SURVEY ANALYSIS

Credit and deposit surveys try to attract the opinion of respective specialists or the responsible persons by second-tier banks or branches. Such surveys performed every six-month term are organized in the form of interviews. The organized surveys had a broad geographical stretch as the interviewed specialists were not only from Tirana but also from many other districts. Research Department specialists and other Bank of Albania specialists spread over its branches carried the survey in the districts.

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SURVEY ANALYSIS.
CREDIT AND DEPOSIT SURVEYS

First and second stage surveys bear the same purpose to the core that of studying the lending activity and its problems in second-tier banks. However, it was only in the second stage that there were reflected some improvements and priorities these surveys must bear.

1. Being the first in the area explored, December 2000 survey established the groundwork to be succeeded by the study on the performance of lending activity. Meantime, it evidenced more specifically, problems and tendencies of credit activity considered under the viewpoint of credit specialists. In other words, the first stage did not analyze the principal features, but on the other side, it established the necessary preliminaries for its further study ongoing.

   During the process of interview in the first survey, the questionnaire resulted on unidentified problems from credit specialists such as i.e. the power crisis effect in the process of credit delivery and return, the informal credit market and elements of its organization etc. These problems were deeply itemized in question-groups for the second stage questionnaire. In this way, there were enabled to crop more complete data on specific aspects of lending activity for January-April 2001.

2. Some of the questions released for giving opinions in the first survey questionnaire, revealed some noticeable alternatives from the answers received by specialists. Using this experience, such alternatives were considered rational to be listed in the second survey questionnaire, asking the selection for one or more alternatives. In this way, the efficiency in processing and coding questionnaires increased and the rate of subjectivism during analysis, decreased. Such way shortened the time of interview and simplified the work for interviewed specialists.

3. The second survey enables the analysis on credit performance compared to end-2000. This is attained through maintaining the same questions in the first questionnaire, on one side, and through introducing comparative questions, on the other (where as comparative basis is taken the end of 2000).

4. May 2001 survey was almost carried on the whole country improving significantly the geographical aspect of the first survey (this survey partly involved banks or bank branches in Tirana, Durres, Fier and Elbasan). The expansion of survey in the geographical aspect enables the possibility to study this activity and problems met by it in different districts or regions in the country.

5. To the vast geographical expansion, the volume of survey in the second stage reached at 53 interviewees (together with the Savings Bank specialists), which indicates that the number of interviewees is three times more than in the previous survey (19 interviewees). The significant increase of the sampling volume makes results be more reliable in statistical aspect.

6. The second survey included banks or bank branches as well as partly non-bank organizations or agencies developing lending activity in our country, licensed by the Ministry of Finance. This survey enabled the interview for six of them. Gathering specialists' opinion committed by these agencies is interesting for the fact that:

- their activity is mainly related to credit;
- they are structures outside the banking system,
- their number and the size of operating activity is estimated as growing.

The analysis of data collected from the survey has been structured as below:
- The analysis of the data collected from second-tier banks,
- The analysis of data collected from saving-loan agencies,
- The comparison of bank results with those from agencies.

This division of analysis is made because both groups (commercial banks and agencies) represent operating structures of lending activity, but as regards organization, the purpose of activity and the mode they exercise it, they exhibit important changes. As of this, it is natural for them to be analyzed separately. Since a large number of questions have to do with lending activity, the first part of survey analysis does not include related opinions collected from the Savings Bank specialists as it represents this Bank's prohibited activity for more than two years from now.

Questions, where opinions are worth of analysis (the risk level, business problems with the process of credit analysis and the informal credit market) are also considered in this survey analysis.

1. ANALYZING DATA RECEIVED FROM SECOND-TIER BANKS.

Credit department specialists from second-tier banks or their branches in the 7 areas mentioned above filled up the questionnaire. The total number of the interviewees was 24 and the number of useful questionnaires was the same as that.

Question 1 and 2 comprise the rubric of general data. As in the first phase of survey, they are aimed at collecting specific answers for each of the interviewees and give them the opportunity of a preliminary introduction underlining the idea that the data collected enjoy a relatively high rate of privacy.

Question 1 requests the interviewees to specify their position in the credit department or in the bank (or branch) they are employed, in case the credit department does not exist. Answered interviewees to this question have been 20 from 24.

Table 1. Distributing interviewees by position of specialists.

Position	Selected structure (in %)
Manager of the branch	35
Director of department	40
Credit analyst	25
Total	**100**

The second question requests information on credit experience of the interviewees and received answers vary from 0,5 to 16 years, whereas the average experience is 4,7 years. Compared to the average experience in the previous questionnaire (6,5 years) the experience accounted in the current questionnaire is lower due to the fact that the data included in the previous survey analysis were collected from the Savings Bank branches where specialists, employed, are of relatively long experience. Most persons dealing with credit activity

have a variable experience from 3 to 6 years, which is more or less compatible with the "age" of the banks or the branches, they are engaged.

The third and the fourth question comprise the second rubric of the questionnaire focusing on credit rate determinants and their relative importance. Thus, the third question requires the interviewees to identify the factor or factors on which basis the lending rate is accounted.

All the interviewees, thus the 24 of them, have answered this question. In most of the cases, the interviewees have expressed that all factors included in the questionnaire have got their role in deciding the credit rate, although they are asked to specify the most noticeable ones.

Table 2. Credit rates determinants distributed by the number of identified cases.

Factor	In % to total May 2001	In % to the total December 2000
Risk rate	88	79
Deposit rates	79	68
Operating cost	71	68
Other banks'credit rates	66	63
Profit rate intended to achieve	63	26
T-bill yield	58	42
Bank of Albania's signals on lending rates	38	37

If we compare the received answers from the performed questionnaire at the end of 2000, we will see that the first four determinants will be listed in the same way. Meantime, we will notice a shifting of "the intended profit to be gained by banks" from the second part of the table. The latter determinant is the last listed in December 2000 survey. Meanwhile, according to the performed survey in May 2001 and from the viewpoint of credit specialists, the intended profit to be gained by banks assumes a higher significance than the T-bill yield or the Bank of Albania's signals on lending activity.

Question 4 asks the interviewees to rank factors identified in question 3 according to their relative significance.

The interviewees showed ready to expand their list with unidentified factors in the previous question. This fact ensured the possibility to classify all factors accounted in fixing intrest rates by each factor's relative significance[1].

Table 3. Listing factors by their relative significance.

Factor	Accounted coefficient
Deposit rates	2.3
Risk rate	2.7
Intended profit to be gained	3.9
Operating cost	3.9
Other banks' lending rates	4.1
T-bill yields	4.5
Bank of Albania's signals on lending rate	5.4

If results drawn from question 3 are compared to those from question 4, it will be noted that the factors listed will not be identically the same.

This is because of the fact that if the frequency of acquainting one factor indicates its relative significance to someway, it does not disclose the same data in the list.

For example, risk may be more frequently identified than deposit rates, however deposit rates are the most frequently met indicator to be fist listed in the escalation.

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[1] By the already well known method of accounting the average weighted, it was made the combination of the frequency of acquainting the cases for each factor with the relative significance with the numeric value assigned to each level. The number acquired from the calculations indicates the relative significance for each factor. During the interpretation, it must be considered that with the increasing value of this coefficient it decreases the relative significance of each factor and vice-versa.

Question 5 is intended at data collecting on the type of maturity term each bank or bank branch has applied in its credit delivery for the period under study. This question is opened to more than one choice and is simply a qualitative question. Interviewees are not requested to state the corresponding share for each credit type according to their maturity term in the loan portfolio as these data would require much more time and it would be hard to benefit from them. The following table presents loans accorded by maturity terms and the frequency with which they are identified by credit specialists [2].

Table 4. Distribution of loans by maturity-terms.

The type of credit (by maturity term)	Banks'no.as to accorded credits	Cases in % to the total of answers*
Short term loans (to one-year)	20	100
Mid-term loans (1-3years)	14	70
Long-term loans (over 3-years)	5	25

Note: *The total amount is not 100% as the question allows the selection of more than one alternative.

In 65 percent of the cases, the selected alternative is the short and the mid-term credit concurrently, whereas in all cases (in five of them) when the selected alternative is the long-term credit, credit specialists express that the bank or subsidiary has accorded the three types of credits. The data collected from question 5 may be combined with the geographical spread of banks or branches.

