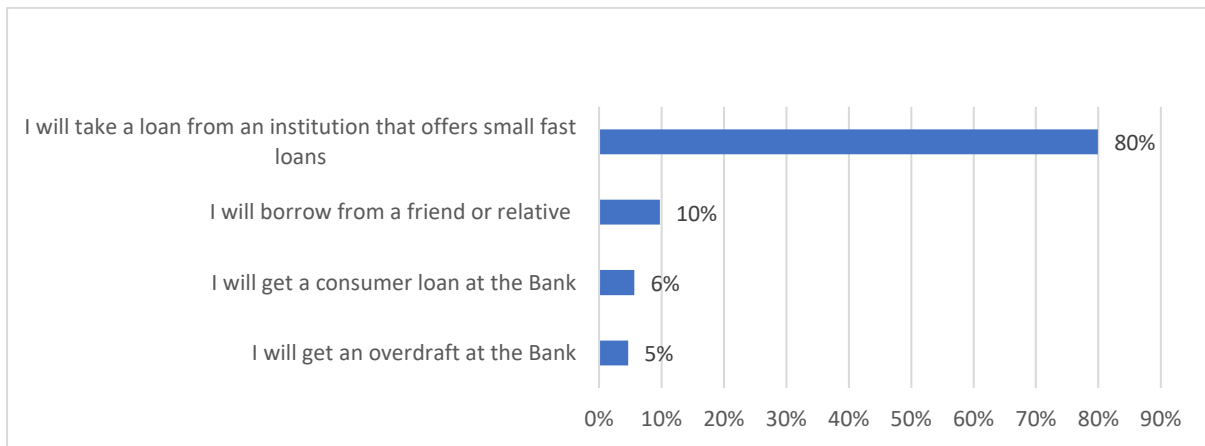
The main reason for not taking such a loan is the fact that most of the respondents do not need one. Meanwhile, we see that the high cost of the loan and the very short repayment period make the respondent step to get a loan. The small amount offered is another reason, but it is a small concern for the interviewees.

In which institution did you get your last small loan?



27% of respondents state that they have received a loan from luteCredit recently, followed by 24% at Kredo.al, 23% at Fondi Besa and 13% at NOA. This also shows the access that customers generally have to microfinance institutions.

What would you do if you needed money?

