Use of bank cards in Kosovo

September 2020
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(Based on data reported by commercial banks)
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

INFORMATION:
For a more detailed description, refer to explanatory notes.
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Data on the number of terminals and bank cards for 2019 in Kosovo

<table>
<thead>
<tr>
<th>Inhabitants</th>
<th>1.79 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area (km^2)</td>
<td>10,887</td>
</tr>
<tr>
<td>Density (per km^2)</td>
<td>164</td>
</tr>
<tr>
<td>ATM</td>
<td>497</td>
</tr>
<tr>
<td></td>
<td>per 1 million inhabitants 277</td>
</tr>
<tr>
<td></td>
<td>per 100 km^2 5</td>
</tr>
<tr>
<td>POS</td>
<td>13,769</td>
</tr>
<tr>
<td></td>
<td>per 1 million inhabitants 7,692</td>
</tr>
<tr>
<td></td>
<td>per 100 km^2 126</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>184,718</td>
</tr>
<tr>
<td></td>
<td>per 1 million inhabitants 103,194</td>
</tr>
<tr>
<td>Debit Cards</td>
<td>1,108,355</td>
</tr>
<tr>
<td></td>
<td>per 1 million inhabitants 619,192</td>
</tr>
</tbody>
</table>
1. Introduction

Competition and efficiency in the financial services markets are very important to any economy, including the economy of the Republic of Kosovo. Rapid developments in technology, modernization of the payments system, client services and increase of the efficiency of the banking system have already provided clients with numerous payment methods without the use of cash. The payment methods that clients choose are constantly changing.

In addition to measures to improve the legal and regulatory framework, as well as infrastructure developments, the CBK pays special attention to the use of payment instruments, which is considered a significant help in the decision-making process and reforms in the field of payment system.

Card, credit transfer that can now be performed remotely (through online bank websites or mobile applications), Kos Giro and Direct Debit are non-cash payment instruments by which users of these services transfer funds between bank accounts or other financial institutions. There are several reasons that influence the client to use the cards, such as: more security (from theft of money), electronic transfers with lower cost avoiding the time required to withdraw money and the costs borne by physical money, payments anywhere in the world and through the internet, storage of transactions in electronic form for better budget management, less informality with benefits for the country's economy, etc.

The following analysis presents details of the use of bank cards in Kosovo, as well as the infrastructure of card payments.

We note that this study is based on statistical data of commercial banks and covers the January-December 2019 period and aims to provide the public with a comprehensive overview of the payment card market in Kosovo during 2019, which provides useful data for users, payment service providers and the general public.

1.1 Publication structure

The publication is divided into seven chapters. The first chapter is an introduction of the publication, which explains the structure of the publication and a brief overview of the legal framework under which statistical data are collected.

The second chapter, under the title "Payment Infrastructure" presents data about the terminals, which are available to the client.
The third chapter presents details about the use of bank cards in Kosovo. The chapter contains data on the number of cards, their types and functions, as well as data on the use of cards, broken down by gender of cardholders.

The fourth chapter presents data on the number and value of transactions executed by clients during 2019. The data are divided by terminals where payments have been made and also by amount of payment.

The fifth chapter shows the number and value of card transactions by location of terminals in the main cities of Kosovo.

The sixth chapter is the conclusion of the publication.

The last chapter contains the list of tables and figures.

1.2 Legal framework

One of the oversight role of the Central Bank of Kosovo is to regulate and oversee payment instruments. This task is defined in the Law on the Central Bank of the Republic of Kosovo, Article 22, point 2.3 "to regulate and oversee the issuance and quality of payment instruments".

Determination of conditions, requirements and procedures for the issuance and use of electronic payment instruments, as well as the determination of the manner of reporting information during the use of these electronic payment instruments is regulated by the regulation on electronic payment instruments. Also, the CBK has approved the regulation on reporting payment instruments statistics, which determines the statistics to be reported, reporters and statistical obligations of reporters, reporting period, reporting forms, confidentiality, guidelines for drafting reports, and minimum standards applied for reporting.

