



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

Use of bank cards in Kosovo

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Use of bank cards in Kosovo

(Based on data reported by commercial banks)

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ABBREVIATIONS:

ATM	Automated Teller Machine
CBK	Central Bank of the Republic of Kosovo
PSD	Payment Systems Department
EFT-POS	Electronic Fund Transfer Point of Sale
POS	Point of Sale

Note:

For detailed description refer to explanatory notes.

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Preface

The main objective of the Central Bank of Republic of Kosovo is to foster and to maintain a stable financial system, including a safe, sound and efficient payment system. Therefore, promoting safe and efficient payment systems has a key role in maintaining financial stability in the country.

Instruments and payment schemes are an essential part of the payment systems. Cards, credit transfer, Kos Giro and Direct Debit payments are non-cash payment instruments with which users of these services transfer funds between bank accounts at banks or other institutions.

Beside the measures regarding the improvement of regulatory and legal base, as well as the infrastructure developments, CBK is paying special attention to the use of payment instruments which is estimated to a considerably help the decision making process and reforms foreseen in the field of payment system.

Based on international literature, it is noted that the use of electronic payment instruments shows a negative correlation to the use of cash in economy.

We believe that this survey would facilitate the work regarding researches in fields related to payments and will serve to study possible correlation between variables shown in the study with other variables in real and financial sector.

We note that this study is based on statistical data of commercial banks, and includes the period of January-December 2015.

Cardholders by age and gender

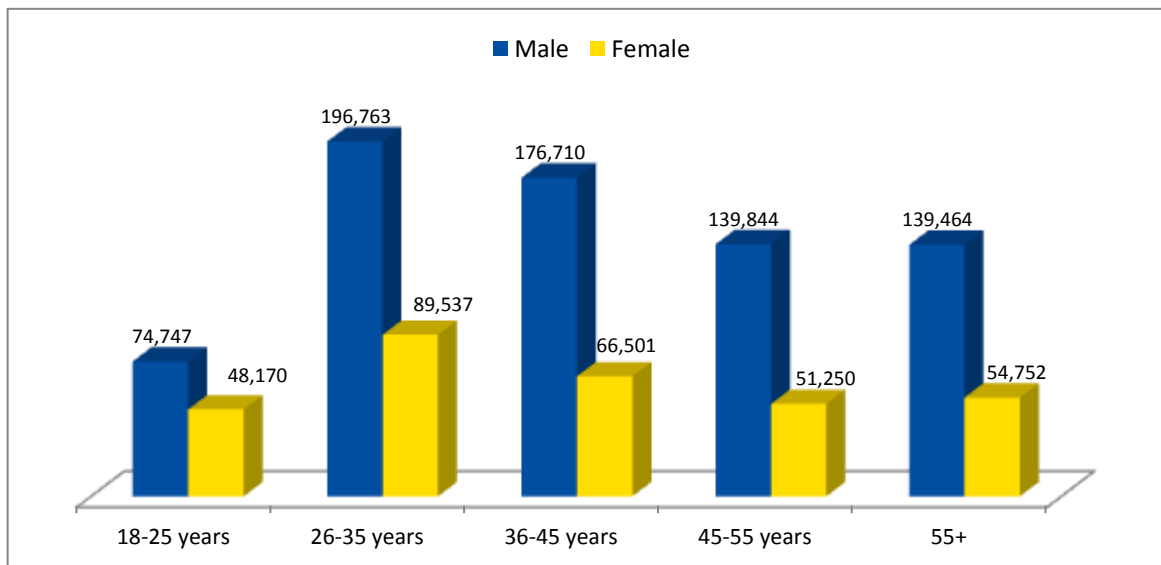
The purpose of this part of the analysis is to clarify the socio-demographic distribution of the cards used by the citizens of Kosovo. The analysis also aims to clarify the factors that have contributed to such distribution of cards.

Cards mostly used by the citizens of Kosovo are debit cards, which are linked to the account and allow their owners to carry out transactions up to the amount of available funds, and credit cards that allow transactions according to credit limits set by the card-issuing bank. VISA and MASTERCARD brands comprise the majority of cards in Kosovo, while local cards represent a small number compared to the first two.

What should you know before getting a bank card?

- Card issue cost;
- Payment amount limits;
- Cash withdrawal limits ;
- Interest applied;
- penalties for late payments, the date for payment of debt;

Figure 1. Number of cards by age and gender of cardholders



Source: CBK (2016)

From the data presented in Figure 1, we can say that the vast majority of cards for all age groups are owned by male.

60.8 percent of cardholders belonging from 18-25 years are male, while 39.2 percent of them are female. In the age group 26-35 years, 68.7 percent of cards are possessed by male, while 31.3 percent by female. For the age group

36-45 years and 46-55 years, the difference is even higher. In the first group 72.7 percent of cards are owned by male and 27.3 percent by female whereas in second group 73.2 percent by male and 27.8 percent by female.

