

## Chapter 5: Effective cashless payment methods for business in European countries

### Guide on Digital transborder Entrepreneurship strategies in business environment

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## Chapter 5: Effective cashless payment methods for business in European countries

The new digital age and the role of e-commerce have led to the need for cashless means of payment worldwide. During the pandemic and health crisis due to the outbreak of COVID -19, the use of e-commerce transactions and cashless payments increased as part of the digital transformation. At the same time, businesses faced the need to develop websites and e-shops, and digital wallets (e-wallets) appeared to facilitate online transactions.

The European Union even passed a new law to greatly facilitate cross-border e-commerce to avoid or eliminate geographical exclusion, but also to provide better access for consumers. It has also adopted laws to improve consumer protection and the protection of personal data (GDPR) and has developed security guidelines for products sold online and to improve cybersecurity

In 2018, the use of contactless transactions within the Eurozone increased by 8%. Next year, in 2019, according to data from Statista, Iceland, Sweden, Norway, Denmark and the United States will be the countries using less cash, while the countries of Southern Europe, as well as Germany, Austria and Slovakia, will be the main users of cash

Cashless payments have increased sharply in many areas of commerce worldwide. Digital payments via cards or apps are now so widespread that some retailers no longer accept cash. The use of electronic wallets has also increased sharply, especially among young people. At the same time, many banks offer the option of contactless payment via a mobile device or smartwatch

In these apps, users can shop their cards, make quick transactions and keep a record of previous transactions. Payments are usually made using NFC or QR codes

Cashless payments not only reduce payment time, but also provide a solution to fraud and undeclared purchases that lead to tax loopholes. This payment method will also empower small businesses by allowing them to buy and sell more easily and quickly. At the same time, when e-shopping is supported, even people from remote areas have access to a company's products and services, and online shops are open for business 24 hours a day

According to a survey, two out of three European consumers say they are

now more likely to use contactless payments than before the outbreak of the Covid 19 pandemic and now prefer this method. The survey results show that all contactless card payments accounted for a quarter of all transactions in shops across Europe in the last 12 months (25%) and that "Europeans are increasingly switching to digital payment methods, with eight in 10 paying in e-commerce shops in 2021

It is very important for a business to know and adapt to the needs of the market. Especially with the outbreak of the pandemic, companies were asked to adapt to the new situation and go online.

## Introduction

*What are the advantages of cashless payments for businesses?*

Cashless transactions offer numerous benefits to businesses. Initially, a large percentage of consumers in Europe use cards and have stated that they have not made a purchase because the business store did not accept cards. Thus, companies have access to a larger audience, while maintaining their reputation. In addition, the payment is faster since contactless card transactions take an average of only 3-5 seconds. In this case, the receipt can be sent by e-mail, which saves time but is an excellent environmental solution, considering the the number of receipts printed by a business. Finally, they provide security for transactions both for the costumer and for the business and each transaction is monitored and registered automatically. Of course, with the increase in the number of cashless transactions, challenges and issues of fraud, privacy and the digital divide have emerged such as the risk of cyber attacks

However, the EU has recently adopted a Payment Services Directive 2 (PSD2) on strict controls to make e-commerce more secure and reduce the risk of fraud for both customers and businesses. Moreover, to reduce the fraud rate, many companies use two-steps security.

Every successful business knows the importance of providing a good customer experience. Contactless payments can help by reducing waiting times and reducing paperwork. This makes contactless payments ideal for restaurants and shops, which tend to have longer customer waiting times. In addition, companies that accept contactless payments are proving to keep up with the latest technology and are sensitive to the changing needs of their customers. For cashless transactions, the business can have **Contactless Card Reader or Payment Terminal and Online Store.**

## Theoretical part – GREECE

Electronic payments are constantly gaining ground in our country

comparing to cash. This shift has been intensified during the pandemic, creating the need for these payments to be completed immediately all days and hours of the year. An electronic payment must be completed, cleared, just like when we pay in cash (Naftemporiki, 2021).

