



Third project management meeting for reducing cash transactions in Kosovo

Project management group within the National Payments Council
(NPC)

June 15th, 2011

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Content



1. Approval of minutes from the last meeting (January 26nd 2011)
2. Presentation of Analyses and Results of the non cash payments research (customer and merchant research)
3. Questions, requests and proposals

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1. Approval of minutes from the last meeting (January 26nd 2011)



2. Presentation:

Analyses and Results of the non cash payments research (customer and merchant research)

Mr. Robert Wright
Raiffeisen Bank

Cash Reduction Research

Consumer and Business Survey Analysis

Agenda

- Project objectives
- Methodology and sampling
- Target groups
- Individual survey results
- Business survey results
- Initial conclusions



Project objectives

- Identify reasons for the wide usage of cash payments
- Quantify costs resulting from cash payments for businesses and consumers
- Propose regulatory/self regulatory measures
- Asses the impact of the proposed measures



Methodology

- The survey was conducted through direct surveys:

- Consumers' Questionnaire:

Requesting information on the current practices and preferences of conducting payments, purchasing power, type of expenses, etc., use of cards, use of alternative payment instruments (Kos-Giro, Direct Debit, E-banking, Mobile Banking)

- Businesses' Questionnaire:

The businesses questionnaire was composed of two parts – qualitative analysis and quantitative analysis. The first part attempted at getting impressions from businesses on advantages/disadvantages of using non-cash payments, while the second part asked specific questions on the type of payments, costs associated with them, their clients' preferences, etc., use of alternative payment instruments (Kos-Giro, Direct Debit, E-banking, Mobile Banking)

PART 1:

CONSUMER SURVEY ANALYSIS

Consumers' Questionnaire

- The following types of questions were asked in the individual consumer survey:
 - Do you have a bank account?
 - Do you use bank cards? If not, why?
 - What type of purchases do you make by cards? What amounts? How often and what problems occurred?
 - Are you responsible for paying utilities? Where do you make your payments?
 - Are you aware of other payment alternatives?
 - Do you use any of the cash alternatives and how often?
 - Reasons given for using and not using each alternative: Kos Giro, Direct Debit, E-banking
 - Readiness to use these alternatives in the future

Consumer Sample

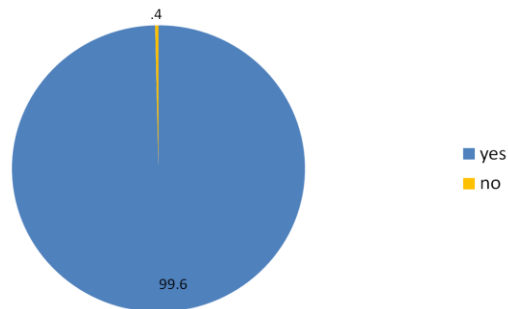


- 863 participants in the survey (based on a population of 400,000 (bank clients), with a confidence level of 90%)
- Divided in 5 regions:
 - Prishtine – 274
 - Prizren – 160
 - Mitrovice – 116
 - Gjilan – 153
 - Peje – 160

Key figures of the responding consumers:



