



Second project management meeting for reducing cash transactions in Kosovo

Project management group within the National Payments Council
(NPC)

January, 2011

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 1.

Content



1. Approval of minutes from the last meeting
2. Payment instruments and terminals - Kosovo compared to the countries in Southeastern and Central Europe (*short presentation*)
3. Customer and Merchant research to understand their issues concerning non cash payments
4. Questions, requests and proposals

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 2.



1. Approval of minutes from the last meeting

Mr. Robert Wright
CEO Raiffeisen Bank



2. Presentation:

Payment instruments and terminals - Kosovo compared to the countries in Southeastern and Central Europe

Gjylfidane Kadrijaj, Director
Interbank Payment Systems Directorate
Central Bank of the Republic of Kosovo

Comparative table

Description	Kosovo	Slovenia	Hungary	Czech Republic	Turkey	Serbia	Bulgaria	Albania	Bosnia	Montenegro	Croatia	Macedonia
Population (in million)	2.1	2.04	10.02	10.51	74.8	7.38	7.54	3.16	3.77	0.62	4.42	2.04
ATM	339	1,786	4,748	3,573	23,952	2,723	5,471	741	1,355	295	3,601	832
POS	5,251	36,720	70,960	77,797	1,731,397	59,058	59,449	4,370	16,259	7,202	85,804	31,447
Credit Cards	31,508	122,811	1,505,439	1,536,882	44,392,600	1,022,544	1,050,566	23,844	-	56,935	2,044,621	188,612
Debit Cards	507,399	2,611,307	7,266,081	7,811,609	64,661,900	4,991,846	6,631,214	543,141	-	318,875	6,489,163	1,021,370
Total Cards	538,907	2,734,118	8,771,520	9,348,491	109,054,500	6,014,390	7,681,780	566,985	1,754,221	375,810	8,533,784	1,209,982
E-Banking Accounts	40,924	-	-	-	-	-	-	15,034	52,000	18,155	919,009	296,914

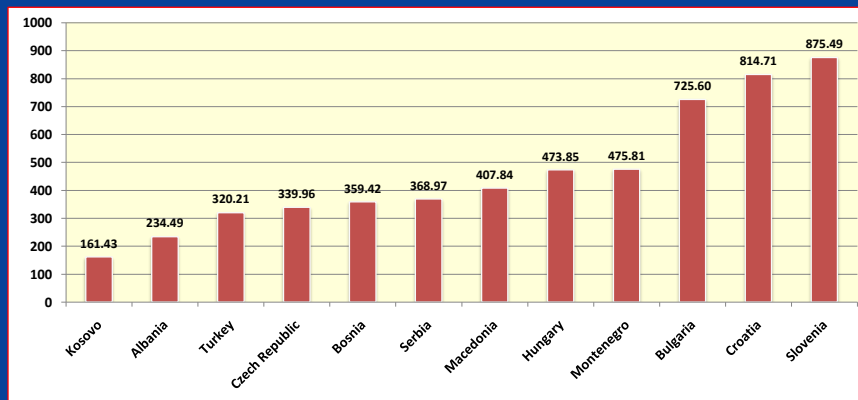
(per 1,000,000 people in 2009)

Description	Kosovo	Slovenia	Hungary	Czech Republic	Turkey	Serbia	Bulgaria	Albania	Bosnia	Montenegro	Croatia	Macedonia
ATM	161	875	474	340	320	369	726	234	359	476	815	408
POS	2,500	18,000	7,082	7,402	23,147	8,002	7,884	1,383	4,313	11,616	19,413	15,415
Credit Cards	15,004	60,201	150,243	146,230	593,484	138,556	139,332	7,546	-	91,831	462,584	92,457
Debit Cards	241,619	1,280,052	725,158	743,255	864,464	676,402	879,471	171,880	-	514,315	1,468,136	500,672
Total Cards	256,622	1,340,254	875,401	889,485	1,457,948	814,958	1,018,804	179,426	465,311	606,145	1,930,720	593,128
E-Banking Accounts	19,488	-	-	-	-	-	-	4,758	13,793	29,282	207,921	145,546

BANKA QENDRORE E REPUBLIKËS SË KOSOVËS 5.

