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Microfinance: economic, social and cultural development

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Abstract

The present work sets itself as a first observational analysis of the regulation of non-banking financial institutions in Albania, considering the increasing development of the financial scenario started since 2000. This first analysis will lead the work towards an evaluation of the importance of microfinance, observed according to its different peculiarities. Subsequently we will come to analyze the effects that microfinance produces in the country; effects that will be declined according to three strands, certainly interconnected but observed in their intrinsic nature. Attention will therefore be paid to economic development in general, social development and, last but not least, the cultural development of the country. An analysis that will take into consideration the multiple aspects and intersection between these three elements of observation that are believed to have a strong influence on good and sound management of microfinance in a country. A consideration that stems from the potential that microfinance has in the social fabric of a large population and a small economy, and accentuated in a developing country like Albania. This part of the study, which we believe can be considered the heart of the work, will provide a good basis for planning a more accurate survey on the territory, in order to have a much more detailed and real picture of observation and to be able to use it for a valid and useful comparison with other realities (Italian and European). Finally, the purely financial aspects of the evaluations are not neglected from a mathematical point of view, in order to be able to count on quantitative aspects that give greater weight to the evaluations and the results obtained.

Keywords: *Microfinance, Economic development, Social growth, Cultural growth*

JEL classification: *I22, I24, I25, G28*

1. Introduction

Let's start by looking at the significance of Microfinance. It is a set of banking services of low relevance from a quantitative point of view and therefore provided to low-income individuals who would otherwise have difficulty in accessing credit. Included in microfinance is microcredit, a particular form of credit aimed at subjects who are not very robust from an income and capital point of view (*Bisceglia, 2020*). Recently, a series of banking services have been introduced, aimed precisely at a large population considering the fact that it can be a very convenient way to affect various areas of economic systems, as well as the social and cultural development of a country. The implementation of microfinance instruments also by non-banking financial institutions, known precisely as microfinance institutions, has initiated a possibility of economic independence to the basic clientele by promoting the development of youth entrepreneurship and bringing relief from poverty; all to the benefit of the poorest segments of the population. In addition, it not only increases the rate of banking penetration, but also contributes to a significant improvement in living conditions, as well as the achievement of the United Nations Sustainable Development Goals. As seen before, non-banking financial institutions are basically financial institutions whose activity is to carry out financial activities as stipulated by the legal and regulatory framework, such as lending, microcredit, factoring, financial leasing, payment and money transfer services, issuance of electronic money, foreign currency exchange, etc. Regarding a country like Albania which is a small open economy that has enjoyed high and stable economic growth at the end of the last decade, supported by a rapid and strong expansion of the financial sector and an increase in domestic consumption and productivity. As a result, the financial system in this country is relatively new and showed high dynamics immediately after the privatization of the former largest state-owned bank in 2004 and the introduction of foreign banks into the market. In addition, the following part of the paper will focus on how non-bank financial institutions operate in the aforementioned sector in Albania (*Bisceglia, 2018*).

2. Historical context of microfinance

The concept of microfinance is not a recent one, but it was first introduced in the 1970s in Ireland by Jonathan Swift with the aim of improving the conditions of impoverished Irish citizens by building a new large-scale system of microfinance. In addition, the system was also extended to other regions such as Bangladesh by Muhammad Yunus, the founder of the Grameen Bank organization around the 1980s that allowed loans to its clients with the aim of improving their lives. In 1998 one of the largest microfinance operations was taken over in India by SKS Microfinance which still operates similar to Grameen Bank by organizing all clients into groups of five members who work together to ensure that their loans are repaid. (*Castellani, et al. 2005*).

In Albania, on the other hand, microfinance has developed considerably due to the strong demand for microfinance products. Most Albanian MFIs follow a socially responsible policy targeting financially excluded individuals and disadvantaged areas. The microfinance sector supports a large scale of individuals, micro and small enterprises, and other market segments, with a strong focus on job creation, reducing gender gaps in entrepreneurship, and offering financial solutions in a sustainable manner. Associations, such as AMA, have created the opportunity to unite all Albanian MFIs with the aim of offering a range of financial products to stakeholders, which together represent an outstanding loan portfolio of 29 billion lira (approximately 235 million euros) and a number of more than 177,000 active clients. The AMA focuses in three main directions; that of representing, when necessary, its members at national or international gatherings, legislative consultations and business events; it supports the technical and institutional consolidation of its members through the exchange of best practices and the identification of financial and

economic trends; and finally, it promotes financial education and literacy, access to finance, responsible and social financing, and the microfinance sector as a whole.

