STUDY ON USAGE BEHAVIOUR REGARDING NON-CASH PAYMENT INSTRUMENTS

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Abstract

The creation of the EU Single Market and the adoption of the euro have led to the blurring of the boundaries between domestic and international affairs, leading to a new approach of the non-cash payment systems. Their development was also due to new communications technologies that have played a significant role in facilitating interbank transactions, which nowadays could be achieved much more quickly and from a multitude of physical locations. Consisting in the transfer of funds between different accounts, the non-cash payments also present a financial risk, generated by the costs associated with fraud, but also by the costs of implementing preventive and control measures. Based on these considerations, this paper analyzes the results of a qualitative marketing research, in close correlation with the statistical data on the main non-cash payment instruments used on the European market and implicitly on the Romanian market. The research was based on the in-depth semi-directive interview method and it focused mainly on identifying consumers' awareness of the various non-cash payment systems, as well as on studying their behaviour regarding the use of these payment means. A particular attention has been paid to legislation on non-cash payment fraud, but also to actions that could be taken by national and European authorities to limit the fraudulent use of various non-cash payment instruments. The results of the marketing research have highlighted a growing trend in the number of bank customers making non-cash payments, as well as a diversification of the non-cash means of payment used by them. At the same time, there was identified the existence of a reluctance from some customers, as a result of their perception of the risk of becoming victims of fraud with non-cash means of payment.

Keywords: non-cash payment instruments, fraud, usage behaviour, marketing research.

JEL Classification: M30, M31, G21, E42.

1. Introduction and the context of the study

The business globalization and the free movement of capital has generated a global increase in the number and value of commercial and financial transactions, generating the need for payment and settlement systems that ensure the transfer of funds in terms of efficiency and safety. The transfer of funds can be made by payment service providers (credit institutions, payment institutions and electronic money institutions), based on a payment order sent via non-cash payment instruments [1], such as:

- payment cards; they could be debit or credit cards, depending on the type of account to which they are attached; they allow payments to traders and withdrawals of cash through use of ATMs;
- direct debits; they require an instruction given by a customer to his bank to make regular payments at a pre-established date directly from his accounts;
- credit transfers; they require a payment instruction given by a customer (debtor/buyer) to his bank to transfer a certain amount of money to a creditor’s (seller) account;
- checks; through them a person (drawer) gives instructions to his/her bank to make a payment from a specified account to a third-party beneficiary, when presenting the documents;
- electronic money instrument (e-money); it is a reloadable or non-reloadable payment instrument other than a remote access payment instrument, such as a stored-value card, a computer memory, or other electronic device, on which value units are stored electronically, enabling its holder to perform cash withdrawals or depositing transactions,
payments of the purchased goods, respectively the transfer of funds; it has to be accepted for payment also by other entities than the issuer, the monetary value stored on the instrument being necessarily equal to the amount received by the issuer from either the owner or the user, as appropriate [5].

Currently, at European level, the most used non-cash payment instruments are cards, credit transfers and direct debits [12].

In Romania, according to NoCash (an online platform for monitoring and promoting non-cash payments), the rate of bankarization is around 58% [15], thus far below the European average. The needs of information most commonly felt by customers regarding non-cash payment instruments are mainly related to the debit card. Although it is the most familiar to them, most of the owners appreciate that their level of information about it is at most a medium one. This is due to the fact that banks have a real concern to continuously diversify their offer by including in their portfolio new non-cash means of payment without, however, conducting coherent activities of informing the population about their way of functioning and the benefits of their use. Given that in European countries such as Denmark, Finland, the Netherlands, Norway and Sweden, 100% of the adult population holds a bank account and in Sweden cash payments are made at less than 1%, at national level certain measures are required to be taken in order to increase the level of citizens' financial education. In this respect, it is necessary to carry out marketing researches with main objectives such as:

- the identifying the level of information and the degree of familiarization of consumers with non-cash means of payment;
- the analysis of the impact of the factors that influence the behaviour of the clients regarding non-cash payments;
- the establishment of the measures needed to limit the fraudulent use of different non-cash payment instruments, a phenomenon that significantly contributes to increasing the reluctance of the population regarding the benefits of giving up on cash.

Targeting the above-mentioned objectives, the present qualitative marketing research comes to support the actions taken by banks, the data collected reflecting the opinions of 12 managers of distinct banks. Thus, the results obtained can be a reference point both for theoreticians and practitioners in the stages of setting up the communication channels, creating the messages, as well as evaluating and controlling information/promotion campaigns on non-cash payment instruments.

