SURVEY

ON

THE FINANCIAL AND BORROWING SITUATION OF ENTERPRISES IN ALBANIA

Methodological note and questionnaire

THE BANK OF ALBANIA
FINANCIAL STABILITY DEPARTMENT

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1. General characteristics

Surveys of selected groups for various study purposes are now widely used by central banks to gather real-time information that would be difficult to obtain from official data. For years, the Bank of Albania successfully conducts surveys that provide a broader, mainly qualitative information on various economic agents, regarding past, current or expected developments. The results of these surveys are continuously used by the Bank of Albania in periodic analyses and reports in addition to official statistics.

Since 2010, in cooperation with the Institute of Statistics, the Bank of Albania has carried out semi-annual surveys on the financial situation and borrowing of enterprises, aiming at assessing different aspects of their financial activity. The questionnaire consists of quantitative and qualitative questions, with the aim of obtaining quantitative data from the respondents, as well as opinions on their borrowing in the past and their expectations for the future.

2. Motivation for organizing the survey

Monitoring the performance of the financial system in the country by the Bank of Albania is based on the data obtained in the form of reports from banking and non-banking financial institutions. Despite its granularity, data on lending to the economy allows for an analysis of the situation focusing on the banking sector, i.e. always regarding the "bank to private sector" channel. Because of this, it is difficult to get a whole picture of this relationship and its impact on the country's economy.

It is also of great interest for the Bank of Albania, through a representative sample of enterprises, to gather quantitative and qualitative information on some aspects that is not included in the banking sector reporting or other official statistics such as: the solvency of enterprises in the country; their relationship with banks; characteristics of borrowing; access to finance; compliance with lending by financial institutions in the country; the cost of debt service in relation to the financial situation of enterprises; expectations regarding investments and borrowing etc. Such surveys are widely used by other central banks, such as the Bank of Italy, the Bank of England and so on and often contain detailed questionnaires on the financial performance of enterprises.

The information gathered from the survey is processed to derive results on the risks that the financial system may face from the private sector in the country. Furthermore, the purpose is to create different indicators based on the economic activity or the size of the enterprises, which will serve to keep under observation particular aspects of enterprises' borrowing. In general, the information gathered from the survey serves to complement and further deepen the analyses currently carried out by the Financial Stability Department, generating a clearer picture of the situation.

3. General features of the questionnaire

The questionnaire on the financial and borrowing situation of enterprises consists of 35 questions organized in five sections, as follows:

- organization and scope of action;
- financial performance of the enterprise and the presence of debt;
- debt structure;
- debt burden;
- relationship with banks and expectations

The questions cover three different time periods (the previous half-year, the current period of the completion of the questionnaire, and the following half-year), enabling the creation of new data series and forecasts regarding the borrowing of this economic agent.

Questions of each section are detailed in **Annex 1.**

4. Field survey and the results

This survey is organized twice a year, respectively in June and December of each year. The Bank of Albania has collaborated with INSTAT to determine the sampling characteristics and geographic extent of the survey, as well as the interviewing process of the extracted sample of the field survey.

The sample consists of 1200 privately-owned enterprises and covers various sectors of the economy. Initially, this survey was launched on a total of 700 large and medium-sized enterprises, with a selected sample of the top 700 enterprises with the highest turnover. In 2016, it was updated with an expanded sample of about 1200 enterprises of all sizes and geographically spread across the country. The sample is almost fixed and revised time and again in order to exclude those enterprises that are non-respondent or that have shut down their activity, so as to replace them with similar enterprises in terms of size and nature of economic activity.

The answers are gathered through a face-to-face interviewing process between the interviewer and a qualified person regarding the enterprises' financial statements. The questions are addressed to the respondents in such a way that they can express their opinion on the current situation compared to the previous half of the year or even the next half-year.

The survey data entry is managed by the Financial Statistics Department, according to a pre-designed format prepared by the specialists of Financial Stability Department. Data processing and analysis of results are carried out by the Financial Stability Department. The data analysis from these questionnaires serves to identify risks that derive from the private sector, their significance and their development over time.

The continuous use of the survey results provides for the construction of time series, which not only complement the existing official data set, but also enable the creation of different indicators. These data are needed to prepare economic analyses and predict future trends, thus helping the decision-making process at the Bank of Albania.

This survey may be subject to changes as need requires, aiming to align with best practices, increase the quality of gathered information and further improve the analysis of the lending activity from the enterprises point of view.

