

**Project management group meeting for “reducing cash transactions in Kosovo”
within the National Payments Council (NPC)**

Meeting minutes

Nr: 3/2011

Place: Central Bank of the Republic of Kosovo (CBK)

Date: June 15th 2011

Time: 11:00 – 12:10

Participants:

Robert Wright, CEO, Raiffeisen Bank (*chairman*)
Gjylfidane Kadrijaj, Director of Interbank Payment Systems Directorate, CBK
Rinor Gjonbalaj, Oversight Officer IPSD, CBK
Diturie Hoxha, Executive Director, KBA
Edmond Jashari, Senior Cash Management Marketing Officer, TEB
Naim Gashi, Treasury Manager, PTK Sh.A
Mentor Mikullovci, Director of payment cards and e-banking, NLB
Akile Cernobregu, Head of Payments & Back Office Department, PCB
Teuta Gazideda, Manager of CM & Treasury BO, RBKO
Milot Kelmendi, Performance Analysis Manager, KEK
Makfire Osmani, Executive Manager for Client Relations, KUR "Prishtina"
Shyqeri Krasniqi, Executive Sales Manager, KUR "Prishtina"

Absent:

Samir Lleshi, Expert on fiscal and financial issues, KCC (*was absent with prior notification*)

The meeting was called to order at 11:00.

Ms. Gjylfidane Kastrati-Kadrijaj, opened the meeting and thanked the working group chairman, Mr Robert Wright, all the participants present at the meeting, and especially Ms. Diturie Hoxha from KBA for their work in carrying out the Cash Reduction Research.

Discussions and Presentations

Approval of minutes from the last meeting

Members unanimously approved the minutes of previous meeting held on January 26th, 2011.

Mr. Robert Wright informed the participants about the decision made on the last meeting, and the approval by the NPC, to increase the project management team with two new members from TAK and MPMS and as needed plus one member from the MEF/Treasury.

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

Mr. Robert Wright presented before the participants the analysis and the findings of the non cash payments research (please see the presentation attached). The research was aimed at identifying the reasons behind the wide use of cash payments from customers and the business community. The study was conducted through a direct survey of clients and businesses.

Some key findings from the customer survey:

- Pronounced lack of awareness among customers for available non-cash payment methods
- Cards are rarely used (in 59.5% of the cases only 1-5 times per month), mostly to draw cash from ATM terminals
- 56.9% of the bill payers pay their bills at company counters

Some key findings from the business survey:

- Only 15.3% of the businesses have POS terminals
- Pronounced lack of awareness among businesses for available non-cash payment methods
- Most businesses are small and behave in a similar way as individuals

Initial conclusions from the study:

- 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
- Economic environment effects behavior
- Big potential – high agreement that non cash facilities are useful
- Larger network of POS required

Questions, requests and proposals

Mrs. Diturie Hoxha informed the participants about some of the problems encountered while carrying out the survey.

For the customer survey, the target group was people with income, which consequently are also holders of bank accounts. Answers of respondents changed considerably according to the explanations for the terms given by the interviewer. The main problem for this part of the survey

was that the respondents couldn't differentiate between being aware/understanding a payment instrument and using it. Overall, respondents were not familiar with payment methods.

For the business survey, the main problem during the process was the reluctance of businesses to respond. The reluctance was even greater for questions such as the annual turnover, etc. But, in general, similar to the customer survey, businesses were not familiar with the non-cash payment alternatives.

Proposals from Mr. Robert Wright

1. There is a need for public awareness/education
 - a. Who should carry out this campaign (commercial banks, business community, government institutions, or Central Bank)?
 - b. Who pays for what?
2. Incentivize customers through prices to use non cash payments
 - a. Do it individually or as a group?
3. There is a need for a larger POS terminal network

Conclusions and Next steps

- The next team meeting will be held in early September.
- Today's presentation will be sent to all participants and will be published on the CBK website section intended for this team (<http://www.bgk-kos.org/?cid=2,59,55>).
- Before the next meeting, each participant / institution will submit proposals to reduce cash payments.
- Requests, proposals and opinions to reduce cash payments should be submitted in writing via e-mail address: paymentsystems@bgk-kos.org. These proposals will be analyzed, shared immediately (through the group) and discussed in a more organized form in the next meeting.
- Conduct cost and benefits analysis for the business community.