So, from the data presented above is obvious that female compared to male possess a smaller number of cards. Among younger age citizens this difference is smaller, increasing with the increase of age.

How much are used debit and credit cards?

Use of debit cards by clients

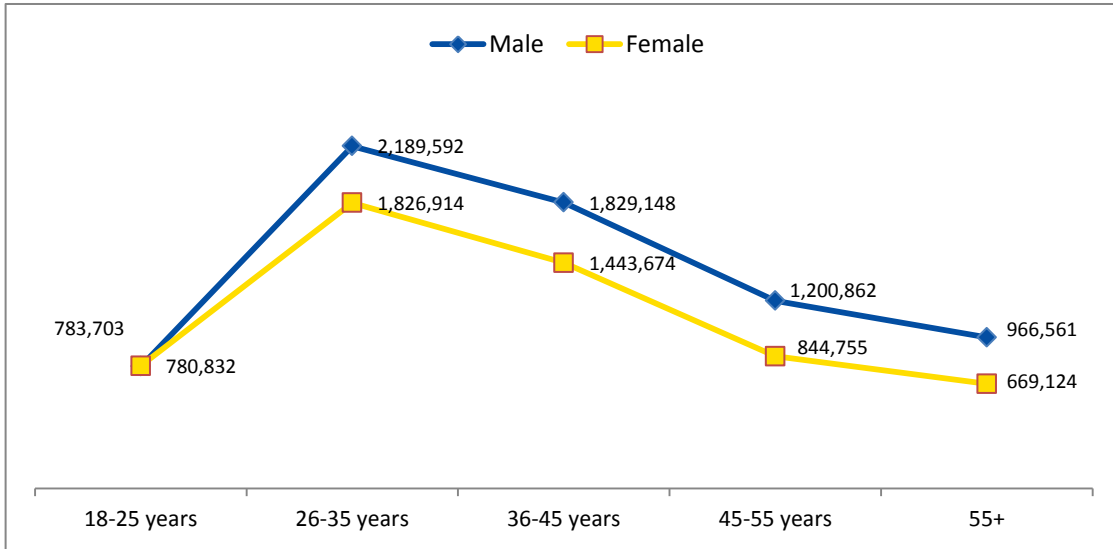
When analyzing the number of card transactions, it turns out that in 2015 the age group of 26-35 has performed the largest number of transactions with debit cards, of which 54.5% of transactions were carried out by males and 45.5% of females. This might mean that this age group has the highest level of knowledge for the use of electronic payment instruments as well as regular monthly income.

Safety - bank card is a payment instrument and as such should be stored and used with care. During its use should be cautious and attentive.

- It can be used only by the cardholder – it should have your name.
- You should take care of Personal Identification Number - PIN (Attn: never store your PIN and card together and do not disclose the PIN to another person, etc.)
- Do not share information on your card over the phone, by email or other insecure means.
- In case of card loss inform your bank as soon as possible which will block the card immediately to prevent the card misuse by unauthorized persons.

Clients over 55 years old use less the debit cards for payment, as a result of being more conservative regarding payment instruments and due to the small number of cards for pension category clients.

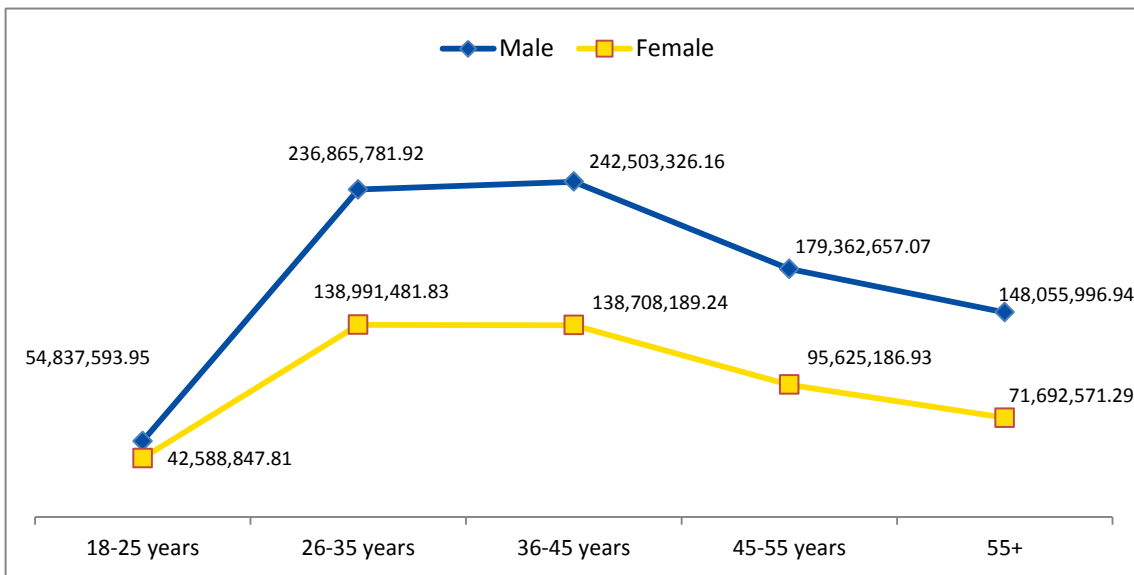
Figure 2.Number of payments with debit cards in terminals (by age and gender of the card holders for the year 2015).



