



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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Content

| | |
|---|----|
| PREFACE..... | 5 |
| CARDHOLDERS BY AGE AND GENDER | 6 |
| HOW MUCH ARE USED DEBIT AND CREDIT CARDS? | 7 |
| <i>Use of debit cards by clients</i> | 7 |
| <i>The use of credit cards by the clients</i> | 9 |
| THE IMPACT OF SOCIO-DEMOGRAPHIC FACTORS IN MAKING ONLINE PAYMENTS | 10 |
| CARD TRANSACTIONS BY VALUE OF PAYMENTS..... | 11 |
| <i>Card transactions at POS terminals</i> | 11 |
| <i>Card transactions at ATM terminals</i> | 12 |
| <i>Card transactions via Internet</i> | 13 |
| CARD TRANSACTIONS BY SITE OF TERMINAL WHERE PAYMENT IS PERFORMED | 13 |
| CONCLUSIONS AND FINDINGS OF THIS ANALYSIS..... | 15 |
| <i>Use of Bank Cards</i> | 15 |
| <i>Debit cards with greater participation in the market</i> | 15 |
| <i>Use Frequency</i> | 15 |
| <i>Educational campaigns</i> | 15 |
| <i>Evaluation of the efficacy of educational campaigns for payments by card</i> | 15 |
| <i>Offering lower tariffs</i> | 15 |

List of figures

| | |
|--|----|
| Figure 1.Number of cards by age and gender of cardholders | 6 |
| Figure 2.Number of payments with debit cards in terminals (by age and gender of the card holders for the year 2016)..... | 8 |
| Figure 3.The value of payments with debit card in terminals (by age and gender of the cardholders for the year 2016)..... | 8 |
| Figure 4.Number of payments with credit cards in terminals (by age and gender of the card holders for the year 2016)..... | 9 |
| Figure 5.The value of payments with credit card in terminals (by age and gender of the cardholders for the year 2016)..... | 10 |
| Figure 6.Number of online payments..... | 10 |
| Figure 7.The value of online payments (with cards via the internet)..... | 11 |
| Figure 8.Number of card payments at POS terminals | 12 |
| Figure 9.Number of ATM withdrawals by value | 12 |
| Figure 10.Number of online payments by value | 13 |
| Figure 11.Number of transactions at ATM and POS terminals by main cities..... | 14 |
| Figure 12.The value of transactions at ATM and POS terminals by main cities..... | 14 |

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 instruments with which users of these services transfer funds between bank accounts or other financial institutions.

In addition to measures for improving the legal, regulatory and infrastructure development, the CBK pays special attention to the use of payment instruments that is a considerable help in the decision-making process and reforms in the 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 of other 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 2016.

Cardholders by age and gender

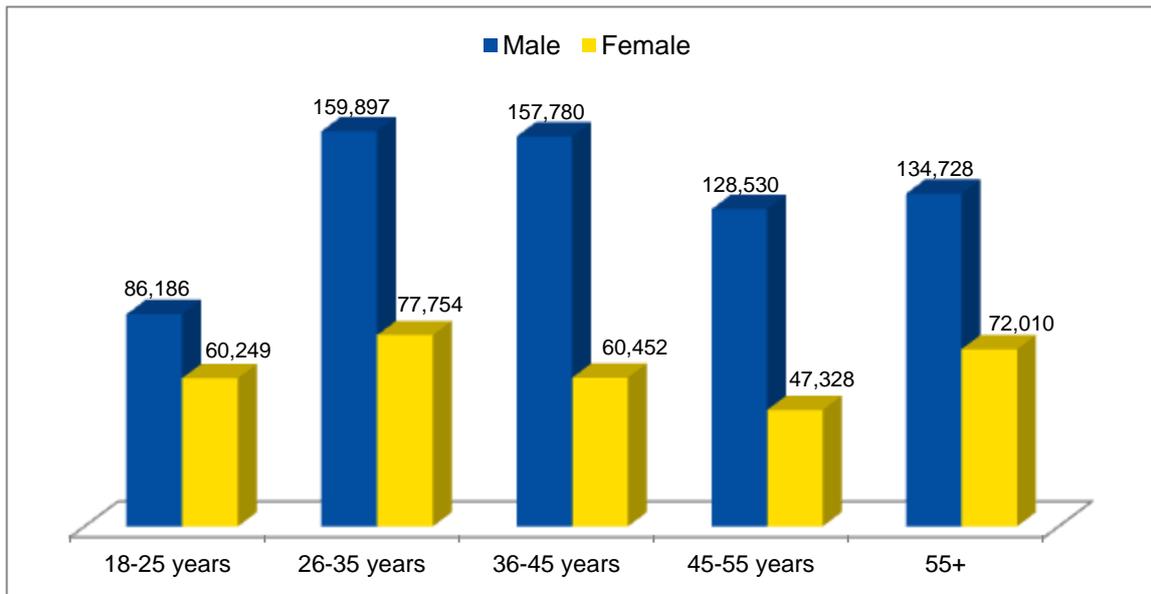
The purpose of this part of the survey is to clarify the socio-demographic distribution of the cards used by the citizens of Kosovo. The analysis also aims to clarify the factors that have contributed to such distribution of cards.

