

Conducting an Analysis of the Payments Market in Slovenia

National Payments Strategy

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Glossary of terms used in the Strategy:

- **Application Programming Interface** (*hereinafter: API*) – is a way for two or more (financial) applications to communicate with each other. It is a type of software interface, offering a service to other pieces of software.
- **Mobile payment**¹ - is a payment made for a product or service through a portable mobile electronic device such as a tablet or cell phone. Therefore, mobile payment is an umbrella term, as it represents a payment concept where consumers use electronic device, such as mobile phone or a tablet, to complete the transaction. In order to complete a mobile payment, consumers can use mobile wallets or mobile payment solutions:
 - **Mobile wallet** – virtual wallet on a mobile phone, which stores information about debit and/or credit card. Mobile wallets can enable consumers to make peer-to-peer payments, pay at point-of-sale using near-field communication (*hereinafter: NFC*) technology, pay at point-of-sale by scanning quick response (*hereinafter: QR*) codes, etc. Several Slovenian banks (e.g. NLB – NLB Pay, NKBM – mDenarnic@, Delavska hranilnica – DH Denarnik, Intesa Sanpaolo – Wave2Pay) and international technology companies (e.g. Apple – Apple Pay) offer mobile wallets to their customers.
 - **Mobile payment solutions** – dedicated mobile applications used for making payments (and also other financial activities), most often provided by fintech companies (e.g. mBills, Valu, Flik, etc.).
- **Instant payment** - electronic retail payment that is processed in real time, 24 hours a day, 365 days a year, where the funds are made available almost immediately for use by the recipient.
- **MERCHANTS' user experience** – “*Which payment method do you associate with the best user experience from your point-of-view?*” Merchants were asked to assess ease of use and time-to-pay at point-of-sale, which was then used to assess their user experience with specific payment method.
- **Consumers' user experience** – “*Which payment method do you associate with the best user experience from your point-of-view?*” Consumers were asked to assess user experience based on their personal experience when using specific payment method (e.g. from ease of use and time perspective of the consumer in the payment process).
- **Banks' user experience** – “*Which payment method do you associate with the best user experience from your point-of-view?*” Banks assessed user experience from the perspective of all activities that their employees must perform when handling a specific payment method.
- **Point-of-Sale** (*hereinafter: POS*) – is the location or channel (e.g. physical branch, online store, etc.) at which transaction is completed (e.g. where the consumer pays for a specific product or service).
- **Peer-to-Merchant** (*hereinafter: P2M*) – transactions from consumer to merchant.
- **Peer-to-Peer** (*hereinafter: P2P*) – transactions between consumers.
- **SEPA Instant Credit Transfer** (*hereinafter: SCT Inst*) – payment scheme that enables euro credit transfers with the funds made available on the account in less than ten seconds at any time (24/7/365).
- **SEPA Request-to-Pay** (*hereinafter: SRTP*) – a scheme that covers the set of operating rules and technical elements (including messages) that allow a payee to request the initiation of a payment from the payer in a wide range of physical and online use cases. SRTP is not a payment means or a payment instrument, but a way to request a payment initiation.
- **Revised Payment Services Directive** (*hereinafter: PSD2*) – an EU Directive, administered by the European Commission to regulate payment services and payment service providers throughout

¹ Since consumers that were included in data collection process might not be familiar with details and technicalities of mobile payments, we have presented mobile payments to consumers as an overarching category with the goal of simplification.

the European Union and European Economic Area. The key objectives of the PSD2 are creating a more integrated European payments market, making payments more secure and protecting consumers. It seeks to improve consumer protection, boost competition and innovation in the sector and reinforce security in the payments market, which is expected to facilitate the development of new methods of payment and ecommerce.

- **Vulnerable groups²** – an umbrella term used for individuals with specific disabilities or challenges, which do not enable them to be fully included into digital payments ecosystem. For the purpose of the Strategy, this group includes consumers with visual impairments, elderly consumers and consumers from low-income households.

² This definition applies solely in the context of the National Payments Strategy 2023-2027.

1. Introduction

The **National Payments Strategy** (*hereinafter: the Strategy*) was prepared as part of strategy preparation phase of the project “**Conducting an analysis of the payments market in Slovenia**”, funded by the European Commission (*hereinafter: EC*). The document presents one of the deliverables within the project and can be viewed as the most important outcome of the project.

The **purpose** of the project was to improve efficiency and competition in the retail payments market in Slovenia. The **goal** of the project was to analyse the retail payments market in Slovenia and define strategic initiatives, which address identified gaps and as a result contribute to increasing efficiency and competition in the retail payments market. The project was supported by National Payments Council (*hereinafter: NSP*), a strategic and connecting body that aims to support balanced and sustainable development of the market for secure and efficient payment services in Slovenia, and to ensure its adaptation to changes in the international arena and an adequate place within the Single Euro Payments Area. NSP is chaired by Bank of Slovenia (*hereinafter: BS*), who was the beneficiary of the project.

In the prior phases of the project, Deloitte prepared **three separate online³ questionnaires** to gain an overview of the payments market in Slovenia and analyse payment behaviour and preferences of key stakeholders involved in the payments value chain, that being: **(i) consumers, (ii) merchants and (iii) banks**. Deloitte also conducted a **payments diary exercise** with a smaller sample of consumers to cross-reference the data gathered through the consumer questionnaire, and to analyse if there are any significant discrepancies between perceived and actual payment behaviour of consumers. In addition to the three questionnaires, Deloitte held **focus groups** with other relevant stakeholders of the payments market: **(i) payments processor, (ii) fintech company** focused on providing payment services and **(iii) vulnerable consumer groups**. Prior to the start of data collection activities, Deloitte held multiple focus groups with NSP Working Group⁴ to present the questionnaires and collect their feedback, which was included in the final version of the questionnaires⁵.

Questionnaires and payment diary exercise were conducted using Valicon’s online panel with Computer Assisted Web Interviewing (*hereinafter: CAWI*) approach. In case of consumer questionnaire, 1112 consumers participated in the data collection process, making the sample representative, while data was collected in December 2021. In case of merchant questionnaire, 315 merchants participated in data collection process, making the sample representatives, while data was collected in March 2022. In case of banking questionnaire, 13 banks participated in the questionnaire, with data being collected in March 2022. In order to collect the necessary data for the payment diary, 300 consumers who also participated in the consumer questionnaire, were invited to participate in the payment diary exercise. Data was collected in March 2022, the data collection process took 14 days, with consumers reporting their purchases daily for at least seven days within that period of time. Consumers were asked to report all purchases they made the day-before. Consumers would report several details for each payment they made within the given day (e.g. payment method used, value of the transaction, etc.). **Additional data collection exercise** among consumers took place in December 2022, in order to gather information about Flik Peer-to-Merchant

³ Computer assisted web interviewing (CAWI) was used for all data collection activities (e.g. questionnaires and payment diary). Based on expert opinion of a market research agency the best approach was to use the CAWI, since internet penetration in Slovenia is high, while on the other hand penetration and usage of fixed telephony is decreasing, making CATI (Computer Assisted Telephone Interviewing) approach less appropriate. Therefore, CAWI approach is expected to ensure the most representative results of the overall population. Furthermore, combining CATI and CAWI method might lead to less optimal results, since different data collection approach (e.g. mode effect) is used, which can lead to different answers from the participants.

⁴ A specially dedicated working group within NSP dedicated specifically for the project »Conducting an analysis of the payments market in Slovenia«.

⁵ The scope of the project did not include analysis of payment preferences of merchants, banks and other project stakeholders (e.g. how they perform payments, etc.).

(hereinafter: P2M) and gather some additional information about payment habits and preferences. 1121 consumers provided responses to the additional consumer questionnaire. In addition, Deloitte also organized focus groups with representatives of merchants to discuss Flik P2M payments (e.g. levels of usage, key challenges, etc.).

The data from the questionnaires and interviews presents an opinion or perception of those involved (e.g. consumers, merchants, banks, fintech company, and payment processor, representatives of vulnerable groups, representatives of different association, etc.). As a result, these findings are not to be understood as the “universal truth” but are to be viewed more as individual stakeholder’s point of view. In addition to primary sources of data, Deloitte has also utilized other available secondary sources of information (e.g. Deloitte’s Digital Banking Maturity analyses, other publicly available information, etc.).

The Strategy was aligned with the NSP Working group and other stakeholders through multiple workshops that were held in December 2022 and January 2023. Deloitte conducted the first focus group for NSP Working group in early December 2022. Furthermore, Deloitte conducted four focus groups⁶ with other stakeholders of the NSP in December 2022. The goal of the focus groups was to present the content of the strategic initiatives and collect feedback from stakeholders of NSP and NSP Working Group. NSP Working group and NSP stakeholders received draft version of the Strategy prior to the focus groups and had an option to provide written feedback to the draft Strategy. Deloitte participated in a thematic workshop of NSP in January 2023 in order to present the updated version of the Strategy and collect final round of feedback from the stakeholders. Final version of the Strategy was prepared in January 2023.

⁶ Focus Group 1 – representatives of financial sector; Focus group 2 – representatives of ministries and other national authorities, Focus group 3 – payment processors; Focus group 4 – merchant and insurance associations.

2. EU-level background and context

To ensure alignment of the Strategy with strategic direction of the European Union (*hereinafter: EU*), we have analysed other relevant European strategies in the area of retail payments, with the purpose of highlighting broader context and initiatives that are currently being undertaken at the EU-level, as these can be considered as the baseline for the Strategy. **Retail Payments Strategy for the EU⁷** of the EC, **Retail Payments Strategy⁸** of the Eurosystem and **Cash strategy** of the Eurosystem⁹ were identified as the most relevant, as these are the overarching strategies in the context of retail payments.

EC's **vision** of Retail Payments Strategy for the EU:

- Citizens and business in Europe benefit from a broad and diverse range of high-quality payment solutions, supported by a competitive and innovative payments market and based on safe, efficient and accessible infrastructure.
- Competitive home-grown and pan-European payment solutions are available, supporting Europe's economic and financial sovereignty.
- The EU makes significant contribution to improving cross-border payments with non-EU jurisdictions, including remittances, thereby supporting the international role of euro and the EU's "open strategic autonomy".