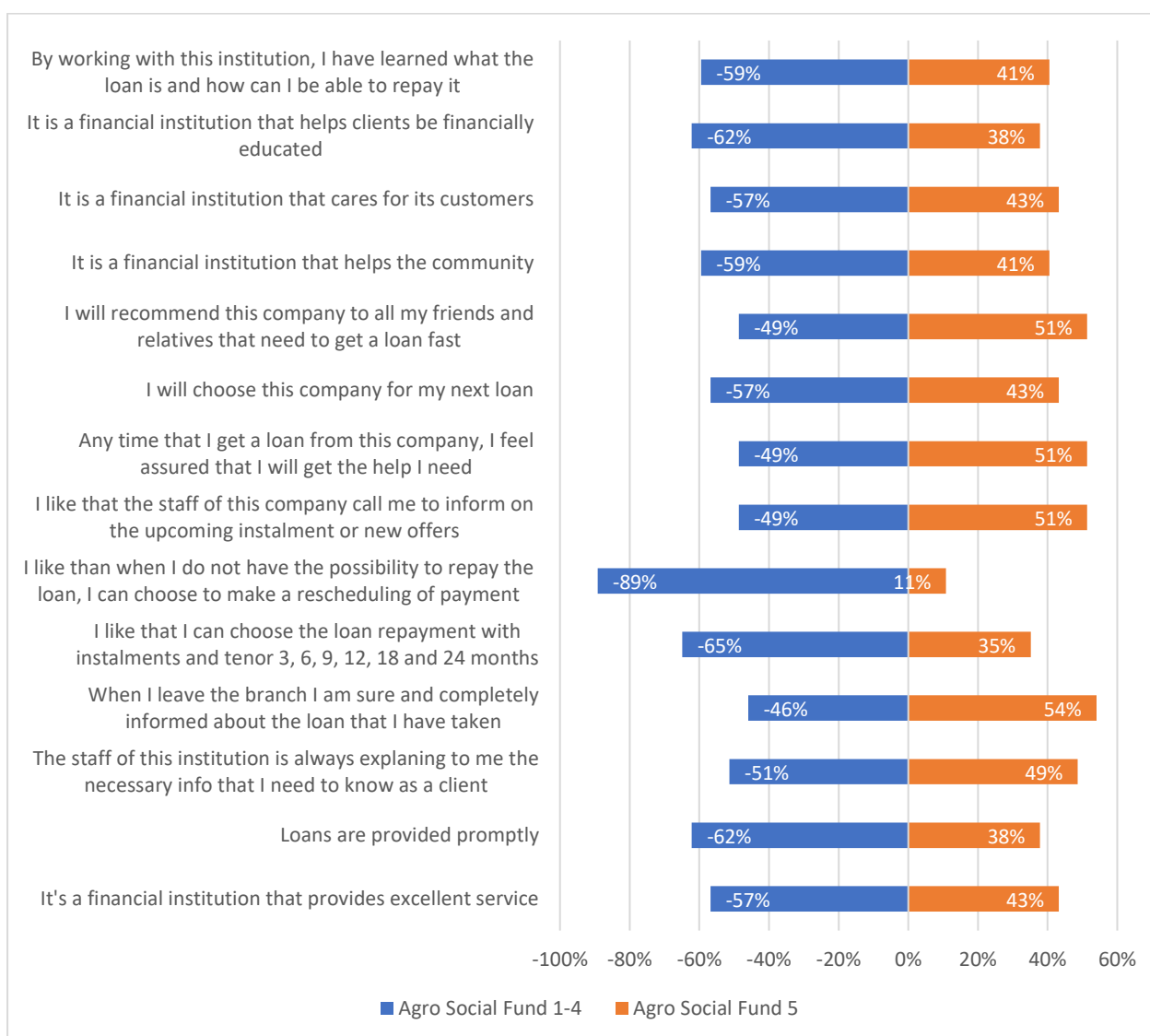


However, it seems that microfinance institutions should not be afraid of the future, as if the need arises, 80% of respondents would continue to choose these institutions for their financing needs.

INDUSTRY REPUTATION

In this part of the questionnaire the interviewees were asked to give their opinion about the companies which participated. In this section we will post the answers for those companies that have had enough interviewees to create a neutral opinion.

Agro & Social Fund



The strengths of Agro Social Fund are providing the right information to customers, they leave safely when they leave the premises of this institution. The client also appreciates the contact that employees have with them and the information they provide. Meanwhile Agro Social Fund should do more for financial education as well as provide more flexible opportunities for instalment payments when clients are in difficulty.