Chart : Credit accordance by maturity terms by identified cases for each district.
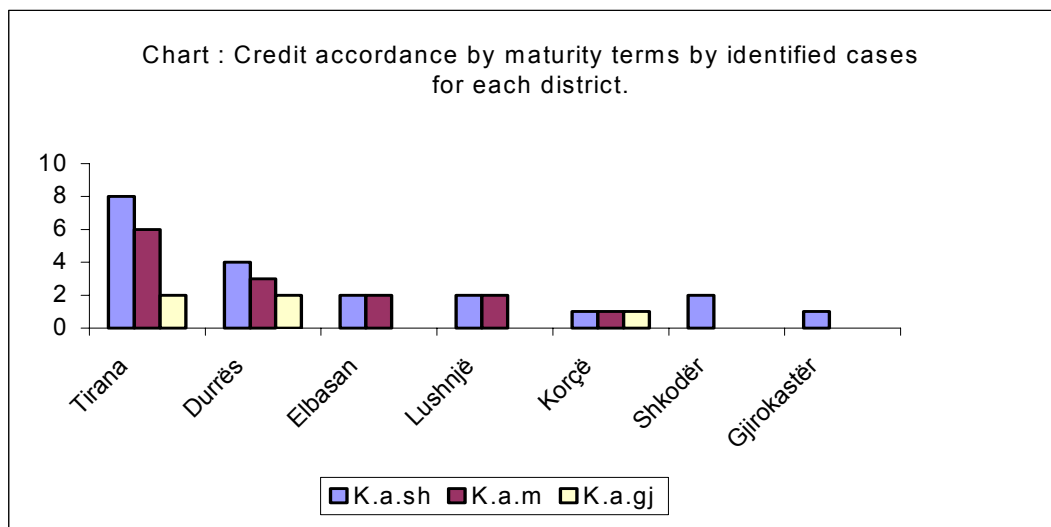
From this chart, Tirana is the city with the largest credit activity performed by banks or bank branches. This has been the expected result considering that the current banks' number included in the questionnaire is higher in Tirana than in other districts. For this reason, the attention to be paid herewith should not mainly remain with the comparison of the total cases presented in the questionnaire but also with the credit types distributed per country areas. As evidenced, Tirana and Durres represent the districts, where the three credit types have been accorded in spite of the area they occupy in the credit portfolio. One interviewee of Korca locality has expressed that his bank has accorded the three credit types while other areas have been limited to the extension of short- and mid-term credit.

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[2] Four interviewees expressed no credit delivery from their bank or bank branch during this term.

Question 6 requires from all the interviewees to identify their banks' or subsidiaries' most preferred credit type for the period under survey. The following table provides combined answers with the districts'.

Table 5. Credit types distributed by bank preference.

Preferred credit type	In % to the total (May 2001)*	In % to the total (Decemb 2000)**	According to districts* (May 2001)
Short-term loans	65	72	T,D,E,L,K,Sh,Gj
Mid-term loans	40	44	T, D, L, Sh
Long-term loans	0	11	-

* One of the interviewees expressed that the bank made no differentiation between the short-and mid-term loans.
** In the previous questionnaire, most specialists have selected two or three credit types concurrently for this reason the total amount is not 100 percent.

While it is impossible to make comparisons in absolute terms, since the selected alternative in most answers is more than one, the conclusion may be that long-term loans, reverse from their evidenced preference in the credit survey of December 2000, do not represent the interest of credit specialists any more. In Tirana, Durres, and Shkodra, the number of interviewees expressing in favor of mid-term credits is the same with those stating that their bank prefers the short-term loans. As to the other country areas, it is evidenced a clear preference for the short-term loans.

Question 7 represents an extension of question 6 aimed at collecting information on preference reasons for the selected credit type. Before listing answers, we must clarify that interviewees, in most cases, have presented more than one reason for their choices.

From the interviewees expressing in favor of short-term credit (13) about 40 percent have given as reason the low risk they bear in themselves. Three interviewees expressing as reason the customer demand laid the emphasis on the better monitoring opportunity, they provide. In both cases, the preference is linked with the bank inclination toward small business (granting short-term micro-credits at the same time). One of the interviewees expressed that short-term credits avoid the discrepancies between the assets' and liabilities maturity, whereas another interviewee links this

preference with the need of the bank branch to gain experience in credit delivery.

What's most eye-catching in the answers provided from credit specialists is the considerable relationship credit departments or units have established with clients. In this way, the low level of risk presented by the short-term credit concerns the customers' facility to use and return such kind of credits.

In the framework of the overall credit demand, banks appear to dedicate attention to the duration of customer relations, by also enhancing the bank credibility to them.

This factor comprises one of selecting criterions for them. Meantime, the preference for the short-term credits is closely related to minimizing risk, the preference for the mid-term credits appears to be mostly conditioned by the customer requirements and the bank bias to relieve customers with the payment of loans received.

Therefore, three interviewees have selected credit demand as one of the reasons to lead the bank to mid-term credit preference. Four interviewees or half of those designating this credit type as their most preferred refer precisely to the adequacy of the term and the payment facility. In one of these cases, the interviewee has expressed that the bank has taken the decision to relieve the customer from the high monthly

payments. A somewhat different approach is noted for one of the answers where as preference reasons for the mid-term loans are mentioned:

a. The ensured stability by the mid-term loans,

b. The support they render to the economic development,

c. The Bank of Albania prohibiting the extension of long-term credits (over 5-years). **Bank of Albania's Supervision Department specialists express that a similar rule does not exist.**

In spite of the above-made division, it is understood that all listed reasons have a mutual relationship between them, as bank efforts to relieve customers with the payment of liabilities lead to their better monitoring possibilities and the reduction of credit risk accordingly.

Question 8 is aimed at data collection on credit accordance in domestic or foreign currency. From the performed questionnaire in December 2000, all banks interviewed, resulted on credit delivery either in domestic or foreign currency for the second half of 2000.

All bank specialists according credits for January- May 2001, thus 20 of them (those interviewed) responded this question.

19 banks or bank branches have accorded credits in foreign currency (95 percent of those answering) while credit the delivery in domestic currency was identified by 17 interviewees or 85 percent of them. Hence, the number of those expressing in favor of foreign currency credit delivery is a bit higher than that affirming that the bank has accorded domestic currency credits only.

Question 9 asks the interviewees to rank by descending scale their bank preferred economic activities for credit delivery for the period under study.

In most of the cases, the interviewees have filled the whole escalation marking a number for each economic activity.

There were rare cases when the down-listed activities were less than six and they did not cause troubles in computation, consequently.

The following table displays the place each economic activity occupies in the escalation.

Table 6. The share, each economic activity occupies in preference escalation.*

Activity	A	B	C	D	E	F
Trade	40	26	22.2	--	--	--
Industry	40	22	5.5	20	--	6.2
Services	4.5	30	38.8	6.6	15.4	--
Construction	9	13.4	11.1	20	15.4	31.2
Transport	4.5	4.3	16.6	33.3	38.4	12.5
Agruculture	-	4.3	5.5	20	30.7	50
Total	100	100	100	100	100	100

Note: * A signifies the most preferred activity whereas F is the least preferred. 100 percent corresponds to the total answers for each grade.

The table indicates that 40 percent of those filling up the first preference grade positioned trade and 40 percent, industry. Agriculture is never acquainted in the first preference grade. Other preference scales are interpreted in the same way. As clearly evidenced from the table, trade and

industry are the most frequently acquainted activities in the first place, services and construction are average preferred whereas, transport and agriculture are the least preferred as they occupy last positions.

Table 7. Listing economic activities by credit preference*.

Activity	Average activity May 2001	(by preference) december 2000
Trade	1.73	1.68
Industry	2.10	2.00
Services	3.33	3.06
Construction	3.88	2.80
Transport	4.05	4.38
Agriculture	5.00	5.70

Note: * To read the table, enough to use the principle of low value of the coefficient of high preference per activity.

As noted the list does not present any significant changes happening from December 2000 to May 200. Trade continues to remain the most preferred activity and agriculture the least preferred.

The only noticeable change is the change of seats between the services and transport activity in favor of services. From the data collected in December 2000, the most answerable were the interviewees considering industry and construction as the most profitable activities of the future. Trade ranked third being already chosen by half of those who preferred both above-mentioned activities. In the three last listed positions are agriculture, services and transport.

Reverse from what was forecasted for December 2000, trade is still interesting to be credited even in the current reality. The forecast and reality for industry almost comply thoroughly, whereas construction is expected to be more credited indeed. Reverse from what was expected, (the fifth grade) services ranked third in bank preference to credit.

Specialists expected a higher credit delivery to agriculture, not materialized during the period, while transport did not indicate noticeable changes. The data analysis for question 9 also considered banks geographical expansion [3].

