

# **PAFI REPORT - ALBANIA**

## **FINANCIAL INCLUSION FROM PAYMENT'S PERSPECTIVE**

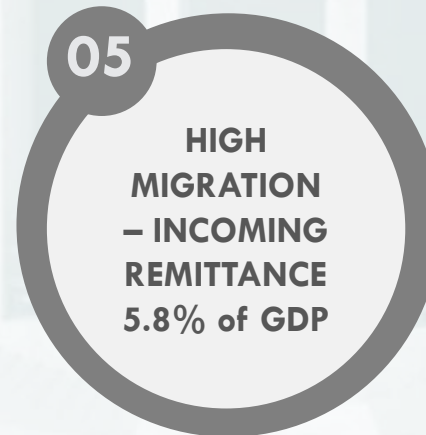


**CURAÇAO, NOVEMBER 2019**

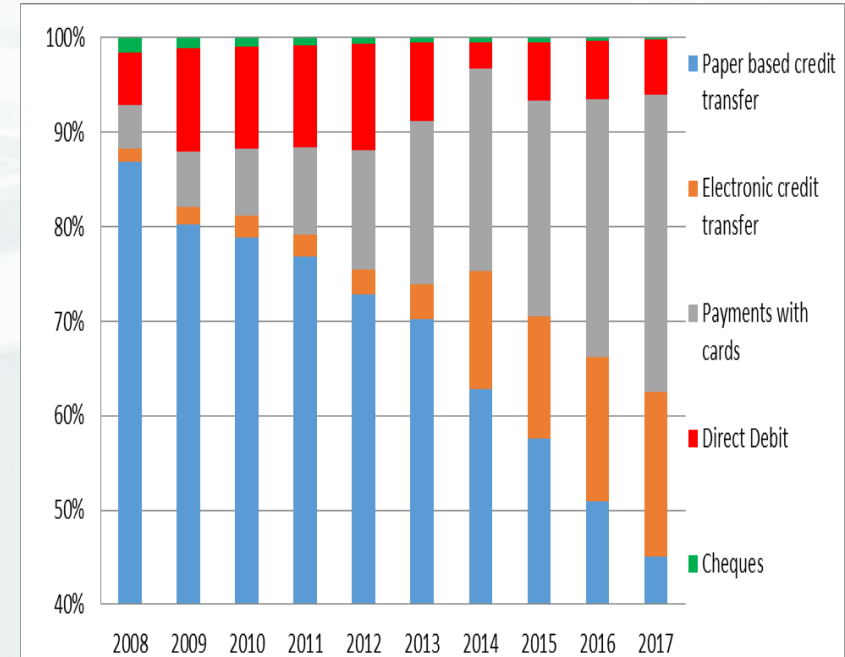
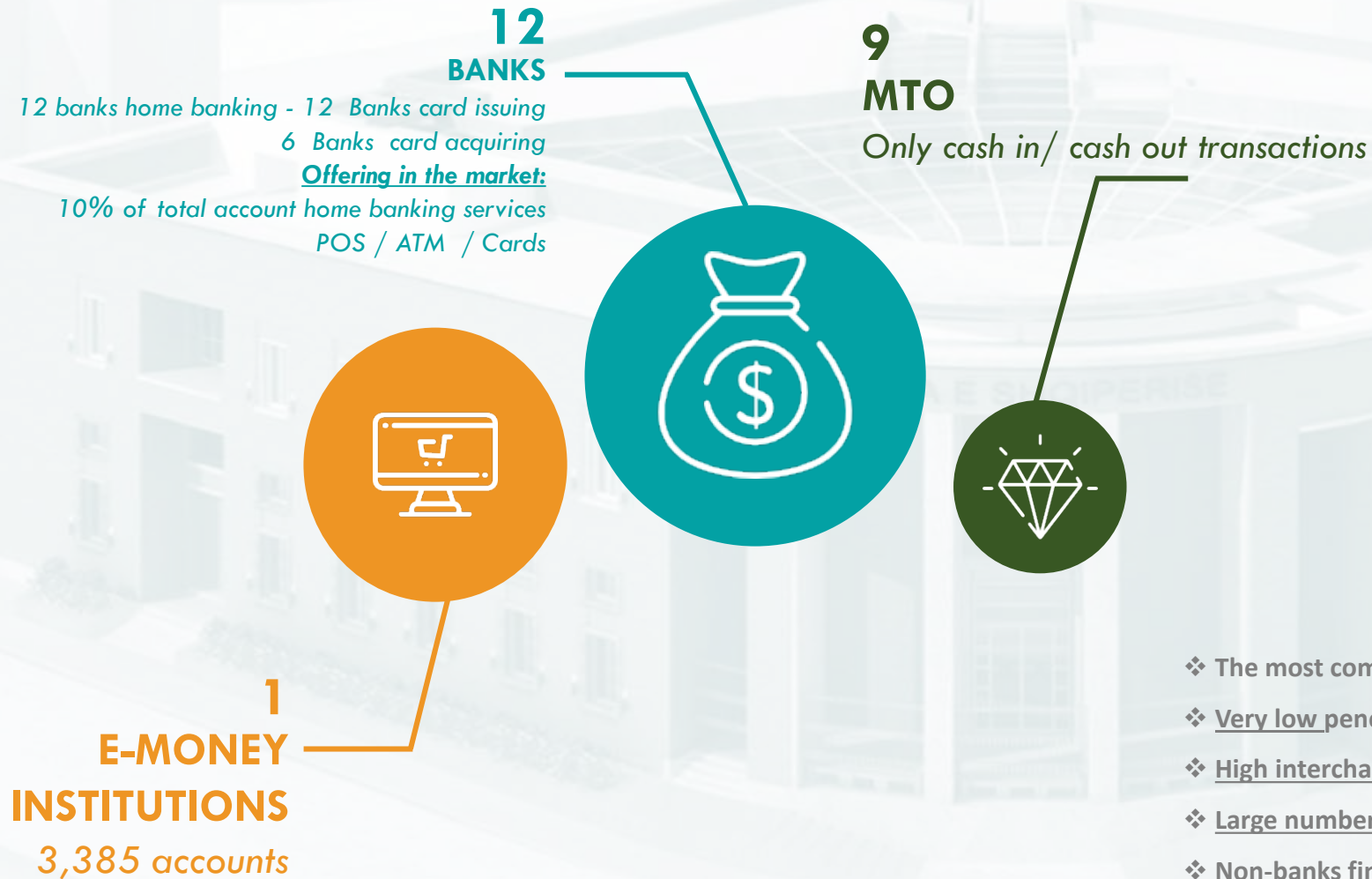
## **OVERVIEW**