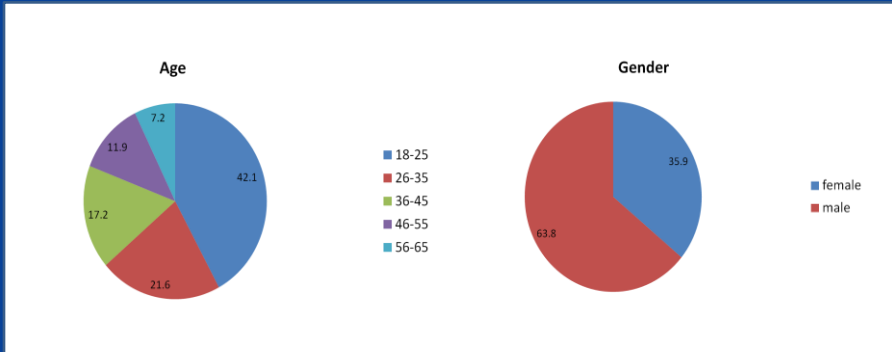
- 99.6 % have bank accounts



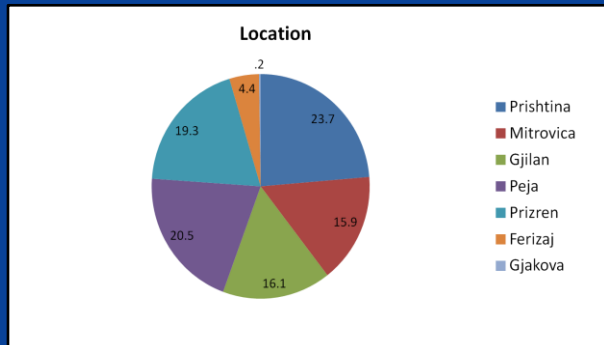
Demographics



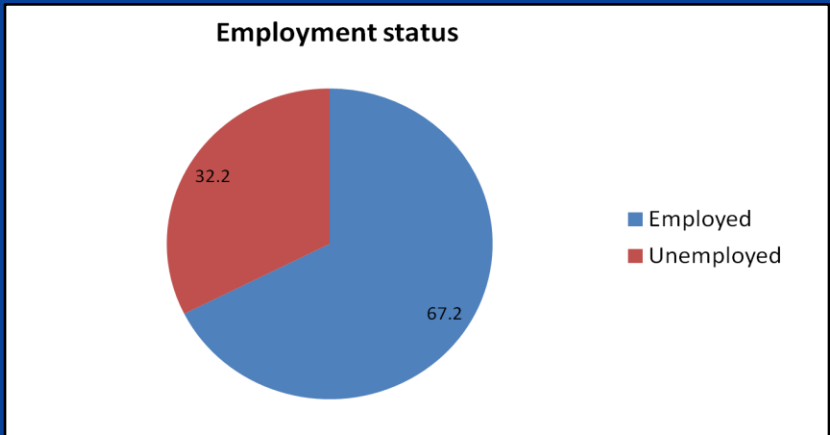
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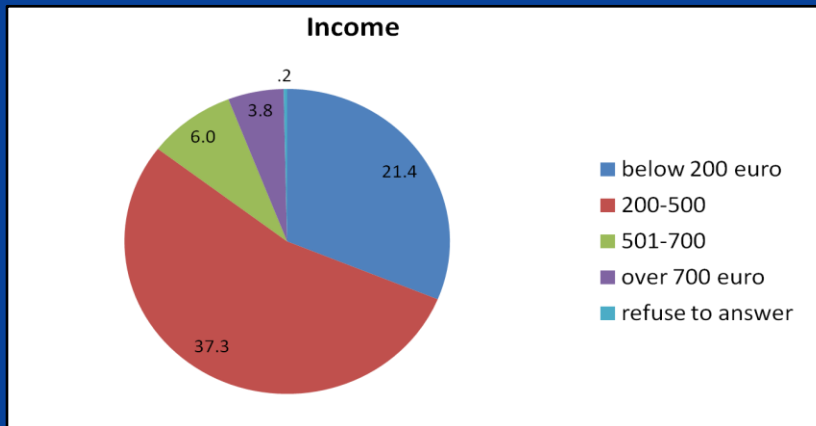
Demographics



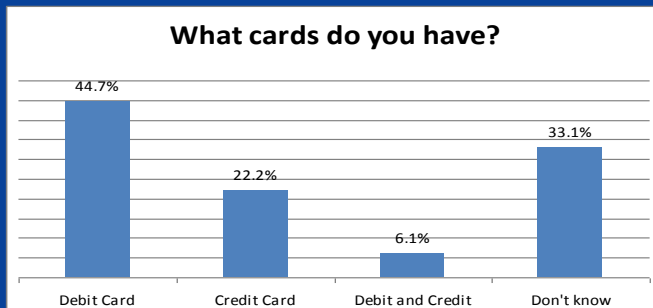
Demographics



Purchasing Power, 37.3% income from 200-500Euro



Card possession and usage



- **Card usage**

- 22.2% regularly use cards
- 27.4% often use cards
- 41.7% seldom use cards
- 7.8% never use cards

Non-users reasons:



- 24.7% consider full control over personal finances
- 23.7% declare there's no POS where they make purchases
- 18.3% do not have money in their accounts
- 16.1% declare that the vendor prefers to be paid in cash
- 5.4% declare that prices are more expensive if payment is made with cards
- 5.4% have other reasons for not using cards
- And 4.3% declare there are problems with POS where it either doesn't work or has delays in processing payments



Users' reasons:

- **Reasons for using cards**
 - Buy when no cash is available (have no cash) – 49.8%
 - Reduce theft risk – 33.3%
 - Don't want coins to carry around – 18.3%
 - Want to pay the exact amount – 1.5%
 - Other reasons – 1.5%



Cards mostly used for withdrawals!