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;
- Late payment penalties, due date;

Figure1. Number of cards by age and gender of cardholders



Source: CBK (2017)

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

58.9 percent of Cardholders belonging from 18-25 years are male, while 41.1 percent of them are female. In the age group 26-35 years, 67.3 percent of cards are possessed by male, while 32.7 percent by female. For the age group 36-45 years and 46-55 years, the difference is even higher. In the first group 72.3 percent of cards are owned by male and 27.7 percent by female whereas in second group 73.1 percent by male and 26.9 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

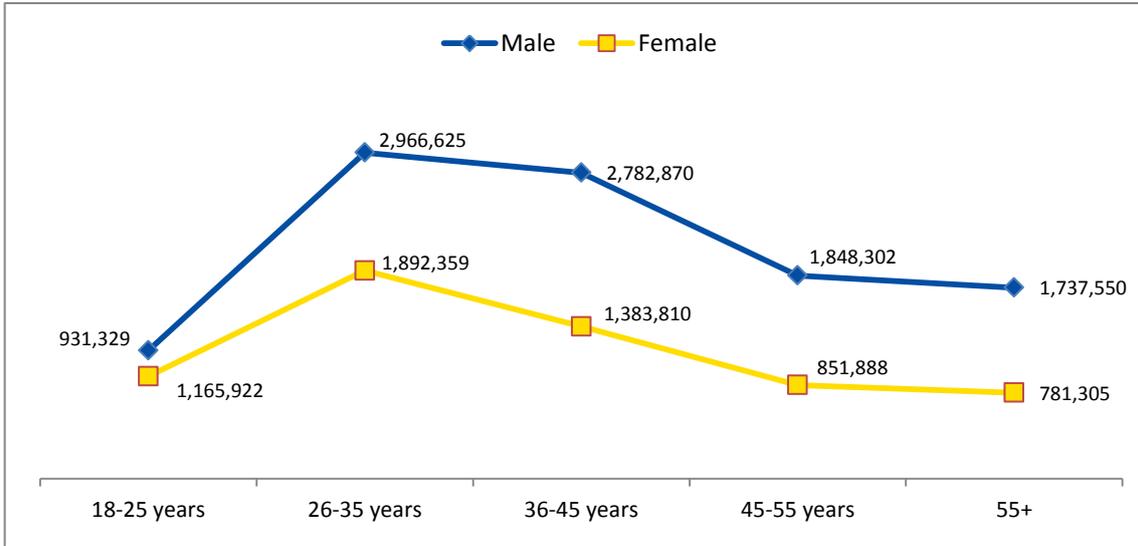
When analyzing the number of card transactions, it turns out that in 2016 the age group of 26-35 has performed the largest number of transactions with debit cards, of which 61.1% of transactions were carried out by males and 38.9% of females. This might mean that this age group has the highest level 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.