Fig 01: Financial accounts of all sectors operating in Albania

LLOGARITË FINANCIARE		FINANCIAL ACCOUNTS									
Tabela /Table 1		Ekonomia e vendit (të gjithë sektorët rezidentë) (S.1)								Domestic economy (all resident sectors) (S.1)	
		(në milionë lekë)								(millions of ALL)	
		Ari monetar dhe SDR / Monetary gold and SDRs	Monedha dhe depozitat / Currency and Deposits	Letra me vlerë të borxhit / Debt securities	Huatë / Loans	Kapitali dhe aksionet në fondet e investimit / Equity and investment fund shares or unit	Sigurime dhe skemat e pensioneve/ Insurance, pension and standardised guarantee schemes	Dervativët financiarë / Financial derivatives	Llogari të tjera të arkëtueshme/ Other accounts receivable (payable)	Totali / Total	
2013	Dec.	16,701	1,402,905	821,409	884,220	869,268	12,306	31	966,623	4,973,464	
2014	Dec.	19,300	1,466,196	942,210	800,477	836,324	15,035	17	1,057,765	5,137,343	
2015	Dec.	30,577	1,623,071	913,339	753,157	963,283	17,607	28	986,823	5,287,904	
2016	Dec.	27,214	1,725,509	943,529	804,529	936,769	21,193	16	975,317	5,434,077	
2017	Dec.	25,725	1,859,762	884,082	811,212	942,362	22,321	97	903,426	5,448,999	
2018	Dec.	19,626	1,933,962	885,194	787,867	1,005,820	23,022	19	919,388	5,574,898	
2019	Dec.	24,181	1,957,656	941,569	815,842	1,041,870	33,503	14	1,176,703	5,991,338	
Detyrimet financiare / Financial liabilities											
2013	Dec.	7,287	1,363,231	589,077	1,297,387	1,200,932	10,074	0	1,001,731	5,469,741	
2014	Dec.	7,753	1,430,131	618,204	1,332,508	1,244,343	12,333	0	1,101,030	5,746,343	
2015	Dec.	8,104	1,508,089	600,181	1,344,167	1,365,982	15,502	0	1,039,229	5,881,266	
2016	Dec.	7,981	1,579,769	607,333	1,386,015	1,410,717	17,986	0	1,024,681	6,034,504	
2017	Dec.	7,340	1,629,334	629,726	1,400,991	1,516,675	18,835	0	951,711	6,154,632	
2018	Dec.	6,978	1,669,028	669,639	1,354,201	1,657,136	19,793	0	971,364	6,348,138	
2019	Dec.	6,987	1,720,806	680,318	1,398,586	1,759,520	26,194	0	1,220,910	6,813,332	

Source: Bank of Albania

3. Albanian Financial Supervisory Authority

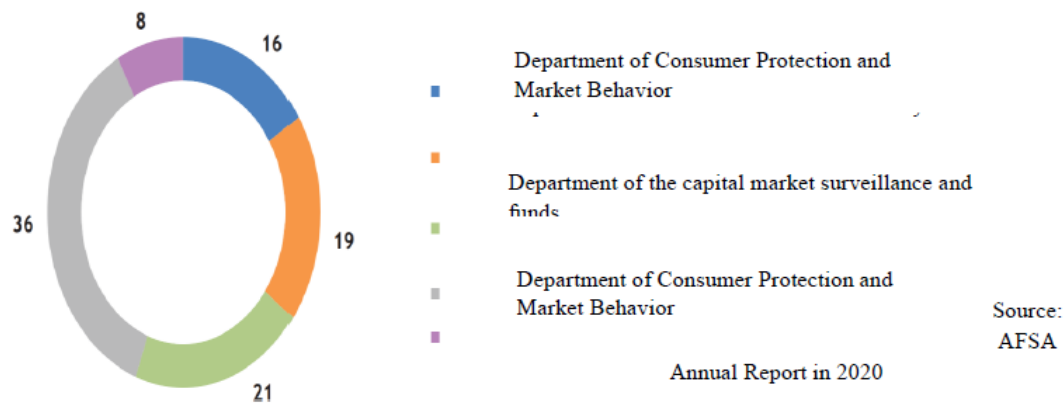
In Albania, the Albanian Financial Supervisory Authority (AFSA) was created in 2006 as an independent public institution accountable to the Albanian Parliament. In October 2006, the integration of three existing non-bank financial regulators, namely the Insurance Supervisory Authority (AMS), the Securities Commission (KLV) and the Inspectorate of Supplementary Private Pension Institutions (IPPS), was achieved, creating a single institution under the name of Financial Supervisory Authority. The process of unifying the three non-bank financial regulators, was supported by the World Bank, including strategy and technical assistance to strengthen institutional capacity.

