



EMN Legislative Mapping Report SERBIA



September 2021

The aim of this series of EMN legislative mapping report is to provide a snapshot of the various legislative frameworks regulating the provision of microcredit across EU countries.

The national factsheets cover the following thematic areas:

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- 3 Products
- 4 Incentives and support
- 5 Development of existing framework for non-bank microcredit provision
- 6 Inclusive entrepreneurship and microenterprise development

1

Regulation of Lending Activity

In Serbia, there is no specific regulation on the provision of microfinance. In this context, the Serbian Development Fund is the only non-bank financial intermediary in Serbia that can lend directly to legal entities, entrepreneurs and farmers in accordance with the Law on Development Fund.

However, non-bank financial intermediaries operating as limited liability companies can partner with banks in the provision of microloans. The role of the MFI is to approach potential clients, screen them and prepare their files for the bank to review. The bank gives the final approval and disburses the loan. In this kind of partnership, the MFIs work as a management consulting firm while the loan portfolio is on the books of the bank.

2

Supervisory Framework for Non-Bank Lending

At the moment, the non-bank financial intermediaries in Serbia are not supervised. However, a form of voluntary self-control is in place using as a proxy for the banking requirements of the Central Bank.

Non-banking financial intermediaries are not obliged to share client data with the credit bureau nor can they access the credit bureau database. Nevertheless, NBFIs partnering with banks provide client data to the credit bureau. Apart from bank and leasing companies, only the Serbian Development Fund and leasing companies are required to share client data with the national credit bureau. These organisations can also access data from the bureau.

3

Products

The Serbian Development Fund is the only legal entity that is allowed to disburse loans and can only disburse business loans (i.e. to legal entities and registered entrepreneurs, including start up loans) between EUR 2,400 and EUR 56,000 with a 3% interest cap. The Serbian Development Fund does not disburse personal loans.

NBFIs partnering with Banks are allowed to disburse business microloans only. No interest cap and no formal maximum loan amount are imposed. However, MFI best practices and self-control in responsible lending are in place. The maximum loan amount is RSD 500,000 (approximately EUR 4,000.)

4

Incentives and Support

Serbia has no support funds at any level to support the provision of microcredit nor do they have any form of tax incentives for organisations and individuals that support the growth or development of microfinance institutions in the country.

5

Development of the Existing Framework for Non-Bank Microcredit Provision

Agroinvest, in collaboration with the Central Bank, international financial institutions and investors, has been lobbying for a regulatory framework for more than 10 years. An initial version was drafted and shared with the relevant authority. Unfortunately, no further steps have been taken. Agroinvest is therefore still lobbying for the establishment of a regulatory framework in Serbia; it is also a member of the Official Working Group on Regulatory Framework for Microfinance, Serbia, that was established in 2020 and led by the Serbian Chamber of Commerce.

At the moment, the absence of a regulatory framework stands out as the major challenge confronting the development of the sector in Serbia. The current model whereby MFIs can only act as partners in lending microcredit to business is costly for both MFIs and businesses and further impedes the development and innovation of the sector.

In order to improve the current situation, the Romanian and Montenegro regulatory frameworks have been recommended as a model for the new regulatory framework, in particular with respect to direct lending from the MFIs, reasonable debt to equity ratios, minimum capital, etc.

6

Inclusive Entrepreneurship and Microenterprise Development

The administrative procedure for business registration is not yet simplified; no form of public financial support for business development services is foreseen and no welfare bridge exists for entrepreneurs in transition from unemployment. Entrepreneurial education is not part of the educational curriculum in secondary schools.

Given this context, the USAID Business Enabling Environment Project is currently active in tackling some of these issues.



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This publication has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult: <http://ec.europa.eu/social/easi>
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