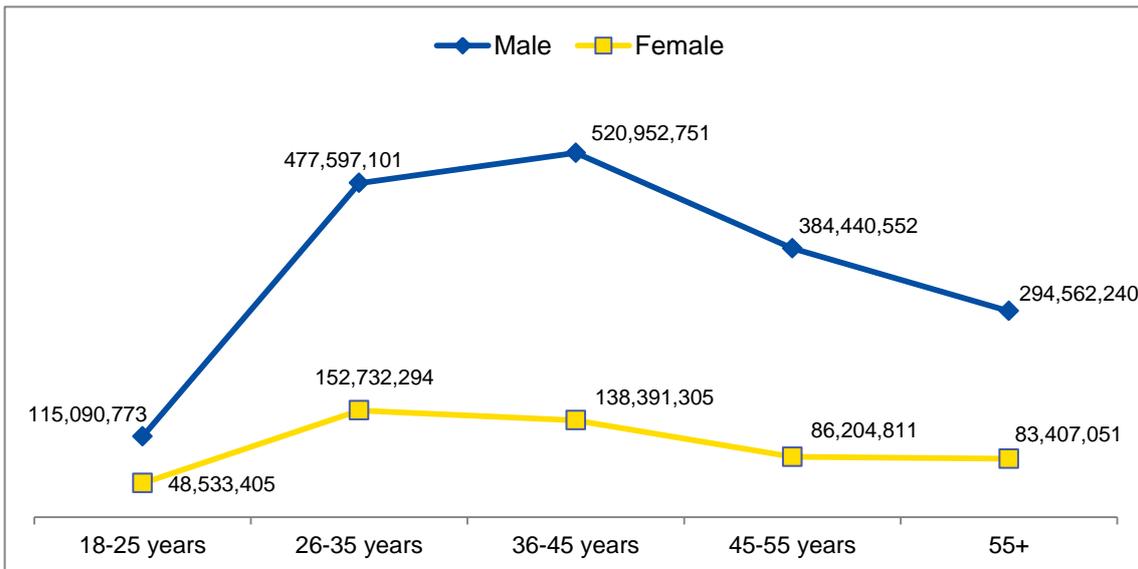
Figure 2.Number of payments with debit cards in terminals (by age and gender of the card holders for the year 2016).



Source: CBK (2017)

The data on the figure 3 show that the citizens of the age groups 26-35 and 36-45, during 2016 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. 76 percent of the value of debit card transactions was carried out by males within the age group 26-35 years, while only 24 percent by females.

Figure 3.The value of payments with debit card in terminals (by age and gender of the cardholders for the year 2016).



Source: CBK (2017)

The use of credit cards by the clients

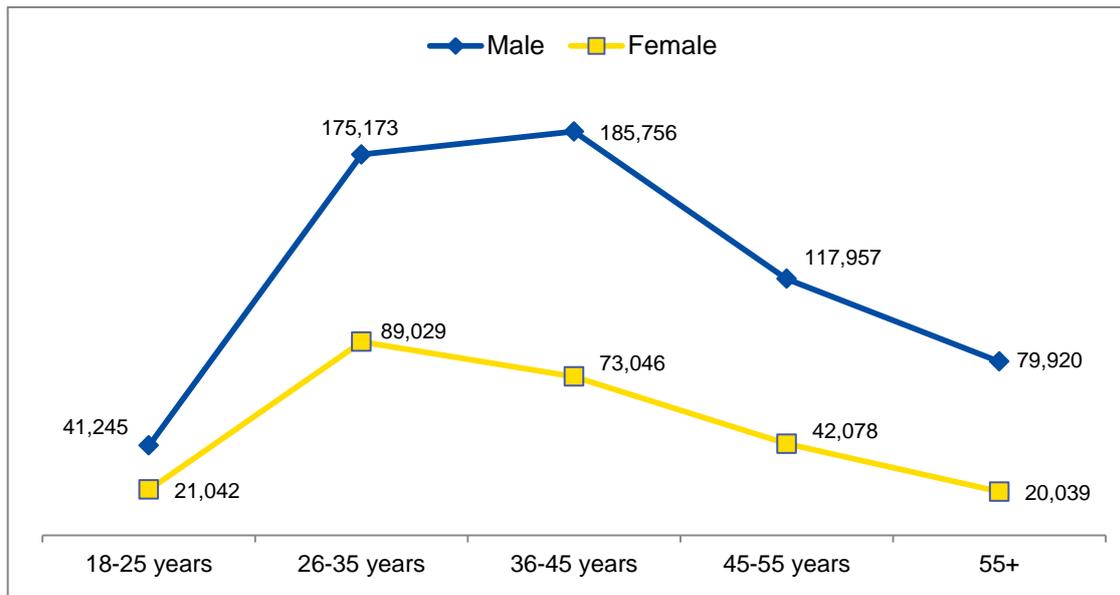
Credit cards allow their holders to make payments or withdraw cash up to a limits set by the card-issuing bank. Credit allowed can be returned as a whole at the end of the period set or return in parts, under an agreement with the bank. Usually, banks charge an interest on the cardholder for the amount 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 71 percent were carried out by males, while 29 percent by females.