Source: CBK (2016)

The data on the figure 3 show that the citizens of the age groups 26-35 and 36-45, during 2015 have realized payments of greater value compared to other age groups. If we make an interconnection between the number and value of transactions with debit cards, it can be concluded that females and males conduct approximate number of transactions, but the difference lies in the amount of these payments as shown in the figure below. 63 percent of the value of debit card transactions was carried out by males within the age group 26-35 years, while only 37 percent by females.

Figure 3.The value of payments with debit card in terminals (by age and gender of the cardholders for the year 2015).



Source: CBK (2016)

The use of credit cards by the clients

Credit cards allow their holders to make payments or withdraw cash up to a limit set by the card-issuing bank. Credit allowed can be returned as a whole at the end of the period set or return in parts, under an agreement with the bank. Usually, banks charge an interest on the cardholder for the amount of credit used.

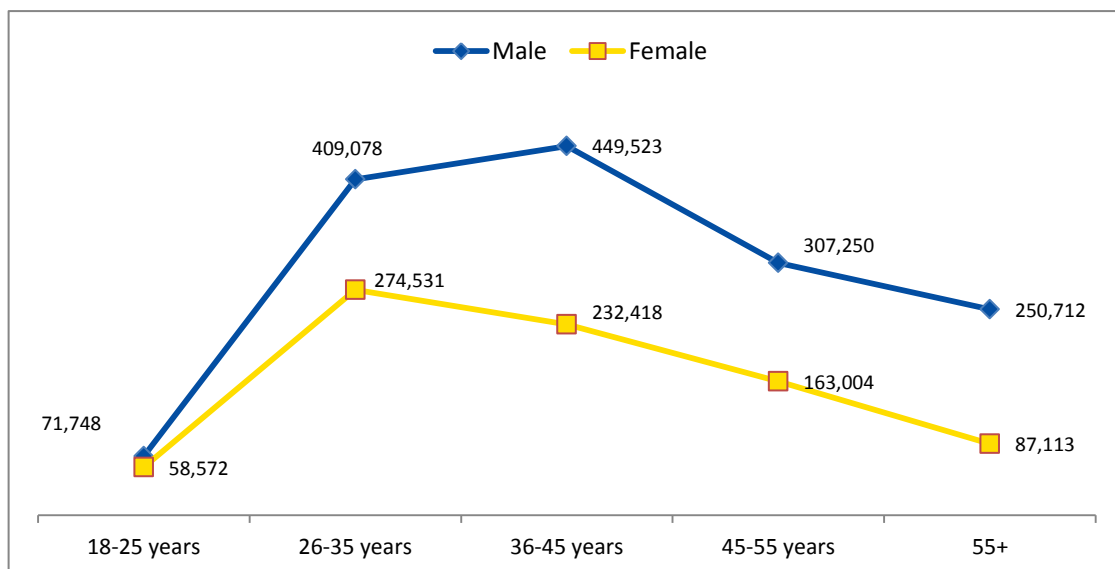
Credit cards have become the everyday tool for citizens regarding payments and managing of their finances. Besides increasing the number of credit cards in recent years it is obvious the increase of their use for payment in ATM and POS terminals and online shopping.

From the data presented on the figure 4 we can see that people aged 26-35 and those 36-45 conduct the largest number of credit card transactions.

Out of the total number of credit card transactions 64.6 percent were carried out by males, while 35.4 percent by females.

The biggest difference lies in the number of transactions by citizens over 55 years, which shows that 74.21 percent of transactions carried out by males while 25.79 percent of them carried out by females and the difference is smaller in people aged 18 -25 years which shows that males of this age group have conducted 55.06 percent of credit card transactions while females 44.94 percent of them.

Figure 4. Number of payments by credit card on terminals (by age and gender of the card holders in 2015).