Retail Payments Strategy for the EU identifies four **key pillars** and individual strategic initiatives that will contribute to reaching the vision and overarching goals:

- Increasingly digital and instant payment solutions with pan-European reach.
- Innovative and competitive retail payments markets.
- Efficient and interoperable retail payment systems and other support infrastructures.
- Efficient international payments, including remittances.

Like the retail payments strategy of the EC, **Eurosystem's Retail Payments Strategy** has a mission of promoting European retail payment solutions that are safe and efficient for society as a whole. The strategy sets out the following four key goals:

- Support the creation of a pan-European solution for retail payments at the point of interaction (covering physical shops and e-commerce).
- Full deployment of instant payments, so that all individuals and businesses can send or receive money in real time.
- Improve cross-border payments beyond European Union, to help European businesses and citizens make and receive payments overseas.
- Support innovation and digitalization, including harmonizing electronic identity and electronic signature services for use in retail payments.

Finally, the strategy of the Eurosystem encompasses work on promoting the environmental sustainability of payment transactions and infrastructure, and on ensuring all Europeans have access to safe, efficient and convenient payments in view of the all-encompassing digitalization process.

As cash is still the prevailing payment method in majority of Eurosystem countries, the European Central Bank (*hereinafter: ECB*) has prepared the **Cash strategy**, which aims to ensure that cash remains widely

⁷ Source: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52020DC0592&from=EN>

⁸ Source: <https://www.ecb.europa.eu/pub/pdf/other/ecb.eurosystemretailpaymentsstrategy~5a74eb9ac1.en.pdf>

⁹ Source: https://www.ecb.europa.eu/euro/cash_strategy/html/index.en.html

available and accepted as both a means of payment and a store of value. Within the Cash strategy, the ECB has identified five measures to achieve the goal of the strategy:

1. **Ensure availability of euro cash** – work to ensure that euro banknotes and coins are available to the public at all times by national central banks offering free-of-charge cash services throughout their countries and also working to make the cash cycle as cost efficient as possible.
2. **Support access to cash services for everyone** – enable consumers and merchants to have access to their money, whatever their preferences and payment needs. This can include free cash withdrawals or cash withdrawals for a reasonable fee, supporting retailers that offer “cash back” services or facilitate limited cash withdrawals and deposits, supporting banks with sudden surge in demand for cash withdrawals, etc.
3. **Make sure that cash is accepted everywhere** – as most people in the euro area still prefer to use cash for retail payments, ensuring that cash is accepted everywhere is therefore a vital part of the payment system and is also in line with its status as a legal tender.
4. **Develop innovative and secure euro banknotes** – develop euro banknotes that are protected by the latest and most effective technologies to make them highly resistant to counterfeiting and easy to authenticate.
5. **Keep banknotes safe and sustainable** – making sure that banknotes are safe to use by researching the potential impact of euro banknote production and circulation on public health and carrying out scientific examination and testing.

Furthermore, ECB has published a study¹⁰ on **Cost of retail payments**¹¹, taking into consideration unit costs and social costs, where the latter represents overall costs resulting from providing specific payment services to society and deriving from the resource costs incurred by all parties along the payment chain as share of gross domestic product. The study provides several findings that are also relevant for the Strategy:

- Overall, **social costs of retail payments** as share of gross domestic product have decreased in almost all countries that conducted cost of retail payments analyses in 2009 – 2017 time period, suggesting that technological developments and innovation in electronic payments have made retail payments more efficient. Social costs endured the sharpest decrease in Denmark and Portugal, the two countries where transition from cash to electronic payments has been particularly notable, indicating cost efficiency of electronic payments.
- Cost efficiency of different payment methods seems to depend on payment preferences of consumers and merchants in specific country. The data suggests that **levels of unit costs** largely depend on number of transactions carried out with a specific payment method, thereby reflecting different payment preferences in each country. As a result of these preferences, unit costs for debit cards are the lowest in countries, such as Denmark and Netherlands, where electronic payments are more frequently used. On the other hand, unit costs for cash are the lowest in countries, such as Germany and Italy, where consumers and merchants are more reliant on cash. Cash is one of the payment instruments with the lowest share of fixed costs, while electronic payments require higher-up front investments to set-up the necessary payments infrastructure, resulting in higher fixed costs. Split between fixed and variable costs plays an important role when analysing economies of scale. Due to higher fixed costs of electronic payments, unit costs will decrease with growing number of transactions. On the other hand, in case of cash (that has lower fixed cost base), economies of scale might not have such a significant impact on lowering the costs of transactions. Available data suggests that unit costs of debit cards have seen a sharper decline as usage increases than those of cash, which have only declined slightly or not at all.

¹⁰ Study was conducted by national central banks, while ECB has prepared the report and presented the findings of these individual national analyses (e.g. Denmark, Germany, Italy, Hungary, Netherlands, Austria, Poland, Portugal and Finland).

¹¹ Source: <https://www.ecb.europa.eu/pub/pdf/scrops/ecb.op294~8ac480631a.en.pdf>

Retail payments are also in the centre of attention of **Euro Retail Payments Board** (*hereinafter: ERPB*), a high-level strategic body tasked with fostering integration, innovation, and competitiveness of retail payments in European Union. ERPB has been active since 2013 and has put major attention on development initiatives with focus on instant payments, payment initiation services, P2P mobile payments and contactless payments. Activities of the ERPB regarding instant payments focus on ensuring interoperability by developing a framework to manage interoperability rules and appropriate governance for solutions enabling instant payments at POS. ERPB is also involved in SEPA API access scheme, where one of the key tasks of the dedicated working group was identification of added-value services that could be provided in the context of Open Banking as an evolution of PSD2, within the contractual framework of SEPA scheme. The role of the ERPB was to identify key elements of the API scheme.

Another important body in the area of retail payments in EU is **European Payments Council** (*hereinafter: EPC*), a non-profit organization that manages SEPA payment schemes, that being the rules underlying most of the euro credit transfers and direct debits in Europe. One of the most important SEPA schemes within the context of the Strategy is SEPA Instant Credit Transfer (*hereinafter: SCT Inst*) scheme that enables pan-European credit transfers with the funds made available on the account in less than ten seconds, no matter the time of the transaction (e.g. evening, weekend, holiday, etc.). The scheme provides the baseline for pan-European instant payments, which is also one of the key goals in the area of payments for EC and Eurosystem. Furthermore, since 2020 EPC has also been working on SEPA Request to Pay (*hereinafter: SRTP*) scheme that covers operating rules and technical elements that allow a payee to request initiation of a payment from payer in a wide range of physical or online use cases.

Additionally, two other initiatives covering retail payments in Europe have shown some progress in recent years:

- **European Payments Initiative** (*hereinafter: EPI*) – an initiative of European banks/credit institutions, third-party acquirers and processors to create a new pan-European payment solution leveraging instant payments. Their objective is to offer unified payment solution ready for commerce leveraging especially instant payments technology that can be used anywhere in Europe and to supersede the fragmented landscape that currently exists.
- **European Mobile Payments Systems Association** (*hereinafter: EMPSA*) – EMPSA fosters collaboration between fifteen leading mobile payments providers within EU (including Bankart from Slovenia) with the goal of enabling cross-border use of mobile payment solutions. EMPSA believes that interoperability of payment solutions will strengthen Europe in terms of independence from other payment systems, and increase innovation in the area of payments.

3. National Payments Strategy 2023-2027

3.1 Introduction

We have identified some of the most important findings from the Diagnostic phase that can be considered as a baseline for definition of strategic initiatives:

- **Consumer behaviour** – cash is the most frequently used payment method for physical POS & P2P transactions, as it accounts for 53% of transactions by number.¹² It is followed by debit and credit cards with 29% and 10% of transactions by number. As a result, these three payment methods account for 92% of transactions made. When analysing specific payment situations within physical POS & P2P category, usage of cash is the most prevailing when: (i) paying at the bar, (ii) paying for lower-value services (e.g. hairdresser, beauty services, etc.), (iii) pocket money payments, (iv) smaller payments among friends and (v) paying at a restaurant. This indicates that cash is most often used for lower-value items, while cards are generally used to pay for larger purchases. The data also indicates that younger consumers are more likely to use digital payment methods in comparison to older groups of consumers, who are more likely to depend on cash as their main payment method.
- **Drivers for usage** – the data from consumer questionnaire indicates that one of the key drivers for usage of different payment solutions (e.g. cash, cards, mobile payment solutions) is positive **user experience** (additional explanation of user experience is available in the Glossary section of the document). Other drivers for increasing usage also include trust in payment service provider and strong focus on security. On the other hand, one of the key barriers for usage of electronic payments is consumers' perception that they might simply not need specific payment method (as it may have lower added-value in comparison to what they are currently using). Other important barriers to increasing usage of electronic payments are security concerns and not understanding how technology works.
- **Perception of efficiency** – consumers, merchants and banks assessed efficiency of specific payment methods through three categories (e.g. cost, user experience and security). Consumers and merchants perceive cash as the most efficient payment method across all three categories, followed by debit card. Mobile payment solutions, mobile wallets and other payment methods (e.g. credit transfer, direct debits, etc.) are perceived to be less efficient. On the other hand, banks perceive cash as one of the least efficient payment solutions from their perspective and believe that mobile payment solutions and credit transfers are two of the most efficient payment instruments.
- **Acceptance at POS** – the data indicates that micro and smaller merchants are less likely to accept electronic payments at their physical POS, indicating they are more dependent on cash than medium and large merchants. Merchants that offer services (e.g. hairdresser, repairmen, etc.) are also less likely to accept electronic payments at their physical POS than merchants that offer products (e.g. shoe shops, convenience stores, etc.). This can, in our opinion, shape consumer behaviour and drive the need to hold cash because certain services and products might only be available, when paid for in cash. Furthermore, merchants indicated that in case of accepting new electronic payment methods at POS, simple integration into existing IT systems, decreasing time-to-pay and client demand are the key drivers that could lead to potential adoption and acceptance of new payment methods.
- **Future trends** – Banks believe that usage of cash will decrease in the following years, while usage of instant payments and mobile payment solutions is likely to gain more traction. Merchants also

¹² Share of transactions by number and volume was calculated as % of each payment method within a specific category, not as a share within all transactions. Applies for all categories (e.g. POS & P2P, Monthly bill payments, etc.)

perceive that electronic payments will become more widely used in the future, while cash will be less frequently used.