2. Methodological considerations regarding the marketing research

Taking into consideration the statistical data on non-cash payment instruments and the results of own marketing researches conducted between 2016 and 2017, individual interviews were conducted among twelve bank managers from ten counties of Romania in May-June 2018. Thus, from the multitude of techniques specific to the qualitative marketing researches, the in-depth semi-directive interview was chosen, one of the three methods proposed by Giannelloni and Vernet in "Études de marché" [13, pag. 76]. This required the elaboration and application of a selection questionnaire. The questions contained in this questionnaire aimed to identify the bank managers who were representative for the research objectives, their opinions being relevant for characterizing the behaviour of bank customers regarding the use of non-cash payment instruments. There were also two factual questions regarding the years of activity of the bank on the Romanian market, respectively the period since the respondent has become a bank manager.

In the process of interviewing respondents a guide with themes and sub-theme was used, these being brought back to question whenever the respondents did not approached them in their spontaneous exposure or they did not analyze them enough [14, pag. 45]. The answers obtained were the subject of a content analysis, which consisted of:

- a vertical analysis (the individual approach of each interview in order to know how each manager approached the themes and sub-theme of the interview guide);
a horizontal analysis (the analysis of the way in which the respondents approached each theme and sub-theme).

Both the selection questionnaire and the guide with themes and sub-themes were elaborated in accordance with the requirements imposed by the specialized theory and practice.

3. The results of marketing research

The analysis and interpretation of the answers given by the managers pointed out their opinion regarding:
- the consumers’ awareness of non-cash payment instruments;
- the level of usage of the various non-cash payment instruments;
- the legislation on fraud with non-cash means of payment.

A. The consumers’ awareness of non-cash payment instruments

The main sources of information about non-cash payment instruments consumer, indicated by managers, are: the Internet, relatives, friends and colleagues, and the employees of banks. Taking in consideration the results of the marketing researches carried out by the banks they represent, the managers also pointed out that:
- the amount of information that consumers have about the various non-cash payment systems is relatively low and their level of quality is medium (on a scale from 1 to 5, where 1 – very low and 5 – very high);
- the lack of information or the incorrect data leads to a high degree of skepticism regarding the use of cashless payment instruments;
- the fraud cases with non-cash means of payment discourage the clients from using these instruments, because in addition to financial risk, they perceive other cost elements such as the psychological ones (stress, fear etc.) related to the time spent in carrying out the formalities to recover the financial loss;
- the lack of access to technology or the limited technological knowledge of some consumers negatively influences the level of usage of non-cash payment instruments.

B. The level of usage of the various non-cash payment instruments

According to the managers interviewed, the most used non-cash payment instrument is the debit card, given that the salaries are transferred to the employees’ card accounts, as are the pensions of a quarter of retirees and the student scholarships. A significant increase was also seen in the number of credit cards due to the fact that they can be acquired much easier than a loan and the repayment of amounts is more flexible than in the case of a loan. These aspects indicated by the managers are also confirmed by the statistical data published by the NBR (National Bank of Romania) (Table 1).

Table no. 1. Total number of cards in circulation (including cobranded and cards with an e-money function) in the period 2015 – 2018 [6]

<table>
<thead>
<tr>
<th>Total units</th>
<th>Number of cards with a payment function (except cards with an e-money function only)</th>
<th>Number of cards with a delayed debit function</th>
<th>Number of cards with a credit function</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2015</td>
<td>14,563,897</td>
<td>14,504,892</td>
<td>12,182,323</td>
</tr>
<tr>
<td>September 2015</td>
<td>14,700,800</td>
<td>14,613,446</td>
<td>12,199,243</td>
</tr>
<tr>
<td>March 2016</td>
<td>15,126,500</td>
<td>15,034,377</td>
<td>12,501,065</td>
</tr>
<tr>
<td>September 2016</td>
<td>15,636,774</td>
<td>15,576,161</td>
<td>13,001,018</td>
</tr>
<tr>
<td>March 2017</td>
<td>16,066,913</td>
<td>16,011,237</td>
<td>13,182,613</td>
</tr>
<tr>
<td>September 2017</td>
<td>16,370,390</td>
<td>16,326,725</td>
<td>13,538,427</td>
</tr>
<tr>
<td>March 2018</td>
<td>16,629,306</td>
<td>16,607,659</td>
<td>13,774,360</td>
</tr>
<tr>
<td>September 2018</td>
<td>17,186,875</td>
<td>17,172,618</td>
<td>14,306,539</td>
</tr>
</tbody>
</table>
Thus, in September 2018, the total number of cards in circulation (including cobranded and cards with an e-money function) was 17,186,875, with 2,622,978 more units compared to March 2015. In the same period, the number of cards with a delayed debit function decreased with 2,078 units. Regarding the payment transactions with debit and credit cards, the managers indicated a positive development, considering that number of these transactions almost tripled in the last three years, as can be seen from figure 1.

