

**‘Measuring payment system development’ and  
‘Balancing cooperation and competition in retail  
payments systems’**

**by Massimo Cirasino (The World Bank)**

**and**

**‘EU Retail banking: Measuring integration’**

**by Stephan Schäfer (Deutsche Bank)**

**discussed by Nicole Jonker (De Nederlandsche Bank)**

DNB-ECB Conference

Retail payments: integration and innovation,

25-26 May 2009



**Discussion of**  
**‘Measuring payment system development’**  
**and**  
**‘Balancing cooperation and competition in**  
**retail payments systems’**  
**by Massimo Cirasino (World Bank)**

# Main points

## Measuring payment system development

- Global payment systems survey 07-08
- Thorough and comprehensive cross-country overview wrt payment system development
- Two components: infrastructure and oversight/policy  
+ efficient payment behaviour
- 4 stages of development (high, med-high, med-low and low)

# Suggestions/comments

## **You state: Many central banks lack information on retail payment systems**

- Why is that?
- What can national and international public authorities do?

## **Some suggestions for future exercises**

- Relate past classifications with later classifications
  - Construct transition matrices and make predictions about future development
- Country surveys: - Russia and India?
  - Countries classified low?
  - What are the criteria to start a country study?

# Main points

## Balancing cooperation and competition in retail payment system

- Cooperation versus competition
- Balancing well between theory and facts
- Four interesting case studies
  - Payment infrastructure
  - Behaviour of market participants
  - Accessibility and pricing
  - Role of public authorities

# Main points

## Developing countries

- Lack of interoperability in ATM/POS networks
- Lack of integration payment services
- Fragmentation in processing by ACH's
- Involvement of public authorities and oversight in particular

**Issues are not typical for developing countries**  
**countries**

# Suggestions/Comments

## Focus on cooperation

- Common infrastructure
  - Common payment instruments
  - Consolidation and economies of scale
  - Smooth functioning of payment infrastructure
  - Accessibility
- } Find common solutions, join forces

**Goal: smooth functioning and efficient retail payment system**

# Suggestions/Comments

## Competition becomes more important at a later stage

- Too much product differentiation may lead to more fragmentation
- Innovations may initially be developed by global players



**Discussion of**  
**‘EU retail banking: Measuring integration’**  
**by Stephan Schäfer (Deutsche Bank)**

# Relevance of the paper

## Integration of EU retail banking markets

### Truly single internal market for retail banking products:

- Consumer demand for bank services EU – wide
- Provision of bank services EU – wide

### Original paper with many good ideas

### Well balanced, well thought out

# Main points of the paper

**When is integration achieved?**

**How to measure the degree of integration?**

## **Three integration concepts**

- market performance: economic effects have fully materialised
- market conduct: banks and customers see the EU as domestic
- market structure: all regulatory hurdles have been lifted

# Main points of the paper

## Qualitative and quantitative measures

### Surveys and statistical data

- Market performance: Prices, provision and quality of services
- Market conduct: Cross-border retail banking  
Identify artificial barriers  
Banks strategic decisions
- Market structure: Identifying and removing regulatory barriers both for banks and for consumers

# Suggestions/Comments

## Bank switching behaviour of clients

- ‘low tendency to change banks’ (p10) may indeed indicate a high satisfaction rate
- But might also flag high switching costs

## Integration measures (natural barriers)

- Domestic markets may be heterogeneous as well (large countries)
- When constructing integration measures you may also compare between and within country variation

# Suggestions/Comments

## Comparing quality of services between countries

- You state answering may also be influenced by cultural background, making quality assessments by consumers from different countries difficult to compare

## Suggestion:

- Ask people who have experiences with retail banking in several countries about their opinion
- Citizens who have travelled abroad, exchange students, expats, immigrants, emigrants.....
- Enables you to correct for cultural differences,
- but may introduce selection bias....

# Suggestions/Comments

**Retail payment services are part of retail banking services**

**Payment services are being integrated (SEPA)**

Driver: Prices of domestic payments = prices cross-border payments

Domestic payment instruments/infrastructure are substituted by European payment instruments/infrastructure

Market structure: PSD removes legal barriers

Market performance: price convergence between countries?

convergence provision of payment services?