Table 8. Geographic distribution of activities by preference grade[4].

District	Most preferred	Preferred	Average preferred	Little preferred	Least preferred	Not preferred
Tirana	Indus.	Trade	Services	Trans	Const	Agr
Durrës	Trade	Indus.	Services	Const	Trans	Agr
Shkodër[5]	Trade	Indus.	Services	Trans	Agr	
Elbasan	Indus	Cons	Trans	Agr	Services	Trans
Lushnjë	Tra, Serv	Const	Trans	Indus, Agr.		
Korçë*	Trade	Services	Ind.	Trans	Agr	Const
Gjirok.*	Indus.	Trade	Cons		Services	Tra, Agr

Note : * In these cases, the preference is collected from a single questionnaire.

Question 10 is proposed at data collecting on preference reasons for both most

preferred economic activities for the term under study.

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[3] For districts filling up 5 questionnaires at least, the estimation of cases is average weighted, whereas for those districts handing over less then 5, there were simply counted the cases and it was specified the position, that every identified activity occupied.

[4] Using figures in any case would be confusing. That' why, it was devised a gradation of this type. It must be stressed that as already known, the collected information for most districts is very insufficient and it must be taken on reserve.

[5] A bank from Shkodra region set construction in the most preferred position and another one in the least preferred. That's why, it is difficult to affirm the real position for this preference rate.

Comprising one of the most preferred activities, trade preference reasons are down-listed as below:

Table 9. Preference reasons for trade.

Preference reasons for trade	No. of cases[6]
Trade is the economic activity that dominates the domestic market	2 cases
Trade ensures high proceeds (returns)	2 cases
Costumer demand is higher for trade	2 cases
Trade ensures quick revenues	2 cases
Trade activity is simple to analyze	1 case
Trade is quickly adjusted to market changes	1 case
Trade is the least hazardous activity compared to others	1 case

The answers to this question are as stated by the interviewees leaving a way opened for combination on our side. For example, the first listed reason may be interpreted as a high demand. In the same way the ability to quickly adjust to market changes comprises a low risk guarantee. It can be understood that the banks' main inducement against trade credit derives from the need for safety and proceeds, criterions that this activity best meets.

The second listed activity after trade is industry. Preference reasons for industry have a somewhat reverse character from those presented for trade.

Table 10. Prefernce reasons for industry.

Preference reasons for industry	No of cases
Industry ensures long-term clients	3 cases
Industry is an important sector of economy which credit helps the domestic output provides safety and high demand.	6 cases
The bank intends to credit the industry	1 case
Industry ensures velocity in circulating capital	1 case

While analysts consider trade an activity that ensures high and fast proceeds, industry is mostly referred as a consolidated activity, comprising long-term support for the Albanian economy, which, on the other side, enables banks stable relations with clients.

The service preference is justified with the low risk, the easy control and management and in only one case with the regional features for tourism. The preference for construction is regarded as a closely linked with the customer demand, the low risk, the easy control and management and, only in one case, as consolidated activity, having the ability to study the market to innovate the technology and fight the unfair competition.

Question 11 requires the identification of business types (by size), bank or bank branch credited for January-May 2001 interval. All the interviewees in all banks included in the questionnaire, hence 20 from 23 or 83 percent gave positive answers to this question.

The following table discloses all business types additionally to the number of cases; each business type is confirmed credit.

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[6] There have been also counted even the cases when trade is placed in the second preference grade.

Table 11. Distributing answers on credit delivery by business type.

Business type	Cases (in %)*
Mid-size business	95
Small business	60
Largest business	55

Note: * Computations have been made on the total of answered case (20). The total is not 100 percent as the question is opened for selection of more than one alternative.

It is evidenced that almost all the interviewees stated that the bank they are engaged has credited the mid-size business meantime almost half of those expressed in favor of the largest and small-size business separately. **Question 12**, asks the interviewees to rank all business types by their bank or bank branch credit preference indicated for the period. The following chart ensures data on the total of answers for each preference level as well as on the place each business type occupies in the escalation.

For example, from the 23 interviewees that filled up A (high preference), 6 of them have situated small business there, 12 the mid-size business and 5 the largest business.
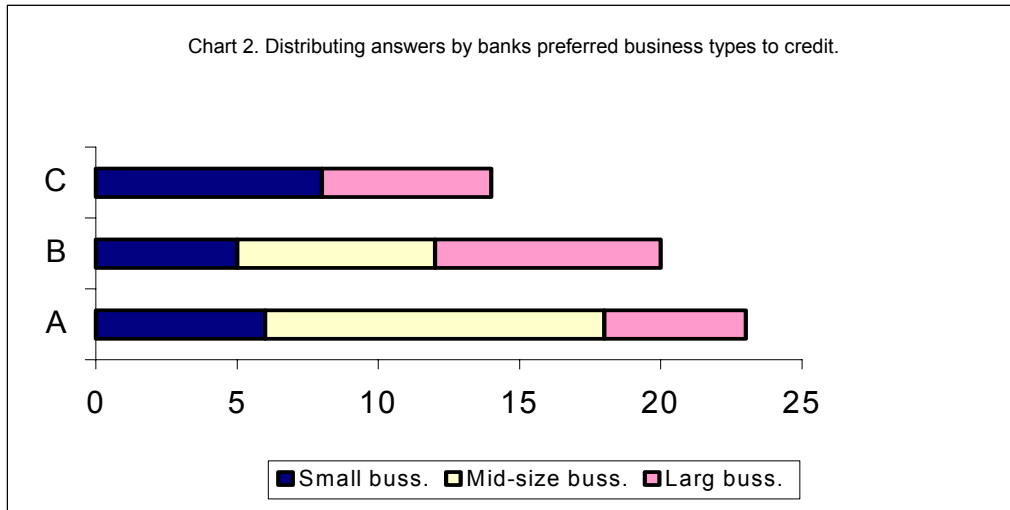

Chart 2. Distributing answers by banks preferred business types to credit.

Table 12. Listing business types by bank preference in according credits.

Business type	Preference rate	
	May 2001	December 2000
Small business	1.36	1.64
Mid-size business	2.05	1.92
Largest business	2.10	2.05

It is evidenced that all business types listed according to the preference of lending authorities at commercial banks have not changed. Banks continue to be directed at mid-size business meantime the small and the largest business are considerably less preferred than the first.

If we compare answers distributed per credits accorded (per business type) with the credit preference for each business type, we will notice that the same logic is maintained. This means that the mid-size business is banks more preferred to credit than the other types are. Meantime the small and the largest business, being

relatively remote from the first, do not demonstrate a great difference from one another. For sake of analysis, the distribution of the preference profile in lending activity by districts seems interesting. In preparing this table, there were used the average weighted rates from Tirana and Durres as well as the direct lists taken from the few responded districts. For this reason, this table may be interpreted simply as an orientation of second tier banks' credit specialists against business types.

Table 13. Combining banks' preferences for business types with districts'.

Preference rate	Small business	Mid-size business	Largest business
Most preferred	Korçë	Tiranë, Shkodër Lushnjë	Durrës, Gjirokastër
Average preferred	Shkodër, Elbasan Lushnje	Durrës, Gjirokastër Korçë, Elbasan	Tiranë, Elbasan
Not preferred	Tiranë, Durrës, Gjirokastër		Korçë, Shkodër Lushnjë

Question 13 requests the reasons for the first choice (the preference) expressed in the answer for question 12.

If we first rank the preference reasons for the mid-size business, these business results the most preferred to bank credit for January-May 2001 interval.

Table 14. Prefernce reasons for mid-size business.

Preference reasons for mid-size business	Cases (in %)*
The lending profile is conditioned by the banks' mission	34
The bank has made up its own history with that group of clients	25
Consolidated business	17
The base of albanian economy	8
Creates possibilities to distribute the risk	8
The bank has the possibility to analyze any kind of business	8

Note: * Estimated on the number of answered cases, 12.

In cases when it is made the selection of the largest business as the most preferred business in lending activity, the provided reasons are not so many; nevertheless they converge in one point. Credit specialists consider the largest business as a stable, safe and professional business offering high rates of return. Always according to specialists, this business type comprises the banks' priority as it provides the complete documentation and creates the spaces for many bank services. The provided reasons for the small business preference connect with bank inclination towards such business type. So, the answered interviewees comprised 3.

Question 14 tries to collect the whole information on the credit effect from second-tier banks (on utterly private equity) during January-May 2001. To declare this indicator, banks and bank branches are requested to refer to the forecast made on the respective term. 21 banks or branches or 65.6 percent of the total answered this question. The question permits the selection of one alternative from the five listed.