The biggest difference lies in the number of transactions by citizens over 55 years, which shows that 80 percent of transactions carried out by males while 20 percent of them carried out by females.

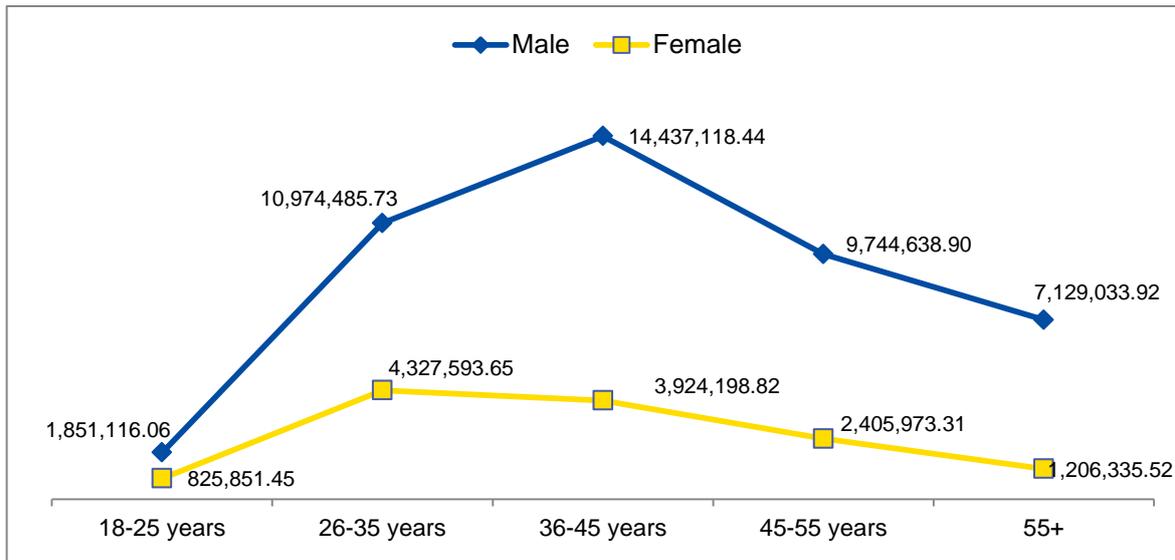
Figure 4. Number of payments by credit card on terminals (by age and gender of the card holders in 2016).



Source: CBK (2017)

In Figure 4 is shown the value of credit card transactions carried out in 2016 by the citizens of Kosovo. From the data presented we observe that 78 percent of the value of transactions with credit cards is performed by males, while 22 percent are performed by females.

Figure 5. The value of credit card payment on terminals (by age and gender of the card holders in 2016).



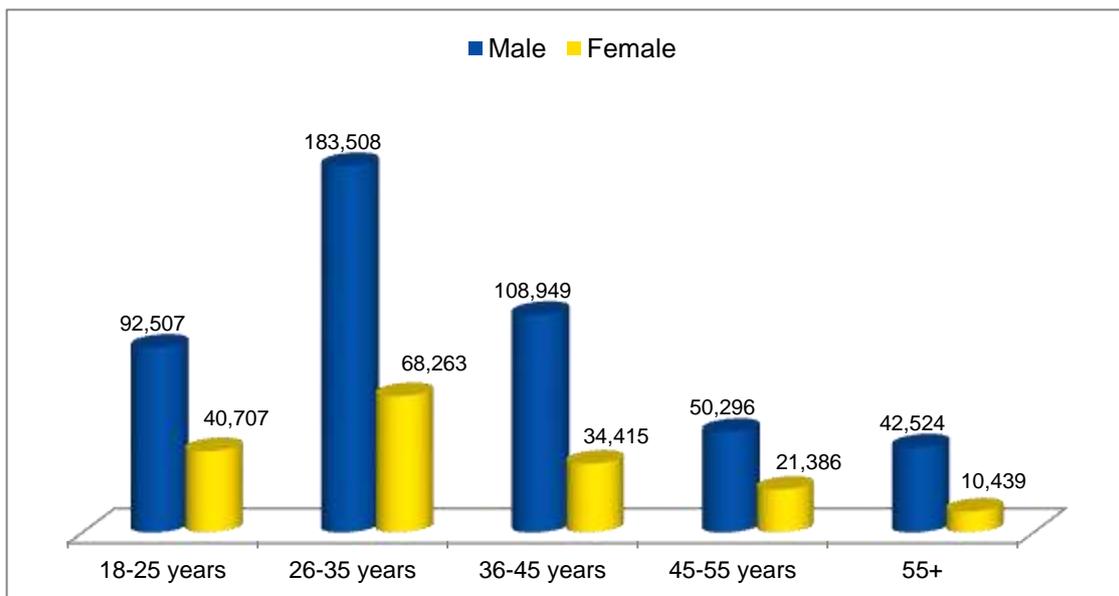
Source: CBK (2017)

