

Ardian Fullani: Modernisation of the payment system in Albania

Address by Mr Ardian Fullani, Governor of the Bank of Albania, in the meeting with businesses and companies of utility services, Tirana, 25 February 2005.

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Good day to everybody!

Thanking you for your presence, allow me to regard today's meeting as a working table, inviting you to stay away of standard conferences and slogans, orienting our discussions to concrete issues and solutions that relate to products in banking payments area. More concretely, I would like to have in this table the presence of a debate on advantages, benefits that each group of interest participating in this meeting would have from using modern payment instruments. I think that the object of today's meeting is part of our new Vision: Modernization of the payment system which will give a real contribution in reducing cash and informal economy.

The presence in this meeting of government members, of some business managers, whether public or private, who provide periodic services in small value and large number, and the presence of banking system directors, makes me be provocative right from the beginning, with a simple question to either the business or the banking system: how much longer are people going to stay in meaningless queues to pay their monthly bills?

I emphasize that we are already making the first step in modern payments world, while an important step will be finalized by mid of this year, once the Automated Electronic Clearing House project is completed. In our ambition to ensure an up-dated payments infrastructure, it's our pleasure to state that even banking system efforts have been numerous and significant progress has been made in this direction.

However, I believe that we are still far away from some basic standards. I think that the reasons have to be found in the lack of tradition, old inheritance, presence of informal economy, and in other objective and subjective causes. Assessing the recent developments, I deem that there is room in the banking system for a greater understanding between it and the business represented today in this meeting. From the viewpoint of some infrastructural problems, I think that, in spite of specific aspects of each member bank of the system, they should cooperate more with each-other, creating a unique network, capable to face and use successfully the cash inflows at their windows.

Proactive role of banks is a primary one. Banks should not wait for individuals to knock at their doors but they have themselves to submerge the public with their products and services. Banks should further refine their technology to offer as much as possible qualitative products and services to their clients.

On the other hand, allow me to attract the attention of the utility business about some banking payment products, already carried out, or expected to be carried out in a short period of time:

Establishment of the Automated Electronic Clearing House, referred to as "clearing" system. The completion of this joint project of the Bank of Albania and the banking system will have a significant impact on increasing banking payments popularity. Upon the realization of investments in modern and up-to-date technology, the overall time of realizing these payments in the whole territory of the country and in all banking windows is planned to last no longer than two days, whereas the service cost is envisaged to decrease. The project will enable the provision of services with the same quality and safety as those of the European level, whereas the companies of "utility" service in the country and the public will be the main beneficiaries.

Geographic extension of the system and banking services, I think, is another qualitative development of the banking system in the recent years. For the coming years, the banks have planned further extension, making the banking services be a tangible reality, even in small districts, why not even in outlying districts.

Besides geographic extension, through investments in modern and up-to-date technology such as ATM and payment terminals in POSs, the banks are trying to increase their products virtually. Through this technology, they are trying to be present in any living centers, commercial centers or points of sale.

A great number of banks are providing or are preparing to be present even in your houses or offices, through internet banking, within a short period of time.

Albanian banks are already part of large international networks of cards and provide card payments inside the country and abroad, either for Albanian citizens or foreigners – and this has already become a tangible reality.

Another initiative to be mentioned in this direction is the initiation of cooperation of banks in establishing joint networks of using plastic cards. I think that the creation of a joint settlement network for national interbank card payments, the extension of card penetration scale and the presence of payment terminals in points of sale – in other words the creation of a “unique card” for the whole system, I think, should be the other major challenge of the banking system following the completion of the clearing system.

I dealt with these essential banking system developments, inter alia, to make clearer the advantages banks have in terms of payments services provision. They are the only institutions licensed in the country for providing payment service efficiently and safely. This advantage is based on the good knowledge of legislation, development level of infrastructure, capable human resources and modern technology. Any other organization outside the system should not be regarded as a long-term one.

However, I take advantage of the opportunity to stress that even the Government should render its contribution in this direction. A payment system will always remain sterile in case the authorities do not manage to impose the use of fiscal cases in invoicing the sales. To be open and sincere, no businessman will encourage his small clients to use modern forms of payments, if he is not obliged to use the fiscal recorder of his activity. Otherwise, it would be much more convenient for the same businessman to transfer the income on sales directly to his bank account, merely to minimize the risk of holding large quantities of cash. Therefore, I think that we should be more active, not only through propagandistic effects, but also by finding applicable formulas and by using efficient leverages to impose the implementation of fiscal legislation. The channeling of the public administration salaries through accounts opened in the banking system is a first successful step to be welcomed, followed as well by other movements in this direction.

Coming back to my idea stated at the beginning, I think that presently the invoice collection windows, pension kiosks, payments in envelopes or bags – have all become out-dated. These practices should be estimated as expressions of a mentality to be overcome, which poses the risk of keeping us away from European standards. My opinion is that, in a short period of time, we may make the detachment of the public from “queues to pay” completely a reality.

Finally, leaving room for your discussions, I would like to present briefly even some of the benefits the overall economy, businesses present in this meeting, as well as beneficiaries or their clients will have:

Benefits to Albanian economy:

- Reduction of cash and informal economy;
- Growth of deposits and volume of credit to economy;
- Further strengthening and consolidation of domestic banking system;
- Achievement of international standards and practices, improving the image of Albania and our domestic economy.

Benefits to business:

- Growth of the planning process for collecting payments;
- Cost reduction and improvement of control on invoice-collection process;
- Improvement of service to clients;
- Extension and strengthening of business - bank relations.

Benefits to the public:

Increased payment possibilities, avoidance of queues and default interest;

Reduced need for cash as payment means and increased personal security;

Better management of households' economy.

However, I hope that a proper understanding will be achieved today as well as our goal that in the coming days we may also be witnesses of a legal cooperation act between the banking system and public entities or private businesses present in this hall.

This is not a campaign against obscurantism but an effort to impose a new culture, education and tradition. Electronic cards will be the key to enter the modern payments world, that is the services world.

I sincerely wish and I am confident that this will happen.

Thank you.