Table 15. Credit factor for january-may 2001.

Fact (in %)	Structure of answers (in %)	Structure at the end of 2000 **	Change in (percentage points)
0*	19.0	26.3	-7.3
0-50	23.8	5.2	18.6
50-100	33.4	15.8	17.6
100	19.0	21.1	-2.1
Over 100	4.8	31.6	-26.8
Total	**100.0**	**100.0**	

Note: * The evidenced cases correspond those resulting on no credit delivery.
** The Savings Bank included, as it joins the first bank group on no credit delivery.

Chart 3. Distributing banks according to their credit fact (in cases)
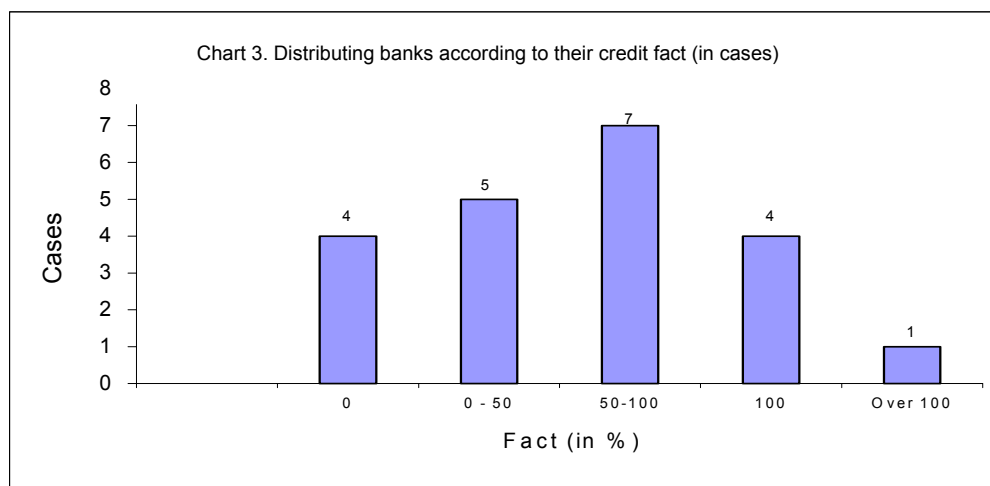
To January- May 2001, the average credit fact for the period under survey is nearly 56 percent. It is noted a distribution of answers on an almost symmetrical curve. Answers are mainly concentrated on 50-100 percent fact. Meanwhile, 23.8 percent of banks states that they have fulfilled and exceeded the forecast made for January- May 2001.

However, from performed estimations in two surveys, it is disclosed a deterioration of credit realization. Compared to the end of 2000, banks or bank branches on no credit delivery reduced by 7.3 percent and the number of those failing to achieve the forecasts made for January-May 2001, increased by 36.2 percent. As noticed the high rate non-fulfillment had negative impacts on the average credit effect. Compared to the previous survey, the average effect went down by 17.8 percentage points.

Of interest herewith is the credit fact for the first half of the year considering the geographical stretch of banks and branches.

Table 16. Distributing answers by the level of credit delivery by districts.

Credit fact	No. of cases						
	Tirana	Durrësi	Shkodra	Elbasani	Korça	Gjirok.	Lushnja
0%	1	--	--	1	--	--	2
0-50 %	1	1	2	--	--	--	1
50-100%	3	1	--	2	1	--	--
100%	1	1	--	--	--	1	1
100%+	1	--	--	--	--	--	--
Total	7	3	2	3	1	1	4

The above table indicates that the most frequently met area on no credit accordance is the one covered by the Bank of Albania's branch in Lushnja. Tirana is found on over 100 percent excess in only one case. On the whole, Shkodra represents the area with lowest credit accordance (to 50 percent).

Question 15 seeks to learn the reasons given by credit specialists on the deviations from the forecasts. 5 specialists (from 17) answered this question. Although the level of answers is low (29.4 percent), they disclose some interesting aspects that have caused those deviations.

In the case, where the bank is declared to have exceeded the forecast is motivated by the reason that the number of clients to have a 2-3 years history in bank relations increased, and banks enhanced the confidence to work with such clients.'

In both cases corresponding to 50-100 percent fact, credit specialists believe that they are very close to 100 percent and that small deviations have been as an aftermath of the preliminary convictions that the bank had on credit receivables, although a not verified fact, yet.

In both cases corresponding to 50 percent fact, the related reasons are with the brief experience of the bank and problems of internal organization in its credit department.

Question 16 has to do with data collecting on related impacts of the aggravated power situation during January-May 2001 on lending activity. To the gravity it presents, this question has been structured in two sub-questions.

T*he first* seeks to learn whether this situation has been of effect in the descending demand for credit.

To this question responded 100 percent of specialists and the level of those remaining silent on the question was high by about 45.8 percent of the total.

Specialists' believing that power situation has affected a lowering of credit demand comprise 20.8 percent of the total, whereas those expressing in favor of the reverse alternative occupy 33.3 percent of the interviewees. Of interest herewith is the combination of above data with the geographical stretch.

It is noted that in all cases (5 of them), expressing that the power situation had a negative impact on the credit demand by reducing it, correspond to the bank branches extended in the districts. This conclusion once more confirms the given signal in the first survey from a part of these branches, which very soon confronted with the power crisis and felt the difficulty it established in lending activity first by reducing the credit demand.

The second requests whether this situation had affected reduction of customer capacities to pay credits or not.

All the interviewees responded this question and, as expected, most interviewees (50 percent of them) were noted to affirm that the aggravated power situation affected reduction of customer capacities to pay credits. All country areas expressed on this difficulty except for the area covered by Gjirokastra branch. As evidenced, this phenomenon most affected area comprised Tirana, Durres and Lushnja followed by Shkodra, Elbasan and Korca.

While nearly 25 percent of the interviewees did not express that the power crisis had negative effects in credit payments nearly the same amount as that did not express their opinion on the matter. Analyzing these sub-questions, we may conclude that:
- credit payments have been much more sensitive to the negative impacts of the power crisis than the credit demand itself,
- geographical distribution of its negative impacts is much more expressed in the process of credit payments than the credit demand itself and this is logic why

businesses considered the power crisis a sporadic phenomenon.

Question 17 purposes attraction of relative opinions from specialists comparing the current credit risks to that at 2000-end. 23 percent of the interviewees or 95.8 percent of the total, nearly of the same amount with that in the first stage survey responded this delicate question to some extend. The question allows the selection of one from the down- listed alternatives.

In the process of interview and in their answers, specialists more or less left to be felt the monetary policy effect, their banks had at lending activity. Although it was insisted that they express their private opinion frequently the interviewees shared the opinion that lending procedures followed by their banks normally tended to minimize risk. This made the assessments on credit risk as in December 2000 survey, tend toward the lower levels than real risk is.

Table 17. Distribution of answers on risk assessment.

Risk level (Compared to the second half of 2000)	Cases (in %)
Very high	0
High	17.4
Unchanged	47.8
Lower	34.8
Much lower	0
Does not exist	0
Total	**100.0**

In extreme alternative, no answers are presented in any case. Most specialists (about 82 percent) believe that the current credit risk compared to the second half of 2000 is the same or lower. This means that considering the withdrawn estimation from the first survey (average-high) the current risk is more directed toward the average level thus be falling. Such reasoning derives from the fact that specialists believing that risk is lower are two times higher than those believing the reverse are. Thus, specialists' born and disclosed image on the current risk is more optimistic than in the previous six months.

Whether the received information on the risk level would combine with the geographical extension of the banks and branches, it would be noted it is the bank branches situated in the districts that believe (3) that the current risk is higher than in the previous six months. Whereas for other banks or bank branches risk levels evidence no noticeable irregularity corresponding to their geographical stretch. *Question 18* is added to question 17 as it searches to learn specialist reasons concerning the preformed selection in the preceding question.

18 specialists or 78.3 percent of those intended answered the question.

From the received answers, specialists reveal some alternatives through which they justify the performed selection on risk level.

Table 18. Reasons for selecting the risk level.

Reasons	Cases
The economic and political situation has not encountered considerable changes (the brief term),	50
Clients have become more aware on the banks' correctness and benefits deriving from it,	22.2
The political situation is more stable, order and peace is higher,	16.7
The political situation has been less stable due to the parliamentary elections,	11.1
Total	**100.0**

Whether risk related questions are combined, specialists believing that the risk levels are unchanged (50 percent of the total) are noted to assess that no significant social economic changes have happened between respective time intervals. Thus they express that the situation has been the same and somewhat stable to a certain extent. A more stable situation and higher order and peace comprises the reason for picking the low risk alternative from specialists' (3).