*) 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>



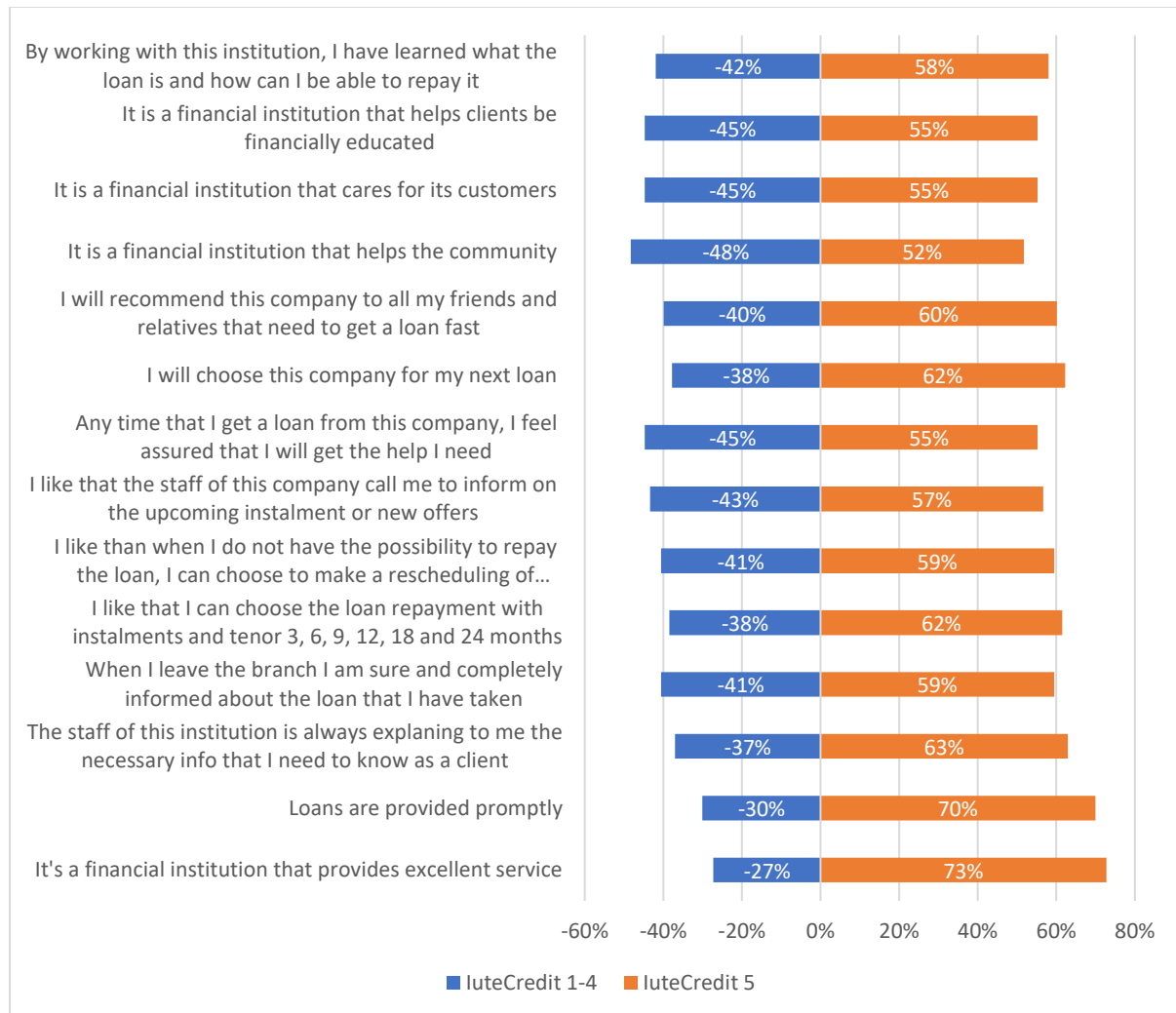
Fondi Besa



The strong points of Fondi Besa are giving the right information to the clients, they leave safely when they leave the premises of this institution. The client also appreciates the contact that employees have with them and the information they provide. Meanwhile, Besa Fund should do more for financial education as well as provide more flexible opportunities for instalment payments when customers are in difficulty and provide more options for the duration of loans.



