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KOSOVO  
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# Progress through innovation





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### The Kosovo Banking Association (KBA)

is the voice of the banking industry in Kosovo. KBA is a representative of Kosovo's commercial banks, KBA member, regard to the banking sector issues and cooperates with all authorities including the Assembly of the Republic of Kosovo, the Government, the Central Bank, the International Financial Institutions, the Media, etc. in order to support the stability and development of the banking sector in Kosovo

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# PROGRESS THROUGH INNOVATION

The banking sector in Kosovo has made significant progress in the last five years. This progress is evident in many aspects, including lending growth, deposit growth, loan interest rates decline, lowering of non-performing loans, and maintaining the required capital and liquidity parameters.

Moreover, in these years, positive progress has been made in advancing customer services by adapting to new market needs that require banking services to be available at any time and in any place. Past publications involved many discussions on the development of digital banking services, but in situations of customer information and innovation overload, banks are required to communicate more effectively with their customers so that these new opportunities are as implementable as possible to accommodate the client in the easiest and most secure way.

Banks aim for these new banking ways to be as convenient as possible for bank customers and that these new ways of service to be tailored to the needs of businesses and citizens of Kosovo. Innovation through progress is not only a feature of technological advancement and keeping up to date, it is actually much more complex. To be beneficial, progress needs to be done by adapting services to be as customized as possible to the needs of businesses or citizens.

Of course, customization of services has its own limits, but in modern economies where the client has very specific requirements and competition for services is high, service providers need to tailor as economically feasible as possible. This is important because technological advances may cause interpersonal relationships to decline, although technology has enabled people to

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be in contact faster and more frequently. However, these contacts should be made in such a way to preserve the unique treatment of each individual contacted and not turn this communication into mass communication.

This is the challenge that arises not only for banks but also for all service providers who are facing new innovative developments in their field of business. The banking sector is investing heavily in both technology and human resources to be more effective in implementing these new opportunities and to be as close to the needs of the customers. This has made banking institutions in the country to be very stable, marking significant growth both in deposits and in the expansion of lending to meet the needs of financing for businesses and citizens.

Well-informed leaders and experts from the banking sector contributed to this edition of the magazine "The Kosovo Banker", whom I thank dearly. In addition, I want to thank the commercial banks and EFSE DF for their continued support for this publication of the Kosovo Banking Association.

# DIGITAL TRANSFORMATION OF THE PAYMENTS ECOSYSTEM

***The speed of payment has attracted the attention of all countries, with new developments in the field of payments and with the expansion and facilitation of internet access. How has changed the way of sending money from one person to another and what is the role of technological advances in this context? How this process is facilitated for the clients?***

The need to transfer value, also known as the phenomenon of payment, is as old as the very existence of man. Initially done through the exchange of goods, then through precious metals, in the form of metal coins, paper money, and finally electronic means, the way of sending funds from one person to another has changed constantly, especially in recent years.

These changes are presented as a result of technological advancements, which have enabled transfers to be carried out much faster and safer. With the digital transformation of the payment ecosystem and the new possibilities of authentication, which enable banks and other payment institutions to verify the identity of consumers remotely and much faster, the way we pay is also changing.

Payments in the traditional sense, through queuing for cash payments, are losing meaning by the day because of the new possibilities of realizing them in digital form and remotely through electronic instruments. While the realization and payment required several days, with new technological innovations it is possible for the beneficiary to have the funds in use within seconds. The speed of payment has attracted the attention of all countries, with new developments in the field of payments and with the expansion and facilitation of internet access.

However, from the user's perspective, small value payments still take from one to several days. Therefore, in the process of advancement, within its SEPA platform Europe has

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functionalized its fast payment platform known as "instant payments", which will provide customers with this fast payment service for small value payments starting November 2018, through new solutions, which can also be made with smart phones. These types of payments have already been realized some years ago in many EU countries, mainly in Scandinavian countries, but this year it is expected that this platform will include all the EU countries.

This platform was established as a result of technological changes and increased customer demand for instant payments, which have affected the financial services industry to develop new products and services. Moreover, as a result of these changes and needs, regulatory authorities in the European Union have issued a directive on payment services, known as PSD2, which has created space for companies that have brought new innovations in the field of payments, also known as FinTech, by creating the conditions and legal opportunities for involvement in the payment services market.





***Starting from November 2018 “instant payments”, which will provide customers with fast payment service for small value payments.***

The payment process has also changed in terms of interconnection with other processes, such as online purchases where payment is just the last step of a process. Financial service providers no longer own this process solely as a sector. Service companies and electronic commerce companies are now expanding their services by entering the field of payments. All these issues linking the different industries, which will converge with time, are thus linking payments with other processes, in order to simplify customer service.

Never before has it been easier for consumers to make payments and transfer their funds between themselves, from the sender's account to the beneficiary's account within seconds, at very low or no cost, thanks to innovations and new schemes, such as SWISH in Sweden, SIIRTO in Finland, or VENMO in the US. Improving the functionality to better adapt customer needs and requirements should be the key factor in the establishment and continuous development of schemes and applications of payment services, which would also anticipate meeting future needs.

The payment system is an ecosystem that is composed of many parties, similar to other important networks, which must be advanced continuously and create new opportunities for users, which cannot be achieved without the involvement of all relevant stakeholders in the field of payment services. Ecosystems are dynamic and constantly changing to accommodate the new demands and needs of consumers and the market in general.

In order to build efficient money transfer systems, cooperation between institutions and all other parties related to payment services is essential. Projects for the establishment of local settlement and clearing payment centers involve many stakeholders and significant actions, making cooperation between stakeholders and different industries fundamental.

For the necessary inter-institutional cooperation and interaction, all participants need to contribute to the design process, technical features and factors that are based on the customer's needs and behaviors, while promoting and ensuring healthy competition in providing customer services. It is preferable to build a model that creates a network that promotes innovation and is open to increasing the involvement of all actors. Adding value to end users through best use conditions, with products and services that meet their needs and at the same time offer competitive prices.



***The directive on payment services, known as PSD2, has created space for FinTech companies to bring new innovations in the field of payments.***

Especially when initially adapting new schemes, it is important that they are comprehensive and acceptable to achieve a wide range distribution and use. This is because the transaction cost is directly related to the volume of transactions, which means that the broader the usage, the lower the transaction fees will be. Therefore, instruments and usage methods should be encouraging and attractive for consumers to change the existing ways of realizing payments. There must be a balance between security and ease of use or suitability for the customer, which is not easy to achieve.

For almost every service, customer expectations are for immediate use, availability at all times, and whenever needed. As a result, in the area of financial services an important role is played by fast services, with high accessibility and availability at all times, whenever seen practicable by customers that are variable and have diverse needs and wants with regards to the time they need to access and complete these services.

Cards are the main instruments of replacing cash, and simultaneously are part of the fight against the informal economy. With the decrease of cash usage, electronic transactions are registered and can be taxed, and so the main goal is the increase of electronic payments and reduce cash use. However, in addition to further advancing the most well-known way of paying through cards, other alternative infrastructures for sending and receiving payments directly from and to the customer's bank account can now be established, which can help further decrease the use of cash. Currently, there are several countries around the world that have adopted such solutions, but examples of countries that have established successful platforms that have penetrated the instant payment markets are Sweden, Denmark, Finland, Singapore and so on. Some of the features of these schemes are:

- Functionality 24/ 7/ 365 with immediate transfer of funds;
- Improvement of money circulation and the process of payment reconciliation;
- Provision of instant payments with immediate execution, where within a few seconds the beneficiary may have the funds available for use;
- Improved trading of goods and online services (Electronic Commerce);
- Supporting the EU Instant Payment Schemes (SEPA);
- Functioning of the ISO 20022 payment standard;
- Supporting and facilitating innovative services that can be developed in the future through smart equipment.

Discussions regarding local payment infrastructures have changed. They moved from questions of whether it is necessary to adopt a central infrastructure or a local payment system, to the need to create a system that responds to open system requirements and enables immediate clearing and settlement of payments.



***Cards are the main instruments of replacing cash, and simultaneously are part of the fight against the informal economy.***

Banks and other companies should be focused on understanding customer requirements and processes for their realization. Shopping from home is an area, which is highly advanced at a global level but requires further improvements in Kosovo. There are also other banking processes that have changed through new opportunities, such as obtaining a loan, sending physical documents and necessary certificates to the bank, and so on. Now it has become possible for the technology to simplify these processes.

The introduction of new technologies based on distributed ledgers, in a decentralized form or also known as a blockchain, could have an even greater impact on the separation of processes from their traditional forms, which are still in the early stages of development. This is the power of an expanded ecosystem with new participants and this is the future of all services, where all the companies that want to stay in business for a long time should be willing to be a part of.



# INNOVATION TO MEET CLIENT NEEDS

***How do technological changes shape the future of banking and how can they be best utilized to the benefit of customers and the industry in general?***

The advancements of the recent years in information and communication technology have impacted every aspect of our lives. Regardless of generations, we have changed the way we live, the way we interact with one another, and very importantly the way we do business.

The changes are so dramatic that every industry has been affected and banking makes no exception. While until several years ago there was no major alternative to traditional banking, the latest advents in technology have made banks rethink their business models: they have to go beyond the traditional. But, how are these changes shaping the future of banking and how can they be best utilized to the benefit of customers and the industry in general?

In an important endeavour to catch up with worldwide trends, most of the Kosovo banks have carried out various projects to route cash transactions via electronic channels. In this regard, Banka për Biznes has significantly advanced its ATM services by completely renewing its fleet, increasing presence in the market and adding new services, which enable clients easy and secure access to their funds using the latest technology.

At the same time, various activities and campaigns have been carried out to increase client awareness and incentivise usage of services. As a result, equipping clients with cards and performing cash transactions electronically has marked a significant progress.