Meantime, it represents the supported alternative by those specialists expressing that the history with clients and their correctness in bank relationships has made them more aware on the benefits they must collect. As a result, operating with such clients reduced the credit risk for January - May 2001 (4).

The increased credit risk to this term compared to the end of 2000, two of the specialists explain with the approach of the electoral campaign which means a higher insecurity for them and a more evident risk on lending activity from banks.

Question 19 is aimed at evidencing the biggest problems businesses disclose on banks' behalf, which as result lower the process of credit accordance to them.

The question allows the selection of one alternative (problem) from the seven listed.

This question was answered by 100 percent of banks and bank branches.

From processing the questions it resulted that banks' most frequently acquainted deficiency in the process of credit accordance to businesses is "the presentation of unreal balances" which reduces the banks' confidence to operate with them. 18 specialists believe that this is one of the businesses' biggest deficiencies that banks consider as very important.

This element has to do with the level of decency that business will inherit even in the prospect relations with banks. Confronting such business trust, banks become more skeptical and conservatory in relationship to them.

Table 19. Distribution of business deficiencies.

Business deficiencies	Cases (in %)
The presentation of unreal balances	75
The lacking tradition in bank-client relationships	62.5
The total unawareness of bank requirements on credit accordance	41.7
Insufficient arguments to justify the credit accordance	41.7
Business plan deficiencies	33.3

Unawareness of legislation related to business activity	20.8
Others	2.5

The lack of business tradition and culture to operate with the banks still remains a weighty matter.

The first two deficiencies (the presentation of unreal balances and the lack of business tradition and culture to operate with banks), considered as important factors to affect reduction of credit accordance on banks side to businesses has resulted as much as of the same importance in December 2000 survey.

Question 20 is an already addressed question in December 2000 survey and as such, it allows comparison of results between both surveys and time intervals. In this question, specialists are requested to assess the relative importance of each of the deficiencies they have selected (in question 19) placing them in a descending scale (where the largest deficiency takes A position and the less significant deficiency occupies the last position in the escalation).

From data processing, it resulted that the businesses' largest acquainted deficiency by banks during the lending process is the presentation of unreal balances.

This was an expected fact even from the information collected from question 19 confirming the latter. On the other side, the lack of business tradition to operate with banks is also considered an important problem occupying the second place in the presented escalation.

Table 20. Listing evidenced defincies.*

Escalation of business definciencies	Accounted coefficient
Presentation of unreal balances	2.39
Lack of culture and tradition in blank-client relationaships	2.8
Insufficient arguments to justify the credit accordance	3.2
Business plan deficiencies	3.5
Mosnjohja e plotë e kërkesave që bankat kanë për akordimin e kredive	4
Unaswareness of legislation related to business activity.	5.2
Others	5.4

Note: * The data in table 18 do not accord with the order (at average positions) of table 19 because although the interviewees have been asked to classify the selected deficiencies in question 18, they made the classification of all deficiencies.

Compared to the conclusions drawn from this question in the fist survey, it is noted that the first two listed problems have existed and continue to exist with the same intensity. But, with the passing of time, the presentation of unreal balances changes position assuming a higher importance as banks' evidenced deficiency during business analysis. Businesses low rate of decency is one of the key deficiencies to affect banks' hesitancy in credit delivery to businesses.

The question group from 21-25 has to do with the informal credit market. Considered an evident competitor to formal credit market on one side, and an unexplored area, on the other, in specialists' opinion, it is appraised as a very useful and interesting field that demands special study. The first survey gave some introductory signals on this market and disclosed some of its elements. The question group in the current questionnaire was set up based on this. Their nature is not merely introductory and general but also specific and actual.

Question 21 is intended to attract the specialists' opinion on the informal market size compared to the formal one. The question allows the selection for only one from the down-listed alternatives.

Specialists to answer this question comprised 23 or 95.8 percent of the total interviewees.

Chart 4 : Distribution of answers on the informal market size compared to formal.
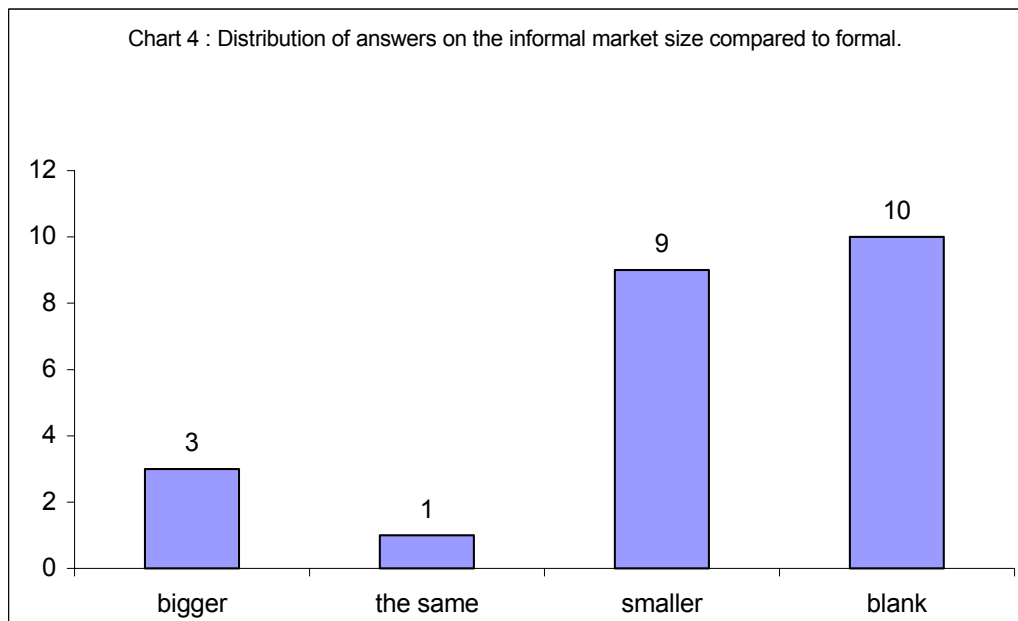
Although the level of answers is high, it is noted that most of them relatively (43.5 percent) have selected the "blank" alternative, decreasing to some extend the required information from this question.

For the rest of answers, the prevailing opinion is that the informal credit market occupies a smaller place than the formal one (in 39.2 percent of the cases). 13 percent of specialists believe that the informal credit market occupies a larger place than the formal one while only 4.3 percent expressed that this market has almost the same size with the formal market one.

Thus, according to the specialists' opinion, the informal market is not yet prevailing compared to the credit market comprised by banks. Specialists believe that there are banks those that maintain the formal market dominance at considerable extends, as well.

Question 22 is more professional asking the interviewees to disclose factors motivating the informal market existence next to the formal market. From the listed factors, it is permitted the selection of more than one factor. All banks or bank branches included in the survey answered this question.

Table 21. Distributing answers by stimulating factors of informal credit market.

Stimulating factors	Cases (in %)*
Facility in procedures and velocity in operations	66.7
Capacity to adress to this market at any moment	54.2
Variety of terms	25
Others	12.5

Note: * Computations have been made based on the number of interviewed, (24). The total may not result100 percent as the question allows the selection of more than one alternative.

From processing this question, it results that the major factor to mostly stimulate the informal market existence is the provision faster services and with nearly the least bureaucracy. 16 specialists expressed in favor of this factor. Meanwhile, there are also met comments related to the selection of this factor reasoning that this is also the most preferred market by businesses which frequently wish is to develop their activity outside the banks.

The second factor is also estimated important. It has to do with the argument of providing services at any time. 13 specialists expressed in favor of this factor.

6 specialists, selecting the variety of terms applied in this market, consider this factor a more or less exhilarating to its existence.

On the whole, this market exists and it is the most preferred for its clients as it offers more opportunities and greater facilities in lending activity. In this way, it represents a real and potential competitor for the credit market occupied by banks.

Another reason expressed by two specialists that stimulates such market existence has to do with the underestimation of credit market by the creditor. Although this element is very important in the informal credit market the creditors do not yet appropriately estimate it.

Question 23 requests the specialists' opinion related to the potentiality of lowering the economic usefulness of this market through affecting factors ranked and selected by them in question 22.

Specialists are noted to only concentrate by two major factors where banks must exercise their effect to turn it into an ineffective market.