- **User frequency**
 - 15.7% use cards over 10 times a month
 - 24.4% use cards from 5-10times a month
 - 59.5% use cards 1-5 times a month
- **User purposes**
 - ATM withdrawals – 78.4%
 - POS purchases – 40.1%

(118.5% is depicted here as a result of respondents answering both options, ATM withdrawals and POS purchases)

Types of purchases



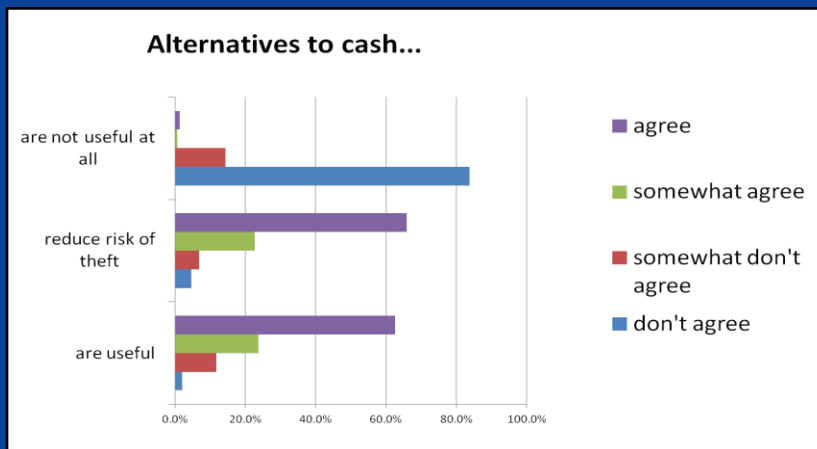
- **Card payments**
 - Groceries 56.4%
 - Clothes 31.1%
 - Fuel 11.0%
 - Restaurants and coffee shops 6.6%
- **Payment amounts**
 - 10-50Euro payments 55.9%
 - Over 50Euro payments 28.3%
 - Below 10Euro payments 12.5%
 - N/A 3.3%

Agree to surrender cards?



- 95% of individuals surveyed would not agree to give up cards and not use them anymore, while
- 5% of individuals surveyed would give up their cards and agree not to use them anymore

Consumer statements



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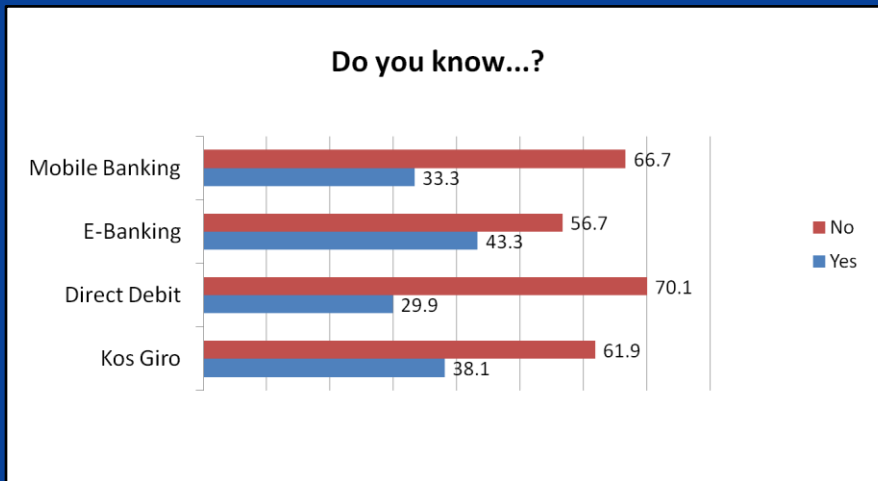
Payment with cash alternatives



