

Ardian Fullani: Bank-business relationships - a new chapter

Speech by Mr Ardian Fullani, Governor of the Bank of Albania, at the meeting organised by the Bank of Albania in cooperation with the business community of the country, Tirana, 13 December 2004.

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Honored participants!

I regard today's meeting as a special opportunity to both communities, the banking one and the business one, to open a new communication and cooperation, a new relationship based on reciprocal trust and benefit.

From a naïve viewpoint, it seems that our final goal, price stability and country's financial stability would appear different from your goal, the maximization of profit from the activity you exercise. However, going into more details, we would notice that both communities represented in this hall with their decisions and achievements make the work of each other easier, towards the indisputable idea that no economic growth could exist without economic-financial stability.

It is easier for you to make important decisions for growing your business in a stabilized economic environment where inflation rate is low. Otherwise, you would feel insecure, especially concerning the perspective of your business. Also, in the case of the country's financial stability and presence of a consolidated banking sector, you would feel more convenient and naturally the flow of free financial funds would be addressed to qualitative growth of your businesses. On the other hand, a fragile financial system, with insecure unsupervised segments would increase the potential for powerful shocks, which in one way or another would affect not only the business but also the overall savings.

Below I will treat some complicated theoretical issues. Simultaneously, I would not like to offer an apology or to make propagandistic declarations. Along with the purpose I have to introduce some recent initiatives of the Bank of Albania in the viewpoint of its new vision, I will briefly treat the awareness of your community to enhance the cooperation with the banking system, including the Bank of Albania, the institution I govern.

I hope you have recently had the chance to hear and debate about cash reduction in economy, about the acute need the banking system has for the creation of some important information registers, as I also hope you share the same opinion with me that the banking system has made obvious progress recently.

I take advantage of the opportunity to declare right from the beginning that it has not to do with propagandistic campaigns but with concrete projects, which will make the banking business more useful, naturally not only for you but for the overall population at large. Protection of the value of your savings is our constant commitment.

Allow me to briefly treat some issues I mentioned above:

1. Lending to economy

Last week I had a meeting with the banking sector directors, where we discussed about developments and perspectives of lending to economy. It was agreed by all that there is much space in this direction, while banks requested more specific information in terms of economy sectors, where investment is made and is projected to be made. Of course, this information would assist banks in the process of dealing with the requirements and at the same time would assist them even in projecting the future of their business.

Viewed from the above context, I would strongly encourage you to address banks more and more so to absorb their financial funds. But, at the same time, more transparency, more clarity is needed in the relationships you have and will have with the banking business for being successful.

2. Credit information bureau

The establishment of credit information bureau is a program initiated by Albanian bank association, for the accomplishment of which much work and institutional coordination is needed between actors of interest, such as business, banks, public institutions and the Bank of Albania. The credit information bureau is expected to facilitate not only the information problems existing between banks and businesses, but also the interbank information that is so much important from the viewpoint of using the scale economies. The Bank of Albania will facilitate the conditions for the accomplishment of this project.

3. Automated Electronic Clearing House system

After the successful implementation of the Real Time Gross Settlement system, the Bank of Albania has recently inaugurated the initiation for implementing a very important project related to the Automated Electronic Clearing House system. The operation of this new system will lead to a significant acceleration of payments for the banks' customers, and due to the absence of this element businesses remained away from banks. I would like to use this opportunity to make businesses aware of the advantages the operation of this system provides, since both the systems will contribute, among others, in reaching international standards of ATM and POS per number of population. The challenge for the banking system and businesses, as well as for the Bank of Albania, remains the public encouragement in using them.

4. Cash reduction in the economy

Some of the above-mentioned steps imply and contribute directly and indirectly in the reduction of cash economy. But the Bank of Albania plans to undertake further steps in this respect, in collaboration with other important institutions like the Ministry of Finance, Ministry of Economy. In this context, first step has been the channelling of wages payment to a part of the public institutions through bank accounts. I hope that this process will know further intensive developments in 2005, to be extended not only to the central institutions but also to the local ones.

But the banking system attitude won't be passive. On the contrary, its role will be active, that is banks will tend to address to households and businesses with clear and ready products, with quick and efficient services. I estimate that in 2005 the banking system will be more attractive, given the estimations on the latest developments of the banking system either in terms of the increasing number of branches or the additional banking services provided to the customers. I think that optimistic signs of the current year will be followed by vigorous actions of the banking system on the payment operations through electronic cards, and I would like to express in this spirit that solutions of the banking system should be in the favour of a unified card.

Evidently, steps in this direction will be more complex and naturally some of them require an interinstitutional cooperation. The Bank of Albania is preparing now the path towards a massive use of electronic cards in Albania. Credit card service will contribute not only in reducing cash in the economy but its final goal remains the reduction of the informal economy.

5. The need to get more information

The good orientation for the right decision-making, for an institution such as the Bank of Albania, requires an overall information, inter alia, on the production performance, employment situation, expectations and ambitions that businesses have for the future and for a range of other indicators that relate to the economic activity on a national scale. I think that it is not a secret to anyone of us to state that this information is rather rare, causing that many times our decision-making be not effective enough and not in conformity with the Bank of Albania capabilities.

This is the reason why we deem that you may be a valuable window of information that would help us a lot in reaching more accurate conclusions on the current and expected developments of the country. Considering that your business potential is considerable and global, there will be a possibility to have a clearer picture on the performance of the country's economic activity, not only in the metropolis but also all over the country. For this purpose we are designing a new strategy for its branches in the districts. These branches will reflect a clear picture of the Bank of Albania and will serve not only for

the collecting and depositing of cash but also as stations for the gathering of information on the economic and financial activity of the district, preceding the analyses and studies that will serve not only to the design of a clear macroeconomic policy but also to the modernization of elements for the transmission of this policy from the higher authority to the lower authority and vice versa.

On the other hand, do not forget that you will have in exchange the opportunity to conduct professional analyses regarding the branch where you perform your activity, with accurate expectations about markets, businesses and consumer demand. Therefore, even with your credit provider, the banking business will be more confident in making decisions and finding potential clients.

I would like to emphasize that the invitation I address to you today is very sincere, real, away from propagandistic clichés. To sum up, I would like to confirm that these communication relations which I appeal for today would resist the time only if they would rely on sincerity, confidence and reciprocity.

I do guarantee that.