The first evidenced factor by them has to do with the fact that banks must find spaces to release their current procedures from excessive bureaucratic charges during their lending process. 16 interviewees expressed in favor of this alternative.

Whereas the second factor has to do with banks finding bigger opportunities to serve clients at any time. 13 interviewees expressed favorably to this factor.

Thus reducing bureaucratic procedures and increasing the rate of banks willingness in service represent the most important points where banks must reflect so that clients be more tempted by bank services (formal) than informal market services.

Question 24 is a more specific question because through all the factors it tries to identify the one the respective bank has got more probability to improve. Hence this is a question that requires only one selection amongst the factors. 18 interviewees or 75 percent of the total answered this question.

About 78 percent of specialists believe that their banks must act vigorously to release credit procedures. Whereas 22 percent of those believing that their banks willingness to serve the clients at any time would provide the formal market occupied by banks bigger spaces to reduce informal market efficiency.

However, the most important factor to which banks must be sensitive to reduce or disallow the increase of informal market share must remain the releasing of extremely bureaucratic procedures followed by banks in their lending activity.

Question 25 is intended to learn the specialists' opinion related to the banks' mode to realize their intervention to reduce the informal credit market efficiency. 12 specialists or 66.7 percent answered this question.

In some cases specialists have proposed more than one alternative that would serve reducing the informal market need or utility.

One of the most efficient ways expressed by specialists is to increase the velocity of applying credit procedures. This is a supported alternative by 33.3 percent of interviewees.

Meantime the other expressed alternative that would lead to the releasing procedures is related to the extension of commercial banks' transparency and the addition of educational contacts with customers. According to specialists, this alternative must be helped through continuos and intensive promotional and publicity campaigns. Also 33.3 percent of interviewees expressed in favor of this alternative.

Banks' close cognizance of businesses and their real financial situation would help in the acceleration of lending procedures to the latter. To this important element expressed favorably 11.2 percent of specialists.

Meanwhile in specific cases (only once acquainted) we meet the down-listed alternatives that specialists believe that would release the lending procedures and reduce the informal credit market need and weight, aftermath:

- minimizing the required collateral,
- providing the necessary technical assistance,
- building structures to deal with the study and processing information for all types of business,
- reducing micro-credit procedures and their 3-4 days accordance.

Rubric E has to do with banks' opinion on lending process in the future.

Question 26, seeks to learn the prospect lending listed by economic activities. Thus this question tries to discover the specialists relative sensibility on the economic activity they consider as most profitable to be credited. The question permits the selection of more than one alternative or activity. Thus all, the 24 interviewees answered this question.

Table 22. Activities to be credited in the future.

Activity	Cases (in %)*
Trade	66.7
Industry	58.3
Services	50.0
Construction	25
Transport	12.5
Agricu.luture	12.5

Note: * Computations have been made based on the number of interviewed, (24). The total may not result100 percent as the question allows the selection for more than one alternative.

As noted from the table, the first listed activity to be credited in the future is trade, followed by industry. Whether this question' results are combined with those from question 9 of the questionnaire, lending activity is not expected to change compared to the current situation of credit accordance by economic activity.

As in December 2000 survey, transport and agricultural sector are noted to stay remote from the banks' attention on credit accordance.

Question 27 is intended to attract the specialists' opinion on credit forecast (for the second half of 2001) compared to the first half of the year. This question was answered by 100 percent of interviewees.

Table 23. Credit level (second half compared to the first half of 2001).

Credit level in the second half	Cases (in %)
Higher	74.0
The same	21.7
Lower	0.0
Unanswered (blank)	4.3

It is revealed banks' noticeable trend to have high credit rates. Meanwhile, it is a positive fact that none of the specialists expressed of lower credit rates.

However from specialists' viewpoint, the situation presented optimistic on the rest of 2001.

Question 28 has got an almost similar nature with the previous question, requesting the future tendency of credit rates in domestic and foreign currency. 22 specialists or 91.7 percent of interviewees answered this question. It is noted that for both types of currency, answered cases occupy a high level.

Table 24. Lending rates for the second half of 2001.

Credit rates	In domestic currency	Foreign currency
Higher	0.0	0.0
The same	50	62.8
Lower	13.6	0.0
Unanswered (blank)	36.4	31.8

From the analysis of this question results it is observed a non-positive tendency related to the attitude against credit rates in domestic or foreign currency. Most of the interviewees state that these rates are not going to change in the future. Meantime, question 27 gives some positive signals in favor of the extension of credit level, the previous question does not reason this conclusion with the movement of credit rates in favor of lending activity, thus their reduction.

1.1. Conclusions.

The second survey on credit activity reveals some features of this activity for the period, January- March 2001, consisting in the following aspects of its exercising and analysis:

1. Credit specialist's evidence as the most important factors in fixing credit rates the level of risk and that of deposit rates. Between these factors, deposit rates are estimated as the most primary. From December 2000 survey, the risk level resulted to bear the largest importance while deposit rates ranked second.

2. It may be arrived into the conclusion that long-term loans reverse from the evidenced preference in December

2000 survey is out of the intrest field of specialists that accord credits.

3. Short-term loans are the most preferred due to the low risk carry with themselves and the potentialities they provide for a better monitoring.

4. The preference for the short-term loans seems to be mostly conditioned by the customer requirements and the banks' orientation to release clients with the payment of credits. During the previous December, the preference for such kind of loans is justified with the low risk and their better monitoring capacities.

5. On the whole, banks have accorded credits either in domestic or foreign currency, however the number of those expressing that the bank has accorded loans in foreign currency is a bit higher that those affirming that the bank has accorded credits only in domestic currency. This conclusion does not fully comply with the arrived conclusion in the first survey, which affirmed that there were no differences between both credit types.

6. As to the lending preference by economic activities, the current reality confirms that trade is still in the area of

64

interest for creditors, reverse from what was suggested from the forecast made in December 2000. The forecast and reality almost conformed thoroughly, whereas construction was expected to be more credited in reality. Trade is regarded as an activity that ensures large and quick proceeds. Industry is considered as a more consolidated activity, comprising support for the Albanian economy and on the other side ensuring banks stable relationships with clients. Banks reveal their noticeable tendency to increase their lending activity in the nearest future. Specialists foresee credit priority for trade and industry. As in December 2000 survey, transport and agriculture stay remote from the banks interest to accord credits.

7. Almost all the interviewees confirmed the bank they are employed has credited the mid-size business meantime half of those expressed on the largest and the small-size business (separately). Listing business types according to the preference of commercial banks' lending authorities reveals the same display as in December 2000. Bank continue to attempt the mid-size business, meantime the small and the large-size businesses are considerably less preferred than the first.

8. For January- March 20001, the average credit fact compared to the bank's credit forecast for this period is nearly 56 percent due to the concentration of cases by 50 to 100 percent fact. From the provided statements in both surveys, it is revealed a deterioration of credit situation. The largest non-fulfillment had negative impacts in the average credit fact. Compared to previous survey, the average realization stays about 17.8 percentage points below.

9. The aggravated power situation during this term has affected reduction of the credit demand. It is other regions in the country (besides Tirana) that mostly sensed its negative effect. Most interviewees as it was expected affirmed that the aggravated power situation has also affected the reduction of customer capacities to pay credits. Almost all regions in the country state this difficulty.

10. Specialists' born and disclosed image with the current risk respect is more optimistic than in the previous six months. Risk is assessed to bear the trend towards the average level. It is observed that there the bank branches in the districts that believe that the current risk is at higher levels than the previous six months.

11. The presentation of unreal balances and the business lacking tradition to operate with banks, as in December 2000 survey, continue to be considered as the main factors to affect the reduction of credit accordance on banks' side.

12. According to the specialists' opinion, the informal credit market is not yet prevailing compared to the formal credit market comprised by banks. Specialists believe that there are banks to preserve this market dominance (credit) and at considerable extents. The factor to most stimulate the informal credit market existence is the one that offers the clients an expeditious service and by almost no bureaucracy. In this way, it represents a real and potential competent for the credit market occupied by banks. It is deemed that banks may hamper the growth of informal market share through releasing extremely bureaucratic procedures currently followed in lending activity.

13. Most interviewees state that credit rates are not going to change in the future. Such fact makes us to assess in order to realize the extension of forecasted credit level, banks must address to other manners than the reduction of intrest rates.