Likewise, online banking platforms have become increasingly more important for clients to perform their payments. Mobile banking



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BIZNES

solutions in the market provide transaction and account overview opportunities as well. BPB's new online and mobile banking platforms have been designed fully in line with clients' needs and enable them to feel the genuine digital transformation that comes with the technological advancements and the bank's commitment to deliver reliable services and innovative solutions to meet client needs.

As adoption and utilisation of electronic channels continues to grow so are the client needs which are becoming much more complex and demanding. Indeed, even today, in order to fully embrace the technological opportunities and offer high-level customer experience across multiple channels, a strategic step-up is required.

The clients of today observe the developments in technology and very legitimately expect banking to develop at the same pace. They see, for example, the advents of the blockchain technology - in short, a platform based on a distributed ledger which relies on complex computations and data encryptions and which among other uses enables parties to transact in real time without the need for third parties

to establish trust – which has opened up the doors to endless opportunities and it is therefore rightfully labelled as revolutionary. As such, clients have all the rights to expect the added value in banking and enhanced customer experience.



***The clients of today observe the developments in technology and very legitimately expect banking to develop at the same pace.***

The clients of today have very high expectations on all of their interactions with banks, be it in a branch, online, by phone or on an app. They expect the same high-level and seamless experience and consistent messaging in all the channels they use. They expect fast, secure and reliable services at any time and any place. They expect solutions which are designed to fully meet their needs, and which require as little effort as possible.

The emergence of FinTech start-ups that use technology to make it easier to invest, make a payment or get a loan, has further challenged traditional banking and has increased the demand towards the banks. While the clients of today may still consider it normal for cross-

border payments to take one business day to reach the beneficiary, very soon this will no longer be the case. It has been proven that such payments can occur instantly, same as the communication between two people in social media, and clients see no valid reason for banks not to be able to make it a reality as well.

These are just some of the fundamental client expectations which are heavily influenced by the advancements in technology and which are having a great impact on how banking is evolving and how it will be shaped in the future.

Having acknowledged these developments, BPB has placed information technology and product development at the core of its strategic objectives to meet the contemporary needs of clients and add value to their activities. As such, investments in this area represent a new dimension in offering banking services and are aimed at having the client at the very centre of the banking ecosystem and offering them a unique, consistent and appealing experience across all the channels.

By making these strategic investments and pursuing a holistic approach, the bank also facilitates the internal education and awareness of developments in technology and emerging business models in areas that are strategic for the bank.

While information and communication technology are the cornerstone of offering clients a coherent view of the bank, it is not all about technology. Such an approach requires





first of all professional and well-prepared staff who are capable of establishing sound client relationships, assessing client needs and offering client advising. They are also important agents in the deployment of new solutions and increasing client awareness about various products. As such, despite the decreased necessity for an extensive branch network to perform routine transactions, even in a very dynamic environment where automation and increased research and development in artificial intelligence are gaining heavy prominence, people and branches have a vital role to play.

Building an ecosystem with the client in the centre requires also an internal organisation that supports such a view. In this respect, having business functions which are responsible for specific client segments, look after their clients, monitor and assess client experiences across various channels and continuously strive for innovation and offering tailor-made solutions to meet customer needs, is highly important.

At the same time, various business and operational processes need to be properly aligned in support of the overall approach and strategic objectives. This includes an adequate and smooth interoperability between critical functions across the organisation, including branches and other channels, and making available various tools to effectively manage the relationships with clients. Enhancement and automation of back office operations to fully support the model and increase operational efficiency is equally important as well.

All these developments create prerequisites for better and more professional support for clients and promote creative and innovative use of technology to achieve strategic objectives of the bank.

To conclude, increased customer expectations greatly linked with the latest technological advancements have forced banks to step up from traditional banking and actively engage in rethinking their business models. The expectations for seamless and secure banking experiences across various channels are shaping banking and its future.

In an attempt to harvest the best of technology to the increased benefit of clients, BPB is pursuing a holistic approach which places the client at the very centre of the banking ecosystem and provides them an integrated experience across all the channels.

An approach which also requires appropriate internal organisation, a great level of agility and well-designed processes to develop and deploy innovative solutions. Such an approach can ensure that the client enjoys the best experience and benefits from innovative solutions which first and foremost meet client needs, add value to the clients' activities and increase quality of service.





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# PROGRESS THROUGH INNOVATION, SUPER-FAST PAYMENTS (CONTACTLESS) AS WELL AS WITHDRAWAL OF MONEY FROM POINTS OF SALE TERMINALS

***Through the use of bank cards, clients have benefited from accessing their money all the time at any place. Moreover, banks have invested in advanced technological equipment by creating spaces that provide comfort and security to customers.***

Banks in Kosovo have made continuous progress in offering innovative services in line with technological developments around the world, in terms of banking services. The bank's objective has always been guided by the principle of improving and advancing the experience and customer service.

By adapting innovations and by influencing new banking methods to customers, banks have brought services to the market that necessarily affect their habits and way of life.

It is worth pointing out that internet penetration and mobile phones have also enabled their exploitation and have driven banks to use them for the provision of combined services and thus be present with electronic services that enable easy, safe, flexible, and convenient banking on various electronic channels.

Digitalization as a trending concept, as a vision of the future, and the new ways of banking development are also fueled by the impact of new members in the financial industry ecosystem, such as the FinTech technology companies, which offer numerous creative opportunities by challenging also the business models of banks.

However, although there are developments in other technologies, it is worth pointing out

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that the bank cards and the opportunities they offer to clients are and continue to play an important role in the banking industry in general in Kosovo and beyond.

Through the use of bank cards, clients have benefited from accessing their money all the time at any place. Moreover, banks have invested in advanced technological equipment by creating spaces that provide comfort and security to customers. These concepts have been applied by leading banks around the world as well as by banks operating in Kosovo.

Bank cards have evolved further by addressing the increasingly advanced requirements of customers. With every passing day, debit cards resemble and contain the functionality



of credit cards so that cardholders enjoy the most advantages and utilize them for their needs including online payments. The whole focus of advancing cards is their conversion to cards that are mostly used for payment at the point of sales terminal.



***Through the use of bank cards, clients have benefited from accessing their money all the time at any place.***

### **Contactless debit and credit cards**

In recent years, banks have launched the latest technology in the banking card industry, debit and credit cards, which, amongst other things, enable small contactless payments to the point of sale terminals located in the respective businesses.

ProCredit Bank has brought this technology for the first time in the market in Kosovo in 2016, and later on other banks have proceeded with the implementation of this technology. Consequently, new advanced technology cards (RFIDs) have been issued and at the same time, the advancement of the points of sale terminal network has been implemented to support such quick payments in amounts according to certain limits, limits that are defined at the country level by the MasterCard and VISA International card companies.

For Kosovo, the maximum limit for a contactless card payment is set at 15 Euro maximum for a contactless payment. However, based on this limit, besides the way of using actual cards from customers and given the degree of risk, different banks have applied different limits on the number of such transactions allowed within one day. This is intended to prevent the use of cards for such payments but also for the protection of cardholders.

The launch of contactless cards and points of sale terminals have created new and value-added opportunities for both the cardholders and businesses.

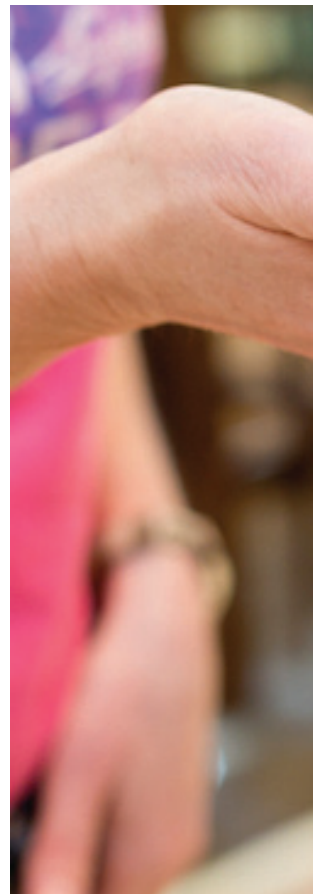
The cardholders benefit from saving time and completing payments of small amounts within seconds through contactless cards and without giving the PIN, debunking the perception that they have long processing times.

From the business point of view, the advancement of point of sales terminals with contactless technology can mean advancement and reorganization of points of sales through the implementation of cashboxes that feature fast payments for a limited number of products. From the perspective of the future, the implementation of advanced cashboxes enables scanning of products and payment by card from customers themselves.



***For the economy in our market in general, this technology can reduce the need for customers to hold cash!***

For the economy in our market in general, this technology can reduce the need for customers to hold cash, transforming them into card payments and thus switching these payments electronically minimizes cash generally circulating in the market and also provides the relevant institutions with more complete information, enhancing the degree of business formalization in general.



In Europe, card technology and contactless payments have undergone a momentum of development and have made evident progress. Great Britain is one of the countries distinguished by the massive use of contactless payments and card payments in general.

From a British business consortium report, card payments at retail stores through points of sale terminals in the third quarter of 2017 have passed cash payments, respectively; contactless card payments have increased by 147.6% compared to the year 2016.

Currently, the number of contactless cards issued in the UK market has exceeded 108.4 million, while the number of point of sale terminals that have been advanced with contactless technology has increased by 33.5% compared to 2016. Such developments are also noted in other European countries and beyond.



***An innovation of the card industry already implemented in other markets in the world and soon in Kosovo are also contactless stickers that can be placed/ attached to the back of the mobile phone and allow for contactless payments at contactless points of sale terminals.***



An innovation of the card industry already implemented in other markets in the world and soon in Kosovo are also contactless stickers that can be placed/ attached to the back of the mobile phone and allow for contactless payments at contactless points of sale terminals.

In this way, the mobile phone is converted into a so-called digital wallet by adding value to the card and phone, and offering flexibility and mobile banking to the cardholder. Contactless stickers can only be used for contactless payments in point of sale terminals that support this technology.