The use of cards occupies a share of 52.6% in the cashless payments made in Greece, exceeding the corresponding European average which is around 49%. The Report of the European Payments Council entitled "The Greek payment landscape", which records pan-European the course of cashless payments, finds that in Greece card payments increased by 24.9% in 2019 compared to 2018 (November 2019). The use of web banking in Greece has been increased significantly by 59.4% since the previous year, with payments via electronic money accounting for 3% of the "pie" of moneyless transactions. The same percentage for Europe amounts to 3.6%, indicating the jump that Greece has recorded in payments outside a physical bank branch (Malliara, 2019).

With the growing popularity of card payments or other alternative methods, it is not surprising that the number of POS acceptance terminals has been increased by 20% (by approximately 376,000 terminals) from 2018 to 2020, in a number of countries in Central and Eastern Europe, with the corresponding increase in Greece reaching 17% (by approximately 116,000). For all countries, the number of POS from 2018 to 2020 has been increased with the Czech Republic (49%), Albania (40%), Ukraine (31%) and Romania (25%) recording the highest increase. Greece is the market with the highest POS distribution for 2020, which is estimated at 76,132 per million inhabitants. In this context, it seems that POS terminals used to accept electronic payments have recorded significant demand in recent years due to their ease of use, increased electronic payments, improved return on investment and – in some cases – due to legal obligations (Fortunegreece, 2021).

Apart from POS payment methods, which are usually connected to a bank, Greek businesses have also started using other effective methods of cashless payments, to serve their customers.

- **PayPal** is an online payment gateway that handles money transfers over the Internet. PayPal serves as an online alternative to traditional methods such as checks and payment orders. PayPal requires no additional (possibly costly) security or encryption measures for company's website, it is an internationally recognized service and trusted payment platform and, finally, everyone can pay with a credit or debit card, even if they do not have a PayPal account.
- **Skrill**, like PayPal, is an online payment gateway that handles money transfers over the Internet. Its advantages are the exchange rate, offering



payments in 40 currencies and 200 countries; it has an established presence in the European Union, and it offers the Skrill VIP policy, in case your business' transactions exceed € 6000 within a quarter, you automatically receive the privileges of your Skrill VIP account.

- The Greek company **Viva Wallet** is an electronic money institution licensed by the Bank of Greece. It provides businesses with almost all the services provided by the services, but it also has some that make it stand out. The most important additional benefit is the ability to use POS (Point of Sales - cash register) for trade stores and service companies, which is connected to your e-wallet and allows you to accept electronic payments to your trade or service company (Ergoq, 2021).

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## Theoretical part – ROMANIA

Even though the Covid 19 pandemic in Romania has led to an increase in online payments, people are still reluctant when it comes to credit card payments.

When speaking about shopping online and according to the results of an original research provided by Bucharest University of Economic Studies in 2020<sup>1</sup> there are segments buying in different ways such as:

- At least once a week -16,2%
- 1-3 times a month 36,7%
- Random frequency 41,8%

The most important reasons to buy online are

- Time saving – 70,2%
- Product comparison 51,9%
- Many variety of products 51,3%
- Cheaper online 48,3%

How internet shoppers pay for their purchase according to the same research is

- Cash on delivery -75%
- Online with card 56,3%
- Cash at the store 15,2%
- With the card in the store -14,0%
- Other payments

Those payment methods, and the low level of online payments have some reasons such as lack of trust to provide the card data, long time for money recovery when return goods or services, afraid of being cheated.

We need to say that during COVID 19 pandemic things changed. Moreover, the number of persons buying online increased because of the restrictions to go shopping in brick-and-mortar shops, or because of the virus contamination risks. In any case the most popular payment method remains Cash on delivery.

Cargus Romania and Alpha Bank Romania have signed a partnership to provide in the local market the most advanced card acceptance payment solution for delivery services.

Alpha PhonePOS is the first application launched by a Romanian bank which is capable to transform an Android mobile device into a POS terminal and allows contactless payment acceptance of debit and credit card or through other NFC equipped devices. By integrating this new technology into Android PDA terminals, Cargus will provide to their client's access to a flexible and secure card on delivery payment method without additional equipment.