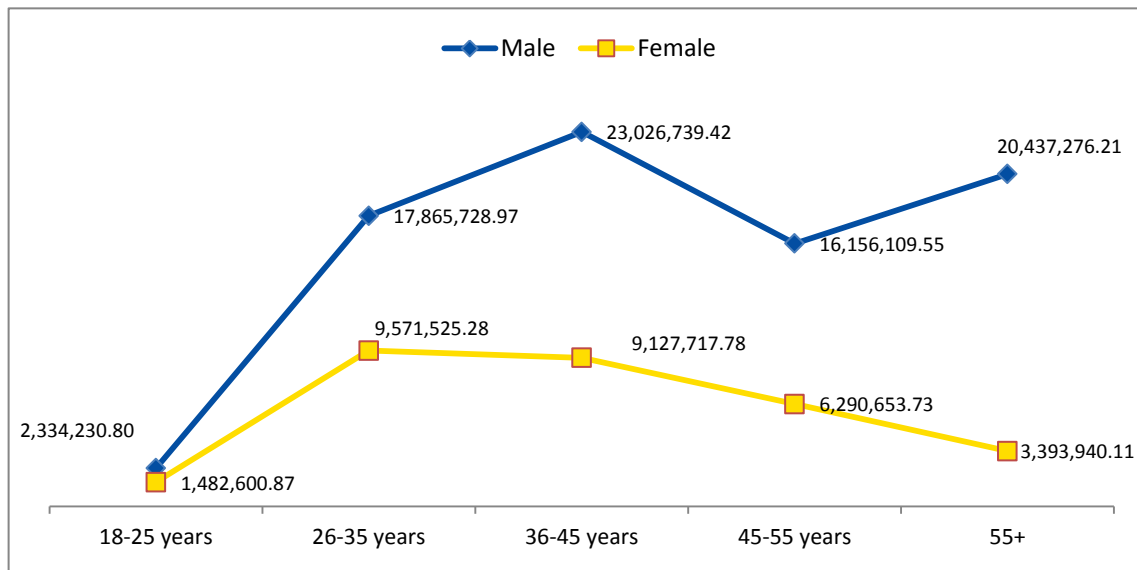


Source: CBK (2016)

In Figure 4 is shown the value of credit card transactions carried out in 2015 by the citizens of Kosovo. From the data presented we observe that 72.77 percent of the value of transactions with credit cards is performed by males, while 27.23 percent are performed by females.

It is worth noting that on citizens of the age group 18-25 years old the difference of transactions performed by both genders is smaller, 61.16 percent of the value of transactions in this age group is performed by males, while 38.84 percent of them performed by females.

Figure 5. The value of credit card payment on terminals (by age and gender of the card holders in 2015).



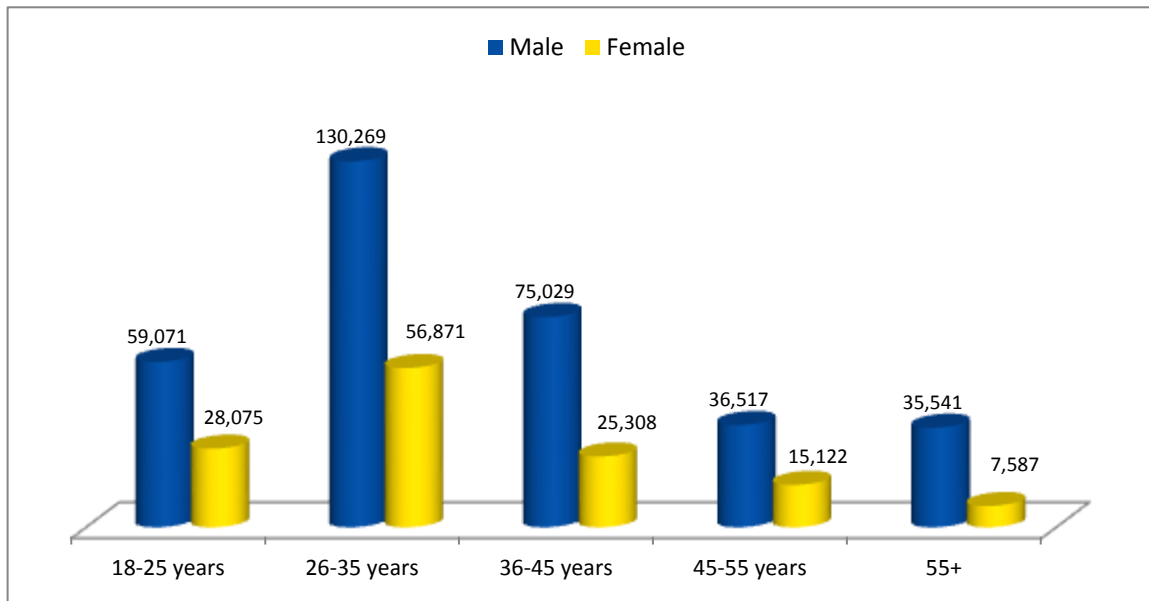
Source: CBK (2016)

The impact of socio-demographic factors in making online payments

Besides the increase in the number of Internet users in Kosovo, have also been increased "online" purchases/payments (card payments) through the Internet. Coverage by socio-demographic factors, confirm that the trends of online shopping in 2015 shows that younger age clients are more familiar with online purchases and consequently payments.