Finally, from the analysis of global trends, there is generally a noticeable decrease in the number of ATMs available to clients in countries such as Sweden where this number decreases annually.

However, on the contrary, at the same time there is an expansion in the network and an increase in the number of card payments at point of sale terminals. It is interesting to note that even the Swedish people themselves comment on the fact that there are businesses that inform customers through signs placed in their business space that no cash accepted.

### **Cash withdrawal at the Points of Sale Terminals**

Among other innovations currently provided by ProCredit bank for its cardholders is the possibility of withdrawing money at the points of sale terminals. This service will only be available for debit cards and can be made at ProCredit Bank point of sale terminals. This service intends to offer cardholders the opportunity to withdraw from more locations than ATMs. Enabling greater flexibility and addressing customers' needs to save time and money.

Business cashiers will complete this withdrawal service at the ProCredit Bank point of sale terminals, where during the purchase through a debit card, the customer can also withdraw cash. Upon completion of the transaction, the client will be given the required amount of cash from the business cashier. The respective

businesses also benefit from this service because the amounts withdrawn from the cardholder will be credited to their business account, thus saving cash transportation from the points of sale (decreasing the amount of cash in business locations and investing in their security) that is one of the highest costs of a business.



***The Kosovo market, however small compared to the European and world markets, can conclude that it has undergone satisfactory technological development in terms of launching payment instruments.***

The Kosovo market, however small compared to the European and world markets, can conclude that it has undergone satisfactory technological development in terms of launching payment instruments. Customers have many choices depending on their banking preferences, although it is easy to say that today a bank client cannot imagine banking without at least one bank card that offers countless opportunities in the account.

In terms of the future of electronic and digital banking, what differentiates us is the level of adaptation to new technologies, the new population as well as the widespread awareness of the population as a result of digitalization in general (social networks, globalization, access to information).



# INNOVATION AND DEVELOPMENT OF BANKING FOR SME NEEDS

***Innovative changes in banking services in recent years are not just being done for the sake of technological innovation, but to meet the needs of the customers in general and SMEs in particular, to make it easier to do business and promote growth in society and in economy.***

Today, banking supports the flow of the global economy and is among the first sectors affected by technological and financial innovation. Banks are responsible for carrying out a countless number of payments, financing international trade, and supporting businesses for fast and easy liquidity management. However, new technologies and other regulatory changes on one hand and customer needs on the other, have made the banking industry change.

Innovative changes in banking services in recent years are not just being done for the sake of technological innovation, but to meet the needs of the customers in general and SMEs in particular, to make it easier to do business and promote growth in society and in economy.

The needs of small and medium enterprises are complex and specific. Commercial retail banks have not always succeeded in following their development simultaneously with proper financial services. Today, SMEs want to make fast payments and other banking transactions on their phones or their technological devices. To be ahead of the new "global" competitors in the global markets, like the fintechs, new technology companies, banks need to make quick steps to keep these clients and improve financial services through digital channels and electronic platforms. This would mean new developments in financial service delivery channels, online access to finance, faster delivery of external transfers, and other cost-effective ways to do banking.

Banks in Kosovo, following the global market trends, have constantly developed and advanced electronic banking platforms, which serve to perform financial services and electronic

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payments in a fast, efficient, and secure way with 24/7 access to accounts. ProCredit Bank, a development-oriented bank, has a business strategy focusing on small and medium-sized enterprises, which are the main source of the country's economic development. To support small and medium-sized enterprises, the bank constantly develops adequate banking services in the most contemporary way. Following the banking trends in the world, and in order to support doing safe, easy, and efficient business, and not just lending, the bank has developed its e-Banking platform. In addition, for the first time in the region, it has designed the banking concept of Zone 24/7, in which clients will be able to perform all the necessary money services at any time on any day of the week. At ProCredit Bank today, 100% of bank transactions by customers are performed through the electronic platform and in the 24/7 zones. Therefore, with proper advice and clarification of the benefits for the use of innovative banking services, the client has accepted innovation also in the way of banking. Precisely, the client continues to be the constant reason for innovations and new developments in the field of transaction

banking involving transfers, cash management, alternative payment channels, and other financial services. Among recent developments of ProCredit bank, which is also an innovation in the Kosovo market, is cash withdrawal at point of sales-POS terminals at some merchants. This innovation, the only one offered in our market, as such, enables both parties to benefit, on the one hand, that SMEs have less cash on their premises and on the other hand, customers have easier access to their finance.

## Trade Finance

For SMEs in Kosovo, as in other developed economies, it is now very important that the bank understands their entire work system, including partners, buyers, sellers, and with a special emphasis on supporting business outside their country. Taking into account trade in Kosovo, dependence on imports, as well as recent developments in international trade, bank's support of businesses to access international and regional markets in particular is more than necessary.



***Taking into account trade in Kosovo, dependence on imports, as well as recent developments in international trade, bank's support of businesses to access international and regional markets in particular is more than necessary.***

Thus, ProCredit Bank is constantly working to find more manageable, efficient, and above all, safer ways to support SMEs in their issues in international trade finance. There are bank instruments such as bank guarantees and letters of credit that are designed precisely

to provide and protect the SMEs with regards to their trade contract progress, with particular emphasis on international partners and especially business partners who sign agreements for the first time.

Despite the fact that trade finance instruments as such existed for hundreds of years, banks are also trying to bring innovations in world trade that impact international trade facilitation, in an easier and more efficient way of managing trade finance, with less paperwork, and a faster pace. To develop trade finance through banking instruments in Kosovo, clients and SMEs generally need to raise awareness of the advantages of their use and the risks they cover. In this regard, ProCredit has put special focus on advising SMEs in general, thus achieving the largest growth in the market in this business.



***131 million Euros is Kosovo's trade finance portfolio***

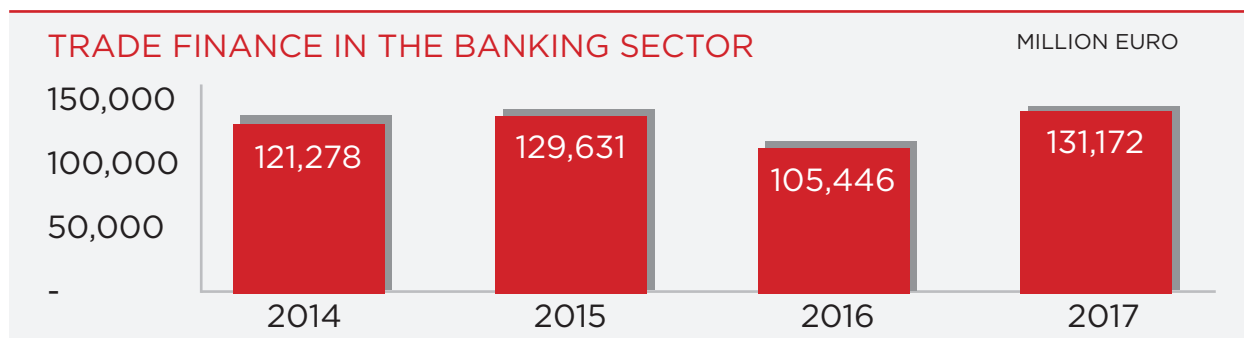
Nevertheless, the development of trade finance in the banking sector in Kosovo has room for improvement and SMEs need to protect their business through these instruments. Taking into account the high trade volume that Kosovo has, the high dependence on imports on the one hand, and the necessary export growth on the other, businesses in Kosovo should be more aware of the commercial financing instruments such as Guarantees and Letters of Credit.

SMEs need to make international business covered by bank guarantees or letters of credit without having to make advance payments for their imports. These instruments would not only protect the seller but also the buyer. In this regard, banks will also assist with consulting their business clients on these services

Kosovo's trade finance portfolio last year had a stable growth, reaching 131 million Euros,

a figure that has the potential to grow with a more special focus from everyone in order to protect SMEs and other companies while doing business with international and national

companies. The development of trade finance portfolio in the banking sector in Kosovo is shown below:



SOURCE: STATISTICAL REPORT OF THE COMMERCIAL BANKS, 2017

If we compare the two countries in the region, we note that Macedonia with trade finance portfolio of 500 million Euros in its banking sector and Albania with a trade finance portfolio of over 300 Million Euros have a more developed portfolio which means higher volume of trade secured with banking instruments. Hence, SMEs in these countries conduct safer international trade. ProCredit Bank has developed an efficient process to perform these services and continuously advises the clients on the benefits they will have when using these products.

## Internationalization of SMEs

Small and medium sized enterprises constitute an important part of the economic growth and the dynamics of economic development not only in developed countries but also in emerging economies. The number of SMEs in Europe is increasing, but, importantly, in recent years a large number of these SMEs have increased their interest in cooperating and increasing their activity abroad. An increasing number of SMEs are operating in international markets. Businesses that have a more proactive approach in developing, expanding, and finding new opportunities for success have begun to explore new markets and thus become internationalized SMEs.

The reasons that make an internationalized company to have a competitive advantage are numerous: new opportunities for growth and development, opportunity or need to increase sales, diversification of operational risk etc.

This can also be seen as a risk for SMEs today. However, in the future, the ever growing, higher-risk developments and innovations will be not undergoing internationalization rather than being a company that has researched foreign markets and has exploited it for expansion. Therefore, the support for doing business not only in the country but also in the region is also a need presented by innovation in trade and economics.

In this regard, ProCredit Bank also provides information on doing business in the countries in which it operates and supports small and medium-sized enterprises to create a wider network of buyers and suppliers. This is in line with the bank's business strategy to be the regional and international bank for business clients. It is worth mentioning that today, through the network of sister banks, it does not only make it possible to make payments faster and at a very low cost but it also enables contact with business partners in relevant fields and conducts B2B meetings between regional clients. This benefit for SMEs is also their need to keep up to date with the latest developments and be aware of the innovations in their activities with businesses partners in regional countries.