Market conduct: payment behaviour and perception



# Suggestions/Comments

## **DNB consumer survey's on domestic and cross-border retail payments (Jonker & Kosse 08)**

Surveys in 2007, 2008 and 2009 and more to come in future

Measuring integration, focusing on market performance and conduct from a consumer perspective

### Monitoring trends

- Bank accounts, payment instruments, domestic and cross-border usage
- Perception/Quality
- Obstacles with respect to cross-border retail payments
- Wishes and expectations

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# Bank accounts and payment instruments

Debit card with Maestro:	94%
Debit card non-NL bank:	2%
Credit card:	55%
Bank account non NL bank:	3%

- convenience making payments in another country
- for receiving money (scholarship/salary) from the other euro country
- used to live for some time in the other euro country

# Comparing domestic and cross-border POS payment behaviour of the Dutch

## General cross-border payment behaviour

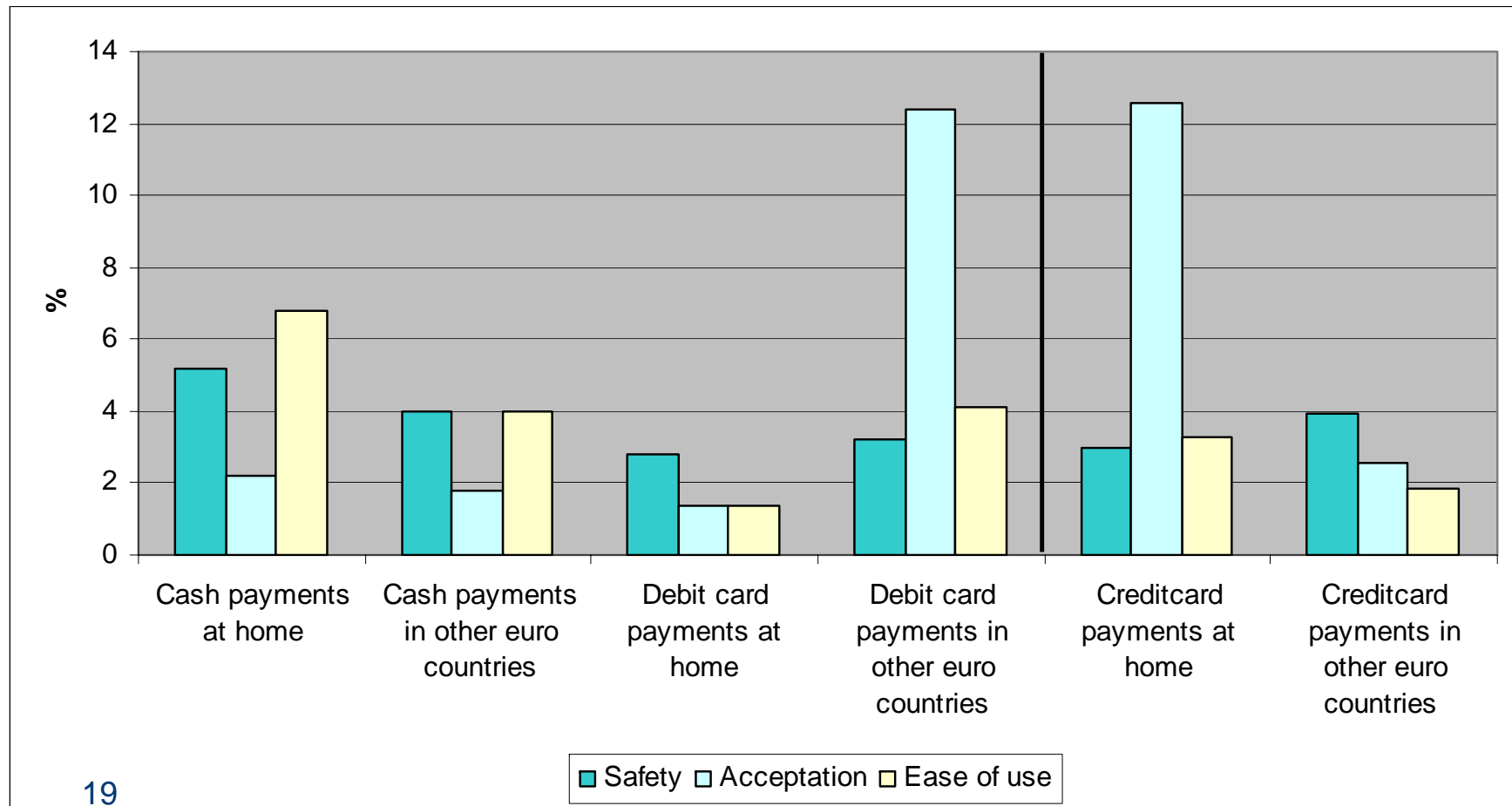
Dutch consumers more often use cash and their credit card when abroad, whereas at home the debit card is more often used.

