PAFI REPORT - ALBANIA
FINANCIAL INCLUSION FROM PAYMENT’S PERSPECTIVE

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OVERVIEW

- AN OVERVIEW OF ALBANIA'S MACRO PICTURE
- GENERAL INFORMATION ON RETAIL PAYMENT SYSTEM MARKET IN ALBANIA
- FINANCIAL INCLUSION IN ALBANIA
- MEASURES THAT WERE TAKEN UNTIL FINALIZING A NATIONAL RETAIL PAYMENTS STRATEGY (NRPS)
- KEY FINDINGS FROM THE PAFI REPORT
- HOW THE REPORT HELPED DRAFT THE NRPS
- VISION, GOAL & OBJECTIVES OF THE NRPS
Albania – General economic and socio-demographic context

01. POPULATION
2,821,977

02. GDP/ CAPITA
4,869.56 USD

03. SERVICES
AGRICULTURE
INDUSTRY
CONSTRUCTION, TRADE & TRANSPORT

04. EU CANDIDATE

05. HIGH MIGRATION
– INCOMING REMITTANCE
5.8% of GDP

Source: Achieving effective financial inclusion in Albania: a payments perspective, 2017, World Bank
Retail Payments Market in Albania – Commercial banks dominate the financial sector with – 90.8% of total system assets

❖ The most common used instrument is the paper based credit transfer.
❖ Very low penetration POS, concentrated in urban areas. (Low usage of POS)
❖ High interchange fees for the merchants (2-4%). E-commerce at infant phases;
❖ More than 50% of the family income spent/mitigated for mediated goods.
❖ Large number of micro to small enterprises in the Albanian Economy.
❖ Non-banks financial institutions are not participating in the payments systems.
❖ Not regulated relationship between banks and non-bank financial institutions.

16 BANKS
14 banks home banking - 14 Banks card issuing
9 Banks card acquiring
Offering in the market:
10% of total account home banking services
POS / ATM / Cards

9 MTO
Only cash in / cash out transactions

1 E-MONEY INSTITUTIONS
3,385 accounts

Source: Achieving effective financial inclusion in Albania: a payments perspective, 2017, World Bank
Financial Inclusion in Albania - 40% of the adult population has an account (*Findex 2017*) up from 38% in 2014

Financial institution account (% age 15+)

- **Macedonia, FYR**: 77%
- **Serbia**: 71%
- **Montenegro**: 68%
- **World**: 67%
- **Europe & Central Asia (excluding high...)**: 65%
- **Bosnia and Herzegovina**: 59%
- **Kosovo**: 52%
- **Albania**: 40%


Source: *Global Findex 2017, World Bank*
CONSOLIDATION OF THE INTER-INSTITUTIONAL COOPERATION – NATIONAL PAYMENT SYSTEM COMMITTEE

DETAILED ANALYSIS OF THE REMITTANCES MARKET

ANALYZING THE COST OF DIFFERENT PAYMENT INSTRUMENTS: “cash and paper based credit transfers the most expensive payment instruments”

FINANCIAL INCLUSION IN ALBANIA REPORT: DETAILED ANALYSIS OF THE MARKET BY INTERVIEWING ALL THE ACTORS

NATIONAL STRATEGY FOR RETAIL PAYMENTS 2018-2023 APPROVED IN NCPS
Albania is a net remittance receiving country.
- 37% flows are channelled via unregulated services and systems,
- 57% goes through MTOs and
- 4% percent through banks

Albanian consumers bear annual costs of about 1% of GDP associated with payments initiated/received.

Albanian businesses bear annual costs of about 0.6% of GDP associated with payments initiated/received.

- Of debit card holders, 75% use it exclusively for cash withdrawals.

**Savings:** A shift from cash to electronic payments at (POS) would be significant as it could save businesses up to $5.2 million.

Source: Review of the market for remittances in Albania, 01/2017, PSDG World Bank

Source: The Retail Payment Costs and Savings in Albania, 03/2018, PSDG World Bank, Bank of Albania
1. Financial inclusion initiatives in Albania (clear & specific mandate for advancing financial inclusion)
2. Legal and Regulatory Framework (Regulatory neutrality and proportionality)
3. Infrastructures supporting payment services and broader financial inclusion in Albania (switch/instant payment)
4. Account and payment product designed (basic account)
5. Readily available access points and access channels (agent banking / forbidding exclusivity)
6. Financial literacy (Intensify efforts to educate)
7. Leveraging large volume recurrent payments (Government payments, utility bills etc.)
BoA’s Medium Term Strategy 2018-2020

“BoA will intensify efforts to further enhance security & efficiency in financial markets in order to maintain their stability & ensure a safe, fast and a low cost cash flow in the economy.”

National Retail Payments Strategy 2018 – 2023 Vision & Goal:

“Create a modern and inclusive retail payments market, supported by safe & efficient payment infrastructures, & a wide range of instruments and services that meet the needs of financially capable payment service users throughout the country.”

Improvements in the retail payments market that will give citizens more choices across more places for conducting their day-to-day transactions in a convenient and cost-effective manner, also supporting the objective of broader financial inclusion.
Important tools for the successful implementation of the strategy will require specific roles and responsibilities assigned to various stakeholders & two measurable overarching objectives are set:

1. Increasing the current number of cashless payments per capita +130%
   - Source: The National Retail Payment Strategy of Albania, 06/2018, WB, Bank of Albania

2. Achieving an adult account ownership ratio of 70% by 2022
   - Source: The Retail Payment Costs and Savings in Albania, 03/2018, PSDG World Bank, Bank of Albania
BoA is a critical actor in the implementation of the NRPS by playing a proactive role as a multifaceted payments capacity:

1. **Operator**
   - ENSURE clearing, settlement & infrastructure facilities through the operation of AIPS and the AECH

2. **Catalyst**
   - CATALYSE retail payments reforms & development measures with cooperative actions

3. **Regulator**
   - DRAFT laws and regulations & strategic documents as well

4. **Supervisor & Overseer**
   - SUPERVISE the retail payments market & ensure their smooth functioning
BoA’s concrete actions plans deriving from the strategy, aiming to create a modern and inclusive retail payments market in Albania:

**REGULATORY ENVIRONMENT FOR RP**
- Transposition of EU directives (PSD2, etc.)
- Strengthening the oversight of PS
- Protect & Promote user rights, transparency

**CUSTOMER-CENTRIC PAYMENT SERVICES**
- Affordable payment services based on accounts
- Design of payment products for the unbanked ("basic" account product)

**STAKEHOLDER COMMITMENT & FINANCIAL LITERACY**
- Increase public's awareness on NRPS & its benefits
- Educate users on accounts & electronic payments

**IMPROVEMENTS TO INFRASTRUCTURES**
- An operational domestic card switch
- Implement interbank direct debits in the AECH
- AECH “indirect access” & minimizing financial risks
- AIPS & AECH assessment vs the CPMI-IOSCO Principles

**EXPANSION OF ACCESS POINTS & NETWORKS**
- Developing the agent banking model
- Maintain a register of the agents & Update
- Interoperability of the various channels and outlets

**EFFECTIVE BOA’S OVERSIGHT OF THE RETAIL PAYMENTS MARKET**
- Combined efforts of oversight with the supervision function
- Measure overarching objectives of NRPS once a year.

Source: The National Retail Payment Strategy of Albania, 06/2018, WB, Bank of Albania
Thank you for your attention!