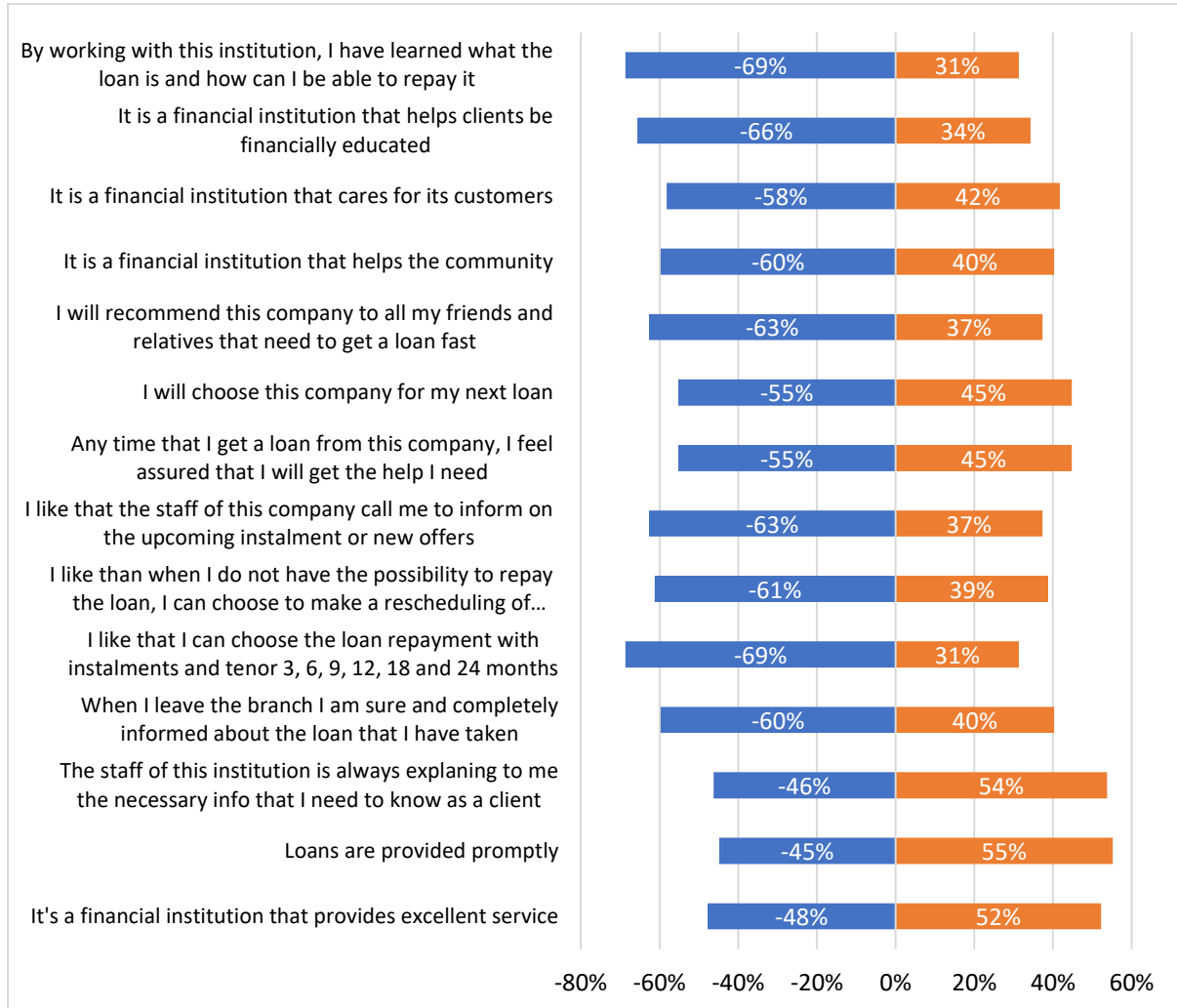
Iute Credit Albania



Some of the strong points of Iute Credit are providing the right information to customers, they leave safely when they leave the premises of this institution, the speed of lending and branch service. The client also appreciates the contact that employees have with them and the information they provide. Meanwhile, Iute Credit needs to do more for financial education as well as do more for the community.



