Albania

Albania is covered by both domestic and foreign banks, with those surveyed accounting for 98 per cent of the country's total banking assets (Chart 1).[1] Forty per cent of Albanian banks expect branch networks to decrease over the next five years, while 30 percent expect them to increase. Just under 60 per cent of banks in south-eastern Europe (SEE), in contrast, expect branch networks to shrink.

Banks' perception of the court system is similar to that of the SEE economies and lags that of the EBRD regions as a whole. Approximately 30 per cent of Albanian banks believe the courts to be fair and impartial, while a small minority say they are quick and efficient. In the EBRD regions as a whole, the comparable figures are around 45 per cent and 10 per cent, respectively.

Climate change risk is cited as an explicit part of risk management by 40 per cent of Albania's banks. Even so, only a small minority of banks have any climate change policies and targets in place or undertake any climate change-related impact assessments before lending to small and medium-sized enterprises (SMEs) (Charts 2 and 3).[2] Meanwhile, in the SEE and EBRD economies, at least a third of banks, on average, have climate targets or undertake climate change-related impact assessments. When it comes to social and environmental policies and targets, Albanian banks fare better. At least 60 per cent have such policies and targets in place, just a few percentage points behind the EBRD regional average. However, the proportion of Albanian banks undertaking environmental, corporate governance and social impact assessments before lending to SMEs is similar to the average in other SEE and EBRD economies.

Around 80 per cent of Albanian banks provide loans specifically to improve the energy efficiency of residential housing, a far greater share than in the SEE or EBRD economies, on average (Chart 4).

Chart 1 Branch presence of surveyed banks

Chart 2 ESG policies and targets

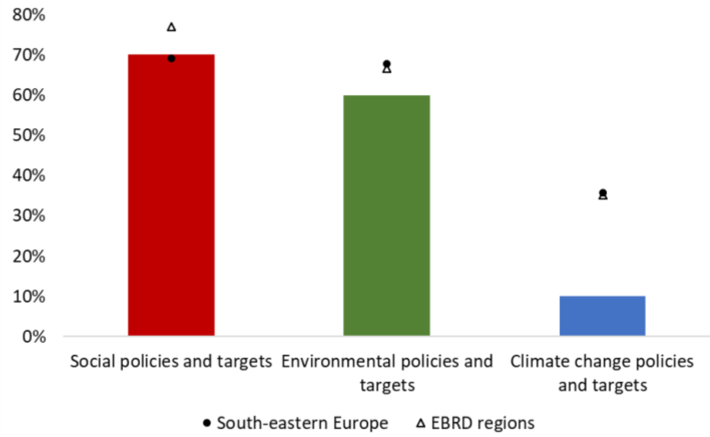


Chart 3 Impact assessment of SMEs before loan approval

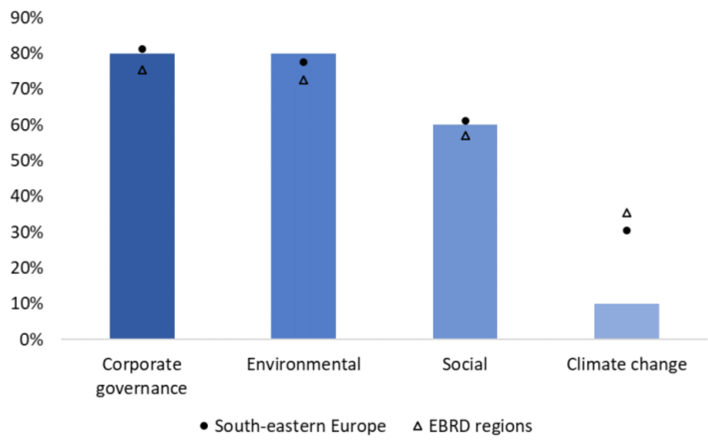
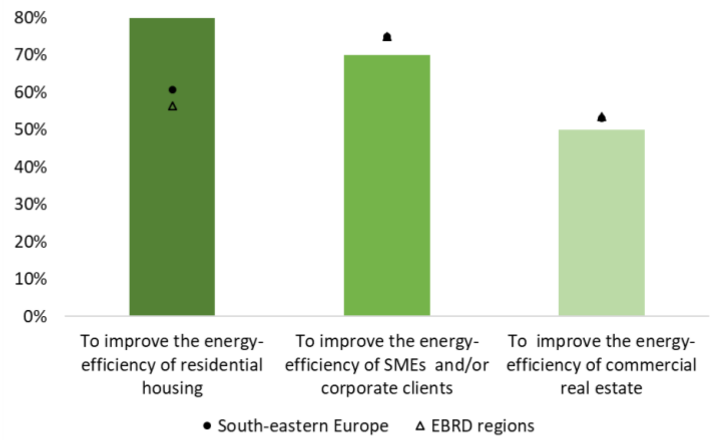


Chart 4 Prevalence of loans to improve clients' energy-efficiency



[1] Based on surveyed banks, domestic banks own close to 60 per cent of total banking assets.

[2] In Charts 2, 3, 4, 7 and 8, bars refer to the percentage share of banks in Albania.