AFSA is the main authority in the field of regulation of the non-bank financial system in order to protect consumers through legal, administrative and information tools, as well as to maintain stability and transparency in the field of insurance, securities and voluntary private pensions. AFSA's work is characterized by professionalism, transparency, and high standards (Wilson, 1988).

The main areas of its activity are the insurance market and its operators, the securities market and its operators, the voluntary private pension market and its operators, and other non-bank financial sector activities. As for its mission, it focuses on promoting financial stability and healthy development of the supervised financial markets. The objective of AFSA is to stimulate high standards for consumer and investor protection and enhance market integrity, increase the efficiency and stability of non-bank financial markets, and improve the level of professionalism through the regulation and permanent supervision of markets. The main objective of the AFSA is to protect the interests of consumers and investors, which are closely linked to the safety and soundness of supervised entities, by ensuring the enforcement of the law. In the exercise of these powers, the Authority has full rights firstly to approve, issue or refuse licenses to entities applying to operate in one of the supervised financial markets, secondly to supervise the financial

markets, natural or legal persons involved in the activities provided for in Article 2 of Law No. 9752 "On the Financial Supervisory Authority and finally to pursue compliance with and enforcement of the laws and statutes issued by the Authority, as well as the application of coercive measures. The AFSA had a relevant role on the Albanian financial system considering the fact that recently the dynamics of the markets under supervision have expanded due to the investment funds market in particular on the systemic risk to the financial system. AFSA as a system of supervision and regulation not only aims to ensure the effective functioning of non-bank financial markets, but also ensures the stability of the system in general. One of the services offered by the AFSA is the charter of consumer and investor rights which represents the primary rights of the consumer and investor in receiving services in the non-bank financial market in accordance with the legislation governing the activities of the Financial Supervisory Authority. This non-bank institution operates in several markets, as mentioned above, which consist mainly of three areas: the funds market, the capital market, and the insurance market. Each of them is supervised by the AFSA according to various aspects of their activities, and in the following part of this article we will look at every angle of the institution's work in these markets.

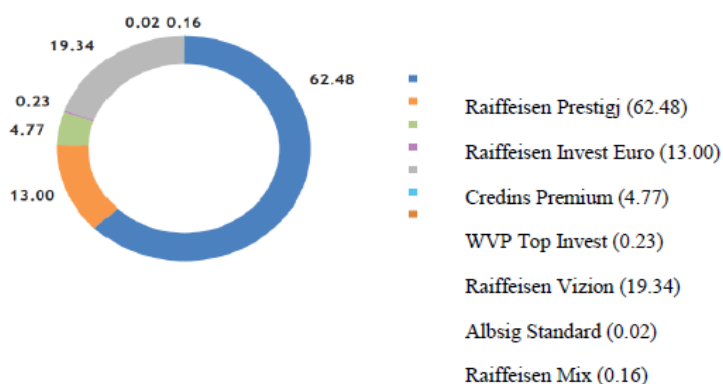
Fig 02: Chart of Functional Divisions by Departments



4. The regulatory system of AFSA

Starting with the investment funds market, it is important to note that since the beginning of its activity in 2012, it has significantly increased and already represents a significant part of the financial sector in Albania. In 2020, the total net worth of the investment funds market increased by 0.92% compared to 2019. The number of members of investment funds is 32,655 and increased by 11.67%. During 2020, the assets of investment funds were administered by four administrative companies, three of which perform administration for investment funds as well as voluntary pension funds. Regarding the structure of this market, for the most part it is composed of government bonds within and outside the country, government treasury bills, and bonds of foreign companies. (Bisceglia, 2019)

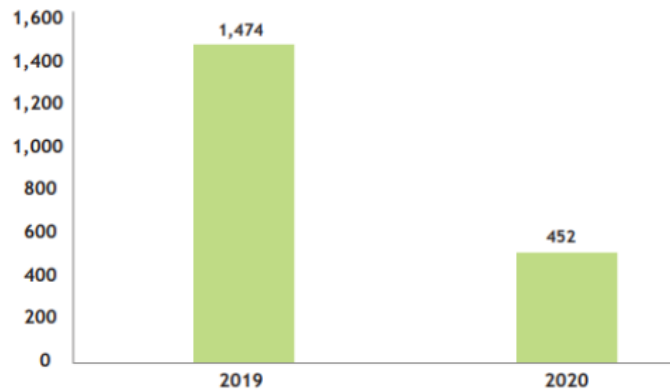
Fig 03: The percentage of each investment fund's net assets in the market