Figure 6 shows that the largest number of online transactions has been made by males of 26-35 age group with 69.6 per cent of the number of transactions compared to females of this age group that have performed 30.4 percent of transactions.

Figure 6. Percentage of online payments

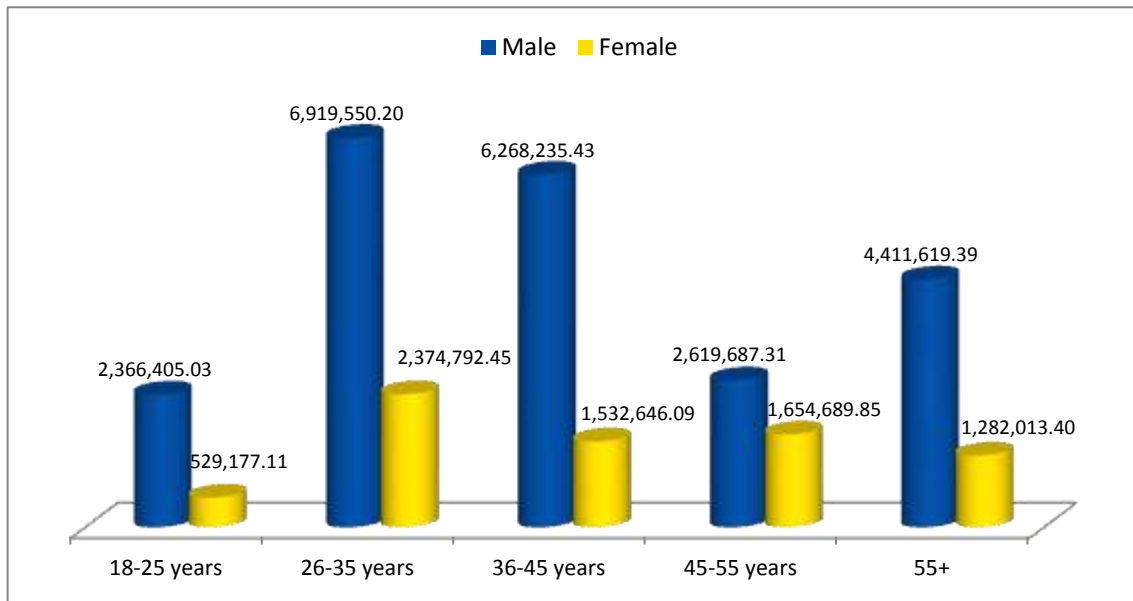


Source: CBK (2016)

In Figure 7 is shown the value of "online" payments by card. From the data presented is noticed that from all age groups, males are the ones who perform more "online" payments.

The value of "online" transactions by clients aged 26-35 and those aged 36-45 have the highest participation in the total value of "online" payments. In the age group 26-35, 74.5 percent of "online" payments are committed by males, while 25.5 percent by females. The gender gap is greater in the age group 36-45, where from the total value of "online" card payments, 80.4 percent of them is performed by males while only 19.6 percent of them by females.

Figure 7. The value of online payments (with cards via the Internet)



Source: CBK (2016)

Card transactions by value of payments

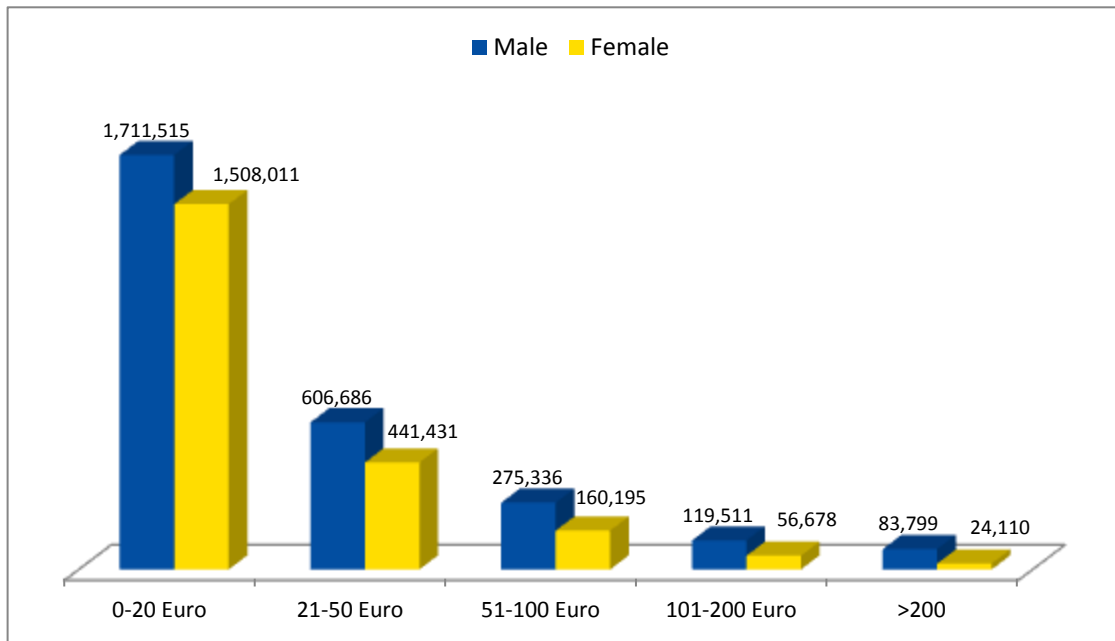
At the end of 2015 in Kosovo were 9.705 POS terminals installed which allowed citizens to perform card payments without having to carry cash for payments. This is a very easy and safe way of making payments for goods or services.