Annex l

QUESTIONNAIRE ON THE FINANCIAL SITUATION AND BORROWING OF ENTERPRISES

SECTION I: ORGANIZATION AND SCOPE OF ACTION

Q1. General Data of the enterprise:

Name of the enterprise _____
NUIS _____
Name of the president _____
Contact person _____
District _____
Address _____
Year of starting the activity _____

Answer indicator 1. Answered 2. Refused 3. No contact 5. Passive 5. Closed (unregistered)

Q2. Choose the sector of the economy your enterprise is part of: (if there is more than one option, choose only the option with the largest share in your activity)

1. Industry
2. Services
3. Construction
4. Trade
5. Other_____(Specify)

Q3. What is the total number of employees in your enterprise? *(One option)*

1. 5-19 employees
2. 20-49 employees
3. 50-79 employees
4. 80-249 employees
5. Over 250 employees

Q4. What is the share of raw material you obtain domestically? *(One option)*

1. Up to 20%
2. 20-50%
3. 50-80%
4. Over 80%

Q5. What is the share of your goods sold domestically? *(One option)*

1. Up to 20%
2. 20-50%
3. 50-80%
4. Over 80%

Q6. How important were the following issues for your enterprise in the past six months? *(Complete each option with figures from 1 to 10, where: 1 - the "lowest degree of difficulty" and 10 - "the highest degree of difficulty".)*

1. Access to finance_____
2. Funding cost _____
3. Availability of qualified staff_____
4. Cost of production or labour_____
5. Competition _____
6. Market identification_____
7. Adequacy of legislation in force_____
8. Other_ (specify)_____

SECTOR II. FINANCIAL PERFORMANCE OF THE ENTERPRISE AND PRESENCE OF DEBT

Q7. In which currency does your enterprise conduct its activity? (Approximately determine the usage percentage of different currencies in the total activity of the enterprise)

1. ALL____%   3. USD___%
2. EUR___%   4. Other_____(specify)_____

Q8. a) How did total sales change in the past six months? *(One option)*

1. Increased
2. Decreased
3. Did not change

b) How do you expect sales to change in the next six months? *(One option)*

1. To increase
2. To decrease
3. To remain the same

Q9. What was the amount of total sales in the past six months? *(One option, the amount in ALL)*

1. Up to ALL 10 million
2. ALL 10-49 million
3. ALL 50-99 million
4. ALL 100-500 million
5. Over ALL 500 million

Q10. a) How has the financial result changed in the last 6 months? *(One option)*

1. Increased
2. Decreased
3. Remained largely unchanged

b) How do you expect it to change in the next 6 months? *(One option)*

1. To increase
2. To increase
3. To remain largely unchanged

Q11. What was the financial result of your enterprise in the past six months, in ALL? *(One option)*

1. Profit: ALL_____
2. Loss: ALL_____

Q12. a) Did you expand your activity/increase investment in the past six months? *(One option)*

1. It has expanded
2. It has contracted
3. It remained basically unchanged

b) How do you expect it to change in the next 6 months? *(One option)*

1. It will expand
2. It will contract
3. It will not change

Q13. How did you finance the activity of your enterprise in the past six months? *(More than one option)*

1. Through sales___%
2. Through carried reserves/capital increase__%
3. Debt___%
4. Other_____(specify)_____%

Q14. Do you currently have any debt to repay? *(One option)*

1. Yes (if yes, continue to **question 15**)
2. No (if not, continue to **question 30**)

Q15. When did you receive you debt? *(More than one option)*

1. In the last six months___no. of debts to repay
2. Last year_____no. of debts to repay
3. Last 1-5 years_____no. of debts to repay
4. Before more than 5 years ago_____no. of debts to repay

Q16. Complete the table for each debt that is received and not repaid by your company yet.

	Borrowing from:	Interest rate (in %)	Debt amount *(Total amount in respective currency)*	Debt currency
	a- Bank			
Borrowing a.1				
Borrowing a.2				
Borrowing a.3				
	b- Non-bank financial institution			
Borrowing b.1				
Borrowing b.2				
Borrowing b.3				
	c- Natural person			
Borrowing c.1				
Borrowing c.2				
Borrowing c.2				
	d- Other companies			
Borrowing d.1				
Borrowing d.2				
Borrowing d.3				
	e- Unpaid goods			
Borrowing e.1				
Borrowing e.2				
Borrowing e.3				
	f- Other (specify the source)			
Borrowing f.1				
Borrowing f.2				
Borrowing f.3				

Q17. What is the purpose of borrowing? *(More than one option)*

1. To cover current expenditures
2. To repay an older debt
3. A long-term investment
4. Other_____ (specify)

Q18. If the purpose of borrowing is to finance the activity, how do you consider it to be? (Refer to the largest existing debt of the enterprise; choose one option)

1. Appropriate
2. I would have preferred to borrow MORE
3. I would have preferred to borrow LESS

<u>**Section III. The structure of the largest existing debt**</u>

Q19. How long does it take to repay the full amount of the largest existing debt? *(Maximal maturity, one option)*

1. up to 6 months
2. 6-12 months
3. 1-3 years
4. 3-5 years
5. Over 5 years

Q20. How is the interest rate of the largest existing debt defined? *(One option)*