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 2016 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 73 per cent of the number of transactions compared to females of this age group that have performed 27 percent of transactions.

Figure 6. Percentage of online payments

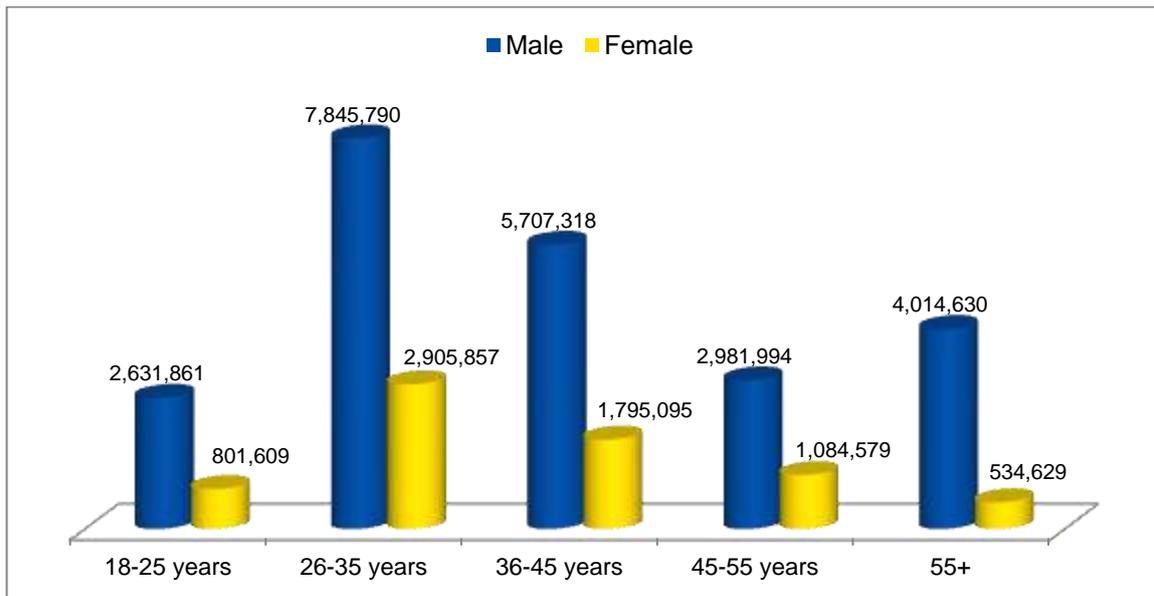


Source: CBK (2017)

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, 73 percent of "online" payments are committed by males, while 27 percent by females. The gender gap is greater in the age group +55, where from the total value of "online" card payments, 88 percent of them is performed by males while only 12 percent of them by females.

