

# Albania

## Banking in a challenging lending environment

The Albanian banking landscape is dominated by foreign-owned banks of Austrian, Greek and Italian origin with many localities only serviced by branches of foreign banks (Chart 1). It is therefore no surprise that the Albanian banks surveyed in the BEPS II strongly agreed that foreign-owned banks are strong competitors for small and medium-sized enterprises (SMEs), large enterprises and retail lending

All Albanian banks reported insufficient credit demand and a lack of creditworthy customers as the major constraint to their lending from 2007 to 2011. Albanian banks have started to participate in specialised lending programmes that target micro, small or medium-sized enterprises and hiring new staff to attract customers.

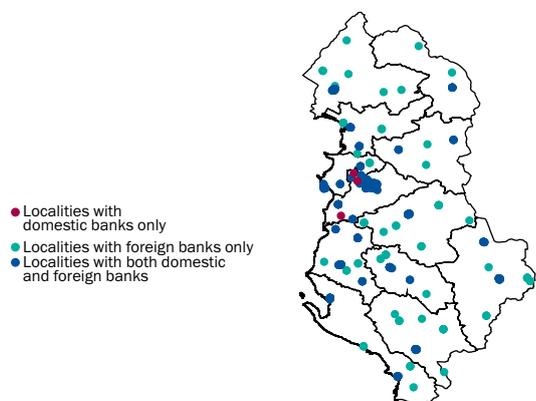
Only about a third of the foreign banks in Albania agreed they now rely less on financial support from their parent as compared to before the crisis, compared to 43 per cent in the rest of the region (Chart 2). In Albania, parent bank funding is not

commonly used to meet credit growth targets or to take advantage of new lending opportunities. Instead, parent bank funding is used to smooth negative shocks to the deposit base, more so than in other SEE countries (Chart 3).

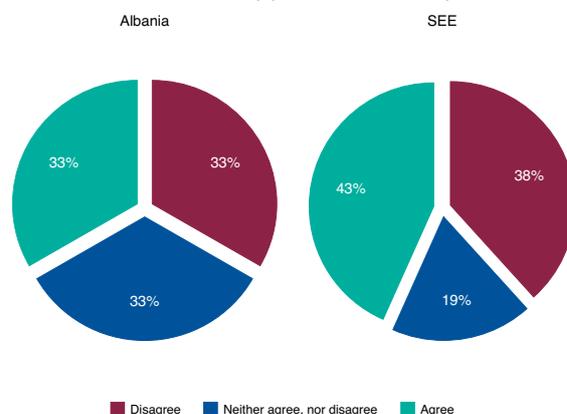
55 percent of Albanian banks report that the banking regulator requires too much capital, currently the highest proportion of banks that think so in the region. Confidence in the bank regulator is limited, with only 20 percent of banks agreeing that the court system is fair and impartial. No banks agreed with the statement that the banking regulator is quick and efficient.

Albania also contains the highest proportion of banks (17 per cent of banks surveyed) reporting that it is common for banks to pay some irregular payments or gifts to court officials (Chart 4). Not only is this the largest percentage in the region, but Albania also witnessed the largest increase in the region since 2007.

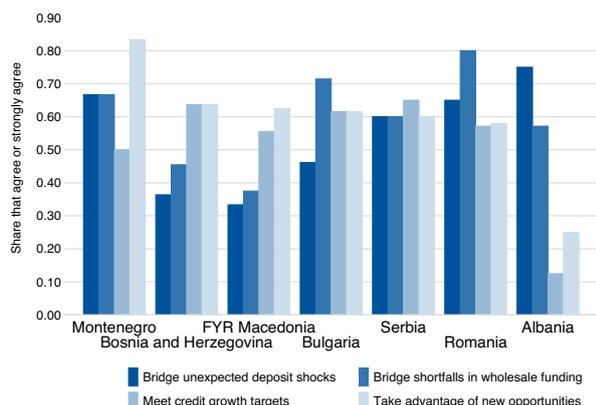
**Chart 1** Bank localities by ownership



**Chart 2** Foreign banks that (dis)agree that they rely less on financial support from their parent bank



**Chart 3** Common reasons for parent funding



**Chart 4** Frequency of irregular payments/gifts to court officials