So, in all its aspects the future of banking is the digital future. Customers aim to have their information readily available, and in the easiest and safest way possible. Innovation will continue to transform banking and enable the development of new ways of performing transaction banking.



# THROUGH DATA-BASED DECISION-MAKING PROCESS TO INCREASED PROFITABILITY

***In situations where we have to deal with big data, instead of the approach based on which we collect data and then analyze the data (the current practice of data processing), now we have to speak of an approach that denotes a kind of (new) concept of action and which includes: collection, identification and action.***

We live in a world of rapid change, quick and easily accessible information, short deadlines and limited time for making decisions. Therefore, the need for making quick but sound decisions, when it comes to business, is becoming more and more important.

One solution is the concept of big data that could be used to create an analytical ecosystem in a given organization. The aim is to move from intuitive decision making to well adjusted, data driven decisions. This will be enabled only by investing time and resources in creating platforms that will develop self-learning and anticipative decision making tools. These tools will change the way we think about data altogether and will help managers to make better timely decisions.

As a Managing director of the Macedonian branch of an international financial services company, the question of big data and how it can help us improve our services, through better decision making and processes in general, arises every day.

Harvard Business School professor Michael Jensen held that allocating decision-making rights in ways that maximize organizational performance is an extremely complicated and controversial management task.

According to him, when setting up the decision-making process, the key challenge is to ensure that the right decisions are made by the right people. To achieve this, he says that there needs to be a decision-making process in which:

**KATERINA  
BOSEVSKA**

MANAGING  
DIRECTOR

EOS  
MACEDONIA,  
KOSOVO AND  
MONTENEGRO



- the ways in which decision authorities are distributed throughout the organization are regularly reviewed;
- too much decentralization but also too much democracy are avoided;
- decision rights are assigned clearly and unequivocally.



***Big data are used to create an analytical ecosystem in a given organization***

When this is in place, the organization must be aware that the decision-making process should not be measured by the results of the decision-making process, and that sometimes good decisions produce poor results.

The data available to the organization, and also the management's expectations based on previous experiences – intuition, have a significant role in the decision-making process. The key question is what prevails in the process - data or intuition. The challenge for every organization is to make the decision-making process primarily based on data and the process itself to lead to improvement of organizational profitability.

Data-based decisions can help increase profitability by accelerating the decision-making process, increasing efficiency and productivity by reducing costs based on introducing innovations. In addition, data-based decisions can contribute to improved financial performance by reducing risk and finding new approaches to business issues.



***The challenge for every organization is to make the decision-making process primarily based on data and the process itself to lead to improvement of organizational profitability.***

Nowadays, every organization faces the challenge of managing 'big data' and implementing solutions for 'big data' processing, as opposed to the current practice and focus on the data. 'Big data' is every set of data that is so extensive that it is complicated to be processed using traditional data processing applications.

In situations where we have to deal with big data, instead of the approach based on which

we collect data and then analyze the data (the current practice of data processing), now we have to speak of an approach that denotes a kind of (new) concept of action and which includes: collection, identification and action.

The approach to data collection and analysis used so far is an approach where the way in which data is collected should be correlated with the aim how we plan to analyze and use the data.

The data collection approach is usually defined before the data collection process is started, and in situations where existing data are used, it is important to know how the data were collected, in order to determine the limitations that would result from the generalization of the results and in this regard conduct corresponding analyzes. All data are usually collected based on qualitative and quantitative methods aimed at answering why and how the collected data will be used.

The approach of collection, identification, and action is an approach for big data processing. This processing is based on the data themselves. The approach begins with precise determining what and how should be measured and analyzed. The approach itself helps us not to get lost in the data and instead leads us to analyze widely and deeply; keeps us focused on the results and secures the feedback to our strategy; teaches us to cooperate with our stakeholders, managers and teams in view of understanding what is significant from the applied analysis approach and which results will lead to further improvement in performance and customer retention.

One of the important benefits of big data management solutions is the free flow and use of data across the organization. The different sectors across the organization have access to the data and can identify individual benefits from the data and timely data processing, each sector for their own work processes. For example, for operational managers, real-time data analysis is very useful to make timely decisions about corrections of the operating process, i.e. to take actions based on the insights received from the analyzes, in order to optimize the results.

The pressure on the management of organizations to make timely and precise decisions has never been greater. A number of organizations integrate different activities in the decision-making processes such as data capture and analysis. The majority of top managers and executives expand their knowledge and skills in order to be able to integrate analytical solutions and tools in their day-to-day business decision making.



***The IBM study shows that the organizations using big data in the decision-making process experienced 20 times more profit growth, and 30% higher return on invested capital.***

There are good examples that confirm that the organizations that rely on their data in the decision-making process achieve better financial results. (The IBM study shows that the organizations using big data in the decision-making process experienced 20 times more profit growth, and 30% higher return on invested capital).

In order to use their data as basis for the decision-making process, the organizations should have embedded analytics across the organization's processes. They should have achieved awareness of their high level of analytical maturity and ensured high transparency in the decision-making process.

However, as mentioned before, a significant role in the decision-making process is played by the management expectations based on previous experiences - intuition. As we move towards data-based decisions, the management's intuition gets a new role. Nevertheless, the timely and right decision making is a matter of balance between data analysis and intuition.

This balance, according to the above mentioned Harvard Business Review Study, is achieved by the organizations by creating a so-called analytics ecosystem that evolves from the application of best practices adopted as a result of the strategies implemented by the leading analytics users in the decision-making process. According to the study, the evolution of the analytical ecosystem goes through five stages:

Stage 1. Overreliance on managerial judgment based on intuition and instincts, which is often the case even today.

Stage 2. Use of analytics in few departments, mainly in finance and marketing. At this stage, the leading (and even line) management still has insufficient technical knowledge of advanced data usage. Most of the managers do not understand the powers of analytics and as a result, cross-sectoral collaboration and the development of a shared vision of organizational goals are not sufficiently encouraged.

Stage 3. Expanding use of analytics in several sectors and increased cross-sectoral cooperation. In the separate sectors are developed knowledge systems that balance between sectoral and organizational goals. Analytics is already recognized as a primary asset, even at a sectoral level. At this stage, a combination of use of managerial instinct and data in the decision-making process is achieved. The organizations that develop their own analytical ecosystem base their decisions on data and build a corresponding data-oriented corporate culture.

Stage 4. Based on a holistic approach, the decision-making process is distributed throughout the organization. Technology is embedded deeper and deeper in the organization and it encourages more managers to make decisions in everyday processes that are based on data and instinct. At this stage, for the achievement of the organizational goals, innovation and independence are encouraged in taking calculated risks in the decision-making process.

Stage 5. The key stage, when the organization has the ability to adapt and rapidly develop.



Business analytics is the key method for fast simulation, testing, and evaluation of ideas. The employees are proactive and creative. The concept of continuous improvement has a forward orientation, by developing predictive models that are considered the most advanced stage of the analytical evolution.



***This balance, according to the above mentioned Harvard Business Review Study, is achieved by the organizations by creating a so-called analytics ecosystem that evolves from the application of best practices adopted as a result of the strategies implemented by the leading analytics users in the decision-making process.***

However, still most frequently the setting in the companies is top-down. Even the need for data-based decisions is set top-down. Yet, when top managers pay attention to the data in the decision-making process, this is noted by the other employees, so they try to implement the same methods in their decision-making processes.

Thus an important change is achieved in the way of thinking, attitude and culture of the organization. A data-based organizational culture is created, i.e. an analytical ecosystem is created as an integral part of the organization across all sectors. The analysts in the company become internal consultants in the decision-making process. Through training, the best

solutions and analytical parameters are developed. The skills for integrating analytical models in everyday operations are developed and balance is achieved between the data and the instinct in the decision-making process.

Data and data analysis have been used for more than 50 years, but only now we are at the beginning of the development of models and solutions that are anticipatory, which can foresee what is coming and what will happen next. We are talking about analytical centres that are a key factor for organizational success today.

These analytical centres create innovative approaches, easily adaptable solutions to all situations and solutions that learn from themselves for even better results. In this new concept, analytics is not just a tool or technology, but rather a locomotive that drives towards disciplining of the decision-making process and accelerates to an era of cultural change and need for improved performance.



# YOUNG TALENTS, INNOVATION AND COMPETITIVENESS

***Kosovo economic transformation is standing at a crossroad: The country's economic performance is rather poor compared to countries of the region, reflected also by a large trade deficit. On the other hand, there is a great momentum to transform the economy, by reinventing some of its traditional industries and developing innovative knowledge and technology-based businesses. through engagement of youth who contribute fresh ideas and energy.***

The current economic growth relies mainly on remittances which then directly increase domestic consumption. This needs to change to enable investments into production and productivity – sooner rather than later. There are many strategies to bring about change, but one will be crucial in any way: innovation – as it is an important determinant for competitiveness of a national economy.



***Innovation is an important determinant for competitiveness of a national economy.***

The critical question is: how do we ensure innovation and develop a culture that continuously seeks change, explores new frontiers and supports entrepreneurship? The answer to this question is one of the biggest challenges that countries are facing today. Some of the most successful countries in this economic transformation, such as Estonia, have focused their effort on:

- Creating an innovative and start up-enabling environment,
- Support promoters of entrepreneurship and innovation, and;
- Focus on priority sectors that would drive change and bring growth.



## Startup - Enabling Environment

In order to achieve an optimal enabling environment for innovation and startups, efforts should be placed on generating more enabling services such as business incubation and mentoring for entrepreneurs, startups and companies that want to bring new ideas to market. These services need to be supported by appropriate legal, physical and technological infrastructure as well as access to finance.

In the reflection of creating a startup-enabling environment, the Innovation Centre Kosovo is one of the leading business incubators for innovation and entrepreneurship in the country. ICK is a center that connects scientific research and development to the local business sector, with the aim to create new job opportunities based on knowledge and new technology.

The centre supports entrepreneurship, innovation and commercially based business development. As a result, ICK has supported

over 200 startups with services, hosting and other necessary tools to make these businesses more sustainable and bankable.