## Payment behaviour per country

- Belgium, Germany and Luxembourg: high cash and debit card usage
- France, Italy and Spain: high credit card use
- Greece: mainly cash

# Comparing domestic and cross-border POS payment perception of the Dutch

## Dissatisfaction by perception factor and payment instrument



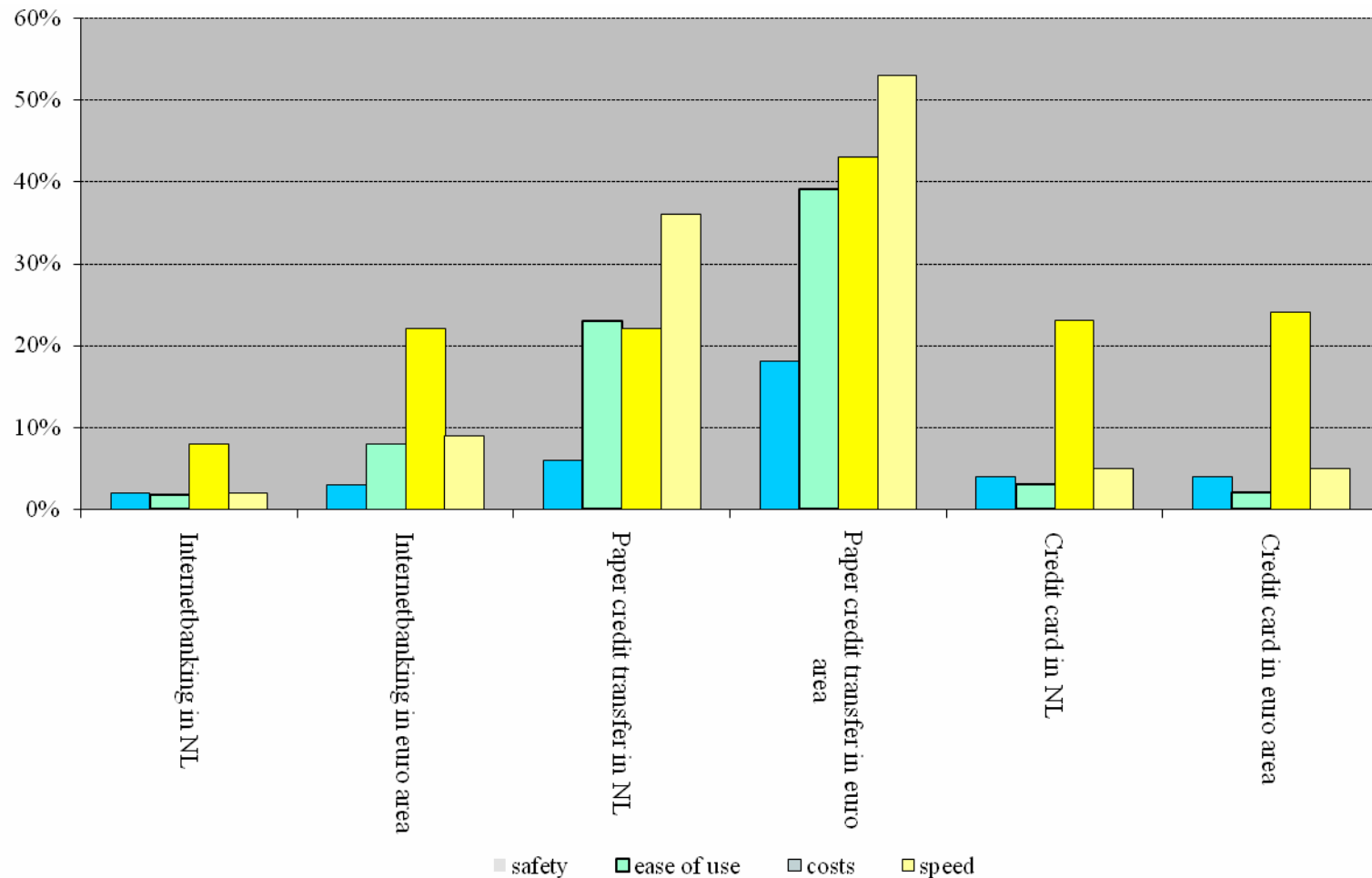
# Comparing domestic and cross-border remote payment behaviour of the Dutch

## General payment behaviour

- Most cross-border transfers are made via electronic transfers, followed by the credit card
- People hold and use foreign euro bank accounts for specific transactions only

# Comparing domestic and cross-border remote payment perception of the Dutch

## Dissatisfaction by payment instrument and perception factor



# Final comments

## Both studies discussed are very valuable

- Good indicators, but keep in mind integration may never be completed
- Monitoring developments in infrastructure and payment behaviour
- In depth case studies
- Provides policymakers valuable information
- Helps them making well-founded policy

**Thank you for your attention!**