- **Collaboration within the payments ecosystem** – Banks have identified several **areas of collaboration** with card scheme providers, payment processors and fintech companies that could be strengthened or established. Banks indicated they would like to strengthen existing collaboration and develop their own capabilities in areas of data analytics, user experience and product development.

Findings from Diagnostic phase indicate that cash is the prevailing payment method for majority of Slovenian consumers. However, as payments ecosystem is getting increasingly digital, more and more consumers and merchants are starting to understand benefits of electronic payments, especially instant and mobile payments. Due to benefits associated with instant payments, EU has put strong emphasis on development of pan-European instant payments solution, with overarching goal of providing efficient solution for users and increasing sovereignty of EU in the area of payments. There are several EU entities and initiatives (e.g. ERPB, EPI and EPC) focusing on evolution of pan-European instant payments market. In case of instant payments, consumers benefit as payment is performed "instantly" (e.g. within seconds) no matter the time of payment (e.g. weekend, evening, holiday, etc.) and the other party receives funds immediately. The same positive effect of instant payments is applicable to merchants, as accepting instant payments can strengthen their liquidity position. Several countries, such as Sweden, Portugal and Denmark, have already experienced significant adoption of mobile payments as consumers and merchants realized the benefits these solutions bring. Due to larger volume of electronic transactions in comparison to cash, Denmark is already experiencing positive financial effects¹³ associated with lower costs of electronic payments. On the other side, usage of mobile and instant payments in Slovenia is not widespread yet. The situation can indicate that consumers and merchants might not be entirely familiar with benefits and added-value of these solutions. As a result, they stick to traditional payment methods, as seen by higher usage rates of cash in comparison to other payment methods.

To close the gap between Slovenia and more digital savvy nations, we have prepared the Strategy that identifies some of the potential activities that could be undertaken in order to achieve the target state.

3.2 Mission statement, strategic goals, and strategic initiatives

Mission statement:

Increase efficiency, security, inclusion and competitiveness of retail payments market in Slovenia by supporting innovation, digitalization and standardization of payments at national and EU level.

We believe that the mission of the Strategy can be achieved through **five strategic goals** (*hereinafter: SG*) that were defined at the beginning of the project:

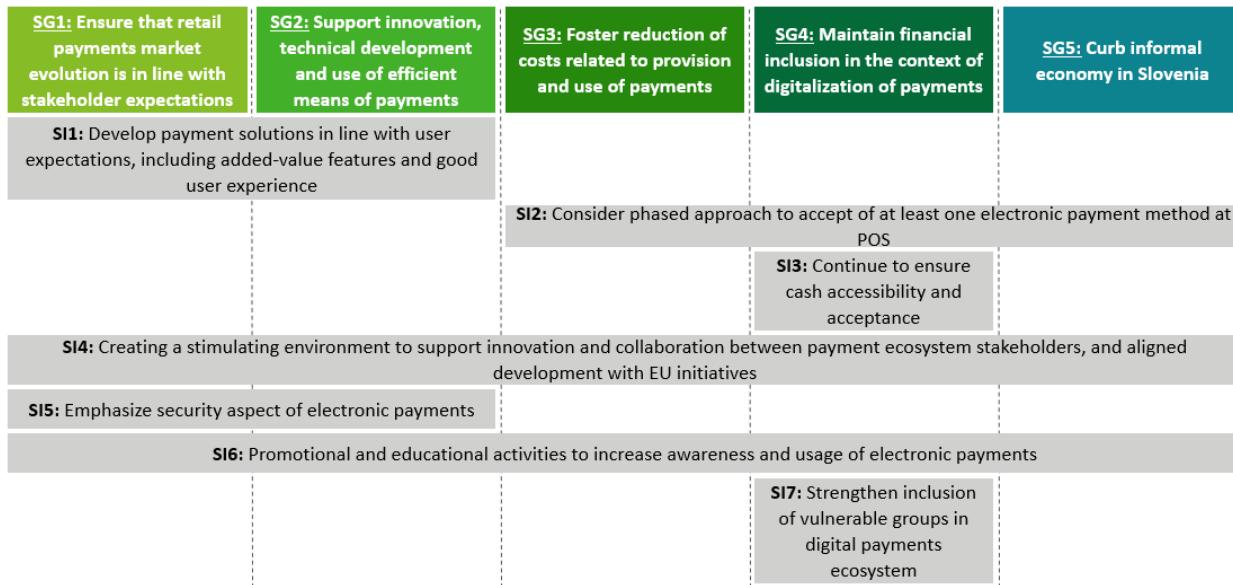
- **SG1:** Ensure that retail payments market evolution is in line with stakeholders' expectations.
- **SG2:** Support innovation, technical development, and use of efficient means of payments.
- **SG3:** Foster reduction of costs related to provision and use of payments.

¹³ In Denmark, unit cost of domestic and international debit cards is lower than unit cost of cash.

- **SG4:** Maintain financial inclusion (especially of the most vulnerable segments of the population) in the context of digitalization of payments.
- **SG5:** Curb informal economy in Slovenia.

To address the key findings from the prior phases of the project and achieve the mission of the Strategy, we have identified seven **strategic initiatives** (*hereinafter: SI*), which are aligned with five strategic goals (see Figure 1, below).

Figure 1: Strategic Initiatives – overview



Individual initiatives are presented in the chapters below. We have defined a structured approach for presentation of individual strategic initiatives, which consists of **seven key areas**:

- **Solution statement** – short summary of the initiative that defines what the initiative is aiming to achieve.
- **Alignment with Strategic goals** – identification of how individual initiative is aligned with five strategic goals of the project.
- **Understanding of current state** – presentation of key findings from Diagnostic phase of the project and other data analyses completed in prior phases of the project. The goal is to present current state of payments in Slovenia.
- **Description of the initiative** – presentation of potential solutions and ideas on how to address key challenges and achieve mission and strategic goals of the Strategy.
- **Experience in other markets** – presentation of international use cases seen in other European countries. Nevertheless, initiatives undertaken abroad can be viewed as an inspiration of what could to a certain extent also be implemented in Slovenia. However, demographic, geographic and cultural specifics of Slovenian market should be taken into consideration when discussing the potential for implementation of these initiatives in Slovenia.
- **Key risks and challenges of the initiative** – identification of key challenges associated with implementation of individual strategic initiatives.
- **Applicability** – identification of stakeholders to whom the individual initiative might be applicable.

Strategic initiatives should always be viewed as **a whole and in connection to one another, as they are complementary** and address the same strategic goals.

The role of the NSP within individual strategic initiative is primarily to facilitate communication among NSP stakeholders and to raise awareness about the strategic initiatives among the general public, with the goal of achieving positive network effects. On the other hand, it is up to individual payments' market stakeholders to implement individual strategic initiatives, since their implementation can result in competitive advantage in comparison to other participants in the payments market.

SI1 - Develop payment solutions in line with users' expectations, including added-value features and good user experience

Solution statement:

"Achieve increase of electronic payments usage by developing added-value features and good user experience that act as incentive for consumers and merchants to start using electronic payments more often."

Alignment with Strategic goals:

SG1: Ensure that retail payments market evolution is in line with stakeholder expectations	SG2: Support innovation, technical development and use of efficient means of payments	SG3: Foster reduction of costs related to provision and use of payments	SG4: Maintain financial inclusion in the context of digitalization of payments	SG5: Curb informal economy in Slovenia
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Understanding of current state:

- Vast majority (e.g. roughly 95%) of Slovenian consumers has cards and bank accounts. Nevertheless, 53% of transactions by number are completed in cash, while cards account for 39% of all transactions by number. Other payment methods account for the remaining 8%.
- 35% of consumers indicated they would not use cards (even though they have them) as they perceive to "not need them", possibly pointing towards the lack of added-value features associated with cards. Similar trend can be seen in case of mobile payment solutions, where 42% of consumers indicated they "do not need these solutions". As a result, consumers stick to cash to which they are used to.
- Through additional data collection¹⁴, consumers indicated they would likely use added-value features related to loyalty programmes (79%¹⁵), saving invoices in digital format (76%), purchasing public transport tickets (67%), e-commerce (66%) and personal finance management (50%) in the future. On the other hand, "only" 41% of consumers indicated they would likely use bill-split feature, which is one of the most common features seen abroad (e.g. offered by payment service providers in Spain, Portugal, etc.). This can in our opinion indicate that consumers are more likely to use features they are already familiar with at least to a certain extent, while in case of using more "unknown" features, additional promotional and educational activities may be required. However, it could also be a consequence of cultural differences.
- Consumers perceive cash as payment method with the best user experience from their point-of-view with an average grade of 4,4/5¹⁶. On the other hand, they perceive mobile wallets and mobile payment solutions as payment methods that have the least optimal user experience. Mobile wallets received an average grade of 3,7/5, while mobile payment solutions received an average grade of 3,6/5 respectively. Physical debit and credit cards were graded with an average grade of 4,2/5.
- Merchants perceive cash as a payment method with the most positive user experience¹⁷, as indicated by 57% of merchants included in the questionnaire. Debit cards ranked second, however the gap between user experience of cash and debit cards is quite substantial, as 23% of merchants indicated they perceive debit cards as most efficient, resulting in gap of 34 percentage points.

¹⁴ Data was collected in December 2022.