Source: AFSA Annual Report 2020

Consecutive to the investment fund market is the capital market, primarily focused on the authority that regularly monitors the activity of licensed entities in the market that own a minor portion of government securities. This market follows the Over the counter model and includes only transactions between brokerage firms licensed to conduct retail securities transactions (primarily banks) and individual investors or investors - legal entities. As part of the supervision, the Authority also during the year 2020 has been in constant communication with the entities in this market segment with the aim of reconciling the data reported by the entities and the data from the GSRM system, a system that focuses on expanding the idea of involving environmental concerns in microfinance and its products, the so-called green finance. The Albanian Stock Exchange currently has 3 members (3 bank brokerage firms), which conduct transactions on behalf of their portfolio and on behalf of clients. The total number of completed transactions is dominated by transactions in treasury bills made in lek currency and on behalf of legal entities.

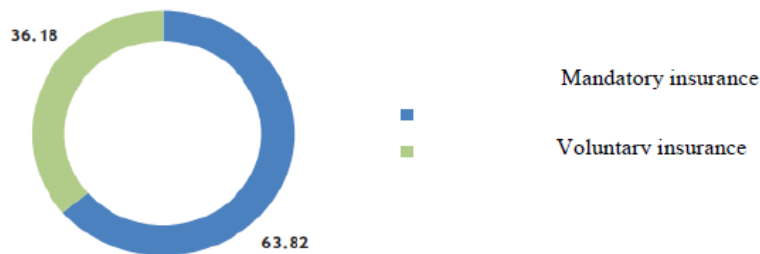
Fig 04: Volume of the Albanian stock exchange in 2019/2020



Source: AFSA Annual Report 2020

As a final approach, we should consider the last market that the Authority oversees and regulates, the insurance market. During 2020, 12 insurance companies operated in the insurance market. The volume of gross written premiums generated in this market amounted to approximately 16.6 billion euros, contracting by 5.73% compared to 2019. Gross written premium income decreased in both life and non-life business.

Fig 05: Percentage of gross premium written depending on type of insurance



Source: AFSA Annual Report 2020

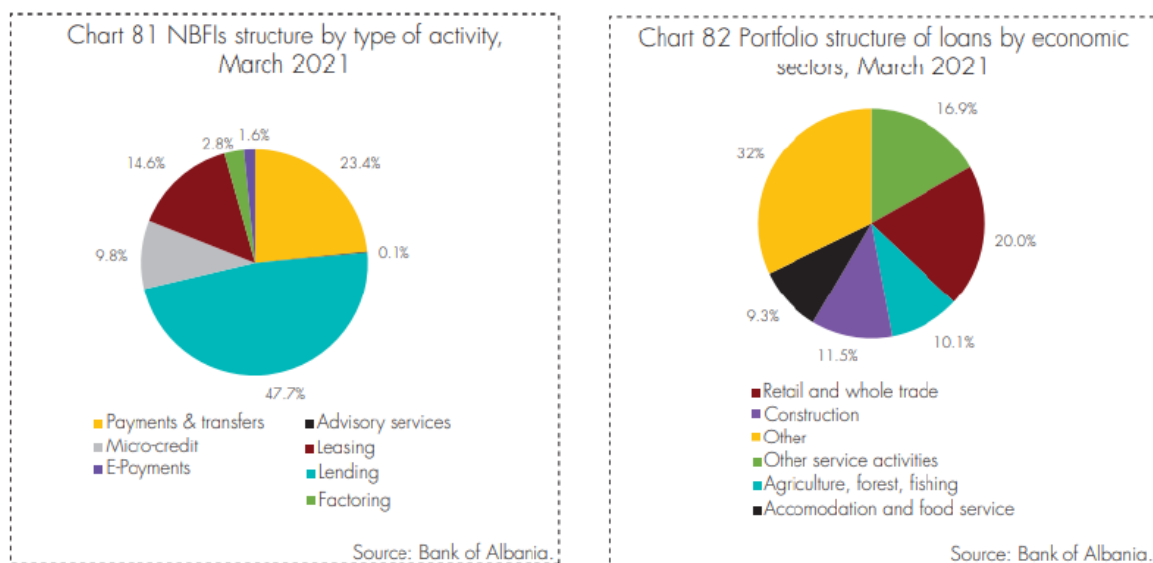
5. General analysis of other non-bank institutions

