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# Analysis on the use of "Kos Giro"

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# **Analysis on the use of “Kos Giro”**

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## PREFACE

Modern economy would not be effective without functioning of payment systems, including secure, innovative and sustainable payment services, which affect economic development and increase competitiveness in the market.

The objectives of this analysis are the developments within the “Kos Giro” payment scheme, including payments made through this scheme, as well as those carried out within the bank which are not realized through "Kos Giro" scheme (where the debtor and creditor are client of the same bank) but that contain features of Kos Giro.

In this paper are analyzed in detail the development of this payment scheme, trying to be accurate and to analyze its development over the years, reflecting both in challenges and the factors influencing its use, which is already a very important part of the Electronic Interbank Clearing System (EICS), making up one of the largest schemes of this system, which continues to operate with a high security and reliability to its users.

Payment Systems Department in the future aims that in close cooperation with public institutions, commercial banks, utility companies and other participants in the scheme, to continue its development, aiming mainly to increase payments through electronic forms or bank accounts, with the purpose of reducing cash payments for security and efficiency reasons.

## Kos Giro Scheme

The Central Bank of the Republic of Kosovo (CBK) operates the only system of interbank payments in Kosovo known as Electronic Interbank Clearing System (EICS). EICS is an integrated system of payments, which includes several schemes for large-value payments, as well as payments of lower values.

One of the objectives of Payment System Department (PSD) is to provide a safe and stable payment system, at the same time aiming the development of new forms of payments, with particular attention to electronic payments. Among many developments that have followed EICS during the years is the creation of Kos Giro scheme, which enables customers to conduct the payments for certain services, with a standardized invoice.

Participants in Kos Giro scheme are all payment institutions licensed by CBK and all billing companies and institutions, where payments for their services are carried out through this scheme. Also, for participation in Kos Giro scheme, institutions should be participants in EICS.

**Figure 1.** The functioning of Kos Giro scheme

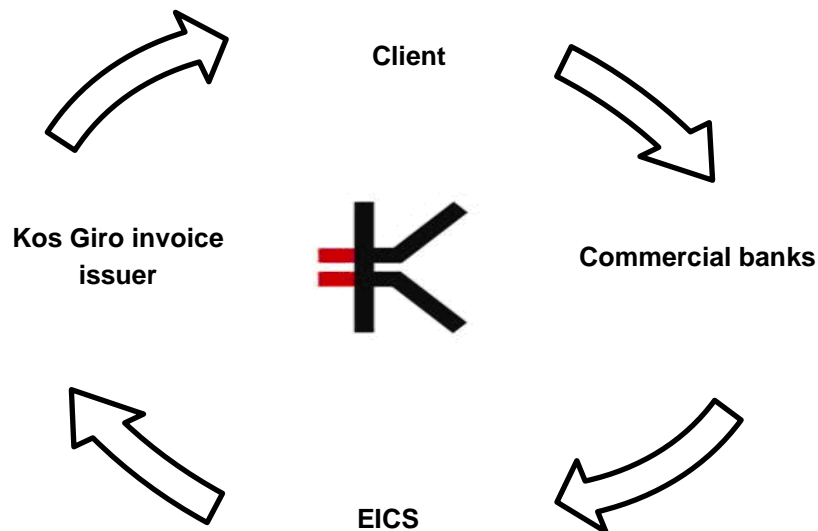


Figure 1 shows the method of functioning of the Kos Giro scheme. Invoice issuer (public companies or other participants in the scheme) of the Kos Giro bill sends it to their clients, which then perform the transfer order in any of the commercial banks (through accounts or cash) or through non banking financial institutions licensed by CBK. Through the EISC commercial banks send the collected transfer orders in the bank where the biller holds its account, and then this bank credits the biller's account. The entire process is automated and performed in a very efficient manner.

## Kos Giro bill

Kos Giro bill is designed to be used by billers, payers and financial institutions. Particular attention is paid to the automatic processing on a large scale, particularly from financial institutions. Automatic processing sets specified data in the form, especially in the part delivered to customer.

Kos Giro bill is a standardized document which consists of two parts: the part for payment and the coupon which will be returned to the customer. These bills contain payments data on the "barcode". The "barcode reader" will read the data on the bank counters and payment is automatically processed by the bank.

**Figure 2.** Kos Giro bill (version 1.3)

Beside version 1.3 of the Kos Giro bill, with the request from companies participating in the scheme, CBK also has designed three other versions: version 1.4, 1.5 and 1.6<sup>1</sup>.