¹⁵ Consumers were asked to assess how likely are they to use different added-value functionalities. The number in the brackets presents the consumers that answered with »likely« or »very likely«

¹⁶ Assessment was made on a scale of 1-5 (1 – the least efficient; 5 – the most efficient). The same approach was used for all efficiency assessments made by consumers.

¹⁷ Merchants were asked a question (*Which payment method do you associate with the best user experience from your point-of-view?*) to assess user experience (e.g. ease of use, Time-to-Pay at POS) from their perspective, not taking into consideration perspective of consumers using this specific payment method at their POS.

- Merchants indicated that one of the key decision drivers for implementation of new electronic payment methods is simple integration into existing IT systems (18% of all answers), faster Time-to-Pay at POS (16% of all answers) and client demand (16% of all answers). This indicates that user experience (e.g. ease of use, Time-to-Pay at POS, etc.) and efficiency aspect is important for merchants. Client demand also plays an important role, however not so significant as in other EU countries¹⁸. Cost efficiency aspect should also not be neglected as 15% of merchants indicated this is one of key decision drivers as well. On the other hand, merchants indicated that when implementing new solutions into existing systems, insufficient support from payment solution providers and different technical standards were often the main barriers in the implementation process, resulting in negative user experience for merchants. Merchants perceive crypto payments, mobile payment solutions and instant payments as the most complex payment methods to integrate into existing systems.

Description of the initiative:

- **Identify and develop added-value functionalities** for electronic payments and other financial products for **consumers** (e.g. bill splitting, personal finance management, investing, loyalty schemes, cashback options, etc.) and **merchants** (e.g. data analytics, reconciliation, stock management, etc.) in order to increase adoption and usage of electronic payments.
- Focus on providing a positive **user experience** for consumers (e.g. decreasing number of clicks, intuitive customer journey, etc.) and merchants (e.g. seamless onboarding, decreasing time-to-pay, etc.). In order to understand stakeholder expectations, studies or market analyses from Slovenia and other EU countries can be reviewed or conducted. The end goal is to increase adoption and usage of electronic payments.
- Consider the possibility of incorporating **elements of gamification** (e.g. adding typical elements of game playing, such as point scoring, in order to increase activity, etc.) into payment process.
- In order to develop applications that meet consumer and merchant expectations, payment service providers should consider **active involvement of users in design** (e.g. through focus groups, open forums, interviews, etc.), **development and testing activities**.
- Collaborate with merchants and other relevant stakeholders to set-up prize games and other attractive benefits in order to raise awareness and promote usage¹⁹.
- In case of consumers and smaller merchants (e.g. micro and small segment), the stronger focus of development should be on **mobile payments** (e.g. mobile payment solutions, mobile wallets, mobile POS for merchants, etc.) as mobile is the prevailing digital channel in their case. However, development of online channels should not be neglected as it is of utter importance for larger merchants with more developed IT systems and infrastructure.
- Payment solutions could be designed as a **one-stop shop** where users can access their payment and financial information (e.g. completed transactions, recurring payments, personal finance management, etc.). Such applications would also often include possibility to make direct payments (within the application) for parking, e-mobility services, public transport, etc. Furthermore, payment service providers are developing **digital marketplace applications** where consumers have access to even wider scope of products. Key benefit of digital marketplace applications is the option for consumer to complete the purchase process end-to-end within the application (e.g. from browsing, to selecting the final product and completion of payment). Such applications are also attractive for merchants, as they can gain access to new customers and expand their business.

¹⁸ Recent study by the ECB on New Digital Payment Methods indicates that merchants from 19-euro area countries put consumer demand on the first place when asked about key drivers for acceptance of new payment methods. Furthermore, the ECB study found, that merchants are even willing to carry extra costs to ensure that consumer can pay in their preferred way.

¹⁹ 17% of consumers indicated they would use cards more often if cashback schemes were implemented. Furthermore, 16% of consumers would use cards more often in case loyalty programmes were available to them.

- In order to drive acceptance, omni-channel approach should be guaranteed – meaning that consumers can easily use and switch preferred payment methods and applications in a given situation.
- With the goal of improving user experience for consumers related to **instant payments**, capabilities related to **Request-to-Pay functionalities²⁰** could be strengthened and further integrated within the payment process. This may enable consumers to pay for the product or service, without going to the cashier, as they could just scan the QR code or receive a push notification on their electronic device to complete the purchase while in store. This could have positive effect on consumers' user experience as payment process becomes more seamless and faster. Furthermore, implementing Request-to-Pay functionalities could also be beneficial from merchants' perspective, as employees could spend more time advising and interacting with the clients instead of performing payment-related activities, as a result increasing efficiency.
- Electronic payments need to have all of the "**elementary" functionalities** that merchants need in order to complete their day-to-day activities (e.g. ability to cancel/reverse transactions, merchant-presented QR codes, consumer-presented QR codes, etc.) in order to increase adoption and usage on the side of the merchants.

Experience in other markets:

"The data from Deloitte's Digital Banking Maturity 2022 analysis indicated that digital mature banks are offering a wide array of functionalities with higher added-value for consumers, such as personal finance management and investment service (among others). In case of personal finance management consumers can track their spending and analyse their payment habits. Such functionalities can also result in increased usage of electronic payments, as consumers gain additional insight into their payment habits as they have an overview of all transactions made, while also strengthening their financial health as they can control personal finances more easily."

"Hungarian bank OTP has launched digital marketplace application Simple by OTP, where consumers have access to beyond banking functionalities (e.g. booking a taxi, purchasing event tickets, etc.). On the Croatian market, Erste bank launched KeksPay which focuses on payments and beyond banking functionalities as well. Both of these applications enable consumers access to functionalities with higher added-value."

"One of the potential added-value services for both consumers and merchants could be launch of Purchase With Cash Back (hereinafter: PWCB) services, where consumers could withdraw cash (limited amounts) when completing a purchase with a card at a large merchant. As a result, consumers can complete a purchase with electronic payment and still withdraw cash they might need for other purchases, while (large) merchants can optimize their liquidity management. PWCB is already available at selected merchants in Germany and Poland."

"UK's neobank Monzo²¹ has set-up a community forum where consumers can pitch ideas about functionalities they would like to see within the applications. Employees of the company then interact with them, providing feedback."

"BBVA, the Spanish banking group, has developed BBVA Game application, where consumers can complete different challenges, through which they get additional information about functionalities"

²⁰ EPC is working on guidelines for SEPA Request-to-Pay functionality and has released a new set of guidelines in November 2022, with the goal of defining standardized approach to development of Request-to-Pay features within the SEPA scheme. EPC is currently in the phase of "Call for change request to version 3.0 of the SRTP Rulebook" and will collect information until 29 December 2023.

²¹ Source: <https://community.monzo.com/>

offered within internet and mobile banking applications. By completing these challenges, consumers can win music and film downloads or even tickets for the LaLiga football matches.²²"

Key risks and challenges of the initiative:

- Identification of most relevant added-value features to be included in payment applications.
- Inclusion of consumers and merchants into design and development process.
- Costs associated with developing added-value features on top of legacy core (banking) systems.
- Diverse user groups (e.g. small and large merchants, younger and older consumers, etc.) with different expectations about added-value features, payment preferences and user experience.
- Technical challenges related to integration with legacy systems of merchants and payment service providers.
- Geographic, demographic and cultural characteristics of the market (e.g. low density of population, majority of population living outside of large cities, etc.) can have negative effects on development of digital marketplace applications.

Applicable to:

- Payment Service Providers
- Merchants
- Consumers

²² Source: <https://www.bbva.com/en/bbva-receives-bank-innovation-award-gamification-platform-bbva-game/>

SI2 - Consider phased approach to accept at least one electronic payment at POS

Solution statement:

"Consumers have the ability to choose payment method they prefer, including the option to always complete the purchase using electronic payments."

Alignment with Strategic goals:

SG1: Ensure that retail payments market evolution is in line with stakeholder expectations

SG2: Support innovation, technical development and use of efficient means of payments

SG3: Foster reduction of costs related to provision and use of payments

SG4: Maintain financial inclusion in the context of digitalization of payments

SG5: Curb informal economy in Slovenia

Understanding of current state:

- 25% of merchants²³ that have physical presence do not offer possibility of card payments at physical POS²⁴. 35% of merchants with physical presence offer possibility of payment with instant payments solutions or mobile payments solutions (e.g. mBills, Valu, etc.). Some merchants that officially accept Flik P2M, did not know how to enable the consumer to pay with Flik P2M, potentially indicating the lack of communication and training of merchants by the payment service providers.
- Micro and small merchants are less likely to accept electronic payments at their physical POS in comparison to medium and large merchants. As a result, they are more dependent on cash as the preferred payment method, which also results in consumers needing to carry cash to complete the purchase. Similar trends can also be seen in case of merchants that provide services (e.g. repairs, hairdressers, etc.), as they are less likely to accept electronic payments in comparison to merchants that sell products.
- 69% of merchants perceive cash as the most cost-efficient payment method. The second most cost-efficient payment method for merchants is debit card, which received 9% of responses, indicating a significant gap between cost efficiency perception of cash and other payment methods. Furthermore, merchants confirmed that cash is the most cost-efficient payment method even after considering indirect costs (e.g. transport, fraud, etc.). In their opinion, electronic payments are less cost-effective in comparison to cash.
- As some merchants would only accept cash, consumers don't have the ability to complete the payment with electronic payment method, which they may prefer over cash. When consumers can not complete their payment with cash (e.g. do not have enough cash, merchant does not have change, etc.) and no other payment method is available, rate of non-completion is 4x higher than for other payment methods, resulting in potential revenue loss for merchants.
- Additional data collection²⁵ indicates that 77,7% of consumers find²⁶ it important to have the ability to choose among different payment methods when completing payments at physical POS. Furthermore, 78,6% of consumers indicated they believe that in the future (e.g. in the next five years) their preferred payment method for POS payments will be some sort of electronic payment (e.g. debit card, credit card, mobile payment solutions, mobile wallet, etc.).
- Data from the consumer questionnaire indicates that 23% of consumers use cash only up to 2x per month. Based on this finding, we believe that cash is therefore a payment method of last

²³ No additional weights related to size of merchant (e.g. micro, small, medium, etc.) were added to these scores, since the sample was representative.