2. Payment Infrastructure

In the payments market of Kosovo, at the end of 2019 14,266 terminals were reported in which payment cards were accepted. Of this number, 497 are ATM terminals for cash withdrawals, and 13,769 are POS terminals for card payments.

2.1 ATM Terminals

ATM (automatic teller machine) is an electromechanical device that allows authorized users to withdraw money from their accounts and/or access services using physical cards readable by devices/machines, enabling the users to, for instance, check the account balance, transfer or deposit funds.
At the end of 2019, the number of ATM terminals was 497. All ATM terminals installed in Kosovo offer the withdrawal function, while 244 of them offer the option of deposit as well.

Table 1. ATM terminals

<table>
<thead>
<tr>
<th>Terminals by function</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automated Teller Machines (ATM)</td>
<td>497</td>
</tr>
<tr>
<td>out of which:</td>
<td></td>
</tr>
<tr>
<td>ATM with cash withdrawal function</td>
<td>497</td>
</tr>
<tr>
<td>ATM with credit transfer function</td>
<td>51</td>
</tr>
<tr>
<td>ATM with cash deposit function</td>
<td>244</td>
</tr>
</tbody>
</table>

Source: CBK (2020)

Figure 1 presents the data on the number of ATM terminals in the last three years and their annual increase/decrease compared to the previous year.

Figure 1. Number of ATM terminals in the last three years

Figure 2 presents the distribution of the network of ATM terminals in the largest cities of Kosovo at the end of 2019.

The following figure shows that most of the ATM terminals are concentrated in the city of Prishtina, while the rest distributed among other cities in Kosovo. The reasons for such a large concentration of ATM terminals in Prishtina are different, such as the large number of residents living in Prishtina, the number of bank branches, businesses operating in this city, etc.
2.2 POS terminals

A **POS terminal** is a device that allows the use of payment cards at a physical (non-virtual) point of sale. POS terminals allow clients to make card payments without the need for cash. This is a very easy and secure way of making payments for various goods or services.

<table>
<thead>
<tr>
<th>Terminals by function</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>POS (Point of Sale) terminals</strong></td>
<td>13,769</td>
</tr>
<tr>
<td><em>out of which:</em></td>
<td></td>
</tr>
<tr>
<td><em>POS with cash withdrawal function</em></td>
<td>87</td>
</tr>
<tr>
<td><em>EFTPOS</em></td>
<td>13,682</td>
</tr>
</tbody>
</table>

Source: CBK (2020)

The number of POS terminals at the end of 2019 was 13,769 terminals, of which 87 also offer cash withdrawal service. The following figure presents data for the last three years on the number of POS terminals and the annual increase.
Use of bank cards in Kosovo

Figure 3. Number of POS in the last three years

![Number of POS](image)

Source: CBK (2020)

Figure 4 shows the distribution of the POS terminal network in the largest cities of Kosovo at the end of 2019. Similar to the distribution of ATM terminals, the POS terminal network is more concentrated in Prishtina.

Figure 4. Distribution of POS terminals in cities

![Distribution of POS terminals](image)

Source: CBK (2020)

Use of cards

2.3 Total number of cards

1,295,000 payment cards were reported in the Republic of Kosovo at the end of 2019, which include debit cards, credit cards and delayed debit cards (charge cards) for individuals and businesses. Compared to the end of 2018, the total number of customer
cards has increased by 9 percent. The total number of cards at the end of 2018 was 1,187,644 cards. For the same period, debit cards increased by 9.5 percent while credit cards by 6.5 percent.