This startup support comes as a joint effort from many partners, donors, and relevant stakeholders. An example of such cooperation is the project on 'Enhancing the Entrepreneurial Ecosystem through Innovation of ICK in collaboration with the EFSE Development Facility. As part of the project, 15 startups who successfully passed the ICK incubator program, received a 10 day consulting service to optimize their product/service, business plan and expansion strategy.

Another positive change in the startup environment is the creation of Ministry of Innovation and Entrepreneurship by the Government of Kosovo. The newly established Ministry also has a significant budget for years to come, which combined with proper incentives and support program could promote innovation in the country.

While the above demonstrate progress towards a startup and innovation friendly environment, there are persisting barriers that startups and MSMEs face. Although business registration and the registration of employees has been simplified (see Worldbank Doing Business Report 2018), access to finance remains one of the most critical bottlenecks of the Kosovo entrepreneurial ecosystem. In particular, banks do not finance start-ups with less than 1 year of existence and respective financial statements. Furthermore, many banks have recently decided to stop serving the microenterprise segment, therefore micro loans are now mostly supplied by the small microfinance sector.

Given this difficult situation, a Startup If Innovation Investment Fund, for example set up by international development finance, is imperative, and both technical and legislative support is needed for the establishment of such fund, which would ultimately make potential startups and innovative teams into bankable sustainable businesses.

## Supporting Promoters

Second area which needs a special focus in advancing innovation are the promoters of entrepreneurship and innovation. In Kosovo, this focus should be on the youth because the youth contributes fresh ideas and energy and are open to change. Government and other stakeholders need to support the youth and provide them with the support they need.

Up-to-date ICK has supported and empowered over 15,000 young people in programs of pitching events, incubation, trainings and more, with the aim to bring ideas and energy of the youth to Kosovo's business sector.

Success stories from these programs have inspired and empowered youth but have also presented a more innovative face of Kosovo's potential to the outer world. More and more companies from abroad are considering Kosovo Made micro and small companies, and even freelancers for outsourcing their services, in particular in the area of ICT.



A great source of new ideas and innovation also comes from the Diaspora. There needs to be more programs that incentives the Diaspora flow of ideas and investment into the country. Some of the best examples of the new innovative businesses have roots in



Kosovo's Diaspora. Startup like Animus Home are an example of this, in which two brothers from Malmo, Sweden decided to join ICK by opening an office in Pristina, and employing 6 new developers.

## Focusing on Key Sectors

Kosovo's economy consists today of a mix of different sector and industries, with no particular one being competitive in the global market. Kosovo must focus on sectors that yield positive income and build on it for more growth and sustainable businesses. ICT is one of those key sectors that has need a greater focus.



***The ICT market in Kosovo, albeit smaller than that of the countries in the region, has reported continuous growth over the last 5 years and contributed 8% to 11% to Kosovo's GDP, which is higher than that in the surrounding countries.***

The ICT market in Kosovo, albeit smaller than that of the countries in the region, has reported continuous growth over the last 5 years and contributed 8% to 11% to Kosovo's GDP, which is higher than that in the surrounding countries. It is one of country's few export-oriented industries. This is due to the fact that there are many young talents who are linked to and learn through international networks and apply best practice ICT in their work.

Kosovo's progress will depend on its ability to support innovation and entrepreneurship, on its ability to utilize its youth by equipping them with proper skills needed for the

businesses of the future, on its ability to stay focused on key sectors, on its ability to support promoters of innovation, and create an enabling environment for them to stay and develop in the country. Some initiatives in the country have shown that this is possible, now the Government has to make a startup and innovation friendly environment a priority.

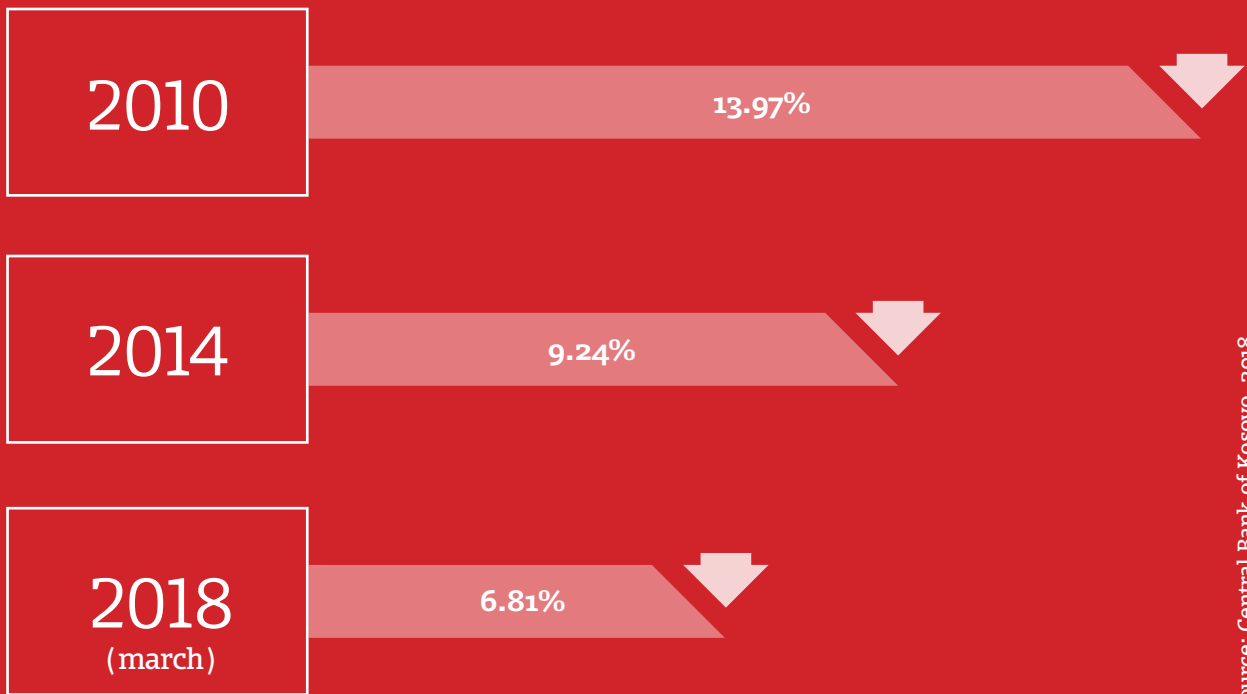
## About ICK

Innovation Centre Kosovo (ICK) is a centre whose aim is to connect research and development component of scientific field with the business sector, focusing on creating new job opportunities oriented towards the future, based on knowledge and new technology. Innovation Centre Kosovo (ICK) was founded to support entrepreneurship, innovation and commercially based business development, with a focus on information and communication technology. The centre supports both start-ups and existing companies with the potential for growth. The establishment of ICK was financially supported by The Norwegian Ministry of Foreign Affairs. ICK was initiated in June 2012 as a project of Athene Prosjektledelse, Norway and the Kosovo Association of Information and Communication Technology (STIKK) with Crimson Capital LLC, Kosovo being the main cooperating partner on this initiative. ICK is funded by Embassy of Sweden in Prishtina and Royal Norwegian Embassy in Prishtina.

## About the EFSE Development Facility

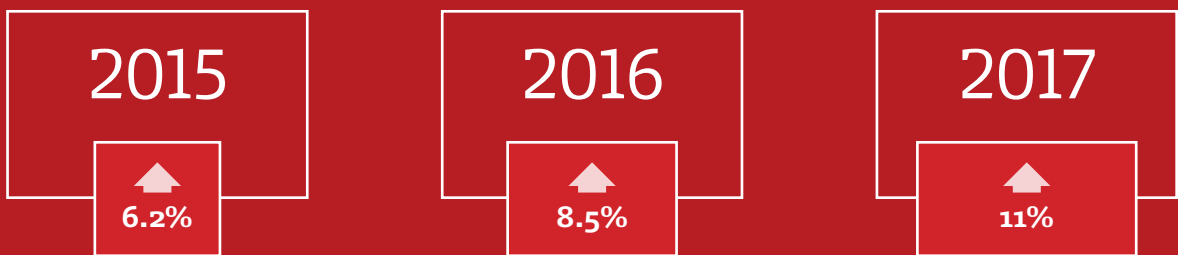
The Development Facility of the European Fund for Southeast Europe (EFSE) supports the fund's development finance mandate. It deploys effective, targeted and innovative technical assistance to maximise the impact and extent of the Fund's development finance mandate in target countries. The services of the facility encompass capacity building and training, financial sector support and applied research with the aim to strengthen the internal capacities and operations of the fund's partner lending institutions and end-clients such as startups and micro and small businesses (see also efes.lu).