![Figure no. 1. The number of card payments in the period 2015 – 2018 [7]](image)

Also, the value of debit card payments increased by 166% in comparison with the value registered in March 2015. Thus, in September 2018 the value of these transactions was 18,521 million lei. Although between March 2015 and September 2018 the number of credit card transactions grew by only 80%, their value increased by 118% [8].

The direct debits represent another non-cash payment instrument indicated by the managers interviewed. These are used by the banks’ customers in particular for automatic payment at a pre-established date of invoices or monthly premiums related to various insurance contracts, but also for paying taxes and duties, respectively for transfers between accounts. By offering advantages such as avoiding going to the bank or to the cash desks to make the payments, or the possibility of a better planning of monthly spending, the level of usage of this payment instrument has increased significantly. This evolution is also evidenced by the NBR data, according to which both the number and the value of direct debit transactions have increased over the last 4 years, reaching 11.52 million transactions in 2017 and a value of 10,955.30 million lei (Figure 2).

![Figure no. 2. The number and the value of direct debit transactions in the period 2014 – 2017 [9]](image)
The data provided by the managers interviewed pointed out that the credit transfers are more frequently used by customers (Figure 3), because this payment instrument offers the possibility of quickly and safely transferring funds from the debtor’s (buyer) account to the creditor’s (the seller) account, according to the payer’s instruction.

![Figure no. 3. The number and the value of credit transfer transactions in the period 2014 – 2017 [10]](image)

According to the NBR statistics presented in Figure 3, in comparison to 2014, in 2017 the number of credit transfer transactions increased by 26.51% and their value by 35.41%.

The checks represent the only payment instrument described by managers as registering a decrease in usage. This is due to the fact that checks are currently no longer eligible for payments in many EU member states. The information provided by the managers is also confirmed by the NBR data, the number of checks decreasing in 2017 by 27.78% in comparison to 2014, and their value decreasing by 23.92%.

![Figure no. 4. The number and the value of checks transactions in the period 2014 – 2017 [11]](image)

Regarding the electronic money instrument, the managers have indicated a growing interest of issuers and users, the e-money ensuring a higher security of transaction and lower costs. It can be bought with cash, but it can only be used in the electronic environment, either through a prepaid card, or online or through a mobile phone. Currently, in Romania there are 2 e-money issuers [4] and 184 institutions [2] that have notified the NBR that they want to provide such services in
Romania. An important aspect underlined by the managers interviewed was that consumers should not confuse e-money with the virtual money, the latter being not recognized at EU level as a legal currency, electronic money, currency or payment instrument, but as a financial instrument for which central banks have been issued a series of warnings [3].

C. The legislation on fraud with non-cash means of payment

Interviewed with regard to the legislation on fraud with non-cash means of payments, most managers have indicated that their efforts to encourage both citizens and companies to use the various non-cash payment systems are not supported by an updated legal framework, currently at UE level being in force the Council Framework Decision 2001/413/JHA of 28 May 2001 combating fraud and counterfeiting of non-cash means of payment [16].

Thus, they highlighted the need for changing the European directives in the context of an increase in the phenomenon of fraud with non-cash means of payment, which has consequences such as:

- the increase of the number of consumers reluctant to use non-cash payment systems and implicitly the slowdown of development of the digital single market;
- the creation and financing of new criminal groups with the proceeds of fraud.

According to the data provided by managers, in 2017 the fraud and counterfeiting of non-cash means of payment generated at the EU level a loss of €2 billion, the authorities predicting an increase of this value as a result of the phasing-out of cash payments, an eloquent example in this respect being Sweden, where banknotes and coins are used for payments of less than 1%.

4. Conclusions

In close correlation with the particularities of the Romanian banking market, the present qualitative marketing research has highlighted that most consumers are increasingly more familiar with the main non-cash payment instruments, being willing to use them due to the specific advantages they offer (comfort, safety, speed, flexibility etc.). However, there are also some aspects regarding the customers’ reluctance, most notably being the high number of frauds with non-cash means of payment. In this respect, the interviewed managers indicated the need of changing the legislation at both European and national level, imposing:

- the extension of the scope of criminal law, thus including the crimes associated with non-cash payments;
- a clear division of competences between national authorities and EU agencies (Europol, Eurojust) in order to develop the most efficient solutions to fight cross-border frauds;
- certain measures to inform citizens about the fraudulent practices and implicitly to prevent them from becoming victims of fraud with non-cash means of payment.

Although the results of this qualitative marketing research cannot be extrapolated to the studied population, the conclusions and recommendations formulated on the basis of the answers obtained in the in-depth semi-directive interviews can be a real reference point for the approaches to deepening the analysis of the usage behaviour regarding the non-cash payment instruments.

5. Bibliography

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