Table 3. Types and functions of cards

<table>
<thead>
<tr>
<th>Types of cards</th>
<th>Debit</th>
<th>Credit</th>
<th>Delayed debit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local cards</td>
<td>27,552</td>
<td>339</td>
<td>0</td>
</tr>
<tr>
<td>Visa</td>
<td>656,339</td>
<td>129,953</td>
<td>771</td>
</tr>
<tr>
<td>MasterCard</td>
<td>424,464</td>
<td>54,426</td>
<td>212</td>
</tr>
<tr>
<td>Total number</td>
<td>1,108,355</td>
<td>184,718</td>
<td>983</td>
</tr>
</tbody>
</table>

Source: CBK (2020)

For the three-year period (2017-2019), the total number of cards in Kosovo and the annual growth rate is presented in Figure 5.

Figure 5. Number of cards in the last three years

Payment cards used in Kosovo are local cards, as well as international cards Visa and Mastercard. Out of the total number of cards, about 61 percent of them are Visa cards and 37 percent are MasterCard, and over 2 percent are local cards.

The following figure shows the data about the card brands used in Kosovo:
Depending on the technology applied to initiate payment transactions, payment cards are classified into two types: contact and contactless cards. ‘Contact’ cards are those types of cards with which transactions are performed by placing the card in the POS terminal, while contactless cards enable the realization of transactions only by holding the card near the POS terminal, i.e. without the need to touch the device.

Contactless cards are issued in Kosovo since 2016. During 2019, there were five commercial banks in Kosovo that offered these types of cards to their customers. The total number of cards with contactless function at the end of 2019 was 488,438 cards.

Out of the total number of cards, 37.7 percent of them offer the possibility of contactless payments. The figure below shows the share of cards with contactless function in the total number of cards in the last three years. The annual growth rate shows that the new cards are mostly contactless and the existing cards are being replaced in case of expiration of their term with contactless cards.
3.2 Number of cards by age and gender of cardholders

From the data presented in Figure 8 we can say that most of the cards for all age groups are owned by male. 58 percent of cardholders belonging to the age group 18-25 years old are male, while 42 percent are female.

In the age group 26-35 years old, male possesses 64.5 percent of cards, while 35.5 percent by female. For the age group 36-45 and 46-55 years old, the difference is even higher: 70 percent of cards are owned by male while 30 percent by female, respectively 70.4 percent by male and 29.6 percent by female. Among younger age citizens, this difference is smaller, increasing with the increase of age.
3.3 How much are debit and credit cards used by the clients?

3.3.1 Use of debit cards by clients

Debit card means a card that enables the holder to make purchases directly and immediately from the account. The debit card can be linked to an account that offers overdrafts as an additional feature.

The use of debit cards by customers is constantly increasing. If we compare the number of debit card payments during 2019 with the previous year, we have an increase of 1.1 percent of transactions. This number includes all transactions performed with debit card by customers in ATM and POS terminals.

Figure 9. Number of payments with debit cards during the last three years

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of debit card payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>19,085,780</td>
</tr>
<tr>
<td>2018</td>
<td>22,203,279</td>
</tr>
<tr>
<td>2019</td>
<td>22,446,377</td>
</tr>
</tbody>
</table>

Source: CBK (2020)

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

- Only the cardholder can use it – i.e. the card 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. The bank will block the card immediately to prevent the card misuse by unauthorized persons.

During the analysis of the number of card transactions, it results that during 2019 the age group of 26-35 years has performed the largest number of transactions with debit cards,
of which 59 percent of transactions are performed by men and 41 percent by women. This may mean that this age group has a higher level of knowledge about the use of electronic payment instruments, but it may also be related to the fact that they have higher card ownership and a more regular monthly income.

Figure 10. Number of payments with debit cards in terminals (by age and gender of the card holders for 2019).

The data on the Figure 11 show that the citizens of the age groups 26-35 and 36-45 year old have realized payments of greater value during 2019, 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. 77 percent of the value of debit card transactions was carried out by males within the age group 36-45 years, while only 23 percent by females.
3.3.2 Use of credit cards by clients

Credit cards allow their holders to make payments or withdraw cash up to the limits set by the card issuer. Credit allowed can be returned as a whole at the end of the period set or in instalments, under an agreement with the bank, through the application of the interest on the cardholder by the bank for the amount of the credit used.