- **Utility payments**
 - 51% are responsible for paying utilities
 - 49% are not responsible for paying utilities
- **Payment method**
 - 56.9% pay utilities at the utility cashier
 - 7.1% pay utilities at the bank
 - And 0.2% use other payment methods
- The other 35.8% did not respond to this question (among the group who are not responsible for paying utilities)

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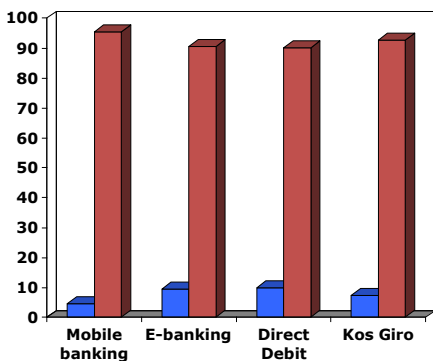
Cash alternatives knowledge/awareness



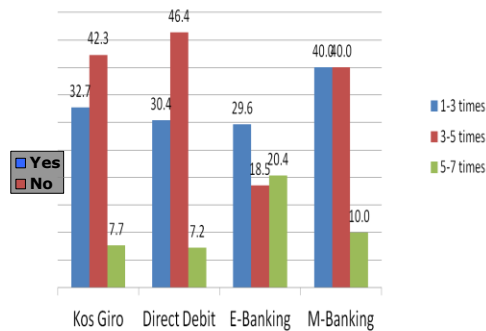
User frequency



Do you use cash alternatives?



How many times in a month do you use...?





Direct Debit

- **User reasons**
 - 66.3% believe it is convenient
 - 11.6% think DD allows to pay the bill as released
 - 8.1% use DD because it's free
 - and 5.8% believe it allows them to pay the bills on time
- **Non-user reasons**
 - 40.5% don't use DD since they pay the bills when they have money
 - 25% are afraid to authorize others to debit their accounts
 - 24.3% don't have regular income
 - and 10.2% are afraid they pay more than they spend

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Kos Giro

- **User reasons**
 - 51.1% of individuals prefer to pay bills at the bank rather than at the utility company
 - 48.9% use KG because they can pay in every bank branch
- **Non-user reasons**
 - 60.4% do not know how it works
 - 24.8% prefer to pay other sum than the one stated on the bill
 - and 14.4% don't use KG because there's a queue in bank branches and it's too long

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E-banking



- **User reasons**
 - 50% use EB because think it's convenient and can pay wherever they have internet access
 - 25% use EB because they can control their account at anytime
 - and 19.7% believe it's a modern method of payment
- **Non-user reasons**
 - 77.2% do not use EB because they do not make money transfers
 - 14.7% don't use EB since they have doubts in the security systems
 - and 7.2% do not use EB because they do not have internet access



PART 2:

BUSINESS SURVEY ANALYSIS

Sampling



- 526 participants (based on a population of 97,000 businesses with a confidence level of 80%)
- Divided in 5 regions
 - Prishtine 158
 - Prizren 85
 - Mitrovice 85
 - Gjilan 101
 - Peje 97
- Categorized in 9 groups
 - Agriculture
 - Production
 - Gas stations
 - Construction
 - Retail Service
 - Real estate
 - Administration
 - Health care

NOTE: RETAIL category - included merchandise/retail, minimarkets and supermarkets

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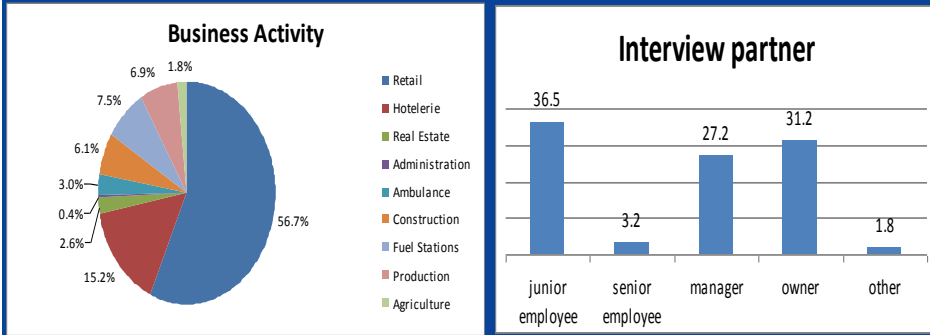
Business Questionnaire