<sup>1</sup> The Versions of Kos Giro bill are published on the official website of the CBK <http://www.bqk-kos.org/?cid=1,59,61>

## The development of Kos Giro scheme

Safe and efficient operation of the Electronic Interbank Clearing System (EICS) has increased the number and value of transactions processed through this system. Meanwhile, the number and value of payments through Kos Giro scheme are increased along with the number of companies that use this scheme.

**Table 1.** Number and value of interbank Kos Giro transactions

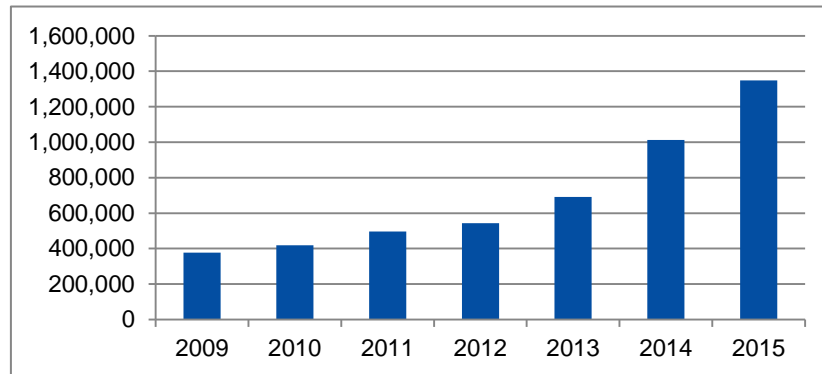
	Number	Value
<b>2009</b>	377,460	671,649,728.54
<b>2010</b>	419,329	734,367,963.86
<b>2011</b>	496,197	871,170,119.17
<b>2012</b>	543,338	892,130,912.76
<b>2013</b>	692,281	899,986,956.00
<b>2014</b>	1,013,620	949,316,256.00
<b>2015</b>	1,349,316	1,048,213,712.00

Source: CBK

Table 1 shows the number and value of interbank transactions executed through the Giro Kos scheme from 2009 until 2015. From the data presented in this table, can be noticed a continuous growth of the number as well as the value of transactions through Kos Giro scheme.

The increased number of Kos Giro transactions over the years was as follows: in 2010 compared with 2009 the number of transactions increased by 11 percent, in 2011 the number of transactions was increased 18.3 percent, in 2012 the increase was 9.5 per cent, in 2013, 27.4 percent, 46.4 percent in 2014, while in 2015 the number of Kos Giro payments is increased by 33.1 percent.

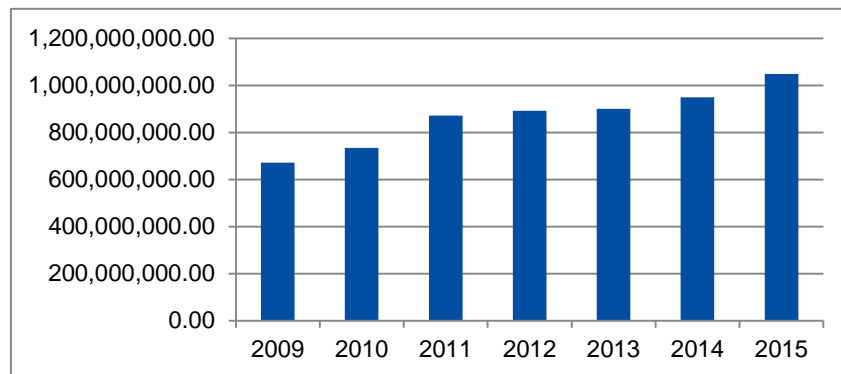
In the following chart is better presented the movement of the number of Kos Giro transactions over the years.

**Figure 3.** Number of Kos Giro transactions (Interbank)

Source: CBK (2016)

Beside increase in the number of transactions, also their value is increased yearly. The value of Kos Giro transaction in 2010 was increased 9.3 percent, in 2011 18.6 percent, in 2012 2.4 percent, in 2013 0.88 percent, 5.5 percent in 2014, while in 2015 the value of Kos Giro payments was increased about 10.4 percent.

In the following chart is better presented the value of Kos Giro transactions over the years.

**Figure 4.** Value of Kos Giro transactions (interbank)

Source: CBK (2016)

Table 2 presents data on the number and value of Kos Giro transactions within the bank, based on reports of commercial banks reported to the CBK, accordingly with the methodology for reporting of payment instruments. The reported data shows that in 2011 the number of Kos Giro intra-bank transactions is increased by about 25.9 percent, while their value is increased approximately 183 percent. In 2012, the number of Kos Giro intra-bank transactions was decreased by 7.9 percent, while their value was increased slightly by about 1.9 percent.