- **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



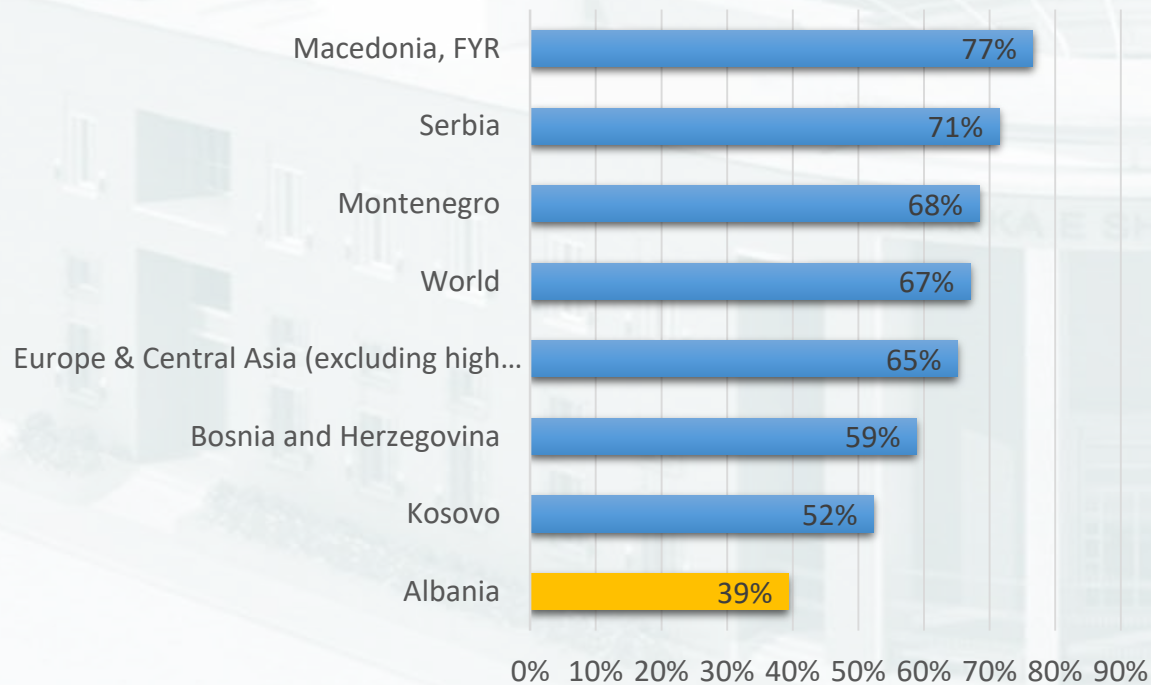
# Retail Payments Market in Albania – Commercial banks dominate the financial sector with – 90.8% of total system assets