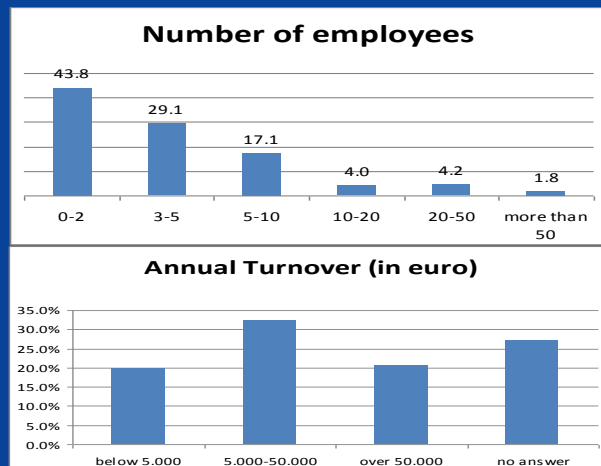
- Questions asked to businesses included information regarding:
 - Costs and benefits in using cash vs. cash alternatives (noncash payments)
 - Awareness and usage of cash alternatives and POS
 - Utility payments
 - Cash alternatives usage – why they use any of the alternatives and why not
 - Readiness to use any of the alternatives in the future

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Business sample-56.7% Retail



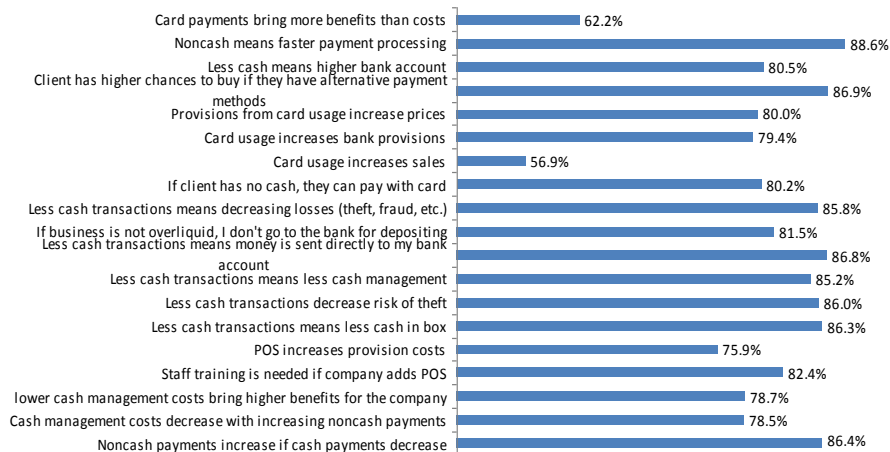
Key Figures





Business statements

Statements



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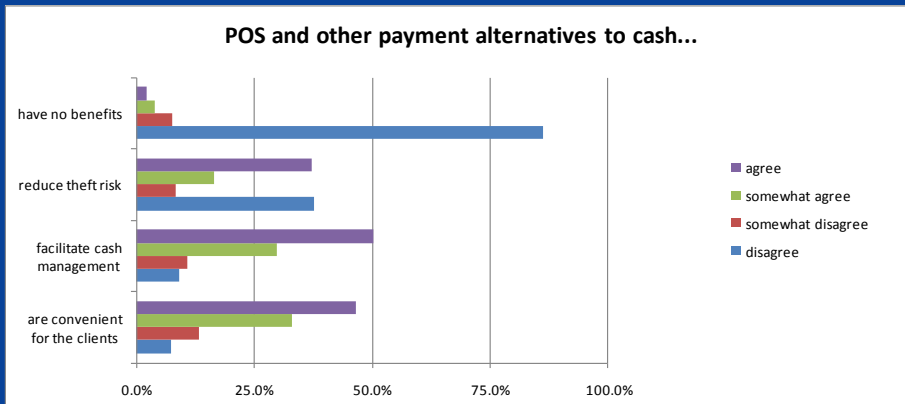