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



Source: CBK (2017)

Card transactions by value of payments

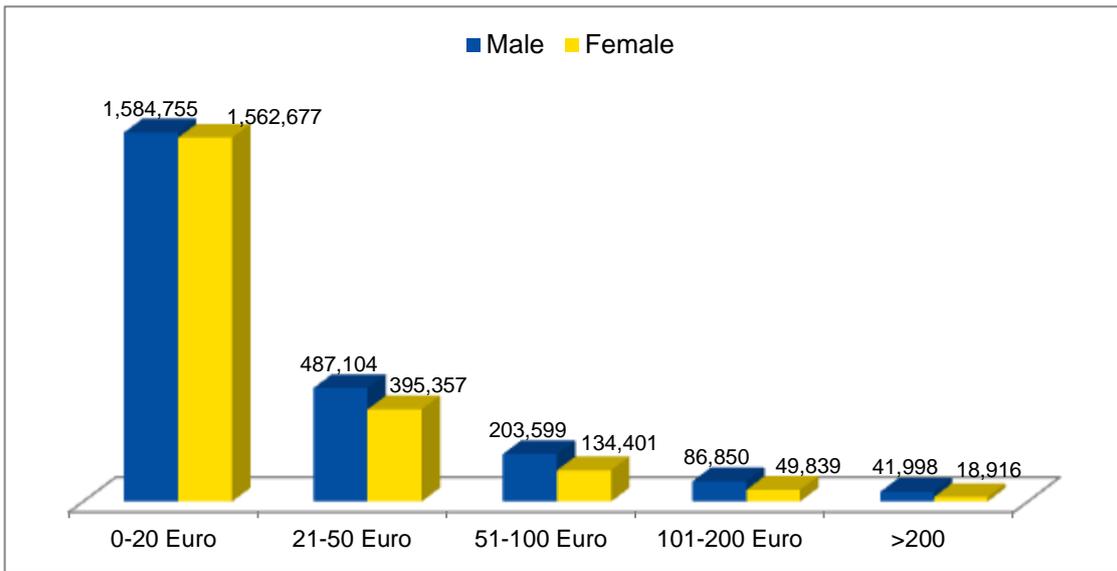
At the end of 2016 in Kosovo were 10,589 POS terminals installed which allowed citizens to perform card payments without having to carry cash for payments. This is a very easy and safe way of making payments for goods or services.

Card transactions at POS terminals

From the data presented in Figure 8 is shown that Kosovo citizens prefer to make payments of smaller amounts, 69 percent of the total number of payments in POS terminals is 0-20 Euro value, while 31 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 1.3 percent of the total number of payments made at POS during 2016.

Figure 8. Number of card payments at POS terminals



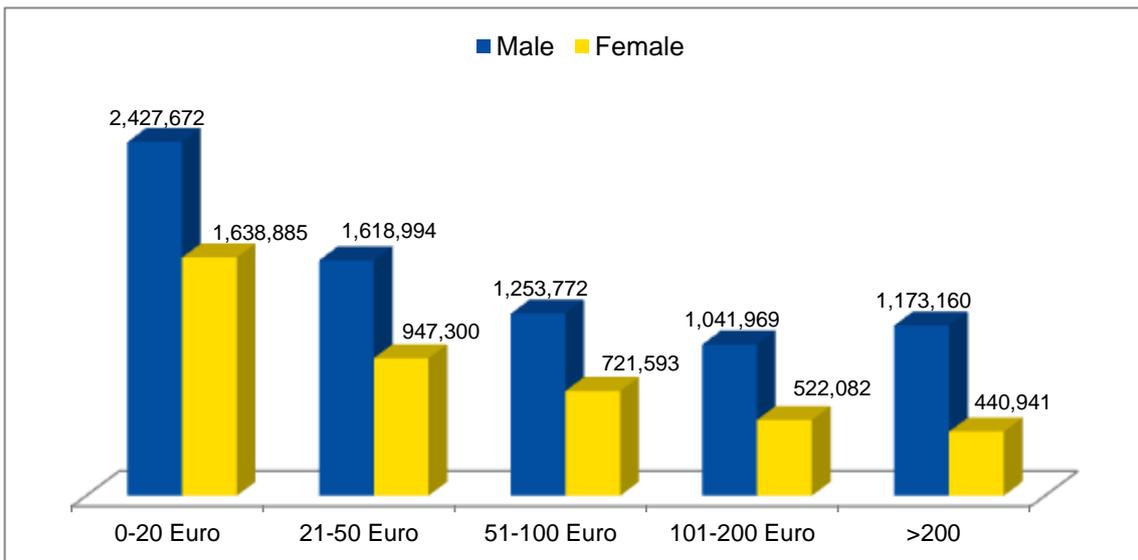
Source: CBK (2017)

Card transactions at ATM terminals

In Figure 9 is presented the number of ATM withdrawals during 2016, classified based on age and gender of the card holders. The number of withdrawals at ATM terminals amounting up to 20 Euro constitutes 34.5 percent of the total number of withdrawals amounting 21-50 Euro comprise 21.8 percent of the total number of ATM withdrawals, while those over 200 Euro make up 13.7 percent of the total number of ATM withdrawals during 2016.