2. Agencies' analysis.

Performing a separate analysis for credit agencies helps us disclose the operating features for these relatively new units of credit market in Albania. This survey's collected information is from three agencies amongst which one has filled up four questionnaires distributed in various districts of the country. Owning to the difficulties in the distribution of questionnaires we were deprived of the possibility to cover a larger number of districts. From 6 questionnaires, Shkodra filled 4 questionnaires, Korca 1 and Berat1. Consequently, results for this part analysis must be more viewed as an overall idea on the specialization and the purpose of their existence than as a genuine analysis on the activity of these credit agencies all over the country.

The interviewees hold the position of credit manager or analyst or chief inspector. Their average experience in credit area varies from 1 to 10 years and over the interviewees have more than 5 years experience in this area.

When they have been asked on the factors to decide the appointment of credit rates they have expressed that the most important factors are the return rate intended to achieve and the risk rate. At the same time, market rates have been also in the focus of attention.

All the interviewed agencies expressed that they have accorded short-term loans and only one of them confirmed the extension of mid-term loans for the period, January-May 2001. All the interviewees declare that respective agencies prefer the extension of short-term loans. The preference for the short-term loans derives from the low credit risk and their better monitoring opportunities. One of the interviewees provides as reason the orientation of the organization towards small and very small businesses while another cites as reason the small lending capacity of the organization.

As to the type of currency all agencies under scrutiny have accorded credits in domestic currency and only one in foreign currency (USD).

The interviewees have been requested to rank the economic activities by the credit preference disclosed by the agencies. The following table has been structured using the average weighted method. The lowest value indicator corresponds to the most preferred activity and the reverse.

Table 25. Listing economic activities by the preference of credit agencies.

Economic activities	Preference indicator
Services	1.50
Trade	1.75
Industry	3.20
Construction	4.00
Transport	4.50
Agriculture	5.00

All the interviewees have placed trade and services in the first or the second preference scale.

When they have been asked on preference reasons for service activity, the interviewees have responded that this activity that generates quick revenues is preferred by the organization and presents several requests. The trade preference is justified with the reasons presented for services and the better monitoring opportunities and the high proceeds. In one case, it has been declared that services and trade are considered as a high- profit-activity that guarantees the credit payment. One of the interviewees sets agriculture in the second place and presents as preference reason the orientation of the organization.

As concerns the business types credited by these organizations they result to have all credited the small business and three of the mid-size business. All the interviewees have set the small business in the first preference scale the mid-size business in the second and the largest business in the third preference scale. One of the interviewees expressed that his agency extends credits only to the small business. These answers to someway discover the character of such credit agencies, which are trained and attend the small business with small-size and short-term loans. When they have been asked to cite the preference reasons three out of five interviewees have expressed the same opinion that the target of the organization is financing the small business.

One of the interviewees expressed that the preference reason for the small business derives from district's limited economic activity, whereas another one gives the high guaranty presented by the small business. The reasons disclosed confirm once more, that above-mentioned before that is the orientation of credit agencies toward small businesses.

In subsequence, it is made a summary of credit delivery on behalf of agencies for January-May 2001. Two from the interviewees have assigned 50-100 percent fact as level of accomplishing credit delivery meantime that another pair of interviewees have selected the "over 100 percent" alternative. While one of the interviewees did not answer one agency resulted on no credit delivery for this period. It may be said that the average level of credit delivery on the side of these agencies is satisfactory.

Deviations from the forecasts are justified by two reasons only. The one that explains the 85 percent fact is related with the seasonal features. In the other case, the excess is explained with the high demand and the high level of payments for the previously received credits.

The question targeted at collecting information on the consequences caused by the power crisis during the second half of 2000 is divided into two sub-questions. The first question intends to discover whether the power crisis has reduced the credit demand on business side. The three interviewees have sated that the credit demand reduced due to the power crisis while one of the interviewees confirmed the reverse. No interviewee has selected the blank alternative. Such thing attests to some extend the seriousness with which the interviewees have answered this question. Although this question has fixed answers and does not request reasons or explanations for the provided selection, a specialist has expanded the answer by saying that, the unfavorable power situation held borrowers far off the financing resources and increased the creditors hesitancy, who considered the credit risk higher, than usually.

The other sub-question seeks to learn whether the power situation caused delays or suspension of credit payments. Three specialists gave positive answers to this question while two others did not.

On of the specialist assessing that the power situation hampered the normal credit payments accentuates the biggest problems with this respect have been frequently acquainted in service and industry activities.

Credit specialists in these agencies have been asked for their opinion attached to the relative level of risk, thus they have been requested to compare the current credit risk with that at the end of 2000.

Table 26. Reasons for the identified risk level.

Level of risk	No.cases	Reasons
Much higher	--	--
Higher	1	The internal and external political situation
The same	2	Rising corruption, lacking active state institutions to protect financial institutions *
Lower	2	Development of local economy *
Much lower	1	Reducing the share of credit portfolio exposed against risk **
Does not exist	--	

Note: * Only one answer is presented so, both cases did not contain the same explanation.
** The question has been understood specifically for the interviewed agency and not on whole country risk.

One of the interviewees expressing for a lower level of current risk referred for comparison to the first quarter of 2001 where as at any year-onset is performed the payment of duty-tax versus the state. Such payments together with the power crisis consequences have prevented the borrowers to pay credits to lending authorities. After forwarding such problems, the interviewee expressed that the situation is expected to improve during the second quarter of 2001, thus leading to the reduction of credit risk domestically.

From the above table it is evidenced that the current risk according to the opinion of credit specialists engaged by these agencies is the same or lower than the credit risk in the previous six-month term.

The interviewees have been asked to identify the key problems their agencies meet during the analysis of businesses approached for credit delivery. Four from six interviewees consider problematic the lack of tradition in bank-customer relationship. Other three identify as problem the presentation of unreal balances, three the insufficient arguments presented by business in the application for credit delivery, two of them present business plan deficiencies and the total unawareness of bank (institution) requirements on lending activity. Additionally to the identification of such problems, the interviewees have listed them according to their relative significance.

Their listing should be made the same as that the first to rank should be the most important problem and the last to rank should be the least significant problem. The following table was built based on these answers.

Table 27. Listing business deficiencies.

Identified problems by businesses	Indicator of problem's significance
The lack of business tradition and culture in bank-customer relationship	1.6
The lack of business tradition and culture in bank-customer relationship	2.4
Insufficient arguments to justify credit delivery	2.4
Business plan deficiencies	2.6
The total unawareness of bank requirements on lending activity	6.0
Total unawareness of legislation related to lending activity	6.5
Others	7.0

This table converges with the above results. As suggested by this survey, credit agencies reverse from banks view the main problem in the lack of tradition in bank-client relationship and not in the presentation of unreal balances. Nevertheless, unreal balances remain amongst the most significant problems during the process of credit analysis. Listing other problems is the same either for banks or agencies.

Credit specialists employed by agencies have been also requested an evaluation of informal market size compared to the market composed by banks and other institutions offering credit. Only half of the specialists expressed their opinion on informal market size. One of them expressed that the informal market had the same size with the formal one, another one expressed that it was lager and another one, smaller. The interviewee expressing that the informal market size is smaller than the formal one has given additional information.

According to this specialist, borrowers are interested to address the agencies or the only bank operating in the area, for the only reason that the interest requested by informal creditors is very high and for one more reason that the operating risk in this area is very big. As result, individuals address the informal market, when their efforts to receive credits from banks or agencies turn out to be unsuccessfully. In these cases, the informal market insures the credit requested on social or acquaintance basis.

The overwhelming majority of specialists' (5) identified facilities in procedures as a factor to strengthen the informal market positions. Three of them referred to the variety of terms. Two of them identified the possibility to address this market at any time. Specialists were also requested an opinion on the factors through which ones, the banking system can realize the weakening of informal market influence. According to list made by interviewees it results that the main factor upon which it is expected the intervention of financial institutions is offering various terms. This is selected factor by 5 specialists followed by "facilities in procedures" (4 answers) and the "possibility to address the market at any time" (3 answers).

The interviewees responded on one from the presented factors in which they view the priority of the unit they are employed. In other words, they were requested to discover facilities each agency can provide their customers so as to make them stay remote from the informal market. Three interviewees answered this question by choosing the facility of procedures, two the possibility to address such market at any time and one has selected the first factor additionally to the variety of terms. It is noted that while specialists view bank's main duty as closely related to the variety of terms, they believe the main factor, the agencies must be more committed is the facility of procedures on credit delivery.

Interviewees have partly answered on how to realize the intervention on these factors. One from the two interviewees choosing "the possibility to address the market at any time" responded that the agency might realize the intervention through having deeper knowledge on their clients' activity. The other interviewee expressing that the manner through which the agency may provide credit delivery at any time is by means of improving relationships with the Savings Bank subsidiary by which the agency holds its own accounts. Difficulties to withdraw money from the bank subsidiary obscure the agency's willingness to respond clients at any time.