### THE AVERAGE EFFECTIVE INTEREST RATE ON LOANS THROUGHOUT THE YEARS



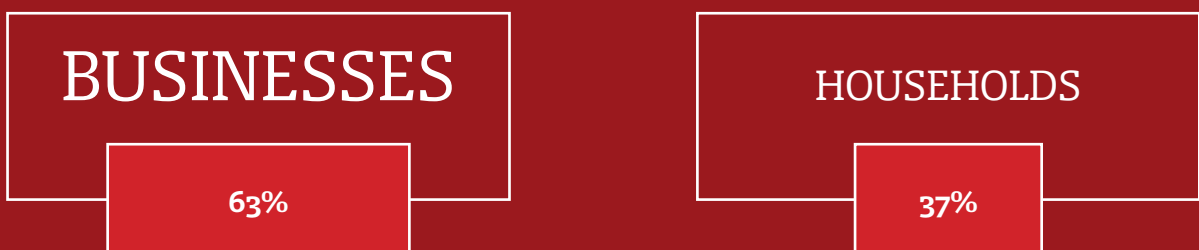
Source: Central Bank of Kosovo, 2018

### INCREASED LENDING FOR BUSINESSES



Source: Central Bank of Kosovo, 2018

### LOANS FOR BUSINESSES AND HOUSEHOLDS



Source: Central Bank of Kosovo, 2018

## THE GROWTH OF GLOBAL MONEY WEEK ACTIVITIES WORLDWIDE

<b>2018</b>	7,8 million children and adults
	23,738 organisations
	72,759 activities
	150 countries of the world
<b>2017</b>	7,8 million children and adults
	23,000+ organisations
	72,000+ activities
	137 countries of the world
<b>2016</b>	7 million children and adults
	13,000+ organisations
	33,000+ activities
	132 countries of the world
<b>2015</b>	5.6 million children and adults
	962 organisations
	3,000+ activities
	132 countries of the world
<b>2014</b>	3 million children and adults
	490 organisations
	2,000+ activities
	118 countries of the world
<b>2013</b>	1 million children and adults
	400 organisations
	80 countries of the world
<b>2012</b>	33,000 children and adults
	21 countries of the world (Day/Week for Finance for Children)

Source: Child and Youth Finance, 2018

## THE INCREASE OF KOSOVO BANKING ASSOCIATION'S ACTIVITIES FOR FINANCIAL EDUCATION

<b>2018</b>	350+ children and adults included in activities
	5 municipalities
	7 schools
	3 000 adults included (indirectly)
	Lectures and educational activities for children
	1 national debit card campaign
<b>2017</b>	240+ children
	4 municipalities
	8 schools
	9 commercial banks
<b>2016</b>	350+ children and adults included in activities
	5 municipalities
	4 schools
	1 university
	Lectures and educational activities for children
	1 national awareness raising campaign for financial education
	5 000 + adults included (indirectly)
<b>2015</b>	250+ children
<b>2014</b>	250+ children
	4 municipalities
	7 schools
<b>2013</b>	Official commitment to financial education activities
	4 municipalities
	7 schools

Source: Kosovo Banking Association, 2018





DEPARTMENT FOR EXTERNAL RELATIONS

## WHAT IS GOOD TO KNOW BEFORE YOU GET A LOAN?

Throughout a period in life, many people want to buy a home, flat, car or invest in starting a new business but do not have enough money to carry out these activities. One of the options that enable people to make the purchases / investments they want is by getting a loan.

### WHAT IS GOOD TO KNOW BEFORE YOU GET A LOAN?

There are several things you should know before applying for a loan:

Loan agreements are very important decisions for each person's personal finances. Therefore, when making important decisions, we must have all the necessary information. Loan agreements should be designed to clarify every aspect of the borrower's loan. However, these deals can sometimes be complicated and even confusing. If you are not assured of what a certain part of a document means, never hesitate to ask for explanation or assistance. Consider without hesitating and do not sign the agreement unless you understand each of the articles of the agreement. Read carefully each article of the loan agreement.

### WHAT IS THE LOAN?

Loan is a credit (a sum of money) offered to you by a commercial bank or a microfinance institution that you have to pay later on certain terms, within a certain time and with a certain interest.

### WHAT TYPE OF LOAN WILL YOU RECEIVE?

The first step is to understand what you need; how you will get the loan depends on the type of loan you will receive. Choose the type of loan that best suits your need for money. It is very important to decide on the right loan that will suit your needs.

**TYPES OF LOANS:** There are many types of loans, but the most common ones in Kosovo are: personal loans, mortgage loans, business loans, consumer loans, overdrafts, agricultural loans, tuition credits and so on.

### WHICH BANK?

Explore all banks licensed by the CBK and find out which bank offers the conditions that best suits your needs. Explore some banks and compare interest rates and other costs. They can present you some figures and help you exactly understand how much you can borrow. Sometimes they offer special rates; however, you may or may not qualify for those rates.

Be very careful about the bank that offers you the best conditions.

Once you have received the above information, you will be ready to apply for a loan.

When pre-qualified, the lender reviews your loan, income and assets.

The documents you need to provide before applying for a loan are:

- Identity card (valid identification documents issued by the Republic of Kosovo);
- Contract of employment (regular monthly payments);
- Additional documents depending on the loan you are applying for.

### LOAN AGREEMENT

A loan agreement is usually an agreement between two parties where one party "lender" agrees to provide a loan to the other party "borrower". The lender is usually a financial institution, a commercial bank, a microfinance institution, etc., licensed by the Central Bank of the Republic of Kosovo, which gives the borrower money. A loan agreement is the document in which a lender sets out the terms under which a loan is made available to a borrower.

Ordinary loan agreements consist of:

Name / Surname / Id of the Borrower

"Borrower" is the person who receives the value (amount) from the lender so that he will pay the principal amount and interest for the lender.

"Lender" is the financial institution (commercial bank, microcredit institution, etc.), licensed by the Central Bank of the Republic of Kosovo, which provides money to the borrower, so that the lender is paid a fixed amount in the future.

### **WHAT IS THE PRINCIPAL?**

The borrowed amount or part of the loan amount that remains outstanding (excluding interest) is called principal. The principal is the original loan amount that the borrower (the client) owes the lender (bank) on the date when the loan contract is signed. Once the borrower has started loan repayment, the principal refers to the amount of money still owed to the lender.

### **TOTAL REPAYABLE AMOUNT**

In addition to the fixed principal, the loan contract must contain the total amount of repayment (loan value and total cost related to the loan, including interest payments and fees).

Credit repayment consists of two parts; principal (the amount you originally borrowed) and interest (calculated on the principal you owe), and may also include fees.

### **DEADLINE**

The deadline is the duration of the loan contract. At the end of the deadline, the total amount of the loan should be paid and the borrower shall pay the outstanding balance of the loan. Choose a payment term and frequency that is more affordable for loan repayment (for example, choose 36 months / 3 years on a monthly basis). All banks have different offers on the deadline, so you can choose the institution (bank) that gives you the best offer in this regard.

### **INTEREST RATE**

The interest rate is the amount owed by the borrower to the use of the lender's funds. It is expressed as a percentage of the loan amount and is calculated at a certain interval during the term of the loan contract.

The interest rate may be determined either as a fixed rate of interest or as a variable interest rate. For variable interest rates it is important to provide all the necessary details of its variability.

### **EFFECTIVE INTEREST RATE**

The effective interest rate reflects the full cost of the loan which should be clearly stated in the loan contract. It enables direct comparisons with other loan products and helps customers understand how much they should pay for the loan.

The effective interest rate is influenced by many factors, such as the nominal monthly interest rate, fees and commissions, the settlement method chosen and the loan term.

Detailed information on the methodology of calculating the effective interest rate and the definition of the elements used for its calculation are determined by sub-legal acts issued by the Central Bank of the Republic of Kosovo, which issued the Regulation on Effective Interest Rate and Requirements for disclosure of commercial banks as well as the Regulation on Effective Interest Rate and the Disclosure Requirement of Microfinance Institutions. The purpose of these two regulations is to establish a unified methodology for the calculation and disclosure of the effective interest rate for the loans given and received deposits, as well as minimum disclosure requirements to provide complete and accurate information on products and services which banks and microfinance institutions provide to customers.

It is very important to understand the difference between the nominal interest rate and the effective interest rate. As mentioned above, the nominal interest rate is a percentage of the loan amount that determines the amount of interest paid by the client in monthly or annual installments, while the effective interest rate is used to present, in a single figure, all costs related to the loan. Thus, the effective interest rate includes all the additional costs of processing the loan application, etc., taking into account the time at which these costs have occurred.

### **PENALTY FEES**

Banks usually charge additional fees for late payment services. The loan contract should contain details of such rates expressed as a percentage, as well as the rules for subsequent modifications and delayed payment fees, if applicable.

### **CLASSIFICATION IN THE KOSOVO CREDIT REGISTRY (CRK)**

Before someone qualifies for a loan, bankers look at the customer's personal credit history (credit cards, mortgage payments and personal bills) to have a clear picture of their financial responsibilities.

To assist the bankers in making a fair decision within a short time, in a more accurate and objective manner, CBK has issued a Regulation on Credit Registry, on the basis of which the KCR collects and distributes information on loans between financial institutions, in order to improve the loan quality and performance of the Central Bank's supervisory function.

Based on this regulation, all financial institutions report and may obtain a summary report on the level and status of active loans and the history of each borrower, with the consent of the client.

### **UNILATERAL CONTRACT CHANGES**

Banks may retain the right to make certain changes in the terms of the loan, regardless of the client. If these conditions exist in the loan agreement, the loan agreement must determine which terms and under which circumstances they may be changed.

### **COLLATERAL**

Collateral is something promised as security for repaying a loan that will be confiscated if you cannot pay the loan. A banker will not approve the loan if it is unlikely to be paid. Hence, loans are often provided with various instruments (in particular, long-term mortgage loans). The loan contract should contain details of the instruments used as collateral, as well as the sequence and the ways of executing them.

### **EARLY REPAYMENT**

Consumers can pay the loan earlier than planned. Therefore, when signing a contract, pay attention to the part for early repayment, if the loan contract provides for such a possibility and whether a fee should be paid for it.

Article 44 of Law no. 04 / L-121 on Consumer Protection specifies information on rights and obligations in cases of repayment of the loan before the maturity date. It is therefore the client's right to ask the bank for this information.

### **GRACE PERIOD (PERIOD OF NON-PAYMENT)**

The period of non-payment is the period when the money is available to the borrower, but the settlement has not yet begun. In most loan contracts, payments suspended during the Grace period are exempt from interest, but some have included interest during this period. It is very important for clients to be specified in the contract if interest is charged during the Grace period.

### **INSTALMENT**

Instalments are payments made at certain times (usually monthly) for repayment of the loan. Loan contract or annex agreement (payment plan) can determine the exact amount of the payment instalment (including principal and interest) and the number of instalments.

The bank is obliged to provide an instalment plan (amortization plan), which is considered as an integral part of the loan contract. Scheduling instalments includes a list of instalments and corresponding changes in remaining principal and interest payments.