²⁴ According to some analyses from other payments ecosystem stakeholders, percentage of merchants that do now enable electronic payments might be even higher.

²⁵ Data was collected in December 2022.

²⁶ Consumers were asked to assess their agreement or disagreement with the statement (*How important do you find the ability to choose among different payment methods at POS*) on a scale of 1-6 (1 – ability to choose is very unimportant; 6 – ability to choose is very important). 77,7% includes consumers that chose answers 4,5 or 6.

resort for this segment of consumers, as they would only use it when electronic payments are not accepted.

- Moreover, consumers perceive cash as being the most widely accepted²⁷ payment method with average rating of 4,4/5. Cash is followed by debit cards and credit cards with average rating of 4,2/5. Mobile payment solutions and mobile wallets had lower averages with 3,6/5 and 3,5/5 rating. Standing orders and credit transfers received the lowest average rating of 3,4/5. However, this was to some extent expected as these payment methods cannot be used at a physical POS (e.g. paying for groceries at the department store, etc.).

Description of the initiative:

- **MERCHANTS ARE LEGALLY REQUIRED TO ACCEPT AT LEAST ONE ELECTRONIC PAYMENT**²⁸ at their POS, meaning **CONSUMERS HAVE AT LEAST ONE OTHER OPTION** for completing the purchase alongside cash, **GIVING THEM THE ABILITY TO CHOOSE THE PAYMENT METHOD THEY PREFER**. However, this should not be perceived as obliging consumers to pay with electronic payments instead of cash, as it is just about providing the possibility to choose between different payment methods. Merchants can decide which electronic payment method (e.g. cards, instant payments, mobile payment solutions, etc.) will they accept at the POS, based on their core business, size and other decision factors (e.g. offers from banks and other payment service providers, etc.).
- Accepting electronic payments at POS could be done using a **PHASED APPROACH**, with two different possibilities (other approaches could also be considered) to be taken into consideration:
 - **OPTION 1** - in the first phase acceptance of electronic payments remains optional, while promotional activities and incentives for merchants are further enhanced in order to increase acceptance of electronic payments at POS and usage by consumers. Should results of the promotional phase be satisfactory (e.g. percentage of merchants accepting electronic payments increases in-line with expectations), accepting of electronic payments remains optional. If results are not satisfactory, mandatory acceptance of electronic payments is considered to achieve desired target state.
 - **OPTION 2** – in the first phase acceptance of electronic payments becomes mandatory for selected segments of merchants. Other segments of merchants are involved in the programme at later stages²⁹, with the goal of enabling electronic payments by all merchants.
- In order to encourage merchants to accept electronic payments, **TAX INCENTIVES** could also be introduced. Furthermore, other measures can also be introduced in order to incentivize consumers to pay with electronic payment methods, such as **DECREASING THE LIMIT OF MAXIMUM AMOUNT THAT CAN BE PAID WITH CASH** and setting-up **LOTTERY SCHEMES** where consumers participate by submitting invoices of purchases they have completed with electronic payment methods.
- To support adoption and usage of electronic payments by merchants, **ATTRACTIVE BUSINESS MODELS** need to be identified, developed and deployed, most notably including **COMPETITIVE PRICING OPTIONS FROM PAYMENT SERVICE PROVIDERS**, as this is one of the key barriers when it comes to acceptance of electronic payments, especially for micro and small merchants.
- Set-up a **NATIONAL FINANCIAL SCHEME FOR MICRO AND SMALL COMPANIES** to support accepting electronic payments by providing financial incentive (and other promotional activities) resulting in higher adoption and usage of electronic payments. This is especially relevant for micro and small merchants, where share of merchants accepting electronic payments is lower (in comparison to medium and large merchants).

²⁷ Question in the consumer survey: »How many merchants accept specific payment methods?« Scale 1-5 (1 – least widely acceptable; 5 – most widely acceptable).

²⁸ As already mandated in Belgium, Hungary and Netherlands. NSP has already held multiple discussions regarding the topic within the existing NSP channels to address key challenges and identify potential approach on how to move forward.

²⁹ Such approach was adopted in Greece in 2016.

Experience in other markets:

"In 2018, international card schemes, issuers and acquirers joined forces and launched Cashless Poland program, aimed at supporting deployment and access to cards in Poland. The goal was to support entrepreneurs with the set-up costs of payment terminal installation and offer them the first 12 months of use for free. In just two and a half years, 280,000 merchants participated in the program and 400,000 terminals were installed."

"Italy³⁰ has introduced a new incentive scheme for merchants. Since 1 July 2020, merchants (having an annual turnover of less than 400,000 EUR) receive a tax credit of 30% of the fees paid for transactions concluded with private consumers using cashless instruments (the tax credit amounted to 100% of the fees for the period between 1 July 2021 and 30 June 2022). Furthermore, Italian merchants that do not allow their customers to pay with debit or credit card could be subject to fines (30 EUR + 4% of the value of the refused transaction), however this is currently not enforced. In order to increase usage of electronic payments on the side of consumers, Italian government has also set-up the Tax Receipt Lottery, where Italian citizens that completed the payments using electronic payments methods can participate and win attractive financial prizes (e.g. total bonus pool for consumers is 5 million EUR; while total bonus pool for merchants is 1 million EUR.)."

"In 2016³¹, Greek parliament passed a law, making it mandatory for merchants to accept electronic payments at their POS. Greek government has opted for a phase approach, where mandatory acceptance was first limited to 85 segments of merchants, such as retail stores, health stores, car rentals, lawyers, etc. In the second phase, the scope of mandatory acceptance was extended to 58 additional segments, such as construction, sports facilities, repairs and other services. Their goal was to ensure full acceptance of electronic payments by end of 2019."

Key risks and challenges of the initiative:

- Higher costs of operations for merchants (due to accepting additional payment methods).
- Possibility that merchants would pass additional costs of accepting electronic payment methods at POS to consumers through higher product pricing (since prices cannot differ based on the payment method), which could negatively affect purchasing power of consumers.
- Fragmentation of electronic payment methods at POS as merchants start accepting different payment methods, which also affects user experience of consumers.
- Even if acceptance of electronic payments is mandatory, it might not directly result in increased usage on consumer side. Even if all merchants start accepting electronic payments, some segments of consumers might decline to pay with electronic payment methods and still prefer to use cash as their main payment method.
- Ability to obtain funding for the national funding scheme for micro and small companies, and lack of government support. Scope and commitment to activities performed within the scheme.
- Defining conditions for funding of the support scheme (e.g. total eligible amount, eligible companies, etc.) in order not to exclude individual subsegments of merchants.

Applicable to:

- Competent ministries and public authorities
- Merchants
- Payment service providers
- Consumers

³⁰ Source: <http://kluwertaxblog.com/2022/07/26/making-cashless-king-italian-lessons-on-digital-payments-and-tax-compliance/>

³¹ Source: http://iobe.gr/docs/research/en/RES_05_F_22032021_PRE_EN.pdf

SI3 - Continue to ensure cash accessibility and acceptance

Solution statement:

"Ensure sufficient access to cash, in order to enable equal possibilities for all consumers."

Alignment with Strategic goals:

SG1: Ensure that retail payments market evolution is in line with stakeholder expectations	SG2: Support innovation, technical development and use of efficient means of payments	SG3: Foster reduction of costs related to provision and use of payments	SG4: Maintain financial inclusion in the context of digitalization of payments	SG5: Curb informal economy in Slovenia
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Understanding of current state:

- Some consumer groups, especially elderly consumers, do not know how to use electronic payment solutions or are not willing to use them due to security concerns, life-long payment habits and technological setbacks (e.g. do not have a smart phone, etc.). As a result, cash is the only payment method they use to complete their transactions.
- Access to banking infrastructure (e.g. physical branches, ATMs, etc.), especially in rural areas, might be challenging as banks have been shrinking their footprint in recent years. As a result, some consumers can have difficulties obtaining cash when they need it.
- Segments of consumers (e.g. those with lower education) do not trust banks and payment service providers, and would as a result stick to cash. Furthermore, due to increased digitalization of payments, those without access to digital services may find themselves excluded from the payments ecosystem.
- Cash is the main payment method in case electronic payments are temporarily unavailable. Consumers indicated that in case card payment could not be completed, they would use cash in more than 90% of cases.
- Cash is currently the only legal tender in Slovenia.

Description of the initiative:

- Ensure sufficient **access and acceptance of cash at POS and cash services** for inclusion of all stakeholders into payments ecosystem. As cash is currently the only legal tender in Slovenia, access and acceptance should be guaranteed³².
- Ensure that activities related to role of cash in Slovenian payments ecosystem are addressed in line with Cash Strategy of the Eurosystem.
- Consider possibility of implementation of Purchase With Cash Back services at large merchants, where consumers can withdraw limited amount of cash when making a payment with electronic payment method.

Experience in other markets:

"Banks in Portugal, Finland and Netherlands have undertaken joint ATM network initiatives in the past in order to optimize cost base and still ensure minimum ATM coverage throughout the country, as a result maintaining sufficient access to cash. Some countries (e.g. Netherlands, Sweden, etc.)³³ are also exploring and implementing initiatives that define maximum distance between an ATM and consumers' home (e.g. 5 km, 10km, 15km, etc.)."

³² "SI3 – Continue to ensure cash accessibility and acceptance" is not limited specifically to 2023-2027 time period.

³³ Netherlands and Sweden are starting to face challenges with accessibility of cash, due to much higher share of digital payments in comparison to Slovenia. As a result, they are introducing ATM network initiatives in order to ensure sufficient access to cash. Slovenia on the other hand, is not facing the same challenges as these countries. These examples should therefore be perceived as one of the potential outcomes of digitalization, affecting access to cash.