The last rubric of the questionnaire seeks to collect specialist opinions on prospect lending. 5 specialists identified trade as the most profitable activity, 4 services, 2 construction, and only one, at any case, identified trade, transport and industry.

To the question "what will be the lending rate ongoing", 4 specialists expressed

"higher" 1 "the same" and 1 quitted it. As noticed most interviewees engaged in credit agencies believe that the lending level will be higher in the following six-month term.

When they have been asked on the momentum of credit rates in domestic currency ongoing, three from the interviewees expressed that they expect the same level of interest rate. From the two interviewees answering the question on lending rates in foreign exchange, one believes that the credit rate will remain unchanged whereas the other asserts that it will be falling.

2.1. Conclusions

From the analysis of data collected from saving-loan agencies, it was concluded that:

- The most important factors in setting the lending rate are the rate of return and the risk level. Attention is also dedicated to market rates.
- During January-May 2001, all interviewed agencies have accorded short-term loans, also constituting their most preferred.
- The preference for short-term loans also derives from the low risk rate and their better monitoring opportunities, they represent.
- Service and trade have been the most preferred activities to be credit in this period.
- All agencies have credited the small business and only three of them the mid-term one. All the interviewees expressed that the most preferred business to credit is the small one, average preferred is the mid-size and the least preferred is the largest business.
- Most specialists believe that the power situation at the end of 2000 and at the beginning of 2001 has reduced the credit demand and collections from the current loans.
- In specialists' opinion engaged in those saving-loan agencies, the current credit risks are the same or lower than in the previous six-month term.

- During their credit analysis, credit agencies consider that businesses, biggest problem is in the lack of tradition and culture in bank-client relationships. Unreal balances also remain one of the most significant problems of such analysis.
- Specialists lack a concentrated opinion on the relative significance of informal credit market.
- The overwhelming majority of specialists identified facilities in lending procedures as a factor that strengthens the informal market positions.
- Most specialists identified trade and services as the most profitable activities to engage ongoing.
- Most interviewees by credit agencies believe that their credit range will be higher for the following six-months.

3. COMPARING BANK RESULTS WITH AGENCIES'

Comparing bank results with agencies' serves only to create an overall idea on the similarities and differences between them, as the asymmetrical data basis does not enable a complete and comparative analysis.

First, agencies expressed that they are much more guided by the rate of return, than banks are, thus listing it, the third.

Second, all agencies expressed in favor of a short-term credit preference, while banks were interested in the accordance of mid-term credit loans.

Agencies preferred to credit only the short-term business, while banks extended more credits to the largest business.

Third, agencies reverse from banks that prefer trade, rank first the service activity.

Fourth, reverse from banks that choose the facility of procedures, agencies believe that the banking system can reduce the informal

market effect by adding the number of provided loans.

rightNo. of questionnaire : !__!__!

OPINIONS ON THE LENDING ACTIVITY OF BANKS

Bank, subsidiary _____

Date of gthe interview _____

Name of interviewee_____

A.   Common information.

Question 1. What is your position in the credit department? _____

Question 2. What is your experience in credit area? (in years)_____

B.   Lending rates.

Question 3. On which of the down-listed factors do you base to define the lending rate?

1. Deposit rates   !__!
2. Intended profity to be gained   !__!
3. Operating cost   !__!
4. Bank of Albania signals on lending rate   !__!
5. Risk range   !__!
6. Other banks' lending rates   !__!
7. T-bill yields   !__!

Question 4. List the above-identified factors according to their relative significance taking into consideration that A corresponds to the most important factor and G to the least significant one.

!_____!_____!_____!_____!_____!_____!_____!
    A   **B**   **C**   **D**   **E**   **F**   **G**

C.   Your bank accorded credit types within January-May 2001.

Question 5. What is your bank's most accorded credit types in view of maturity term?

1. Short-term   !__!
2. Mid-term   !__!
3. Long-term   !__!

Question 6. Which of the above-listed types has been your bank's most preferred?

Write the corresponding number for the selected type.   !__!

Question 7. Give reason(s) for this preference.

_____

_____

Question 8. What has been your bank's accorded credits by the type of currency?
1. Domestic   !__!
2. Foreign   !__!

Question 9. Rank the down- listed economic activities according to your bank preference to accord credits during this period.
1. Industry
2. Construction
3. Trade
4. Services
5. Transport
6. Agriculture

!_____!_____!_____!_____!_____!_____!

Most preferred! Preferred !   Average !   Little!   Very little!   Non-preferred

---

Question 10. Give preference reasons for the first and the second choice (the second choice is not obligatory).
1._____
2._____

Question 11. In view of down-listed business types identify your bank's most credited types.

1. Small-business   !__!
2. Mid-business   !__!
3. Largest business   !__!

Question 12. List the above-mentioned business types according to your bank preference.

!_____!_____!_____!
 Most preferred !   Average preferred !   non-preferred   !

Question 13. Give preference reason(s) for the first choice:
_____

Question 14. How do you estimate your bank credit fact during January - May 2001 compared to the credit forecast made in your bank's business plan for the given term?

1. The bank has extended no credits   !__!
2. to 50%   !__!
3. 50-100%   !__!
4. 100%   !__!
5. over 100%   !__!

Question 15. If there is any deviation from the forecast give reason(s) to justify it:
_____

Question 16. Do you believe that the power situation at end-quarter 2000 and at the beginning of 2001 has created noticeable problems in lending activity with respect of?

16a. Reducing demand for new credits :

a.   Yes   !__!
b.   No   !__!
c.   No opinion (blank)   !__!

16b. Impossibility or delays to return the existing loans :

a. Yes   !__!
b. No   !__!
c. No opinion (blank)   !__!

Question 17. How do you consider the actual credit risk in Albania compared to the second half of 2000?

1. Much higher   !__!
2. Higher   !__!
3. The same   !__!
4. Lower   !__!
5. Much lower   !__!
6. Non-existent   !__!

Question 18. Give reasons for the above selection:

_____

_____

D.   **Specialized opinions of credit department specialists on business and the lending process.**

Question 19. Amongst the down-listed problems identify those most hampering or lowering the process of credit accordance to businesses.

1. The lack of tradition and culture in bank- client relationships,   !__!
2. Business-plan deficiencies   !__!
3. Unreal balances   !__!
4. Insufficient arguments to justify the credit accordance,   !__!
5. Total unawareness of bank requests on lending,   !__!
6. Total unawareness of legislation on bank lending activity,   !__!
7. Others.   Specify:_____

Question 20. Rank identified problems in question 19 by relative significance from the most considerable (A) to the least considerable (G).

!_____!_____!_____!_____!_____!_____!_____!_____!

A   B   C   D   E   F   G

Question 21. How do you evaluate the size of informal credit market compared to the formal market comprised by banks?

1. Larger   !__!
2. The same   !__!
3. Smaller   !__!
4. Got no idea (blank) !__!

Question 22. Some of the down-listed factors are assessed to stimulate the informal credit market. Identify those factors you believe to condition such market existence.

1. Facilities in procedures to guarantee the velocity of operations !__!
2. The variety of terms,   !__!
3. The possibility to adress this market at any time,   !__!
4. Others   !__!   Specify:_____

Questions 23. In which of the above factors do you believe your bank can weaken the effect and activity of informal credit market?
Corresponding no. of factor :   !__!
                                           !__!
                                           !__!
                                           !__!

Question 24. Identify the factor you believe that your bank may powerfully intervene.
Corresponding no. of factor :   !__!

Question 25. In what way do you think your bank can realize this intervention?

_____

_____

E.   Opinions on the lending process ongoing.

Question 26. Which of the subsequent economic activities do you consider as more profitable to engage in lending process for the following six-month term? (Select two possibilities).

1. Industry   !__!
2. Construction   !__!
3. Trade   !__!
4. Services   !__!
5. Transport   !__!
6. Agriculture   !__!

Question 27. What will be your bank's lending rate for the next six-months? (for the rest of the year).

a. Higher   !__!
b. Unchanged   !__!
c. Lower   !__!
d. Got no opinion (blank)   !__!

Question 28. The lending rate for the next six-month term:

	ALL	Valutë
a. Higher	!__!	!__!
b. Unchanged	!__!	!__!
c. Lower	!__!	!__!
d. Got no opinion (blank)	!__!	!__!

Thank you for your collaboration!