### **COPIES FOR THE CLIENT**

All loan contracts must be signed in at least two copies and the borrower must take one of them together with the amortization plan.

### **CONCLUSION**

The financial system operating in Kosovo has proven to be a stable and stable system. However, to enhance people's confidence in Kosovo's financial system, CBK continues to advance oversight and regulation of financial institutions, and in particular loan issues.

From a client's point of view, having a loan at a bank means having a credit and therefore it is very important that before you decide to take a loan, think not only how to get a loan but also how you will return it.

There is a set of financial products and services that you can choose from. Be careful and choose the one that suits your needs. Do not take 5-year credit to go on vacation, take a short-term loan. Most importantly, read and understand clearly every article of the loan contract!



## KOSOVO BANKING ASSOCIATION ORGANIZED A WORKSHOP WITH JOURNALISTS IN THE FIELD OF ECONOMY

Kosovo Banking Association, in cooperation with the European Fund for South Eastern Europe - DF, organized a two-day workshop with journalists in the field of economy in Prevallë and Prizren on 22 and 23 June 2018. The first day of the workshop was held at the ProCredit Training Center in Prevallë, while the second day of the workshop was held in Prizren. The purpose of this workshop was to create an environment for discussion in the financial sector and in general on issues related to Kosovo's economy. During this workshop various topics were discussed. The first panel discussed about relevant financial information for the general public, while the second panel addressed the influence of electronic media on Kosovo's journalism. The second day of the workshop included the lecture on what journalism and financial reporting is. Thereafter, a practical working session and discussion on this topic was held. The next panel on the second day discussed the perspective of economic development in Kosovo. Journalists of media and television participated by issuing important recommendations and conclusions for advancing the journalist position and economy and increasing the accuracy of reporting in this



area. This event was attended by important representatives from the financial sector, including commercial banks, Central Bank, Deposit Insurance Fund, Credit Guarantee Fund, Ministry of Economic Development, Kosovo Chamber of Commerce, EFSE-DF representatives and journalists and professors in the field of journalism.

This is the sixth year that the Kosovo Banking Association organizes workshops with journalists in Kosovo.

## THE KOSOVO BANKING ASSOCIATION ORGANIZED THE GLOBAL MONEY WEEK

### What is the Global Money Week?

Global Money Week is a worldwide event that is organized every year in March. This activity aims to raise awareness about personal finances and savings. It also aims to motivate young people and children to learn about issues related to money and entrepreneurship.

Global Money Week is organized globally by the Child and Youth Finance International (CYFI) to raise awareness of the economy.

This year, the opening of Global Money Week has been done in coordination with Central Bank of Kosovo. The activity started with the students of the fourth grade of the elementary school "Don Bosko". The pupils initially were welcomed by the Deputy Governor of the CBK, Lulzim Ismajli, who said that one of CBK's



Mr. Petrit Balija and Mr. Lulzim Ismajli during the official opening of Global Money Week, (March 2018)

strategic goals is to promote the development of the financial system in the Republic of Kosovo and to advance the function of financial education and consumer protection. Meanwhile Mr. Petrit Balija, Executive Director of the Kosovo Banking Association, in his

speech stressed that we are joining today an international initiative aimed at raising awareness on the use of money. Mr. Balija announced that they will conduct activities in different municipalities, which will help raise awareness of new generations when it comes to finance management.



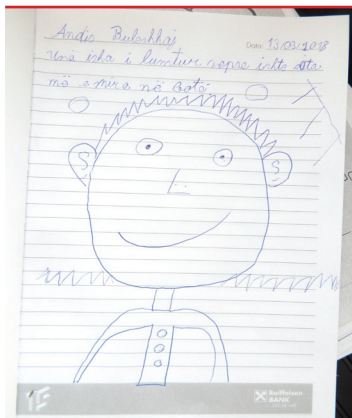
During the workshop with the children of "Don Bosko"

Then the activity continued with the children who have done works on money and savings. They worked out a book of savings through which they have expressed their ideas about the importance of money management, their savings plans and how they will manage their money in the future.

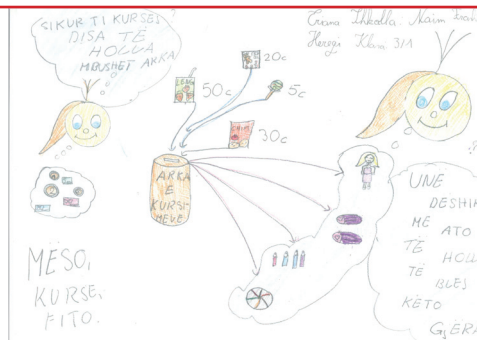


Primary school students "Smajl Hajdaraj" in Peja after the completion of the "Global Money Week", March 2018

**What do kids think about the Global Money Week and savings?**



The elementary school student in "Bajram Curri" in Istog shows how he felt during the activity of the Global Money Week (March 2018)



One pupil from elementary school "Naim Frashëri" draw a plan how we should save (March, 2017)



Second-class students holding saving boxes, Global Money Week, Dardania Elementary School -Peja, (March 2018)

**KOSOVO BANKING ASSOCIATION PARTICIPATES IN THE PREPARATORY WORKSHOP FOR THE SUMMIT WITH THE WESTERN BALKAN COUNTRIES**

Kosovo Banking Association participated in the preparatory workshop for the Summit with the Western Balkan Countries organized by the Embassy of Great Britain in Podgorica on 9 and 10 May 2018. The main topic of the discussion in this workshop was "Anti-Corruption and Partnership in sharing financial information".

In this workshop, Kosovo Banking Association was represented by Mr. Ali Krasniqi and Mr. Kreshnik Kosumi. The summit with the



Western Balkan countries will be held in London on 9 and 10 July 2018.



## OECD: THE ACCESS TO FINANCE FROM BANKS IN KOSOVO RANKS THE HIGHEST IN THE REGION

According to the recent OECD's report "Competitiveness in the Southeast Europe", the access to finance from banks in Kosovo is the highest in the region. In this report for 2018, banking sector in Kosovo is assessed in superlative terms in categories which are fundamental for determining the access to finance such as the competitiveness in the banking sector, collateral requirements, credit enhancement and risk mitigation. The executive director of the Kosovo Banking Association Mr. Petrit Balija said that this is an important achievement for

the banking sector in Kosovo, especially when we consider the fact that banks in Kosovo operate in an environment with many challenges such as low economic capacity, high informality and difficulties in contract implementation. Therefore, these results of the banking sector are very encouraging as the increased access to finance implies expansion of the businesses and meeting household needs for financing. Kosovo has been ranked higher than Albania, Bosnia and Montenegro, while is ranked in the same level as Macedonia and Serbia.

## THE BANKING SECTOR HELD ITS HIGH LEVEL MEETING

Today, on April 3rd, 2018, a regular high level meeting of representatives of the banking sector was held, respectively the meeting of the Kosovo Banking Association and the Central Bank of Kosovo. Considering that this was the first meeting of the KBA Board with the new Governor, the Chairman of the KBA Board, Mr. Ilir Aliu on behalf of all commercial banks congratulated Mr. Fehmi Mehmeti for his election as Governor of the Central Bank of Kosovo and also expressed the eagerness of cooperation to increase the financial stability and access to finance for citizens as well as for businesses in Kosovo. Mr. Aliu also presented the banking sector performance for 2017. The Governor welcomed this meeting and expressed his gratitude for the close cooperation with the Banking Association and the Banks individually and congratulated the banks on their achievements over the recent years. He also presented the CBK objectives and projections to fur-



ther increase the intermediation of banks in the country's economy for greater economic development. The Executive Director of the Kosovo Banking Association Mr. Petrit Balija presented the KBA achievements over the last six months, presenting a considerable number of achievements and highlighting further challenges. The next meeting in this composition is expected to be held in the second half of the year.

## ECB DELEGATION VISITED THE KOSOVO BANKING ASSOCIATION

On February 14 2018, a delegation of the European Central Bank has visited the Kosovo Banking Association. This visit was realized on behalf of the annual review of the financial sectors of the potential candidate countries for EU membership. The Executive Director of the Banking Association, Mr. Petrit Balija, thanked the delegation for their visit and for their support in the development of the banking sector in Kosovo. He also presented the performance of the banking sector during 2017 and emphasized the priorities of the banking sector for 2018. The ECB delegation was represented by Mrs. Li Savelin and Mr.



Michael Sturm from the Division External Developments of Directorate General of International European Relations.



## BANKA EKONOMIKE AND BANKA KOMBËTARE TREGTARE WITH NEW CHIEF EXECUTIVES

### FATOS KRASNIQI

#### CHIEF EXECUTIVE AT BANKA EKONOMIKE



Mr. Krasniqi has been appointed as Chief Executive Officer of Banka Ekonomike in May 2018. Krasniqi comes from the banking industry with over 14 years of experience, where he gained a long career in various management and leadership areas with particular emphasis on business development, project management, branch management and human resource management. Previously he led a private business for 9 years and then worked as a logistics chief for IOM (International Organization for Migration), which further enriched the diversity of his experience. During his career at the Raiffeisen

Bank, he has held various leading positions as in the branch (Regional Manager of Prishtina and Prizren) as well as in the head office (Head of the Department of SMEs and the Department of Micro Businesses) where he gained a considerable experience on both sides of the bank by adopting policies and strategies on the one hand and efficient execution of the same on the other.

Mr. Krasniqi studied for Electronic Engineering and Economics, while also holds a Master's Degree in Management and Finance. Mr. Krasniqi has attended over 80 trainings both in the country and in Europe: Strategy Development and Implementation, AFAS, Management Training, SME Skills, Sales and Intelligent Marketing in the Social Media Age, Conflict Management and Negotiations for leadership program and leadership academy. During 28 years of work in private business, international government organization and banking institution, Krasniqi has attended trainings and has conducted visits and exchanges of experience in the most prestigious banking institutions in Europe where he has received the right experience in banking management.