Business - POS

- 15.3% of businesses possess POS
- 84.7% of businesses do not possess POS
- **User reasons**
 - Convenient payment method – 23.2%
 - Additional services for my clients – 21.7%
 - Clients demand POS – 21%
 - Reduces risk of theft – 12.3%
 - Bank has proposed it to me – 10.9%
 - Helps in cash management – 8.7%
 - Have many foreign clients – 1.4%
 - Other – 0.7%

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Businesses – use of alternatives



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Cash alternatives awareness



- The percentages presented below represent all those respondents who answered to the questions regarding this section

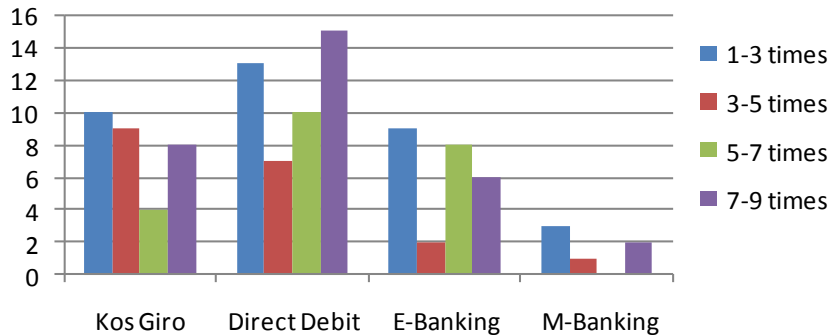
	Are aware	Are NOT aware
Kos Giro	55.4%	44.6%
Direct Debit	49.3%	50.7%
E-banking	49.8%	50.2%
Mobile Banking	41.7%	58.3%

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Usage of alternatives



Frequency of usage during 6 months period:

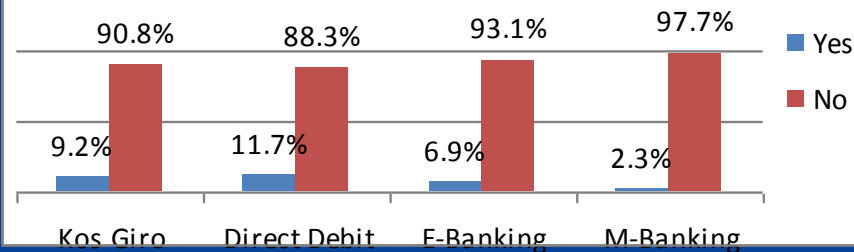


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Usage of alternatives

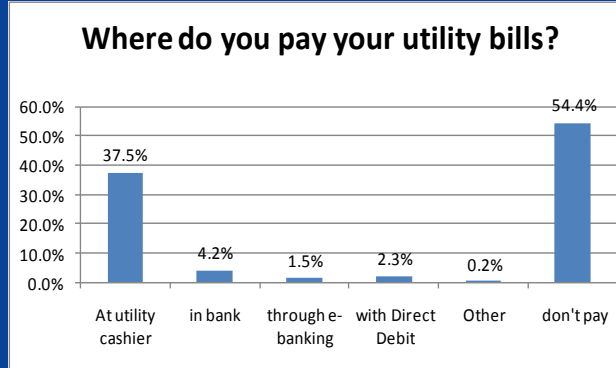


Do you use...



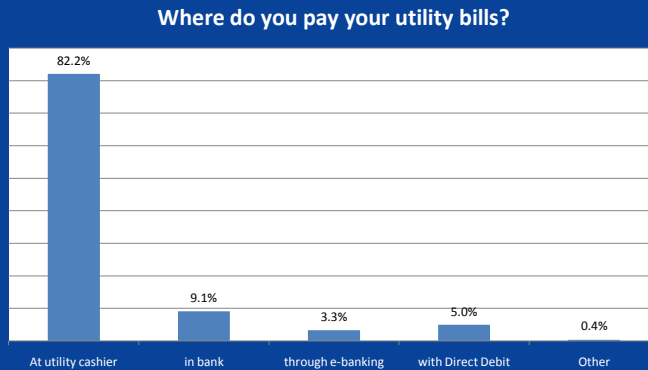
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Utility payment-54.4% don't pay utilities



Note: "In bank" supposed to mean "kos-giro"
Note: 'don't pay' is for those who did not respond to the question