ATM

Number of ATM terminals per 1,000,000 people in 2009



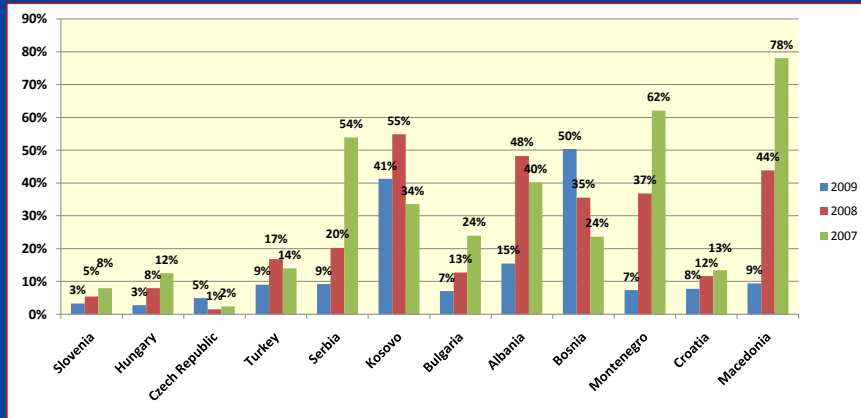
* The data is taken from the central banks and other regulatory authorities

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 6.

ATM



Annual growth of the number of ATMs in the last 3 years:

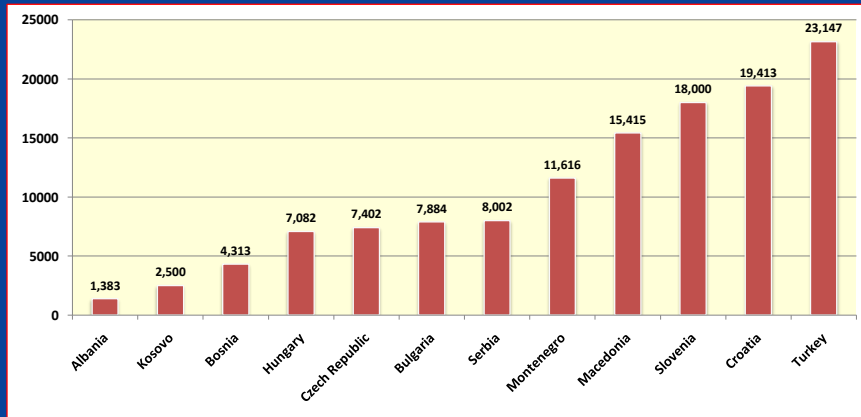


* The data is taken from the central banks and other regulatory authorities

POS



Number of POS terminals per 1,000,000 people in 2009

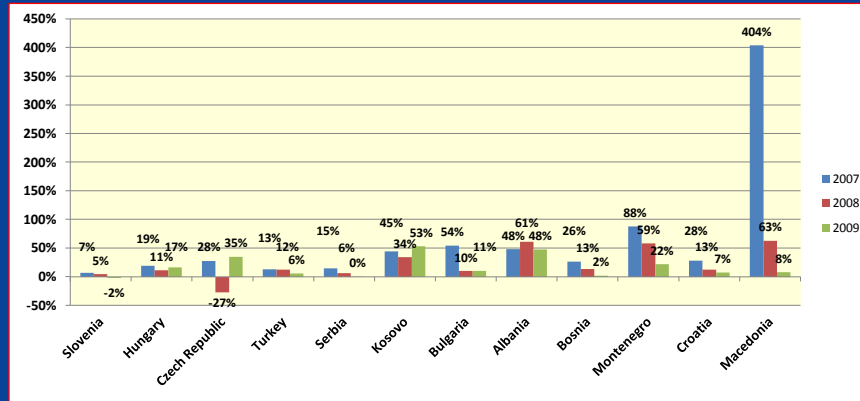


* The data is taken from the central banks and other regulatory authorities

POS



Annual growth of the number of POS terminals in the last 3 years:



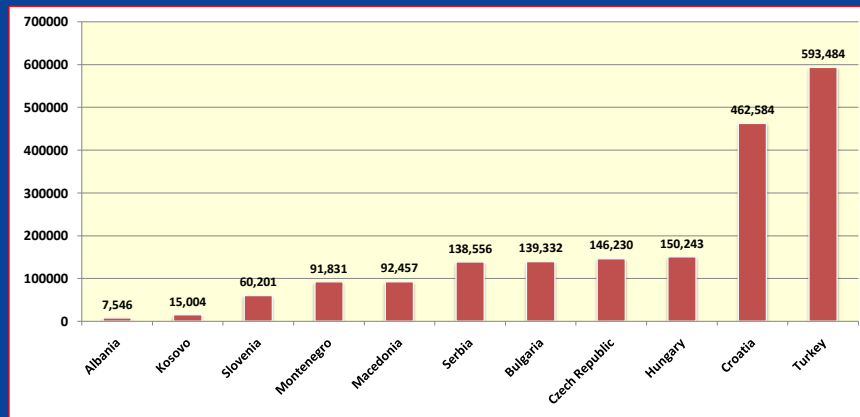
* The data is taken from the central banks and other regulatory authorities

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 9.

Credit Cards



Number of credit cards per 1,000,000 people in 2009



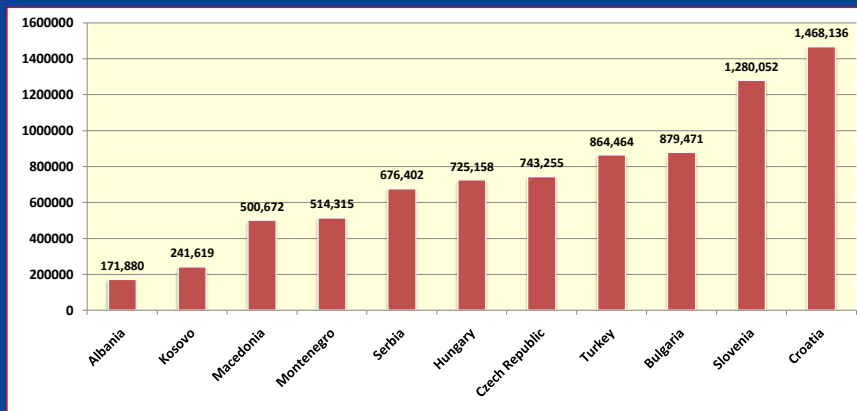
* The data is taken from the central banks and other regulatory authorities

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 10.

Debit Cards



Number of debit cards per 1,000,000 people in 2009



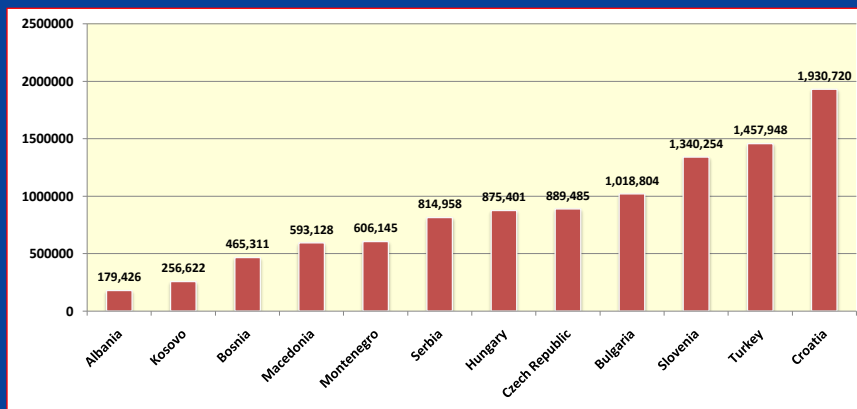
* The data is taken from the central banks and other regulatory authorities

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 11.