Credit cards have become the everyday tool for citizens regarding payments and managing of their finances. In addition to the increase of the number of credit cards, in recent years it is noticed an increase of their use for payment in ATM and POS terminals and in online shopping.

The following figure shows the trend of credit card payments within the last two years.
From the data presented in Figure 13, we note that citizens aged 26-35 and those aged 36-45 perform a larger number of credit card transactions. From the total number of credit card transactions, it can be seen that 69 percent of the transactions were carried out by males, while 31 percent by females.

The biggest difference is in the number of transactions carried out by citizens over the age of 55, where it is seen that 75.2 percent of contact credit card transactions are carried out by males, while only 24.8 percent of them are carried out by females.

Figure 13. Number of credit card payments at terminals (by age and gender of the cardholders for 2019).

Figure 14 shows the value of credit card transactions carried out during 2019 by the citizens of Kosovo. From the data presented, we observe that 74 percent of the value of
transactions with credit cards is performed by males, while 26 percent are performed by females.

Figure 14. The value of credit card payment at terminals (by age and gender of the card holders for 2019).

![Graph showing credit card payment by age and gender](source: CBK (2020))

3.4 Use of cards for online payments

In addition to the increase in the number of cards and based on the high number of Internet users in Kosovo, there is an increase in online purchases (card payments), too. The figure below shows the upward trend over the last three years.

Figure 15. Number of online payments during the last three years

![Graph showing online payment trend](source: CBK (2020))

Coverage by sociodemographic factors, confirming the trends of online shopping during 2019, shows that younger age clients are more familiar with online purchases.

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1 In 2019, 93.2% of households in Kosovo have had access to the Internet at home or apartment from any device. [https://ask.rks-gov.net/media/5270/kr-2019.pdf](https://ask.rks-gov.net/media/5270/kr-2019.pdf)
Figure 16 shows that the largest number of online transactions has been made by males of 26-35 age group with 75 per cent of the number of transactions compared to females of this age group that have performed 25 percent of transactions.

Figure 16. Number of online payments

![Figure 16. Number of online payments](source: CBK (2020))

Figure 17 shows the value of online purchases by card. From the data presented, it can be 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 share in the total value of online payments. In the age group 26-35, 77.6 percent of online payments are carried out by males, while 22.4 percent by females. The gender gap is greater in the age group +55, where from the total value of online card payments, 90 percent of them is performed by males while only 10 percent of them by females.

Figure 17. Value of online payments (with cards via internet)

![Figure 17. Value of online payments](source: CBK (2020))
3. Card transactions

4.1 Transactions classified by the payment value

At the end of 2019, 13,769 POS terminals were installed in Kosovo, which enable citizens to execute payments through cards, without having to make cash payments. This is a very easy and secure way of executing payments for various goods or services.

4.1.1 Card transactions at POS terminals

Figure 18 shows the total number of transactions executed at POS terminals and the annual growth rate of these transactions for the last three years.

![Figure 18. Number of transactions at POS terminals in the last three years](chart)

From the data presented in Figure 19, it can be seen that the citizens of Kosovo prefer to make smaller value payments: 70 percent of the total number of payments at POS terminals is in the amount of EUR 0-20, while 30 percent over EUR 20.

Also, Figure 19 shows that the payments in POS terminals over EUR 200 are in a very small number, they constitute only 1.3 percent of the total number of payments executed at POS during 2019.
4.1.2 Card transactions at ATM terminals

Figure 20 shows the number of ATM withdrawals during 2019, classified by age and gender of cardholders. The number of withdrawals at ATM terminals in the amount of up to EUR 20 constitutes 27 percent of the total number of withdrawals, withdrawals in the amount of EUR 21-50 constitute 20 percent of the total number of ATM withdrawals, while those over EUR 200 constitute 17.8 percent of the total number of ATM withdrawals during 2019.

From the total number of ATM withdrawals, it can be seen that 65.7 percent of the number of transactions were executed by males, while 34.3 percent by females.

