



SPI Albania Project: Reducing Cash Transactions

Main Findings of the Survey with Shops on Costs and Benefits of various means of payments

1. Summary findings of the survey

- 1. The sample of shops surveyed represents different natures of activity and sizes of enterprises. At least eight types of trading activities are included grouped in three main categories as of the number of their employees.**
- 2. Quantitative results should be taken with reserves taking in consideration the small size of the sample surveyed (43 shops). Notwithstanding, the qualitative assessments are very relevant and representative.**
- 3. The general opinion is that costs of shops implicated with methods of payment will decrease when cash transactions are reduced, and the benefits derived will increase. Also consumers' risks will decrease while their benefits will increase with non cash payments. The general perception that increasing non-cash transactions would bring net benefits is a good background for measures restricting use of cash.**
- 4. There is a general agreement on the usefulness of POS payments as an alternative to cash ones, although only a small part of shops use POS payments and payments by card make for a small part of the daily transactions, despite the decrease in the commission fee.**
- 5. Shops selling high-value goods have a better experience in using POS.**
- 6. The limited use of POS comes at high rate from limited knowledge of both shops and consumers on their functions and features, and also from lack of contact with banks on this issue. These limitations could be taken in consideration by banks in their further efforts to reduce cash payments.**
- 7. One of the means that could be used in order to promote POS utilization might be the link with access to financing facilities (packages).**
- 8. Shops declare that consumers prefer cash payments, but it is likely that shops also do not encourage payments through POS since these are bearing direct and clear costs, while cost of cash is not easy measurable.**

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2. Detailed presentation of the survey findings

2.1. Characteristics of the surveyed sample

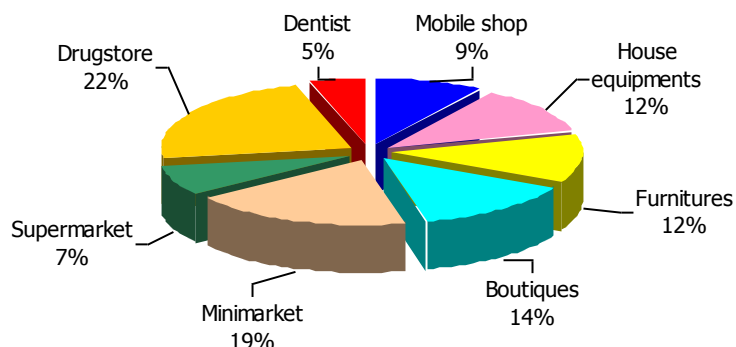
Conclusion: The sample of shops surveyed is small but representative from the point of view of nature of activity and size. At least eight types of trading activities were included in the survey, grouped in three main categories according to the number of their employees. According to Bank of Albania's statistics¹, at the end of 2007 almost 60 per cent of POS machines were concentrated in Tirana, therefore the geographic location of the shops (mainly in Tirana) is relevant.

Total respondent shops (no.):	43 shops
Stratification (in %)	
<u>Type of activity</u>	
Specialized shops	47%
Specialized shops, health care	28%
General shops	26 %
<u>Number of employees</u>	
Micro (1 – 2)	47%
Small (3 – 8)	40%
Medium (9 – 24)	13%

The shops surveyed are 43, mostly located in Tirana and the surrounding area, and Berat (3 shops).

The shops are of various nature and size. There are specialized shops for mobiles, house equipments and furniture, and boutiques, and less specialized ones like minimarkets and supermarkets.

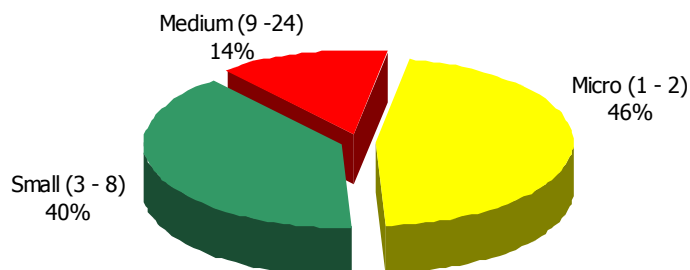
Graph 1. Shops by activity.



¹ Annual Report, 2007, Bank of Albania

Considering the number of employees, most of the shops are micro or small entities. Only 6 shops or 14 per cent of the interviewed ones have between 9 and 24 employees.

Graph 2. Shops by number of employees.



2.2. The aggregated answers to the questionnaire

2.2.1. Impact of Reducing Cash Transactions - Cost and Benefit Qualitative Analysis

Conclusions:

- The results from the survey validate PWG's qualitative analysis on the impact of reducing cash transactions, thus few initial costs in the short term, and more long term benefits, for both shops and consumers.
- For Shops initial operational costs might increase, while, all other payment – related costs of shops will decrease with the reduction in cash transactions, and the benefits in terms of various incomes will increase.
- For Consumers the reduction in the cash payments is about to decrease risks, while benefits deriving from better /faster service and better access to financing methods will increase.

2.2.1.a. Qualitative cost – benefit analysis for shops

There is a general agreement that cash management costs will decrease by promoting non-cash payments because of the improved liquidity and cash management process.

The specialized shops have the highest rate of non agreement to the increase of operational costs (35%) while an average of 70% of all the shops agree that these costs will increase in the initial phase.

The major part of respondents (60%) believes that a decrease in cash transactions would bring a decrease in cash loss. Only a small part of the micro and small shops share this opinion (32%).

The main benefits of reducing cash transactions that are better perceived by shops are:

- a better quality of service to customers;

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- a higher interest income from additional deposits with banks.