The microfinance activity of non-bank institutions, is based on a series of projects that mainly represent the enterprise of lending, money exchange, leasing and financial advice or intermediation. Currently, there are 38 active non-bank institutions operating regularly in Albania and here, it is important to consider and analyze the main aspects of these microfinance operators. Non-bank financial institutions (NBFIs) are included in the group of institutions authorized to provide micro-loans, which are then further classified

into two categories. The first consists of institutions authorized to conduct lending operations, while the second category incorporates institutions authorized to conduct microfinance operations (microfinance financial institutions). To qualify as a microfinance financial institution, NBFIs must meet the following criteria: lending and loan advisory services are the sole purpose of their business; the average value of a loan extended to a borrower does not exceed the value of the microcredit, which is a maximum of 600,000 Lek (approximately €4,800); and at least 50% of the loan portfolio is composed of microfinance. On the other hand, there are other institutions that are authorized to provide micro-loans, such as savings and credit associations and their unions. Savings and credit associations (SCAs) are legal entities composed of voluntary unions of individuals or legal entities, which deposit their money in the society and whose funds are used by the society to issue loans to members. (Sakovich, 2002)

Regarding the product that these institutions offer, the Albanian regulation on NBFIs lending activities does not distinguish between different types of microfinance products. There are no specifications for minimum and maximum loan amounts for NBFIs in Albania, but the only specification is for institutions authorized to conduct microfinance operations, where the loan portfolio should be at least 50% microloans, with an average loan amount not exceeding 4,800 euros (600,000 lek). The NBFIs regulation does not set maximum loan duration or impose limits on interest rates on microfinance. (Forestieri et al, 2009)

Fig 06: Non-bank institution facilities by activity



Source : Bank of Albania

Currently, the main problem as well as some of the main challenges faced by entrepreneurs are the lack of consumer protection, access to capital and financial skills needed to establish and develop a business, although some of these points have been covered lately by AFSA. Aside from facilities for registering and establishing a business, entrepreneurs have no social bridge to support them in their transition out of unemployment. The government has not designed or implemented any social programs to support innovative startups and other new businesses that create jobs and expand the tax base. There are currently

no disaster-related financial support schemes to support entrepreneurs following unexpectedly worsening circumstances (such as the COVID 19 pandemic or the 2019 earthquake). Entrepreneurs are left to make spontaneous decisions under emergency conditions but are not part of a centralized response, and thus this has prompted NBFIs to meet client needs and initiatives with tools that can be easily supported by these entities (Bisceglia et al, 2021).

Fig 07: A volume comparison of non-financial and financial institution accounts.

		LLOGARITË FINANCIARE							FINANCIAL ACCOUNTS		
Tabela / Table 2		Korporatat jofinanciare (S.11)					Nonfinancial corporations (S.11)				
		(në milionë lekë)					(millions of ALL)				
		Ari monetar dhe SDR / Monetary gold and SDRs	depozitat / Currency and Deposits	Lëtra me vlerë të borzhit / Debt securities	Huatë / Loans	e investimit / Equity and investment fund shares or unit	pensioneve / Insurance, pension and standardised guarantee schemes	financiare / Financial derivatives	pagueshme / Other accounts receivable /payable	Totals / Total	
Mjetet financiare / Financial assets											
2013	Dec.	-	142,905	0	187,081	59,230	7013	-	666,482	1,062,711	
2014	Dec.	-	176,790	57,158	72,988	58,214	8867	-	699,182	1,073,199	
2015	Dec.	-	185,945	61,652	66,378	39,537	10281	-	672,058	1,035,851	
2016	Dec.	-	246,896	61,268	65,047	62,573	13620	-	628,935	1,078,340	
2017	Dec.	-	274,848	46,909	56,917	68,065	15,858	-	612,405	1,073,002	
2018	Dec.	-	254,399	26,027	69,137	77,984	14,218	-	600,126	1,041,890	
2019	Dec.	-	258,224	28,258	67,885	84,263	19,601	-	779,957	1,238,188	
Detyrimet financiare / Financial liabilities											
2013	Dec.	-	-	47,009	763,785	974,726	-	-	812,087	2,597,607	
2014	Dec.	-	-	48,308	741,218	986,607	-	-	941,575	2,717,706	
2015	Dec.	-	-	36,772	704,436	1,082,926	-	-	814,850	2,638,983	
2016	Dec.	-	-	38,572	703,641	1,117,579	-	-	793,552	2,633,344	
2017	Dec.	-	-	38,856	686,829	1,221,193	-	-	734,572	2,681,450	
2018	Dec.	-	-	34,973	658,822	1,380,102	-	-	780,440	2,834,336	
2019	Dec.	-	-	37,604	678,544	1,467,459	-	-	890,116	3,068,723	