"Major Dutch banks, Dutch payments association, representatives of consumers, retailers, hospitality industry, petrol stations, cash service providers and DNB signed the New Cash covenant that ensures proper functioning of cash. The covenant sets out agreements among the parties to safeguard cash's permanent availability and accessibility. Banks have agreed to keep fees for cash services unchanged until mid-2023³⁴."

Key risks and challenges of the initiative:

- Further shrinking of physical infrastructure, such as ATMs and banking branches can negatively affect consumer's ability to access cash.
- Due to demographic and geographic characteristics of Slovenia (low density of population), some of initiatives seen in other EU countries may be challenging to implement and may need to be adapted to market specifics of Slovenia.

Applicable to:

- Competent ministries and public authorities
- Payment Service Providers
- Consumers
- Merchants

³⁴ Source: <https://cashessentials.org/netherlands-stakeholders-sign-covenant-to-ensure-proper-functioning-of-cash/>

SI4 – Creating a stimulating environment to support innovation and collaboration between payment ecosystem stakeholders, and aligned development with EU initiatives

Solution statement:

"Discussion about strategic direction and increased collaboration among payments ecosystem stakeholders can result in increase of payment innovation."

Alignment with Strategic goals:

SG1: Ensure that retail payments market evolution is in line with stakeholder expectations

SG2: Support innovation, technical development and use of efficient means of payments

SG3: Foster reduction of costs related to provision and use of payments

SG4: Maintain financial inclusion in the context of digitalization of payments

SG5: Curb informal economy in Slovenia

Understanding of current state:

- Data from the consumer questionnaire indicates that consumers perceive Slovenian banks and fintech companies to be less innovative than foreign banks and foreign fintech companies present on Slovenian market³⁵.
- There are few domestic fintech companies present on the Slovenian market. International fintech companies have entered the market, resulting in decreasing market share of Slovenian payment service providers, mostly banks. The data from the consumer questionnaire suggests that international fintechs and neobanks (e.g. Revolut, N26, etc.) have an approximately 6% market share when it comes to primary and secondary current accounts of consumers.
- The data from Deloitte's Digital Banking Maturity 2022 analysis indicates that digital champions (e.g. more innovative banks) tend to be more profitable as they achieve on average 1,5 percentage point higher return-on-equity than other banks.
- Banks have identified that collaboration with other payment ecosystem stakeholders (e.g. processors, fintech companies, etc.) could be improved. Areas of data analytics, product development and user experience appear to have the highest potential for collaboration from bank's perspective. Other payments ecosystem stakeholders could also benefit from some of the services (e.g. KYC, risk management, etc.) that banks have a lot of experience with.
- Another potential area of collaboration between payment ecosystem stakeholders is Open Banking. According to banks, Open Banking is currently in early stages of development, with key challenges related to low number of third-party providers and lack of standardization. Banks indicated that consumers do not currently request Open Banking services and products, possibly indicating there might be little demand as well. On the other hand, consumers may not even be aware of the Open Banking and potential benefits of these solutions, as such solutions are not available to them now. As a result, developing a feasible business case for Open Banking solutions can also be challenging. Additional data collection³⁶ among consumers indicates that 27% of consumers are familiar with Open Banking concept, this share being significantly higher among younger consumers (e.g. 36% of Gen Z³⁷ population is familiar with Open Banking, etc.). 44% of consumers included in the survey indicated they would like to have Open Banking solutions in the future, indicating that even consumers who are not currently familiar with the concept would like to try it in the future³⁸.

³⁵ However, it should be noted that consumers may be biased as they are only aware of the most innovative foreign companies that are present on Slovenian market (e.g. Revolut, N26, etc.), which might not accurately reflect overall innovativeness of foreign companies.

³⁶ Data was collected in December 2022.

³⁷ Age of 10-25

³⁸ Results related to the question about Open Banking can potentially be biased as consumers were provided with the definition and potential use cases of Open Banking. Should this information not be provided to them, share of consumers that are familiar with Open

- Representatives of banks, merchants and fintech players have also mentioned that Slovenian regulatory framework related to payments and financial services is complex in specific areas, which might in their opinion have negative effect on innovation potential.

Description of the initiative:

- Continue to ensure **level playing field** within the payments ecosystem and support communication between competent authorities in the area of **regulation** (e.g. ministries, public authorities, information commissioner, etc.) and other stakeholders to discuss possible regulatory challenges with the goal of overcoming them in order to further support equal conditions for competition for Slovenian and foreign payment service providers.
- Strengthen **collaboration among payment ecosystem stakeholders** in order to increase maturity and competition in the payments market in Slovenia. Some of the potential areas for collaboration may include; (i) organization of hackathons where developers can showcase their innovative ideas, (ii) encouraging discussions within the existing NSP channels and (iii) unified approach towards developing of Open Banking technical standard baseline that is required for launching solutions for consumers.
- Analyse **best practices around payments in other countries that are more digitally savvy** (e.g. Netherlands, Sweden, Poland, Belgium, etc.).
- **Alignment with EU-level** initiatives in the area of payments is crucial (e.g. ERPB's QR code standards development, EBA's and EPC's activities around APIs, SEPA initiatives, etc.) in order to enable easy and efficient cross-border payments at EU level, and to prevent Slovenian payment service providers from being in a disadvantage compared to foreign payment service providers. Alignment with EU-level initiatives is also important for banks that are part of international groups, as it makes it easier for them to make a positive business case for implementation of electronic payments, as implementations are not limited to specific country or smaller region. As solutions can potentially be rolled-out throughout entire EU, economies of scale are also easier to realize.

Experience in other markets:

"Dutch bank ABN Amro has developed the Grip app, which provides personal finance management to consumers, even if they are not clients of the bank. The app enables consumers to connect up-to six different Dutch banks. From there, consumers can get insights into their spending habits and well as financial coaching."

"In 2016, a consortium of largest Spanish banks joined forces and developed a mobile instant payment application Bizum. The objective was to create universal, simple, immediate and secure payment method. The application enabled consumers to make instant P2P payments at first in order to drive adoption, with online P2M functionality also added in the following years. The application gained significant traction in Spain as it has more than 22 million active users, which equals to roughly 45% of Spanish population. In addition, consumers can pay with Bizum in more than 39,000 online stores. The company also organized prize draws and competitions in order to drive adoption.³⁹"

"Raiffeisen International bank (RBI) has been collaborating with Tatra bank and Kiuub to organize a hackathon in order to enable developers to showcase their innovative solutions. Teams were tasked with developing a new added-value beyond banking (e.g. non-traditional banking) functionality for retail or SME customers of the bank, using RBI satellite app approach and RBI's open API infrastructure."

Banking is expected to be lower. Furthermore, it should also be noted that developments in the area of Open Banking are a steppingstone towards Open Finance initiatives.

³⁹ Source: <https://bizum.es/en/about-us/>

"Lithuania is increasingly viewed for being one of the main fintech centres in Europe. In 2016, Ministry of finance, Bank of Lithuania and government-backed industry body Invest Lithuania defined an agreement and strategy on how to attract fintech companies. Their goal was to make Lithuania the best place for fintech companies in Europe, and as result also increase levels of innovation. In order to achieve this goal, they prepared a regulatory sandbox, where fintech companies can test their products and services.⁴⁰"

Key risks and challenges of the initiative:

- Reaching consensus on a national level about strategic importance of innovation.
- Collaboration among different stakeholders within the payments ecosystem can be challenging
- Lack of interest and/or understanding for innovative payment solutions, also effecting the ability to achieve economies of scale

Applicable to:

- Payment service providers
- Industry associations
- Consumers
- Competent ministries and public authorities

⁴⁰ Source: <https://investlithuania.com/tech/fintech/>

S15 - Emphasize security aspect of electronic payments

Solution statement:

"Increased communication, awareness and development of additional security functionalities leads to higher usage of electronic payment methods."

Alignment with Strategic goals:

SG1: Ensure that retail payments market evolution is in line with stakeholder expectations	SG2: Support innovation, technical development and use of efficient means of payments	SG3: Foster reduction of costs related to provision and use of payments	SG4: Maintain financial inclusion in the context of digitalization of payments	SG5: Curb informal economy in Slovenia
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Understanding of current state:

- Consumers perceive mobile wallets and mobile payment solutions as the least secure, with average score of 3,5/5 and 3,6/5 respectively.
- Based on Deloitte's Digital Banking Maturity 2022 analysis, Slovenian banks offer less security related functionalities through mobile and online channels compared to more digitally mature banks. However, this does not indicate that Slovenian banks are less secure in comparison to more digitally mature banks. This can in our opinion only indicate that users of more digitally mature banks can complete more security-related services through online or mobile channels, while Slovenian consumers might need to use more traditional channels (e.g. ATM, branch, etc.) to complete these activities.
- Our analysis indicates that between 5-10% of consumers (% share depends on specific functionality that could be implemented) indicated they would use cards more often if additional security functionalities would be added to online and mobile banking applications to enhance consumer security related to use of electronic payments.
- Consumers, especially those with lower levels of education, identified they would often not use specific electronic payment methods due to security concerns or lack of trust in payment service providers. Additional data collection in December 2022 indicates that 11% of consumers do not have trust in electronic payment methods. As a result, they complete majority of their purchases with cash.

Description of the initiative:

- Enable **additional self-service security functionalities** within online and mobile banking applications in-line with expectations of consumers and merchants.
- Further support **of clear and transparent communication** about usage of personal data of consumers.
- Organize **educational workshops and prepare promotional materials** for consumers, equipped with key information about security aspects they need to know about different electronic payment methods. Workshops and materials need to be adapted to specific demographic groups of consumers and contain information most applicable to them. Inclusion of competent ministries and other public institutions can positively affect consumers' perception related to security of online and mobile applications.
- **Clear and coordinated communication** from payment service providers to consumers is important, as consumers might not be aware of all the (security-related) functionalities that are available to them within the online or mobile channels. Strong focus should be on communication about security features of mobile wallets and mobile payment solutions as consumers perceive them as less secure as other payment methods. Additional focus could also be put on **cybersecurity** aspect of payments, especially as consumers and merchants are increasing their e-commerce presence.