Table 1. Costs and Benefits for Shops

Costs	Yes		No	
	No. of respondents	% of total respondents	No. of respondents	% of total respondents
Higher operational costs	30	70%	13	30%
Lower Cash management costs	39	91%	4	9%
Lower Other costs	24	56%	19	44%
Decrease in cash loss	26	60%	17	40%
Benefits				
Sales increase	27	63%	16	37%
Increase of payment choices	33	80%	8	20%
Increase of interest income	35	81%	8	19%
Other benefits (from better service)	40	93%	3	7%

2.2.1.b. Qualitative cost – benefit analysis for consumers

The responses from shops evidence that they strongly believe that consumers' costs will decrease by using more non cash payments.

The general situation is tight regarding the change of prices that might occur due to replacing of cash with other means of payments (a 50-50% score), although the specialized shops and micro ones sustain that prices will not increase (about 75% of the respondents from these groups do not agree with the increase).

There is a general agreement on the benefits to consumers deriving from better and more comfortable service, as well as from better access to financing.

Table 2. Costs and Benefits for Consumers

Costs	Yes		No	
	No. of respondents	% of total respondents	No. of respondents	% of total respondents
Decrease of risks	41	95%	2	5%
Higher prices	21	50%	21	50%
Improvement of Service quality	33	87%	5	13%
Benefits				
Better choices	28	65%	15	35%
Improved access to financing	35	83%	7	17%
Increased interest income	37	86%	6	14%
Other benefits (less time	41	95%	2	5%

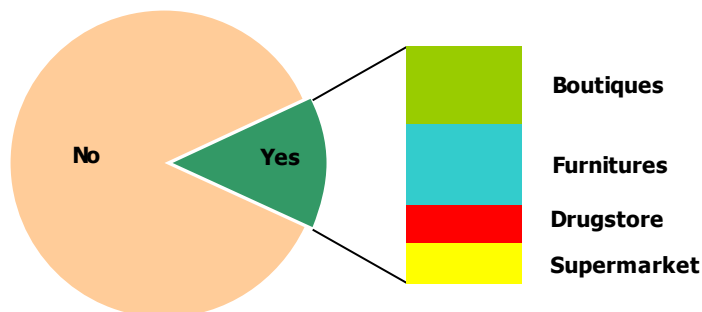
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2.2.2. Use of POS by shops

Conclusions:

- There is a general agreement on the usefulness of POS payments as an alternative to cash ones.
- Only a small part of shops use POS payments and payments by card make for a small part of the daily transactions, despite the decrease in the commission fee.
- Shops selling high value goods (furniture) have the highest frequency in using POS.
- The main reasons for the limited use of POS are customers' preference for cash payments and the limited knowledge of shops owners on the POS functioning.

2.2.2.a. POS utilization



6 shops out of 43 (14 per cent) have responded that they use POS. Considering their size, there is one micro shop, 2 small ones and a large shop, that have chosen to use POS mainly because it is a convenient mean of payment (in 4 of the cases) or because it helps in the process of cash management.

Table 3. Use of POS

POS use	Yes	No		
	6	37		
		Never had	Had and dismissed	NA
		32	3	2
Frequency of use				
2006	12.0%			
2007	18.8%			
Cash payments	88.3%			
Card payments	11.7%			
Commission				
2006	1.5%			
2007	1.0%			

The average frequency of card payments in the respondent shops has increased from 12% of the cases in 2006 to 19% in 2007. However, in average, only 11.7% of the daily sales are paid with cards, the remaining 88.3% is paid in cash. This percentage gets higher (30% card payments) in a furniture shop.

The responses show that in almost all cases payments by card are generally performed for amounts higher than 5100 lek, except for one of the cases which is a specialized drugstore, whose clients may use the card even for amounts between 1,100 lek and 5,000 lek, although no specific rule exists on the amount for which card payment may be performed.

2.2.2.b. Expenses with POS

There is no information regarding the costs or annual expenses for the POS equipment, while the commission to be paid for each transaction is reported 1.5% in 2006 and 1% in 2007.

2.2.2.c. Relationship with banks

The responses regarding the relations with commercial banks so far are equally split between very good, good and satisfactory, and the only comments on areas to improve refer to banks' flexibility and to access to financing options.

2.2.2.d. Reasons for not using POS

86% of the 43 interviewed shops do not have a POS. Most of them have never had one (74% of all the shops), and 3 of them (or 7% of all cases) have had a POS but dismissed it.

The main reasons given for never having considered using the POS are:

- 21% of the cases - clients' preference to pay in cash;
- 21% of the cases – there is a lack of knowledge on how a POS is functioning;
- 18% of the shops - intention to introduce POS within the next 12 months;
- 12% of the shops - small value sales;
- 9% of the shops - no chance to contact with a bank on this issue;
- 6% of the sample - recently started activity;
- 6% of the shops - costs are too high;
- one shop – low level of security of such payment method.

2.2.2.e. POS advantages

In average the respondent shops that have given their opinion on the importance of POS

(30 out of 43 shops) mostly agree on the usefulness of POS payments as an alternative to cash. Especially they tend to fully agree on the capacity of POS to reduce the risk of theft, as well as to facilitate cash management.

There are only 5 shops out of 30 respondents (17%) that agree to a certain extent on the non usefulness of the POS. In general, the average level of agreement (1.3) illustrates that the vast majority of the respondents believe at least at some usefulness of the POS.

Table 4. Usefulness of POS and other payment alternatives

POS and payments alternatives to cash:	1	2	3	4	Average level of agreement
Reduce the risk of theft	0	5	7	18	3.7
Facilitate cash management	0	5	10	15	3.6
Are very useful, facilitate client's purchases	2	11	13	4	2.8
Are not useful at all	25	4	1		1.3

(1 – do not agree, 2 – agree to some extend, 3 – agree, 4 – fully agree)