Figure 20. Number of ATM withdrawals by value
4.1.3 Card transactions via internet

Online shopping with cards in recent years has become very attractive for the citizens of Kosovo, same as for the citizens of other countries. These payments are being accompanied by rapid development trends. They are mainly used for the purchase of goods or services, hotel reservations, payment of travel tickets, etc.

From the data presented in Figure 21, we notice that “online” purchases are made mainly in small amounts: 70 percent of “online” purchases are worth EUR 0-20, while only 5.3 percent of them are worth over EUR 200. One of the reasons that has affected the high number of payments with small values, i.e. up to EUR 20\(^2\), is that for goods up to these values no customs duty is applied upon receipt of goods.

Also, from Figure 21 can be seen that 74.2 percent of purchases worth EUR 0-20 were made by males, and 25.8 percent by females, while from the total number of online purchases, 75.5 percent of purchases were made by males, and 24.5 percent by females.

**Figure 21. Number of online payments by value**

![Chart showing number of online payments by value](image)

Source: CBK (2020)

4.2 E-commerce service in Kosovo

E-commerce is the buying and selling of goods and services or the transmission of funds or data over an electronic network such as the internet.

Commercial banks in Kosovo enable companies to sell their products or services directly through websites. The following figures show the number and value of online card payments executed by customers via the E-commerce service on the websites of companies within the country during 2019.

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\(^2\) Deliveries in small amounts/Online purchases – Article 27. [https://dogana.rks.gov.net/per-individ/legjislacioni/dergesat-me-vlera-te-voglabjerjet-online/](https://dogana.rks.gov.net/per-individ/legjislacioni/dergesat-me-vlera-te-voglabjerjet-online/)
It is worth noting that the number of payments executed via e-commerce during 2019 has increased significantly, if compared to the previous year. In 2018, there were 19,480 payments executed via e-commerce, while during 2019 this number was 83,244. This means that many companies in Kosovo have started to use the infrastructure provided by banks to sell their products or services.

Figure 22. Number of payments executed via e-commerce

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-20 Euro</td>
<td>51,764</td>
</tr>
<tr>
<td>21-50 Euro</td>
<td>21,707</td>
</tr>
<tr>
<td>51-100 Euro</td>
<td>7,390</td>
</tr>
<tr>
<td>101-200 Euro</td>
<td>1,765</td>
</tr>
<tr>
<td>&gt;200</td>
<td>688</td>
</tr>
</tbody>
</table>

Source: CBK (2020)

Figure 23. Value of payments executed via e-commerce

<table>
<thead>
<tr>
<th>Category</th>
<th>Value of payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-20 Euro</td>
<td>437,621</td>
</tr>
<tr>
<td>21-50 Euro</td>
<td>715,327</td>
</tr>
<tr>
<td>51-100 Euro</td>
<td>499,637</td>
</tr>
<tr>
<td>101-200 Euro</td>
<td>247,845</td>
</tr>
<tr>
<td>&gt;200</td>
<td>253,070</td>
</tr>
</tbody>
</table>

Source: CBK (2020)

4.3 Digital wallet service

During September 2019, one of the commercial banks in Kosovo introduced a new payment product - digital wallet. This product means a mobile phone application, which is based on bank cards, and customers can conduct contactless payments at POS terminals at home and abroad. To make a payment, customers just need to place their mobile phone at a contactless POS terminal and the payment will be executed.
The number of payments via the digital wallet, from the time of launch of this product (September 2019) until the end of 2019 was 670 payments. While the total value of these payments was EUR 8965.42.

4. Card transactions according to the location of payment terminals

The ATM and POS terminals that are installed in Kosovo are mainly concentrated in the largest cities, where Prishtina leads with 34.3 percent of the number of ATM terminals and 39.8 percent of the number of POS terminals, while the rest is distributed among other cities in Kosovo. The reasons for such a large concentration of ATM and POS terminals in Prishtina are different, such as: the large number of residents living in Prishtina, the number of bank branches, businesses operating in this city, etc.