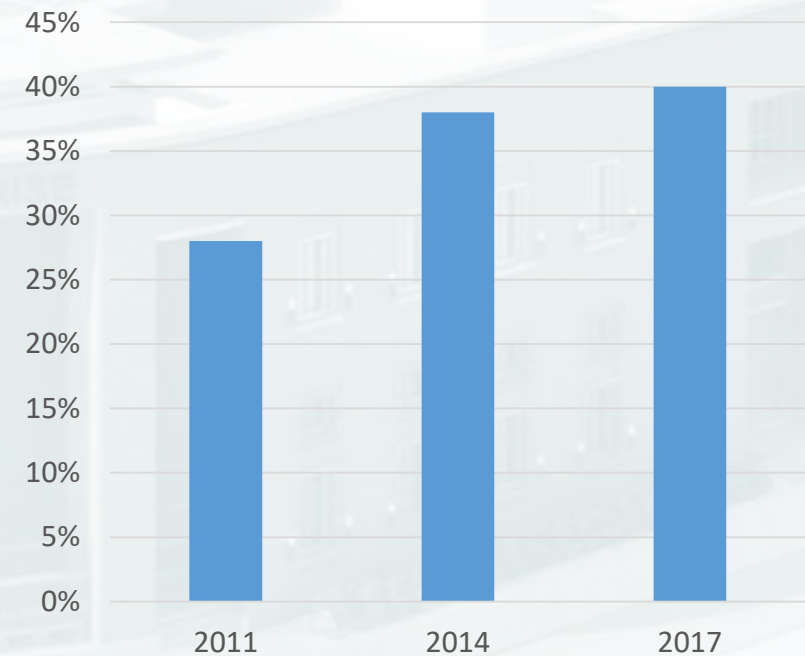
- ❖ The most common used instrument is the paper based credit transfer.
- ❖ Very low penetration POS, concentrated in urban areas. (Low usage of POS)
- ❖ High interchange fees for the merchants (2-4%). E-commerce at infant phases;
- ❖ Large number of micro to small enterprises in the Albanian Economy.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