Experience in other markets:

"More digitally mature banks are introducing⁴¹ more advanced authorization methods in order to complete payment transactions, such as Face ID and even electronic signatures as is the case with Nordea bank in Sweden. Furthermore, digitally mature banks are also offering consumers increasing number of self-service security functionalities within internet and mobile banking applications, such as block and re-activate card, set daily spending limits, etc."

"Spanish international banking group Santander has developed a "Cyber Hero" game where consumers can test their knowledge of secure online shopping, identifying phishing, strong passwords and reporting suspicious messages. The banks also offer other resources (e.g. articles, infographics, etc.) aimed at educating consumers about security aspect of electronic payments.⁴²"

Key risks and challenges of the initiative:

- Development and implementation of security functionalities within online and mobile banking and payment applications depends on individual payment service providers.
- Different user needs and expectations of different segments of consumers.
- Inappropriate communication about security policies of payment service providers (e.g. limits for authorizations, guarantees, returns, etc.) might result in moral hazard, as consumers become less risk-averse and might not take necessary precautions (e.g. checking if website is legitimate, etc.) in specific payment situations.

Applicable to:

- Payment Service Providers
- Consumers
- Merchants
- Competent ministries and public authorities

⁴¹ Source: Deloitte Digital Banking Maturity 2022 analysis

⁴² Source: <https://www.santander.com/en/stories/-cybersecurity/become-a-cyber-hero#5-cyber-tips-in-infographics>

SI6 - Promotional and educational activities to increase awareness and usage of electronic payments

Solution statement:

"Structured and aligned approach to promotional and educational activities leads to increased usage of electronic payment methods."

Alignment with Strategic goals:

SG1: Ensure that retail payments market evolution is in line with stakeholder expectations	SG2: Support innovation, technical development and use of efficient means of payments	SG3: Foster reduction of costs related to provision and use of payments	SG4: Maintain financial inclusion in the context of digitalization of payments	SG5: Curb informal economy in Slovenia
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Understanding of current state:

- Cash is the prevailing payment method for consumers in case of physical POS & P2P transactions as it accounts for 53% of transactions by number. Debit cards account for 29% and credit cards account for 10% of number of transactions. Other payment methods (e.g. mobile payment solutions, mobile wallets, credit transfer, etc.) have 8% share within physical POS & P2P transactions. Cash is also used in situations (e.g. P2P payments, paying for lower-value services, paying in bars, etc.) whereas other, more digitally advanced, European nations would often use different electronic payment methods, such as cards, mobile and instant payments⁴³.
- 33% of consumers have access to mobile payment solutions. However, the usage is quite infrequent as 43% of consumers who use these solutions reported that they would use them on average of 1-2x per month. The data from our consumer questionnaire also indicates that within P2P transactions, mobile payments (including instant payments and mobile wallets and mobile payment solutions) account for just 16% of all transactions. On the other hand, cash accounts for 71% of all transactions made within this category.
- Our research indicates that only 9% of consumers use Flik P2P instant payment solution. One the other hand, 27% are familiar with Flik P2P, but are not using it, which can potentially indicate they might not be aware of benefits of instant payments. 64% of consumers are not familiar with Flik P2P (and do not use it), indicating that raising awareness is still necessary. Additional data analysis⁴⁴ indicates that 10% of consumers have had the experience using Flik P2M at least once. On the other hand, the most common reason why consumers do not use Flik P2M is the fact they do not know what Flik is, as indicated by 46% of consumers. Furthermore, 34% of consumers who have not used Flik yet indicated they would not use Flik even though they are familiar with it.
- Usage of cash can in some cases also be linked with shadow economy. 7% of consumers in the questionnaire indicated they receive at least a part of their monthly remuneration in cash. These consumers are also more likely to complete other purchases with cash instead of using electronic payment methods.
- Merchants also identified cash as the most efficient payment method in terms of cost efficiency, positive user experience (from merchants' point-of-view) and security aspect. They perceive other payment methods (e.g. card payments, instant payments) as less efficient compared to cash.

Description of the initiative:

⁴³ Danish consumers completed 88% of POS transactions using digital payment methods, while cash is used in 12% of POS transactions. Slovenian consumers would use cash in 53% of POS & P2P transactions. Danish consumers also conduct 66% of all P2P payments as instant payments. In Slovenia, P2P payments are still dominated by cash, as 71% of transactions by number would be completed using cash.

⁴⁴ Data was collected in December 2022

- Additional **promotional and marketing materials** (e.g. physical materials, social media materials, etc.) aimed at explaining potential benefits of electronic payments to consumers and merchants. Raise awareness through online advertising, activation events at shopping centres, in-store materials, direct communication through banks and other promotional activities.
- Organize workshops to **educate consumers** about potential benefits of electronic payments and to increase financial literacy⁴⁵. Educational materials are prepared in-line with needs of different demographic groups (e.g. younger and elderly consumers, etc.). Educational activities for individuals (e.g. 1-on-1) could also be performed in physical branches of banks and other locations. Furthermore, helping consumers with installation or activation process (e.g. at physical branch of the bank, in supermarkets, etc.) is another approach that can result in increased usage of electronic payments. It is also important to identify possible common misconceptions about security of electronic payments that consumers may have and provide credible information.
- Organize **educational workshops for merchants** with the goal of presenting potential benefits and added-value of electronic payments. As a part of **educational activities for merchants**, additional focus could be on raising awareness about hidden cost of cash, also including social cost of cash, as payment service providers (e.g. banks, fintech company) perceive that merchants might not consider all costs associated with cash. In addition to educational activities for merchants related to cost of cash, promotional activities for merchants should also focus on the challenge of liquidity management, as acceptance and usage of instant payments, can help merchants optimize their liquidity management activities.
- **Inclusion of competent public authorities** into general promotional and education activities can be beneficial as consumers might have higher trust in these institutions than in other private companies in the financial sector. Overall, this can lead to higher adoption and usage of electronic payments.
- Educational and promotional activities are **coordinated and managed centrally** in order to ensure consistent approach and message that is being communicated. It should also be stressed that these are not one-off activities or events. In order to achieve desired results, **continuous** promotional and educational activities are required.

Experience in other markets:

"When Portuguese payments processor SIBS launched MBWay instant payment solution in 2015, strong emphasis was put on promotional and educational activities as Portuguese consumers relied heavily on cash at that time. As part of their promotional activities, MBWay was promoted through activation events at shopping centres and other physical locations. Furthermore, strong focus was put on social media advertising and collaboration with merchants to organize prize winning events. As a result, MBWay has roughly 4 million users⁴⁶, which is the equivalent of 40% of total population⁴⁷ of Portugal."

"In order to increase usage of electronic payments in Poland, Payments Systems Council⁴⁸ (an advisory body of the Management Board of Narodowy Bank Polski (hereinafter: NBP) facilitates numerous educational and training activities (e.g. trainings for teachers, competitions for high school students, meetings between different payments ecosystem stakeholders, etc.). Activities usually take place at NBP's Money Centre – exhibition and educational facility⁴⁹."

⁴⁵ Slovenian Insurance Association conducted an analysis that indicated that financial literacy of especially younger consumers (e.g. up to 25 years old) is below expectations.

⁴⁶ At the time of preparing the document, which was in December 2022

⁴⁷ 10,3 million people in 2021

⁴⁸ Source: https://www.nbp.pl/homen.aspx?f=/en/system_platniczy/payment_system_council.html

⁴⁹ Source: [Retail payments accessibility \(europa.eu\)](https://europa.eu)

Key risks and challenges of the initiative:

- Ability to obtain sufficient funding and dedication of resources for specific activities from key stakeholders can prove to be challenging.
- Understanding different needs of specific stakeholder groups.
- Different user experience and payment process for the same payment solution, which results in challenges related to aligned and unified communication strategy.

Applicable to:

- Payment Service Providers
- Competent ministries and public authorities
- Consumers
- Merchants

SI7 - Strengthen inclusion of vulnerable groups in digital payments ecosystem

Solution statement:

"Inclusion of vulnerable groups into development process and additional focus on educational activities about usage of specific payment methods."

Alignment with Strategic goals:

SG1: Ensure that retail payments market evolution is in line with stakeholder expectations

SG2: Support innovation, technical development and use of efficient means of payments

SG3: Foster reduction of costs related to provision and use of payments

SG4: Maintain financial inclusion in the context of digitalization of payments

SG5: Curb informal economy in Slovenia

Understanding of current state:

- When talking about vulnerable groups within the payments ecosystem, we can divide them into two separate groups:
 - "Those who can't use"* – such as individuals with visual impairments, etc.
 - "Those who don't know how to use"* – such as elderly individuals or individuals who are not technologically savvy or consumers with lower education and lower monthly income.
- Representatives of visually impaired and blind individuals have identified that mobile and online banking applications often don't work with the hardware they are using for their day-to-day activities. They also identified that touch screens at ATMs present a challenge, as they find it more difficult to navigate and complete transactions.
- With further increase in digitalization of the payments sector and shrinking of physical presence, elderly consumers who are not digitally savvy and do not know how to use online and mobile banks, can become financially excluded or face increasing challenges. Furthermore, access to technological devices (e.g. smartphones, etc.) can also present another barrier for consumers when it comes to electronic payments. If consumers do not have smartphones, performing certain activities (e.g. strong authentication, online payments confirmation, etc.) is more time consuming and difficult or even not possible (e.g. in case of strong authentication which requires the use of smart phone, etc.), resulting in negative user experience. As a result, these groups of consumers are more reliant on cash.

Description of the initiative⁵⁰:

- Developing **payment and other banking functionalities in line with the needs** (e.g. prolonged time for confirming payments, voice assistants, higher contrast, bigger font size, etc.) of **vulnerable groups**.
- Payment service providers can consider a **joint-development project**, where they develop a white-label **application for vulnerable consumers in line with their needs** with the goal of ensuring maximum inclusion of vulnerable consumers in the digital payments ecosystem, while also realizing efficiency benefits by splitting costs of development.
- Inclusion** of representatives of vulnerable groups in the **development and testing process** for mobile and online banking applications and other payment solutions to identify challenges early-on and improve user experience for these groups of users.
- Educational workshops for different segments of vulnerable consumers, targeting primarily those who are willing to learn about benefits of digital payments.
- Maintain sufficient levels of cash accessibility and acceptance in order to support consumer groups that are not able, might not know how to or do not want to use electronic payment methods.