Total payment cards



Number of payment cards (both debit and credit) per 1,000,000 people in 2009



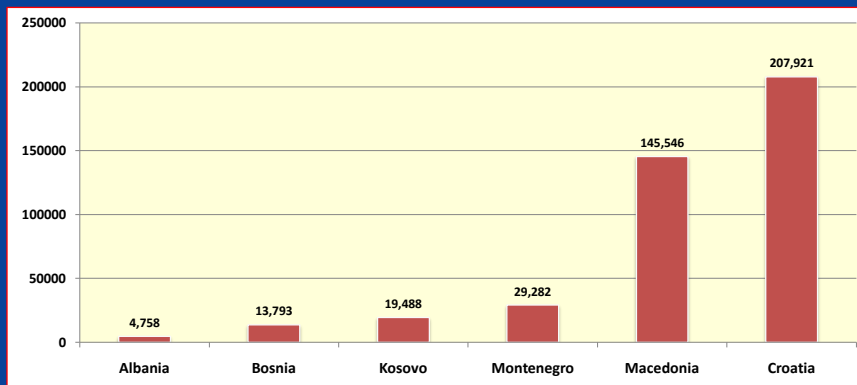
* The data is taken from the central banks and other regulatory authorities

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 12.

E-Banking accounts



Number of E-Banking accounts per 1,000,000 people in 2009



* The data is taken from the central banks and other regulatory authorities

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 13.

Conclusions (1)



- Kosovo started 'developing' its banking sector and payments infrastructure from scratch after the war in '99, much later than the countries in the Southeastern and Central Europe.
- The terminal infrastructure (ATM and POS) is growing at a faster rate than the average growth in the region. However, currently in terms of terminals per 1 million people, Kosovo has:
 - **ATM**: The fewest ATMS's in the region (161), 5 times less than Slovenia and 2 times less than Macedonia
 - **POS**: The second fewest POS terminals in the region (2,500)
- The number of payment cards is increasing, however Kosovo still lacks behind other countries in South eastern and Central Europe. Kosovo is ahead of only Albania regarding the number of payment cards per 1 million people.

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 14.

Conclusions (2)

- Even the number of installed POS terminals in Kosovo is somewhat misleading, as **many retail outlets have POS terminals from several banks**. The installation of multiple terminals in a single outlet is necessary because **there is no national electronic interbank card switch and clearing house** and thus **no special domestic interoperability arrangement between different banks' networks** (it should also be noted that the same applies to ATMs).



The installation of multiple ATM terminals in a single spot, near the NEWBORN sign.

Conclusions (3)

- Lack of domestically-arranged interoperability or interconnection of card networks in Kosovo causes **inefficiency**.
- CBK in collaboration with commercial banks and other stakeholders have prepared the **Strategy for the development of National Payment System**, which also deals with small value payments (*pillar 3*). The overall objective is to provide the economy with a broad range of safe and efficient payment services*.

* The strategy is published in CBK official web site at: <http://www.bqk-kos.org/?cid=2,59,306>



3. Customer and Merchant research to understand their issues concerning non cash payments

Mr. Robert Wright
CEO Raiffeisen Bank

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 17.

Customer and Merchant research (1)



- **Objective:** To identify the reasons why consumers choose cash rather than 'banking'
- **Deliverables:**
 1. identification of the problem
 2. proposal for regulatory / self-regulatory actions
 3. implications of the proposed actions
- **Target audience:**
 1. Kosovar businesses
 2. commercial banks
 3. consumers
 4. authorities

CENTRAL BANK OF THE REPUBLIC OF KOSOVO 18.

Customer and Merchant research (2)



- 3 out of 4 companies have responded to our request as follows:



These prices are tentative and only indicative of the final project costs which will definitely be less.

Should we undertake this research?

How it should be funded?

In case we can't secure the necessary funding through donations, etc. the CBK/Interbank Payments Systems Directorate, in close collaboration with commercial banks, business companies, KCC, government institutions, and other stakeholders, should conduct this research



4. Questions, requests and proposals

Proposals from CBK



- 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). For example, the utility companies should develop operational plans for the reduction / closure of their tellers (cash counters) that accept cash. *(Setting timeframes should be required).*
- Continue the activities initiated earlier by some companies
- Commercial banks should plan awareness programs for clients and 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.
- Continue the activities started, analysis, research and presentations at KBA for banks and then for other stakeholders, e.g. KCC, IPKO, etc.
- 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>