Utility payment-54.4% don't pay utilities



Direct Debit



- **User reasons**
 - 52.6% believe it is convenient, no need to go to the institution
 - 34.6% use DD since they avoid having debt by paying instantly
 - 6.4% use DD because it's free
 - and 6.4% use DD because they have regular income
- **Non-user reasons**
 - 47.9% don't use DD because they pay the bills when they have the money
 - 23.6% have no regular income
 - 14.5% are afraid they pay more than they spend
 - and 13.9% are afraid to allow others to debit their account

Kos Giro



- **User reasons**
 - 65.1% use KG because they prefer to go at the bank rather than the utility company
 - 35% use KG because they can make their payments in any bank branch
- **Non-user reasons**
 - 44.3% don't use KG because they prefer a different amount to be paid than the one noted in the bill
 - 31.9% want to avoid the queuing problem at the banks and don't want to wait
 - and 23.8% do not know how KG works

E-banking



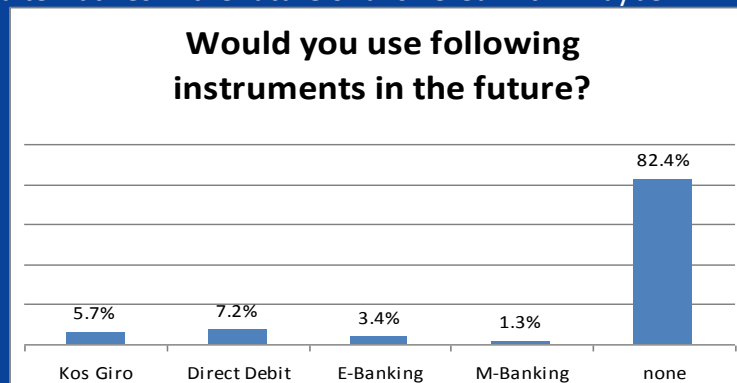
- **User reasons**
 - 30.1% use EB because they think it's convenient and they can pay wherever they have internet access
 - 27.2% use EB as they have full control over their accounts
 - and 42.7% use EB because it's considered as a modern payment method
- **Non-user reasons**
 - 47.6% don't use EB since they don't trust the security systems
 - 31.3% have no internet access
 - and another 21.1% do not use e-banking since they do not make money transfers or payment transactions

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Future consideration for usage of payment alternatives



- Note that 82.4% of respondents in this survey did not give any feedback as to whether they will use any payment alternatives in the future or answered with "maybe"



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Initial Conclusions

- Fear of technology, bank processes, lack of control
- Lack of awareness of other means of payment
- The need for banks and public companies to educate and incentivize their customers
- Business sector education and awareness of costs and benefits to their business



Initial Conclusions

- Economic environment effects behavior – insufficient funds for full payment, pay when they can not when they should
- Big potential – high agreement that non cash facilities are useful
- Larger network of POS required

Discussions, Conclusions and Next Steps?

3. Questions, requests and proposals

Proposals from CBK (from previous meetings)



1. There is a need for concrete initiatives and activities for the reduction of cash payments from all institutions (this includes commercial banks, public companies, private companies, governmental agencies, etc).
2. Utility companies should expand their network where Direct Debit services are offered to their customers, because currently this service is very limited and provided only at the headquarters of the companies. Utility companies should also develop operational plans for the reduction / closure of their tellers (cash counters) that accept cash. *(Setting timeframes should be required).*
3. Commercial banks should reduce the fees for electronic payment services, such as Direct Debit, E-Banking, Kos-Giro, etc. We believe that revenue lost from fee reduction will be more than compensated by the increase in the volume of payments. Commercial banks should also organize awareness campaigns aimed at clients as well as merchants (business community).
4. Analyze practices in other countries of setting maximum limits on the value of cash payments at the counters of commercial banks, and come up with recommendations to government institutions (MEF), banks, etc.

Other proposals



- Please make written proposals with ideas, concrete initiatives and activities for the reduction of cash payments in the following e-mail address:
paymentsystems@bqk-kos.org
- These proposals can affect any of the involved stakeholders: Kosovar businesses, commercial banks, consumers, government authorities, etc.
- These proposals will be analyzed and discussed in the next meeting.



Thank you

National Payments Council
<http://www.bqk-kos.org/?cid=1,59,55>