⁵⁰ On 24.1.2023, the Act on accessibility of products and services for the disabled (*slo. Zakon o dostopnosti proizvodov in storitev za invalide*), has been passed. The Act also defined access to banking and payment services for the disabled.

Experience in other markets:

"To ensure inclusion of vulnerable consumers (e.g. visually impaired, etc.) into the payments ecosystems, banks are actively working on adapting ATMs in order to address the needs of these segments of consumers. Banco Santander has equipped more than 3,000 ATMs with voice guidance systems, making them more user-friendly for people with vision disabilities⁵¹. The same functionality was implemented by Credit Suisse (amongst others), who implemented voice guidance systems in nearly 500 ATMs in Switzerland, enabling language instructions for visually impaired in English, German, Italian and French⁵²."

"Spanish international banking group BBVA has developed a dedicated application for consumers with disabilities, called BBVA for Everybody. The application enables consumers with disabilities to access the network of more than 6,000 ATMs and initiate the cash withdrawal within the application and complete it at the physical ATM⁵³. Furthermore, BBVA in Turkey has partnered with company BlindLook in order to develop internet and mobile banking applications with audio guides for visually impaired consumers⁵⁴. Consumers with disability also have a priority status when requesting specific assistance from support services (e.g. call centre) of the bank⁵⁵.

"Multiple banks (e.g. Banca Intesa Sanpaolo in Serbia, ING in Netherlands, etc.) offer websites and other digital channels (e.g. internet and mobile banking solutions) in high contrast version in order to cater to the needs of vulnerable consumer groups. Furthermore, banks also enable users to choose between different font sizes. WeBank in Italy also makes banking more accessible to vulnerable segments of consumers by offering voice control functionality to perform certain activities. ING bank in Poland boosts accessibility by offering the option to video chat with a consultant who is using a sign language⁵⁶."

Key risks and challenges of the initiative:

- Understanding needs of different vulnerable consumer groups.
- Potential higher development costs.
- Additional time for updates of mobile and internet application due to extra development and testing, resulting in slower roll-out to market with the updates.
- Collaboration with representatives of vulnerable groups of consumers.

Applicable to:

- Payment service providers
- Representatives of vulnerable groups
- Consumers

⁵¹ Source: <https://disabilityinsider.com/2021/06/08/accessibility/spains-banco-santander-adapts-3000-atms-for-customers-with-vision-disabilities/>

⁵² Source: <https://www.credit-suisse.com/about-us/en/our-company/corporate-responsibility/banking/accessibility.html>

⁵³ Source: <https://www.bbva.com/en/new-bbva-everyone-app-enables-blind-access-6300-atms/>

⁵⁴ Source: <https://www.bbva.com/en/tr/sustainability/garanti-bbva-partners-with-blindlook-to-offer-the-visually-impaired-a-seamless-banking-experience/>

⁵⁵ Source: <https://www.bbva.com/en/tr/garanti-bbva-provides-hearing-impaired-customers-with-a-barrier-free-banking-experience/>

⁵⁶ Deloitte Digital Banking Maturity 2022 analysis

4. Appendix

4.1 Data collection methodology

We deployed multiple data collection methodologies through different phases of the project, including questionnaires, payment diary, focus groups, bilateral interviews and secondary data collection (e.g. desk research of publicly available information). More details about data collection activities throughout different phases of the project are presented in the subchapters below.

Phase 1 – Inception phase

Deloitte conducted the following activities as part of the data collection process in Phase 1:

- Two focus groups with representatives of Chamber of Commerce (*hereinafter: TZS*) and selected large merchants that are represented by TZS;
- Bilateral interviews with representatives of the Bank Association (*hereinafter: ZBS*) and banks (interviews were held individually with representatives of four banks);
- Bilateral interview with representatives of Consumer Association (*hereinafter: ZPS*);
- Bilateral interview with representative of visually impaired individuals (Association of blind and visually impaired of Slovenia);
- Bilateral interview with representatives of a local payment processor;
- Bilateral interview with representatives of a local fintech company;
- Secondary data collection about overall trends around payments.

In addition, Deloitte held a kick-off meeting with the NSP Working group to discuss expectations and goals of the project, and collect initial information from key stakeholders.

Phase 2 – Diagnostic phase

We conducted four data collection activities: (i) **consumer questionnaire**, (ii) **merchant questionnaire**, (iii) **banking questionnaire** and (iv) **payment diary**. All four activities were conducted through online panel, using the CAWI (Computer assisted web interviewing) approach. Content of the questionnaires was aligned with the NSP Working group prior to the data collection process.

Consumer questionnaire was the first questionnaire that was launched as a part of the data collection process within Phase 2 of the project. The purpose of the questionnaire was to gather data about consumers' payment behaviour and their perception of different payment methods. Data was collected in December 2021. The questionnaire was conducted on a representative sample of **1112 consumers** that provided answers to the questionnaire, taking into consideration key demographic specifics, that being: (i) **gender**, (ii) **age**, (iii) **education level** and (iv) **net monthly income**. The sample is representative of the overall population, as demographics of consumers included in the questionnaire reflect demographics of the overall population.

Merchant questionnaire was the second questionnaire that was launched as a part of data collection process within Phase 2 of the project. The purpose of the questionnaire was to gather information about merchants' perception regarding payments, understand key challenges in the area of payments, acceptance of specific payments and point-of-sale and also merchants' perception about future development of the payments ecosystem. In order to gather the necessary data, the questionnaire was sent to merchants through two separate channels, the first being Valicon's online panel and the other being directly through the TZS. A total of **315 merchants** responded to the questionnaire, majority of them through Valicon's online panel. Data for the merchant questionnaire was collected in March 2022. As a part of the

questionnaire, merchants provided the following demographic information, that was used to identify differences related to payment preferences, perception and trends. This information was also used in order to create a representative sample: (i) **size of the company**, (ii) **core business** and (iii) **point-of-sale**.

Banking questionnaire was the third questionnaire that was launched as part of the data collection process within Phase 2 of the project. The questionnaire was sent to banks with the support of ZBS, as it was to be filled-out by representatives of different departments within individual banks. **13 banks** participated in the data collection process, which took place in March 2022.

Payment diary was the fourth data collection activity that was launched as part of the data collection process within Phase 2 of the project. The purpose of the payment diary was to analyse **actual consumer payment behaviour** in different situations and compare it to the data from the consumer questionnaire. As the consumer questionnaire captured consumer **perception of payment behaviour**, it enabled us to directly compare it with the payment diary and understand if consumers have the right perception about their actual payment behaviour⁵⁷. The payment diary was split into four modules: (i) POS & P2P payments, (ii) online payments and (iii) monthly bill payments. In order to collect the necessary data for the payment diary, **300 consumers** from the Valicon's online panel, who also participated in the consumer questionnaire, responded to the payment diary data collection exercise. Data for the payment diary was collected in March 2022, with the entire data collection process spanning over 14 days, with consumers reporting their purchases daily for at least seven days within that period of time. During the data collection process, consumers were asked to report all purchases they made the day-before (e.g. *What purchases did you make yesterday?*). Consumers would report several details for each payment they made within the given day (e.g. payment method used, value of the transaction, etc.).

Deloitte also conducted bilateral interviews with local payment processor, fintech company, representatives of vulnerable groups and an elderly person as a part of data collection process. In addition to primary data collection (e.g. questionnaires, interviews and payment diary exercise), Deloitte conducted **secondary data research** of publicly available studies and analyses about payment behaviour and habits conducted by national banking authorities in other European countries. The purpose of the analysis was to compare findings from primary data collection (e.g. questionnaires and payment diary) with other analyses conducted in other countries in EU, and to see how Slovenia compares to other EU countries.

Phase 3 – Strategy preparation

Deloitte organized a strategic workshop with the NSP Working group in July 2022 in order to discuss the key findings from the Diagnostic phase, present best practices seen in other European countries, collect feedback from the NSP Working group and set the design principles for the definition of strategic initiatives. In order to present best practices from other European countries, Deloitte involved international payments experts from Belgium, Netherlands, Portugal and Hungary in the process, and they presented some of the initiatives that were undertaken in their countries in order to increase awareness and usage of electronic payments.

Within the Strategy preparation phase, Deloitte launched the **second consumers questionnaire**. The purpose of the questionnaire was to gather some additional information that was used to strengthen the rationale for individual strategic initiatives, to collect information about Flik P2M and to verify key findings from the consumer questionnaire from December 2021. The data for the second consumer questionnaire

⁵⁷ The data indicates there are no significant differences between perception and actual payment behaviour of consumers.

was collected in December 2022 through Valicon's online panel. The questionnaire was conducted on a representative sample of 1121 consumers who responded to the questionnaire.

As a part of the Strategy preparation phase, Deloitte held a **focus group with the NSP Working Group** in December 2022, where the content of the Strategy was presented. Members of the NSP Working Group reviewed the content of the Strategy and submitted written and oral feedback, which was included in the final version of the document. Furthermore, Deloitte held **four focus groups with other members of the NSP⁵⁸**, where the content of the Strategy was presented. Participants of the focus groups reviewed the content and provided written and oral feedback, which was included in the final version of the document. Deloitte held another workshop for members of the NSP in January 2023, where the sole goal of the workshop was to present the updated content of the Strategy and have another round of discussions. Based on the inputs gathered from the thematic workshop with the NSP stakeholders, Deloitte prepared the final version of the Strategy in January 2023.

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⁵⁸ Focus Group 1 – representatives of financial sector; Focus group 2 – representatives of ministries and other national authorities, Focus group 3 – payment processors; Focus group 4 – merchant and insurance associations.

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