At least half of the Albanian banks surveyed report corporate lending, SME lending, asset management, retail lending and leasing as business lines with the potential to gain from fintech, reflecting similar perceptions across the EBRD economies (Chart 5). However, when it comes to trade finance, Albanian banks are more pessimistic, with only one in four viewing fintech as an opportunity, compared with more than half of banks, on average, in the SEE and EBRD economies.

On the uptake of digital technology, around 40 per cent of Albanian banks say they use biometric authentication for customer identification, roughly on a par with the EBRD average (Chart 6). However, on most other technologies, such as digital wallet solutions and the use of cloud computing, they lag their SEE and EBRD peers, on average. It follows suit, then, that all banks say they are concerned about information technology (IT) security and regulatory uncertainty with regard to fintech, the highest share in the SEE region (Chart 7).

Despite their lacklustre adoption of digital technologies, half of the Albanian banks surveyed accept online applications for SME and large enterprise loans. In addition, more than 20 per cent and 40 per cent of banks, respectively, consider non-bank online lenders and non-bank finance companies to be strong competitors in SME or retail lending. However, no bank surveyed in Albania deems internet banks to be strong competitors in SME or retail lending.

All participants lend to innovative, research and development (R&D)-intensive industries, such as IT, chemicals and pharmaceuticals, with these loans making up just under 10 per cent of total loans (by volume). Insufficient demand for credit, a lack of government loan-guarantee programmes, and loan officers' lack of skills in evaluating credit risks are most frequently cited as the biggest constraint on lending to such industries (Chart 8). The latter two stand out as particularly prevalent in Albania, compared with the SEE and the EBRD regions, where approximately 10 per cent and 6 per cent of banks, respectively, face these constraints, on average. In contrast, only a small minority of Albanian banks report a lack of creditworthy customers as the main constraint on lending. This is much lower than in the SEE and EBRD regions, where 20 per cent and 30 per cent of banks, respectively, cite this as the main issue.

Chart 5 How fintech will affect banks' business lines

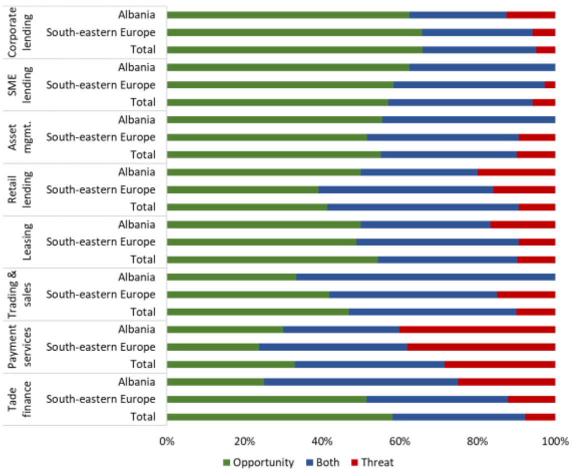
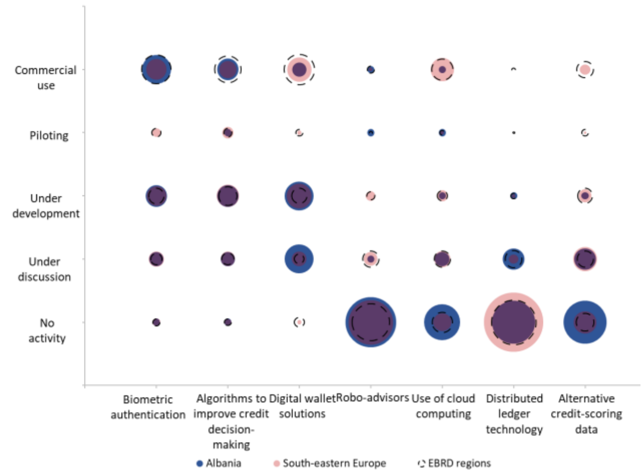


Chart 6 Digital technology development and use



Note: For each digital technology, the size of the bubble is proportional to the share of banks that report using the technology at that level of advancement.

Chart 7 Concerns about digital technologies

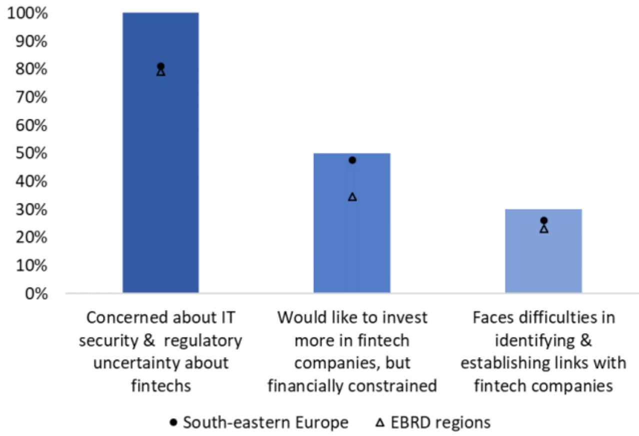


Chart 8 Constraints on lending to innovative industries