Tabela / Table 3		Korporatat financiare (S.12) (në milionë lekë)						Financial corporations (S.1) (millions of ALL)			
		Ari monetar dhe SDR / Monetary gold and SDRs	Monedha dhe depozitat / Currency and Deposits	Letra me vlerë (e borxhit / Debt securities	Huatë / Loans	Kapitali dhe aksionet në fondet e investimit / Equity and investment fund shares or unit	Sigurime dhe skemat e pensioneve/ Insurance, pension and standardised guarantee schemes	Dervativët financiare / Financial derivatives	Llogari të tjera të arkëtueshme/ pagueshme / Other accounts receivable /payable	Total / Total	
2012	Dec.	17,703	296,591	663,974	645,679	12,238	1,291	14	27,347	1,664,837	
2013	Dec.	16,701	317,498	749,362	635,084	14,213	3,863	31	16,732	1,753,485	
2014	Dec.	19,300	327,761	809,139	662,957	13,987	4,255	17	15,882	1,853,278	
2015	Dec.	30,577	445,160	768,411	648,944	18,820	4,928	28	15,974	1,932,841	
2016	Dec.	27,214	461,287	801,837	695,748	22,426	4,711	16	23,172	2,036,412	
2017	Dec.	25,725	541,270	744,024	702,364	27,567	5,033	97	26,430	2,072,509	
2018	Dec.	19,626	579,496	762,993	657,761	30,127	4,787	19	25,702	2,080,511	
2019	Dec.	24,181	557,517	827,472	686,547	34,109	9,096	14	26,656	2,165,592	
Detyrimet financiare / Financial liabilities											
2012	Dec.	7,558	1,520,765	0	77,586	200,647	8,600	354	19,071	1,634,561	
2013	Dec.	7,287	1,363,251	159	76,342	226,206	10,074	0	22,757	1,706,077	
2014	Dec.	7,753	1,430,131	410	80,676	257,736	12,355	0	18,141	1,807,203	
2015	Dec.	8,104	1,508,099	5,978	58,465	283,056	15,502	0	21,348	1,900,554	
2016	Dec.	7,981	1,579,769	6,333	76,819	293,138	17,986	0	17,739	1,999,765	
2017	Dec.	7,340	1,629,354	7,438	85,675	295,483	18,835	0	15,856	2,059,980	
2018	Dec.	6,978	1,669,028	6,075	81,181	277,035	19,793	2	19,735	2,080,426	
2019	Dec.	6,987	1,720,806	7,991	97,052	292,071	26,194	0	22,145	2,173,237	

Source : Bank of Albania

Fig 08: List of non-banking institutions in Albania and the activities they perform