Card transactions at POS terminals

From the data presented in Figure 8 is shown that Kosovo citizens prefer to make payments of smaller amounts, 64.6 percent of the total number of payments in POS terminals is 0-20 Euro value, while 35.4 percent over 20 Euro.

Similarly, Figure 9 shows that payments in POS terminals of over 200 Euro of value are in small number, they make up only 2.2 percent of the total number of payments made at POS during 2015.

Figure 8. Number of card payments at POS terminals



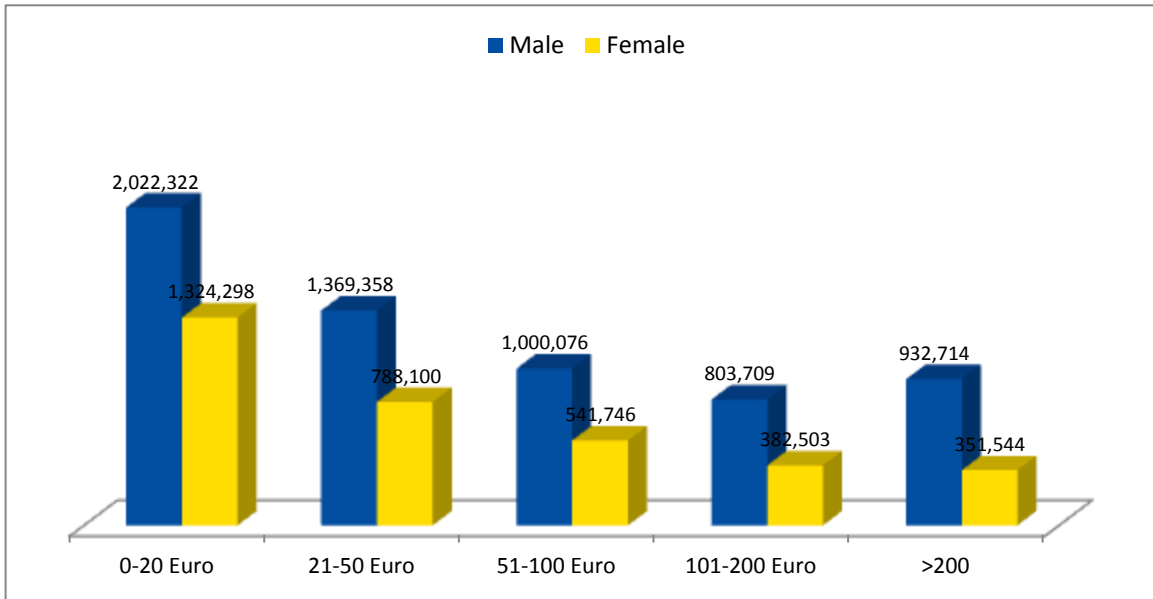
Source: CBK (2016)

Card transactions at ATM terminals

In Figure 9 is presented the number of ATM withdrawals during 2015, classified based on age and gender of the card holders. The number of withdrawals at ATM terminals amounting up to 20 Euro constitutes 35.17 percent of the total number of withdrawals amounting 21-50 Euro comprise 22.67 percent of the total number of ATM withdrawals, while those over 200 Euro make up 13.5 percent of the total number of ATM withdrawals during 2015.

From the total number of ATM withdrawals, 64.4 percent of transactions were carried out by males, while 35.6 percent by females.