From the total number of ATM withdrawals, 63.8 percent of transactions were carried out by males, while 36.2 percent by females.

Figure 9. Number of ATM withdrawals by value



Source: CBK (2017)

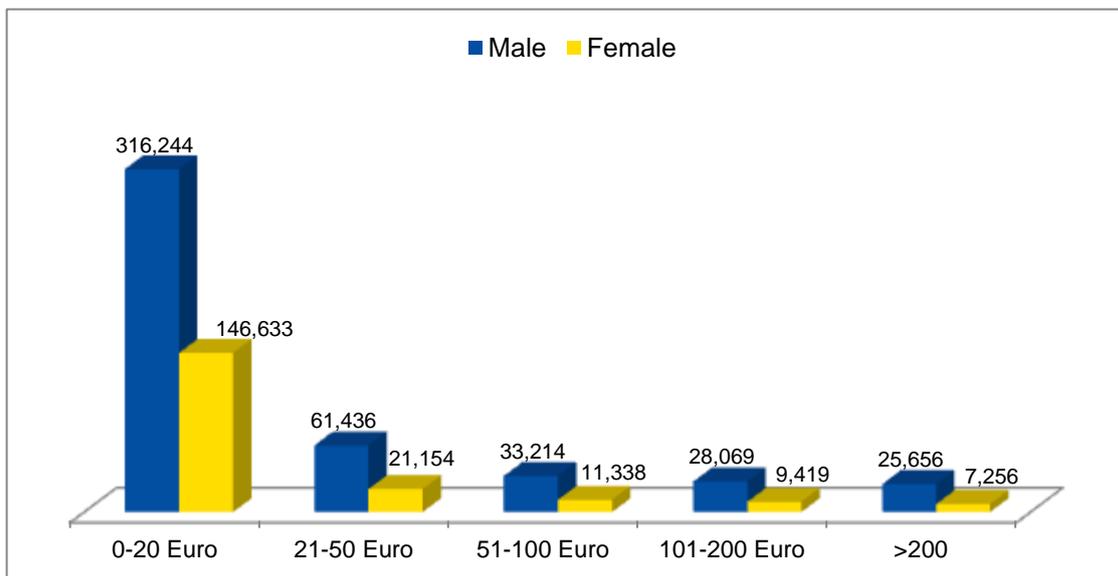
Card transactions via Internet

"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: 70 percent of "online" payments are of values from 0-20 Euro, while only 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 68.3 percent of there were committed by males, and 31.7 percent by females, while from the total number of "online" payments, 70.3 percent of them are made by males, while 29.7 percent by females.

Figure 10. Number of online payments by value



Source: CBK (2017)