	List of institutions	Shareholders and %	Licensed financial activity
1	UNION FINANCIAR TIRANË SH.A. (Institucion i parësë elektronike)	5 individuals(35%, 35%, 10%,10%,10%)	Issuing electronic money, foreign money exchange
2	POSTA SHQIPTARE SH.A.	Ministry of Economy, Trade and Energy of the Republic of Albania (100%)	Money transfer services, foreign money exchange
3	AK- INVEST SH.A.	2 individuals(65%, 35%)	Lending, Factoring, Insurance agent, Advisory and Commitment
4	NOA SH.A.	Noa Netherlands(100%)	Lending, Management of payments, foreign money exchange
5	FONDI BESA SH.A.	1 individual(20%) , Fondi Besa (60.6%)	Lending, Advisory, Function of intermediation
6	FINAL SH.P.K.	1 individual(100%)	Lending, Financial Leasing
7	AGROKREDIT SH.A. SH.A.	Ministry of Finance of the Republic of Albania(100%)	Lending, Advisory, Function of intermediation
8	RAIFFEISEN LEASING SH.A.	Raiffeisen Bank(100%)	Financial Leasing
9	LANDESEASE SH.A.	Union Bank SH.A(100%)	Financial Leasing
10	AGRO & SOCIAL FUND SH.P.K.	Fondi Besa(100%)	Microcredit
11	CAPITAL INVEST SH.A.	4 individuals(30%,25%,10%,5%)	Microcredit
12	TRANZIT SH.P.K.	4 individuals(10%,10%,50%,30%)	Lending, Advisory, Function of intermediation
13	M - PAY SH.P.K.	1 individual(100%)	Management of payments
14	FAB INVEST SH.P.K.	Fab Group SHPK(100%)	Factoring, Advisory, Function of intermediation
15	PLATINIUM INVESTMENT SH.P.K.	1 individual(100%)	Advisory and intermediation
16	TIRANA FACTORING & LEASE SH.A.	3 individuals(40%,40%,30%)	Factoring, Financial Leasing, Foreign Exchange
17	PORSCHE LEASING SH.P.K.	Porsche Bank Aktiengesellschaft (AG), Austri(100%)	Financial Leasing
18	ALBANIA LEASING SH.A.	4 institutions(36%,30%,22%,12.5%)	Financial Leasing
19	IUTECREDIT ALBANIA SH.A.	AS Intecredit Europe, Estonia(100%)	Microcredit
20	AGRO PARTNER SH.P.K.	1 individual(100%)	Microcredit
21	CRIMSON FINANCE FUND ALBANIA SH.P.K.	4 institutions(36%,8%,25%,30%)	Factoring, Advisory, Function of intermediation
22	EASYPAY SH.P.K.	1 individual(96.5%)	Lending, Factoring, Insurance agent, Advisory and Commitment
23	KASTRATI SH.P.K.	1 individual(100%)	All payment and money transfer services
24	MICRO CREDIT ALBANIA SH.A.	1 individual(100%)	Lending, Advisory, Function of intermediation
25	ALBANIAN FINANCIAL INSTITUTION SH.P.K.	2 individuals(80%, 20%)	Lending, Factoring, Financial Leasing
26	RAFA FINANCIAL SERVICES SH.P.K.	2 individuals(90%, 10%)	All payment and money transfer services, Advisory and intermediation
27	MOGO ALBANIA SH.A.	Mogo Finance S.A.(100%)	Financial Leasing
28	KREDO FINANCE SH.P.K.	AS "ELEVING CONSUMER FINANCE HOLDING", Latvia(100%)	Microcredit
29	TIRANA CAPITAL TRADE SH.P.K	2 individuals(90%,10%)	Factoring
30	MICRO CREDIT RISK SH.P.K	2 individuals(75%,20%)	Microcredit
31	PAYSERA ALBANIA SH.P.K	3 individuals(10%,10%,80%)	Issuing electronic money
32	ANTIGONE FINANCIAL ENTERPRISE SH.P.K	1 individual(100%)	Financial Leasing
33	EREO SH.P.K	AK - INVEST SH.A., Albania(100%)	Issuing electronic money
34	BPAY SH.P.K.	2 individuals(30%,30%), 2 institutions(20%,20%)	Issuing electronic money
35	SOFT & SOLUTION SH.P.K.	1 individual(100%)	Issuing electronic money
36	RUBICON SH.A.	4 individuals(27%,27%,14%,7%)	Issuing electronic money
37	VELOX PAY SH.P.K.	AS Intecredit Europe, Estonia(100%)	Issuing electronic money
38	LENDAL SH.P.K.	2 individuals(30%,70%)	Microcredit

Source: Bank of Albania

6. Social and environmental point of view

Non-banking financial institutions in Albania, through microfinance, have made an important contribution to the development of the country's environmental and social lane. They have contributed, through the projects provided and the specific activity carried out, to a progressive improvement in the economic and social as well as cultural conditions of the country. Many institutions, such as ADA, Appui au Développement Autonome - which was created in May 1994. It was an organization intended to be, as its name implies, a support, that is, a support over time of the necessary projects to the people willing to carry them out. The initiative of this institution was innovative from the beginning as it focused on digital finance, which represents a real opportunity to accelerate the development of financial inclusion and in time introduced the provision of advice and long-term financing to MFIs. It was also promoted in Albania and they introduced the use of financial tools in different dimensions of our lifestyle. The ADA was one of the first to launch what is known as agricultural finance, which aims precisely at the application of these

instruments in the agricultural sector, a method initially tested in West and Central Africa. Green finance was also the main objective of the ADA project. In fact, in 2020, ADA supported the introduction of the Eco-shems product in the pilot branch in the city of Tozeur, before deploying it in five other branches in the south of the country. By the end of 2020, despite the health crisis that slowed down the project, 22 loans totaling 144,000 euros had been disbursed. The goal for 2021 has been set in granting 240 Eco-shems loans and providing agricultural technical assistance to 50 producers to teach them good water management techniques. In time, the method taught can then be replicated by microfinance institutions as well. In addition, Enda Tamweel and ADA have begun to think more broadly about implementing a financial product that allows clients to undertake the farm's energy transition using solar panel technology and its many possibilities. These projects focus primarily on installing solar panels; improving or constructing sanitation facilities and managing waste and water scarcity; energy renovation and green homes, such as transparent roofs to let in natural light; and implementing environmental practices in farming operations, all elements of the popular sustainable energy. Finally, on the social side, for nearly fifteen years, ADA has been actively investing in promoting social performance and transparency in the area of inclusive finance. From 2003 to 2013, ADA coordinated the Rating Fund and Rating Initiative projects that aimed to encourage MFIs to carry out financial and social ratings. These projects involved multiple donors and allowed MFIs to apply for co-funding to cover a portion of the cost of the ratings. What these institutions have also incorporated is digital innovation and the effect that financial products have on upgrading the technology used. Digital solutions offer many opportunities for financial inclusion. In addition to reducing costs, they make it easier to reach people in hard-to-reach areas and allow for fast and secure service delivery to customers. That's why ADA and other non-bank financial institutions are helping microfinance institutions (MFIs) integrate digital solutions into their strategies.