# Financial Inclusion in Albania - 39% of the adult population has an account (*Findex 2017*) up from 37% in 2014

## Financial institution account (% age 15+)



## Account penetration in Albania (2011, 2014, 2017)



Source: Global Findex 2017, World Bank



# MEASURES TIMELINE



DETAILED ANALYSIS OF THE  
REMITTANCES MARKET

PAFI REPORT: DETAILED ANALYSIS OF  
THE MARKET BY INTERVIEWING ALL  
THE ACTORS

10/2015+

01/2017

2016 - 2018

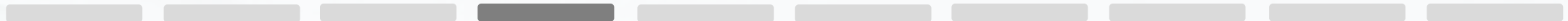
03/2017

06/2018

CONSOLIDATION OF THE INTER-  
INSTITUTIONAL COOPERATION –  
NATIONAL PAYMENT SYSTEM COMMITTEE

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

**NATIONAL STRATEGY** FOR  
RETAIL PAYMENTS 2018-2023  
APPROVED IN NCPS



# STUDIES RESULTS



## DETAILED ANALYSIS OF THE REMITTANCES MARKET

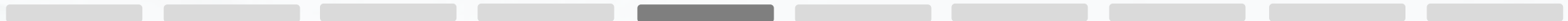
01/2017

- 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

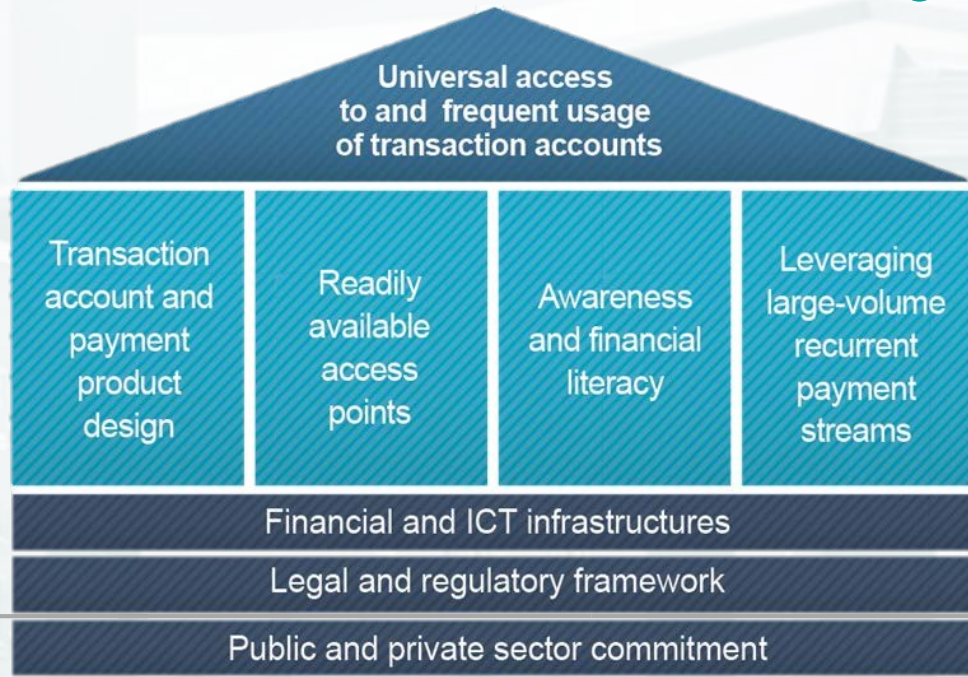
2016 - 2018

## ANALYZING THE COST OF DIFFERENT PAYMENT INSTRUMENTS

- 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 \$52 million**.



# PAFI REPORT KEY FINDINGS

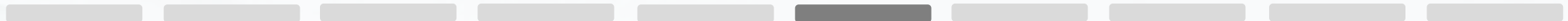


**PAFI REPORT: GUIDING PRINCIPLES TO HELP ADVANCE FINANCIAL INCLUSION BY ENHANCED ACCESS TO & USAGE OF TRANSACTION ACCOUNTS + POSSIBLE KEY ACTIONS FOR EACH OF THESE PRINCIPLES**



03/2017

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.*)





# STRATEGY CHANGES



## **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:**

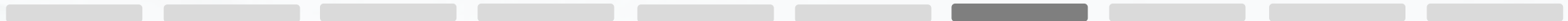
*“Create a modern and inclusive retail payments market, supported by safe & efficient payment infrastructures, & a wide range of instruments and services that meet the needs of financially capable payment service users throughout the country.”*

*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.*

06/2018



**NATIONAL STRATEGY FOR  
RETAIL PAYMENTS 2018-2023  
APPROVED IN NCPS**



# 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:



01 Increasing the current number of cashless payments per capita **+130%**



02 Achieving an adult account ownership ratio of 70% by 2022



# BoA is a critical actor in the implementation of the NRPS by playing a proactive role as a multifaceted payments capacity:

**Operator**

**1**

**ENSURE**

clearing, settlement & infrastructure facilities through the operation of AIPS and the AECH



**Catalyst**

**2**

**CATALYSE**

retail payments reforms & development measures with cooperative actions



**Regulator**

**3**

**DRAFT**

laws and regulations & strategic documents as well

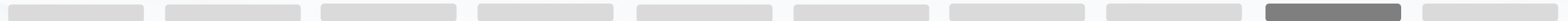


**Supervisor & Overseer**

**4**

**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



## 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



## CUSTOMER-CENTRIC PAYMENT SERVICES

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



## EXPANSION OF ACCESS POINTS & NETWORKS

- Developing the agent banking model
- Maintain a register of the agents & Update
- Interoperability of the various channels and outlets



## STAKEHOLDER COMMITMENT & FINANCIAL LITERACY

- Increase public's awareness on NRPS & its benefits
- Educate users on accounts & electronic payments



## 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.







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Thank you for your attention!

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