NOA

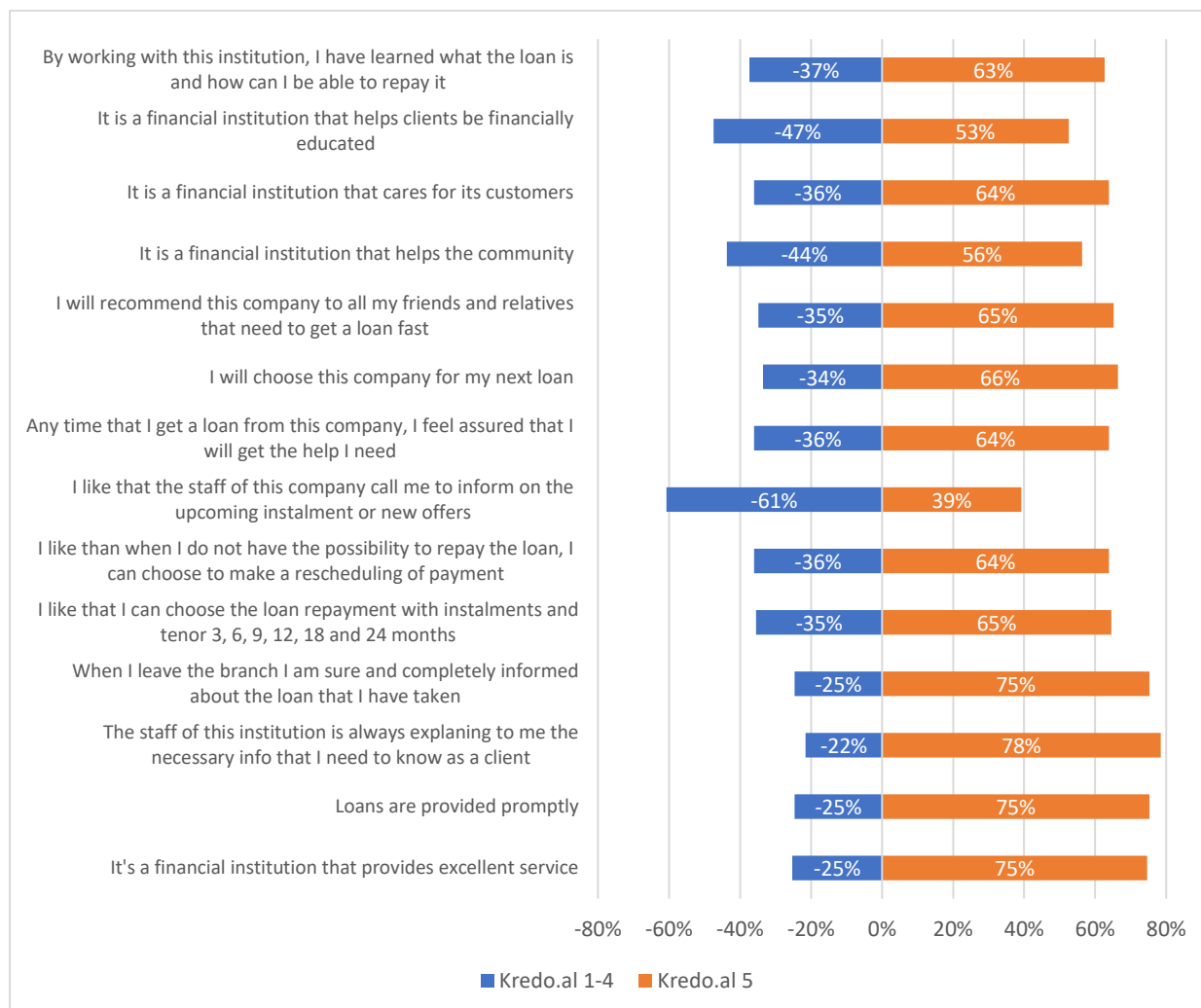


NOA's strengths are providing the right information to customers, the speed of lending and branch service. The client also appreciates the contact that employees have with them and the information they provide. Meanwhile NOA needs to do more for financial education as well as do more for the community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

*) 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>



Kredo.al



The strong points of Kredo.al are giving the right information to the clients, the speed of giving the credit and the service in the branch, giving the right information to the clients, they leave safely when they leave the premises of this institution. The client also appreciates the contact that employees have with them and the information they provide. Meanwhile, Kredo.al should be careful as customers think that they are contacted very often by this company.



CONCLUSIONS

1. For almost half of the respondents' income remained unchanged during the pandemic, however for over 40% of respondents' income decreased.
2. There is a lot of uncertainty about the future - 40% of respondents are unable to predict their future level of earnings. But over half of the respondents are optimistic and believe that their income will either increase or will continue to be the same.
3. A third of the respondents live modestly and can only afford covering basic living costs.
4. The overwhelming majority of respondents do not save, even those who have enough income to make expensive purchases.
5. The majority of respondents do not plan large spending in the next 6 months, such as furniture, car or house renovation. But there is a segment of about 20% of respondents who plan to take loans to finance such plans. Another 10% cannot afford realising those plans, even with a loan.
6. On the contrary, buying household appliances and small household equipment is the only category of purchases that are planned by over 90% of the respondents, although the majority will finance the expense from current income or savings.
7. Banks are the leading source of loans, but non-bank institutions are on the second place. Borrowing from family, friends or informal sources is very rare.
8. In general, respondents have good opinion about services of the MFIs included in this study.