7. Conclusions

As we have observed, the focus on microfinance in the Albanian territory has had a great sensibility, causing a considerable growth in all sectors of the financial markets. The purpose of this study was precisely to highlight this new vision of credit; how it has been structured in our current circumstances and how it has improved and can be further improved. Many associations have coalesced over the years to map out a plan for the functioning of non-bank financial institutions in Albania. In the past, this country has not shown good significant involvement in the financial sphere, yet it presents a potentially important role. In fact, from recent studies the national financial inclusion is about 45% and is expected to grow. One of the most important goals that several financial associations and groups want to achieve is to introduce non-bank financial institutions to a diversified market, where they can create different models and products to further meet the needs of their clients. Even though microfinance is in a state of growth, it still needs to address many challenges that this country manifests, such as legal or tax challenges, competitive side markets, expectations of efficiency, strong demand for investment in new technologies, etc.

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1. Introduction

Let's start by looking at the significance of Microfinance. It is a set of banking services of low relevance from a quantitative point of view and therefore provided to low-income individuals who would otherwise have difficulty in accessing credit. Included in microfinance is microcredit, a particular form of credit aimed at subjects who are not very robust from an income and capital point of view (*Bisceglia, 2020*). Recently, a series of banking services have been introduced, aimed precisely at a large population considering the fact that it can be a very convenient way to affect various areas of economic systems, as well as the social and cultural development of a country. The implementation of microfinance instruments also by non-banking financial institutions, known precisely as microfinance institutions, has initiated a possibility of economic independence to the basic clientele by promoting the development of youth entrepreneurship and bringing relief from poverty; all to the benefit of the poorest segments of the population. In addition, it not only increases the rate of banking penetration, but also contributes to a significant improvement in living conditions, as well as the achievement of the United Nations Sustainable Development Goals. As seen before, non-banking financial institutions are basically financial institutions whose activity is to carry out financial activities as stipulated by the legal and regulatory framework, such as lending, microcredit, factoring, financial leasing, payment and money transfer services, issuance of electronic money, foreign currency exchange, etc. Regarding a country like Albania which is a small open economy that has enjoyed high and stable economic growth at the end of the last decade, supported by a rapid and strong expansion of the financial sector and an increase in domestic consumption and productivity. As a result, the financial system in this country is relatively new and showed high dynamics immediately after the privatization of the former largest state-owned bank in 2004 and the introduction of foreign banks into the market. In addition, the following part of the paper will focus on how non-bank financial institutions operate in the aforementioned sector in Albania (*Bisceglia, 2018*).

2. Historical context of microfinance

The concept of microfinance is not a recent one, but it was first introduced in the 1970s in Ireland by Jonathan Swift with the aim of improving the conditions of impoverished Irish citizens by building a new large-scale system of microfinance. In addition, the system was also extended to other regions such as Bangladesh by Muhammad Yunus, the founder of the Grameen Bank organization around the 1980s that allowed loans to its clients with the aim of improving their lives. In 1998 one of the largest microfinance operations was taken over in India by SKS Microfinance which still operates similar to Grameen Bank by organizing all clients into groups of five members who work together to ensure that their loans are repaid. (*Castellani, et al. 2005*).

In Albania, on the other hand, microfinance has developed considerably due to the strong demand for microfinance products. Most Albanian MFIs follow a socially responsible policy targeting financially excluded individuals and disadvantaged areas. The microfinance sector supports a large scale of individuals, micro and small enterprises, and other market segments, with a strong focus on job creation, reducing gender gaps in entrepreneurship, and offering financial solutions in a sustainable manner. Associations, such as AMA, have created the opportunity to unite all Albanian MFIs with the aim of offering a range of financial products to stakeholders, which together represent an outstanding loan portfolio of 29 billion lira (approximately 235 million euros) and a number of more than 177,000 active clients. The AMA focuses in three main directions; that of representing, when necessary, its members at national or international gatherings, legislative consultations and business events; it supports the technical and institutional consolidation of its members through the exchange of best practices and the identification of financial and