1. Fixed up to maturity
2. It can change every 3 months
3. It can change every 6 months
4. It can change every year
5. Other_____(specify)

Q21. What is the frequency of your repayment? *(One option)*

1. Every month
2. Every 3
   months

3. Every 6 months
4. Every 12 months

Q22. What is the collateral you have pledged for the debt? *(More than one option)*

1. None _____no. of debts to repay

4. Guarantee _____no. of debts to repay

2. Real estate_____ no. of debts to repay
3. Financial _____no. of
   instruments   debts to repay

5. Other (specify)____no. of
    debts to repay

Q23. In case of collateral use, what is the ratio of its total value to the total collateralized debt?
(One option)

1. Up to 50% of the debt amount
2. 50-100% of the debt amount

3. 100-120% of the debt amount
4. Over 120% of the debt amount

SECTION IV. THE DEBT BURDEN

Q24. What is the total debt value compared to your company's equity? *(One option)*

1. Approximately half
2. Almost the same
3. Almost two times higher

4. 3-5 times higher
5. 6-10 times higher
6. Over 10 times higher

Q25. How much of your income did you use for debt repayment in the past six months? *(One option)*

1. Up to 20% of the income
2. 20-50% of the income

3. 50-80% of the income
4. Over 80% of the income

Q26. If debt service changed over the past six months, what was the cause?

	(More than one option can be chosen)	*(More than one option can be chosen)*
1. It did not change	2. It has increased because:	3. It has decreased because:
	2.1 interest rate increased; 2.2 additional requirements have been added by the lender; 2.3 the enterprise income has decreased; 2.4 other_____(specify).	3.1 interest rate has decreased; 3.2 the periodic instalment has been reduced (e.g. the loan has been restructured); 3.3 the form of repayment has changed, driven by the periodic obligations; 3.4 income from business activity has increased; 3.5 other _____(specify)

Q27. If the debt service increased, how did you handle it? *(More than one option)*

1. Increased product prices for
   costumers
2. Sold a part of the enterprise activity
3. Reduced other expenditures

4. Used different reserves
5. Redirected the enterprise activity
   towards a more profitable field
6. Other_____(specify)

Q28. How do you expect the instalment to change in the next six months? (One option)

1. It will remain the same
2. It will increase
3. It will decrease

Q29. How do you generally consider the debt burden?

1. High   2. Average   3. Low

SECTION V: RELATIONS WITH BANKS AND EXPECTATIONS
(REFERRED TO BORROWING AND NON-BORROWING ENTERPRISES)

Q30. Have you applied for any form of financing in the last 6 months?

1. **Yes, I have applied** (continue to the table)

1.1. My request was approved	1.2. My request was not approved
1.1.1 The existing loan has been restructured	1.2.1 It is still in process
1.1.2 I was granted a new loan: *1.1.2.1* up to 75% of the required amount; *1.1.2.2* over 75% of the required amount.	1.2.2. I did not meet the bank's terms because: *1.2.2.1.* I had no solvency; *1.2.2.2.* the project was not convincing; *1.2.2.3.* I did not have enough collateral; *1.2.2.4.* Other_____ (specify).

2. **No, I did not apply because:**

2.1. I do not need it for the activity of my enterprise
2.2. I think it is a difficult process
2.3. I think my request will not be approved
2.4. I find it easier to borrow from alternative sources.

Q31. What will you do if you are not financed by the bank?

1. I will apply to a different bank/institution
2. I will postpone the plans for expanding the activity
3. I will borrow from alternative sources

Q32. In general, how would you rate the process of borrowing from banks operating in Albania in the past six months? (One option)

1. Very easy
2. Normal
3. Difficult
4. Very difficult
5. Almost impossible

Q33. Fill in the following elements with figures from 1 to 5, depending on the difficulty that each element presents for your enterprise in obtaining a bank loan, with 1- the "lowest degree of difficulty" and 5 "the highest degree of difficulty". *(Fill in each option)*

1. Unclear bank requirements and bureaucratic procedures____
2. High financial cost to meet bank requirements_____
3. Terms for guaranteeing the loan are unreasonable ____
4. The loan approval procedure is not transparent _____
5. Loan is generally expensive_ _____
6. The loan structure does not fit the business' activity cycle_____
7. During the life-cycle of the loan, its terms are changed by the bank in a non-transparent way____
8. There is no flexibility on loan restructuring and repayment between the bank and the borrower _____
9. The business fails to meet the bank's usual requirements for obtaining a loan_____

Q34. What is the possibility that your enterprise will request a loan in the next 6 months? (One option)

1. No possibility
2. Little possibility
3. Strong possibility
4. It is certain

Q35. How important would you consider the relationship with banks for the performance of your company's activity? (One option)

1. Necessary 2. Important 3. Not quite important