Figure 9. Number of ATM withdrawals by value



Source: CBK (2016)

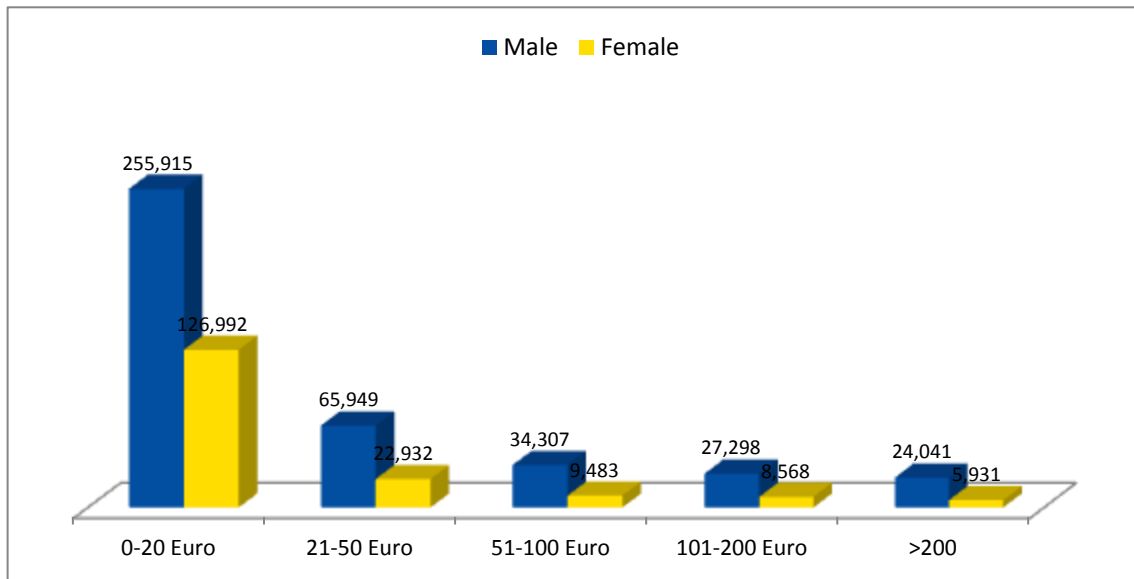
Card transactions via Internet

"Online" payments by bank card on this last years have become more attractive to the citizens of Kosovo, same as for the citizens of other countries. These kinds of payments are being followed by rapid development trends. They are mainly used for purchase of goods or services, hotel bookings, travel ticket payments etc.

From the data presented in Figure 10, we notice that "online" payments are mainly of small amounts: 65.86 percent of "online" payments are of values from 0-20 Euro, while only 16.5 percent of them are transactions of over 200 Euros. One of the reasons that influenced the large percentage of small value payments of goods is because custom's fee does not apply for goods of up to this value.

Also, the figure shows that purchases worth 0-20 Euro, in 66.8 percent of there were committed by males, and 33.2 percent by females, while from the total number of "online" payments, 70.1 percent of them are made by males, while 29.9 percent by females.

Figure 10. Number of online payments by value



Source: CBK (2016)

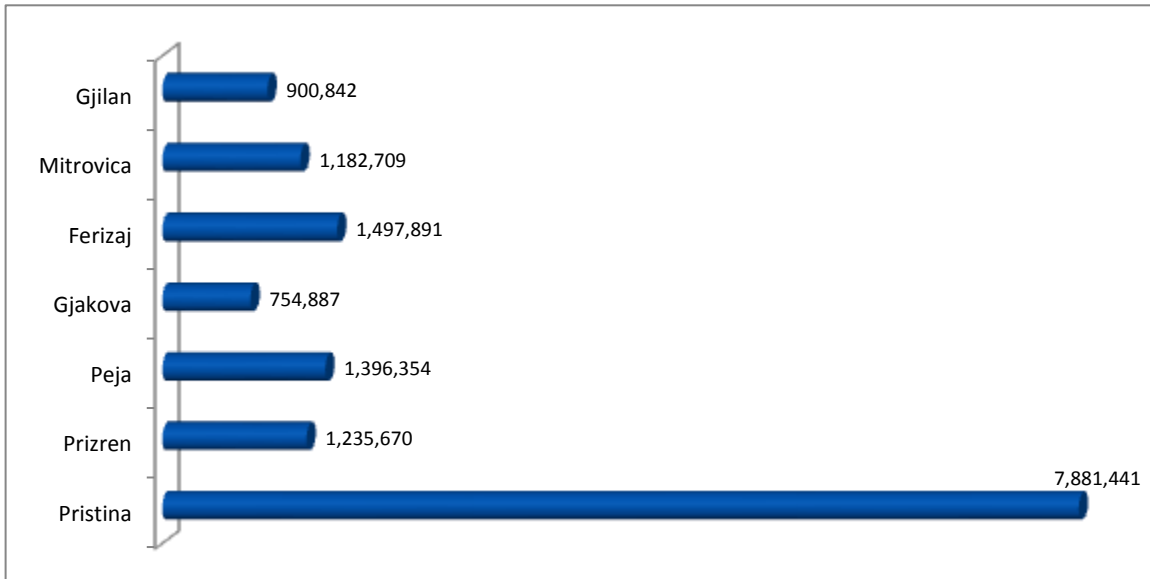
Card transactions by site of terminal where payment is performed

Majority of ATM and POS terminals which are installed in Kosovo are mainly concentrated in the largest cities, where leads Pristina with 33.5 percent of the number of ATM and 44.3 percent of the number of POS terminals, while the rest is distributed between other cities in Kosovo¹. Reasons of such great concentration of ATMs and POS terminals in Pristina are as different: like the large number of people living in Pristina, the number of bank branches, businesses operating in the city, etc.