### SUAT BAKKAL

#### CHIEF EXECUTIVE AT BANKA KOMBËTARE TREGTARE



Mr. Suat Bakkal was born in 1980, Trabzon-Turkey. He completed his undergraduate and postgraduate studies at Boğaziçi University and holds a Master Degree in Economics and Finance. He also has capital market licenses in

the areas of Derivative Financial Instruments, Corporate Governance, Credit Assessment, Real Estate Assessment and CFA3. Throughout his career, Mr. Suat Bakkal served as Corporate

Marketing Leader at Aktif Bank, Member of the Executive Committee of IFM Istanbul Financial Center JSC, Member of the Board of the Mukafat Asset E Portfolio Management Real Estate Investment Fund, Member of the Board of Inovaban Innovation Consulting JSC, and also Chairman of several SPV energy and investment companies.

In April, 2018, Mr. Bakkal was appointed Chief Executive Officer and Board Member of Banka Kombetare Tregtare Kosovo JSC.

## BANKA EKONOMIKE DONATES BLOOD

Banka Ekonomike has joined the Blood Transfusion Initiative in the Sensibilization Campaign in honor of the 10th anniversary of Kosovo's Independence. The campaign aims to raise public awareness, with the approach that society needs to contribute to solving the health problems, whose life depends on blood donation. Voluntary blood donation is a humane citizen act that does not harm the health of the donor, but rather is the way that everyone controls their own health and also helps others in their lives. Blood is irreplaceable for people in need and giving hope to people in need is part of our responsibility as a society.



Banka Ekonomike will continue with similar activities in order to make society aware for these important issues.

Banka Ekonomike. Thinks about you!

## BANKA KOMBËTARE TREGTARE: YOUR BLOOD SAVES LIFE

Banka Kombëtare Tregtare in cooperation with the National Blood Transfusion Center organized the day of voluntary blood donation. During the day, 40 blood bags were collected, a move that shows the real contribution made by BKT employees. Banka Kombëtare Tregtare Kosovo JSC hopes that this blood donation will help to motivate and increase the spirit and awareness of people about the importance of blood donation and the will to help one another.

The blood donation activity organized by BKT succeeded. This is evident from the enthusiasm shown by Bank employees who fully supported the activity. With the hope



that the number of blood donors will increase, Banka Kombëtare Tregtare JCS plans to place this event on the annual activity calendar of the bank, with even greater number of donors.

## BANKA KOMBËTARE TREGTARE SUPPORTS MUNICIPALITY'S ACTIVITY FOR 'INTERNATIONAL EARTH DAY'

About thirty employees of Banka Kombëtare Tregtare have supported the activity of the Municipality of Pristina in honor of the 'International Earth Day'. They have contributed to planting dozens of seedlings in one of Pristina's neighborhood. Banka Kombëtare Tregtare is dedicated to continuously support such activities organized by the Municipalities of Kosovo, and to contribute to various forms in the environment in which it operates. BKT has a high social responsibility that is pronounced with its contributions to Kosovo's society. BKT seeks to positively affect each's life by expanding its charitable activity in different areas of society and culture.



Particular attention is paid to the development and emancipation of Kosovo's society, through activities that add value to the development of society.



## BPB SIGNS AN AGREEMENT TO INCREASE THE GUARANTEE LIMIT WITH THE KOSOVO CREDIT GUARANTEE FUND

On March 6, 2018 BPB signed an agreement with the Kosovo Credit Guarantee Fund (KCGF) for increasing the guarantee limit. KCGF enables the bank to increase lending to micro, small and medium enterprises (MSMEs) in Kosovo and as a result facilitate access to finance to all MSMEs that need credit to meet the needs for investments for increasing their business or working capital. Through this agreement BPB will benefit more collateral security for loans issued to these companies.

In the year that we are leaving BPB has used the fully allocated limit, enabling the support and funding of more client businesses of this bank. "This agreement, facilitating MSMEs access to



credit, enables the further development of this sector, which is the sector that mostly affects the economic growth of the country, said Chief Executive Officer Arton Celina, during the signing ceremony of the agreement.

## EBRD NAMES NLB BANKA SH.A. ONCE AGAIN THE 'MOST ACTIVE ISSUING BANK IN KOSOVO IN 2017'

The European Bank for Reconstruction and Development (EBRD) has awarded once again NLB Banka sh.a. Prishtina for its performance in 2017 under the EBRD's Trade Facilitation Programme (TFP). The award was presented at the EBRD Annual Meeting and Business Forum in Jordan, during the TFP Information Session and Awards Ceremony on 10th of May, EBRD Director for Western Balkans said: "We are very happy to recognize the achievements of NLB Banka with an award. The bank has joined the TFP two years ago and has become an important partner of the EBRD in the region, and for two years in a row it is the most active issuing Bank in Kosovo." NLB Banka's President of Management Board, Albert Lumezi, said: "NLB Banka Prishtina is honored by once again having achieved to receiving the



2017 Award for most active issuing bank. The TFP Program, enables our clients to gain expertise in new markets and to build relationships with its counterparts around the world. We thank the TFP team for their professional support and excellent cooperation and look forward to further fruitful partnership with EBRD.

## PROCREDIT BANK SUPPORTING HALF OF THE INTERNATIONAL MARATHON - PRISHTINA 2018

Even this year, with the motto "Run for Peace and Tolerance", Kosovo's capital city - Pristina for the eighteenth consecutive year was host to the biggest Semi-Marathon International Event. This event brought together around 1400 athletes from all over the world, where Kenyan athletes, Abel Kibet Rop and Mark Kuchumba Rotich were the winners of this semi-marathon edition "Prishtina 2018". ProCredit Bank is a traditional supporter of this important sporting event in the country,



which contributes to the positive image of Kosovo sports.



## RAIFFEISEN BANK IN KOSOVO LAUNCHES 'ELEVATOR LAB CHALLENGES'

On April 10, Raiffeisen Bank in Kosovo launched the "Elevator Lab Challenge" program. The opening of the application phase will take place on April 23 and will be open until May 25 2018. Enterprises from Kosovo will have time until May 25 to apply their ideas and solutions from Advanced Analytics, banking services for corporate businesses, investment and trade technology, new branch experience, open banking and RegTech.

Five winners will be announced at "Elevator Lab Challenges" in Kosovo. The first winner will win the prize of 5,000 Eur and will have the opportunity to go to Vienna for the Elevator Lab program in the semi-finals at the group level. Second place will win the opportunity of the ICK incubator and the value in the value of 2,500 Eur, while the other three winners will have the opportunity to continue their work as part of the incubator with all the benefits that ICK offers these companies. For more information about the "Elevator Lab Challenge" in Kosovo, please visit [www.elevator-lab.com/xk](http://www.elevator-lab.com/xk).



## SEMINAR ON WOMEN IN BUSINESS BY TEB JSC AND EBRD

On the occasion of the International Women's Day March 8, TEB Bank JCS in cooperation with EBRD (European Bank for Reconstruction and Development) organized a seminar on women in business. The workshop provided the opportunity for women entrepreneurs to learn more about topics such as: "Do business analysis, find strengths and weaknesses in business, and more importantly look at development opportunities," "About Human Resource Management and brand "and" How to get financing for business development ".

This series of seminars that is being held since 2015, in different cities of Kosovo, comes within the framework of non-financial services offered by TEB Bank JSC. through the "Entrepreneurship Program for Women".

The "Entrepreneurship Program for Women" is the unique product offered by TEB JSC for the economic empowerment of women.

TEB Bank for a moving world.

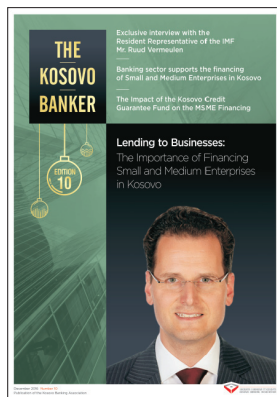
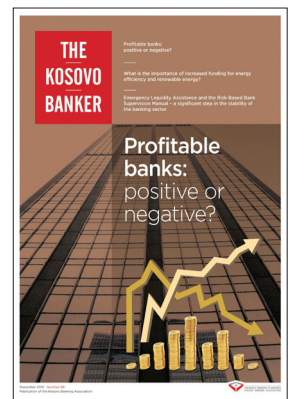
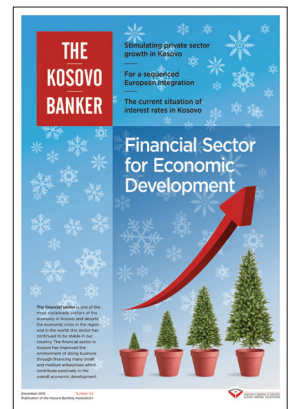
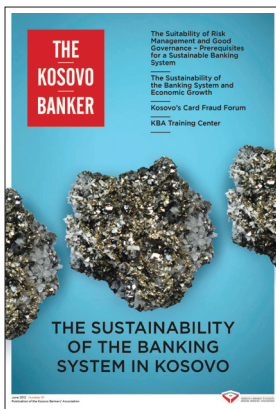


# Publications of the Kosovo Banking Association

“The Kosovo Banker” is a publication of the Kosovo Banking Association. The magazine is published twice a year with the aim to properly inform the public on the banking industry in Kosovo.

For more information, please go to the web site of the Kosovo Banking Association

[www.bankassoc-kos.com](http://www.bankassoc-kos.com).





# TRAININGS

for the second part of the year by  
the Kosovo Banking Association

TRAINING	DATE
Cyber and Information Security Management	24 - 26 September, 2018
Cyber Security Management - Advanced level	25 - 26 October, 2018
Selling Financial Services & Managing Client Relationships	October
Safety and Health at work	November
FATCA Training	December

## Reducing cash transactions

A E KENI DITUR SE PËRDORIMI I KARTELËS BANKARE  
SJELLË SHUMË BENEFITE



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