Card transactions by site of terminal where payment is performed

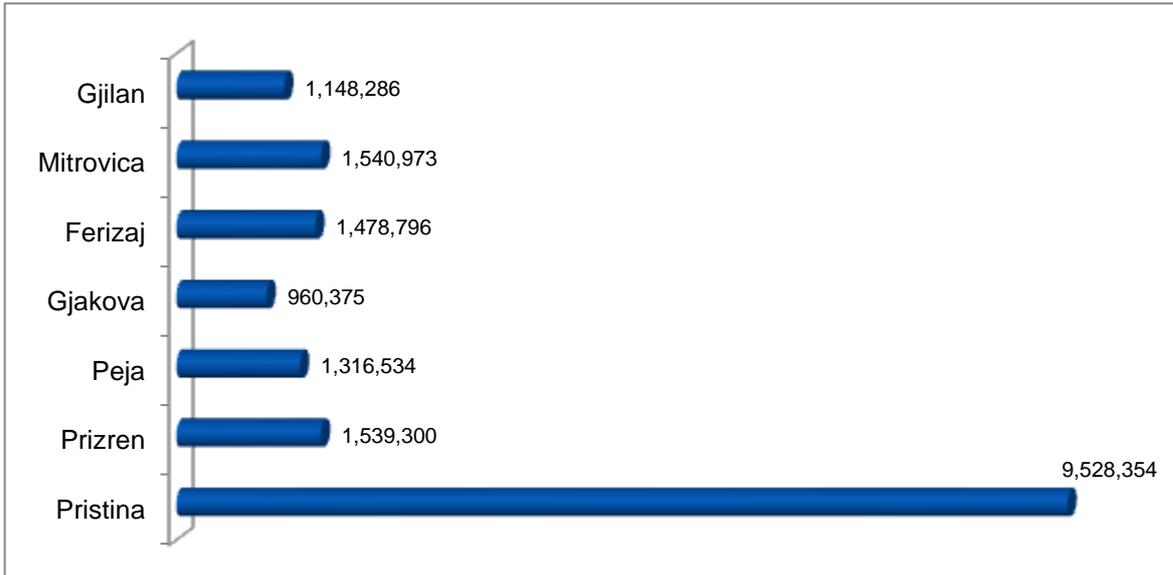
Majority of ATM and POS terminals which are installed in Kosovo are mainly concentrated in the largest cities, where leads Pristina with 35.06 percent of the number of ATM and 43.2 percent of the number of POS terminals, while the rest is distributed between other cities in Kosovo¹. Reasons of such great 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 11 it is shown that there were 54.4 percent of card transactions at ATMs and POS terminals installed only in the city of Pristina, while the

¹ Analysis on the use of payment instruments in Kosovo, in May 2017, Pristina. <http://www.bak-kos.org/repository/docs/SistemilPagesave/Analyze%20Tremujore.pdf>.

remaining 45.6 percent were performed on terminals installed in 6 other large cities of the country after Pristina.

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

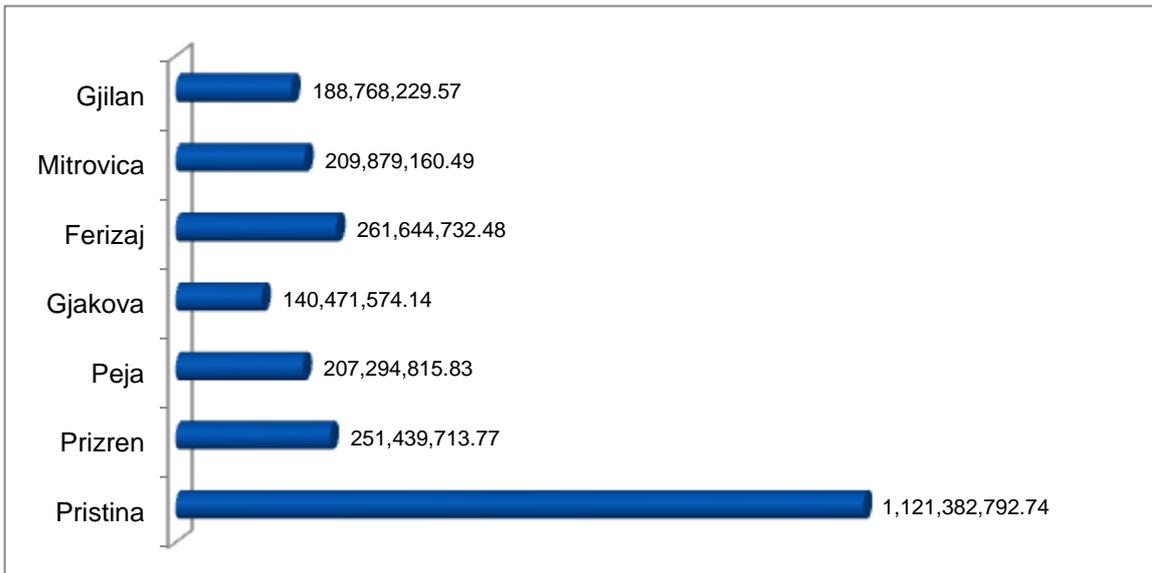


Source: CBK (2017)

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

Pristina counts 47.1 percent of the value of card transactions, while 52.9 per cent of them are counted in 6 other largest cities of Kosovo as are shown in Figure 12.

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



Source: CBK (2017)

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.