From the data presented in Figure 10 it is shown that there were 53.1 percent of card transactions at ATMs and POS terminals installed only in the city of Pristina, while the remaining 46.9 percent were performed on terminals installed in 6 other large cities of the country after Pristina.

¹ Analysis on the use of payment instruments in Kosovo, in June 2016, Pristina. <http://www.bqk-kos.org/repository/docs/SistemilPagesave/Analize%20Tremujore.pdf>.

Figure 11. Number of transactions at ATMs and POS terminals on the main cities

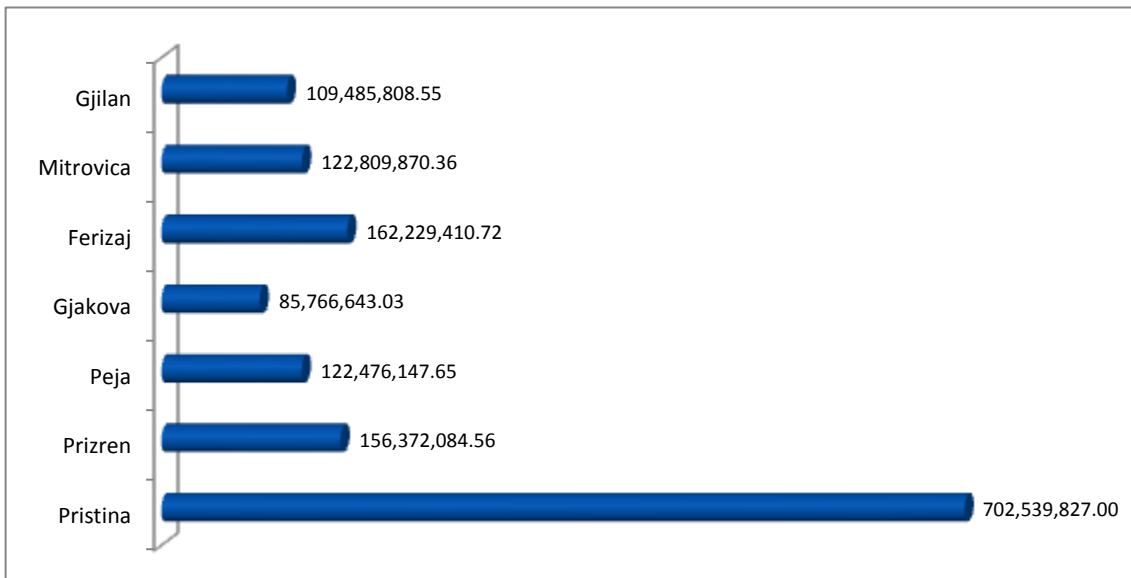


Source: CBK (2016)

Just as the number of transactions made in ATM and POS terminals in Pristina, their value as well is greater for Pristina compared to 6 other larger cities of Kosovo.

Pristina counts 48.1 percent of the value of card transactions, while 51.9 per cent of them are counted in 6 other largest cities of Kosovo as are shown in Figure 11.

Figure 12. Value of transactions at ATMs and POS terminals on the main cities



Source: CBK (2016)

Conclusions and findings of this analysis

Use of bank cards

Despite that the average number of card transactions per user in Kosovo is smaller than the average in the euro area countries, the market of bank cards in the country continues to develop rapidly, providing citizens easier alternatives for performing payment services. From the data presented in this analysis we can conclude that the cards represent an important element in the framework of non-cash payment instruments.

Debit cards with greater participation in the market

Debit cards remain the most numerous compared with credit cards, and consequently the number and value of transactions made with debit cards is higher than with credit cards. Given the relatively high number of cards in circulation, and the existing network of ATM and POS terminals, institutions shall concentrate more on increasing the use of cards that have already been distributed to citizens, as their use in payment terminals remains low.

Use Frequency

Encouraging is the fact that citizens are using bank cards to perform transactions of small amounts that represent daily payments, which usually are in a large number. Performing these kinds of payments by bank cards will mitigate cash flow by reducing operational costs associated to it.

Educational campaigns

Domestic financial institutions shall pay more attention to organizing different educational campaigns for the use of electronic payment instruments.

Evaluation of the efficacy of educational campaigns for payments by card

Alongside to the development of educational campaigns for the use of electronic payment instruments, financial institutions must assess the results of these campaigns, analysing and measuring the results achieved during such campaigns.

Offering lower tariffs

Financial institutions shall offer more affordable rates to citizens who perform card payments, as well as for companies that accept payment by card. In this way citizens and businesses will be encouraged to use the card for payment execution.