In 2013 the number of Kos Giro payments within the bank increased by 0.65 percent, while the value was increased by 7.1 percent. In 2014 and 2015 the number as well as the value of Kos Giro payments within the bank decreased significantly, since Kos Giro inter bank payments are increased.

**Table 2.** Number and value of Kos Giro intra-bank transactions

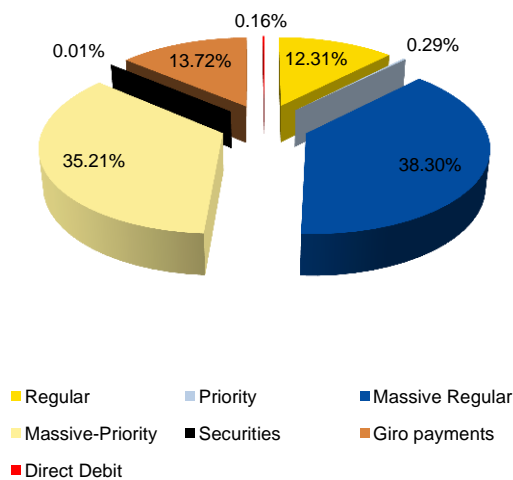
Vitet	Numri	Vlera
2010	151,522	101,791,642.34
2011	190,794	288,675,984.93
2012	175,746	294,146,975.00
2013	176,880	314,920,822.65
2014	135,082	194,183,806.58
2015	54,796	10,242,810.05

Source: Commercial banks

### Kos Giro participation in EICS

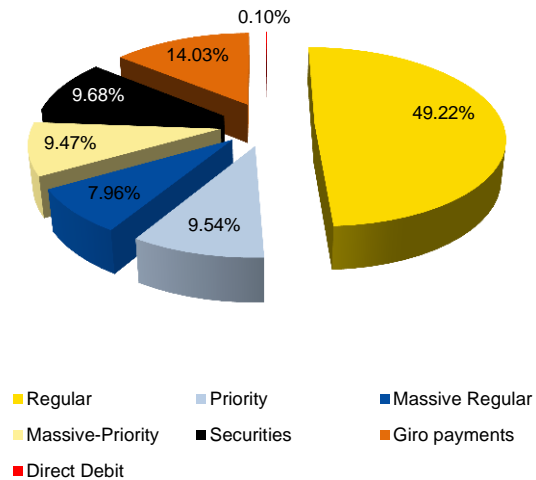
Electronic Interbank Clearing System (EICS) is an integrated system of payments which involves several payment schemes and one of them is Kos Giro scheme. Over the years this scheme has increased its share within the EICS and now represents one of the most important participants of the payment system. The following figures show the participation of the number and value of Kos Giro in the EICS for 2015. Regarding the number, Kos Giro is the third with 13.72 percent (after regular massive payments and individual payments), while in terms of value it is the second largest participant with 14.03 percent (after regular payments).

Figure 5. Share of transactions (number).



Source: CBK

Figure 6. Share of transactions (value).



Source: CBK

## **Information of customers with Kos Giro scheme**

Billing companies participating in Kos Giro scheme should explain to customers' benefits of this scheme, especially its favorable conditions regarding speed and accuracy in processing.

Customers of companies can utilize almost all the counters of every financial institution authorized by the CBK for performing payment services in Kosovo.

Kos Giro enables banks to reduce or eliminate manual processing by avoiding the costs of staff resources, and increase efficiency, and improve the overall banking experience for the client. Also, customers are offered with favorable options to pay bills without cash, through electronic forms as e-banking, ATM, etc.

## Conclusion

From data analyzed in this report, we can conclude that there has been a constant increase in the use of Kos Giro scheme, which has resulted from efficiency and security offered by this scheme, as well as from existing and new companies which are part to this payment scheme.

Despite the high growing trend, Kos Giro scheme still offers opportunities to increase its usage, from participating companies, as well as from other potential companies that could join the scheme. CBK on the role of the regulator, commercial banks and companies participating in the scheme should continue their commitment with the aim to further expand this scheme and expand using of e-banking services for the processing of Kos Giro transactions.

Aiming to increase the usage of Kos Giro scheme, CBK has consistently held meetings with current and other potential participants, in order to discuss ideas or problems they face, and as a result of these meetings, this scheme is continuously developing and has also been designed another version of the Kos Giro bill (v1.5) which reduces printing costs of these bills.

Commercial banks and participating companies must continue to pay attention to Kos Giro promotion through electronic ways in order to increase efficiency and effectiveness, and this will also affect the customers in the use of Kos Giro, as will save time and simultaneously decrease their costs.