From the data presented in Figure 24 can be seen that 54 percent of card transactions were executed at ATM and POS terminals installed only in the city of Prishtina, while the remaining 46 percent were executed in terminals installed in the other 6 largest cities after Prishtina.

Figure 24. Number of transactions at ATM and POS terminals by main cities

<table>
<thead>
<tr>
<th>City</th>
<th>Number of Transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gjilan</td>
<td>1,329,724</td>
</tr>
<tr>
<td>Mitrovica</td>
<td>1,831,898</td>
</tr>
<tr>
<td>Ferizaj</td>
<td>1,690,086</td>
</tr>
<tr>
<td>Gjakova</td>
<td>912,760</td>
</tr>
<tr>
<td>Peja</td>
<td>1,740,508</td>
</tr>
<tr>
<td>Prizren</td>
<td>2,229,222</td>
</tr>
<tr>
<td>Prishtina</td>
<td>11,472,740</td>
</tr>
</tbody>
</table>

Source: CBK (2020)

Same as the number of transactions, also their value executed at ATM and POS terminals is greater for the city of Prishtina, compared to the other 6 largest cities in Kosovo.

45.5 percent of the value of card transactions was executed in Prishtina, while 54.5 percent in the other 6 largest cities of Kosovo, which are presented in Figure 25.
5.1 Share of card transactions by number and value

The following is a graphic representation of the share of each type of transaction in the number and total value of card transactions. From Figure 26 can be seen that ATM withdrawals constitute the largest number and value of card transactions. Of their total number conducted during 2019, 52.2 percent of card transactions are ATM withdrawals, while payments at POS terminals are 41.3 percent of the total number of card transactions. Also in terms of transaction value, withdrawals prevail in share (59.5 percent), followed by ATM deposits with 29.9 percent. While card payments at POS terminals account for 41.3 percent of the total number of card transactions, this percentage is much lower (10.3 percent) in their share in the total value of card transactions. Such share means that citizens are increasingly using cards to make payments even in small amounts.
Figure 26. Share of card transactions

[Diagram showing the share of card transactions with percentages for different categories: ATM withdrawals, POS transactions, Credit transfer in ATM, Cash withdrawals in POS, ATM deposits.]

Source: CBK (2020)
5. Conclusions and findings of the analysis

Use of cards

Despite the fact that the number of card transactions in Kosovo per capita (13.16) is smaller than the number of transactions in Eurozone countries (168.3), the card market in the country continues to develop at a fast pace, offering citizens easy alternatives to execute payment services. From the data presented in this analysis it can be concluded that cards are an important element in the framework of non-cash payment instruments.

Debit card with the largest share in the market

Debit cards remain more numerous in number compared to credit cards, and as a result the number and value of transactions executed with debit cards is higher compared to credit cards. Given the relatively high number of cards in circulation, as well as the network of ATM and POS terminals, institutions should concentrate more on increasing the use of cards which are already distributed to citizens, but that their use at payment terminals remain low.

Usage frequency

Encouraging is the fact that citizens are also using the cards to conduct transactions with small values which represent daily payments, which are usually in large numbers. Execution of these payments through cards will reduce cash flow by reducing operating costs associated with their circulation.

Development of educational campaigns

Financial institutions in the country shall pay more attention to the development of educational campaigns for the use of electronic payment instruments.

Assessment of efficiency of educational campaigns for card payments

In addition to conducting educational campaigns on the use of electronic payment instruments, financial institutions should evaluate the results of these campaigns, analysing and measuring the results achieved during such campaigns.

Providing lower fees

Financial institutions should cooperate in using the common infrastructure and finding opportunities to reduce the cost of providing payment services, so that they can apply more affordable fees to citizens who make card payments, as well as for businesses and other institutions that accept payment executions via cards. Providing lower cost services would encourage citizens and businesses to use cards for conducting payments.

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3 Number of payments per capita in the EU: https://sdw.ecb.europa.eu/reports.do?node=1000001390