The specificity of the Romanian market, however, is that consumers often pay in cash for online purchases. According to Cargus data, as many as

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<sup>1</sup> Romanian consumer Behaviour and payment Choice in Online Shopping. A Marketing Perspective – Original research Mihaela Constantinesc PhD, Andreea Orindaru, Daniela Ionita, Stefan – Claudiu Caescu

65% of all online buyers choose the cash on delivery option when delivering their parcel.

Payment for the parcel at the Cargus courier is as simple as an in-store payment. It can be performed using a contactless payment card, a digital wallet phone or other wearable with contactless option. The payment instrument will be read using Nearby.

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#### Theoretical part – POLAND

In Poland there is a difference between billing a company and individual customers, it is worth to know that individual customer should have the choice of payment (by cash or cashless method). You must remember about the January 2023 when there will be restriction in payment above the 20 thousand PLN – every payment above this amount must be made in form of cashless payment, directly on the bank account of the company.

From 2022 every company who is recording sales using a cash register and sell their products to the customers must provide the cashless payment method. This is very stricter by the regulations but have couple of solutions., you must provide customers one of the following methods: BLIK payment, direct money transfer to your bank account and debit/credit card payment.

Financial settlements are easier between the companies. If you sell them your products or services you can settle the payment in two ways, if the payment is to 15 thousand PLN, you can receive cash, but every transaction above, must be paid by money transfer directly to the company's bank account. Be aware that from 2023 the amount of cash payment between companies will decrease to 8 thousand PLN.

Important notice: The company must transfer your money from their bank account to yours. Also pay attention to the currency of the payment, to not exceed the 15 thousand PLN (8 thousand in 2023) of cash payment converted to PLN.

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Theoretical part – SCOTLAND

The United Kingdom has taken significant steps towards becoming a cashless society. A survey conducted by *money.co.uk*, a finance website, ranked the United Kingdom fourth in cashless countries across Europe. More than nine in 10 British citizens over the age of 15 have a debit card and 65% have a credit card.<sup>2</sup> Furthermore, a survey from Mastercard shows that in UK, people do not have cash on them, as most businesses offer the ability to pay by card. Credit and debit cards are the two most popular payment options, with PayPal coming third. Moreover, 27 percent of customers have stated that did not purchase because they could not pay by card but only in cash. There were 1.8 billion debit and credit card transactions in the UK in June, 42.4% more than in June 2020, and 15.8% more than June 2019.<sup>3</sup> Especially during the Covid-19 period, in 2020, cash transactions decreased by 35%.<sup>4</sup> Consumers have begun to use debit and credit cards, as well as digital wallets, to make their purchases in the country. For this reason, most businesses now have this method of payment while some do not even accept cash at all. For contactless transactions, the limit for tap and pay was increased from £30 to £45 in April 2020 and now reaches £100

In fact, a recent funded study showed that cash payments will account for only 10% of total transactions in the next 15 years. The same study argues that a new, more efficient cash infrastructure is needed to keep cash in circulation for as long as society deems necessary. This is helped by the fact that low-income people living in rural areas, or the elderly still use cash and that there needs to be a plan for them too. These people are about

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<sup>2</sup> <https://squareup.com/gb/en/townsquare/cashless-payments-guide>

<sup>3</sup> <https://www.nationalworld.com/lifestyle/money/cashless-society-should-the-uk-replace-cash-with-digital-transactions-for-good-3418463>

<sup>4</sup> <https://www.theguardian.com/business/2021/jun/16/cashless-society-draws-closer-with-only-one-in-six-payments-now-in-cash>

8,000,000.

But the use of digital wallets has also gained popularity recently. Digital wallets are even slated to compete with cards in the payment methods market in the future. The most common options are currently PayPal and Google Pay. Currently, the UK is the only European country where Address Verification Service (AVS) is supported. And there is strong publisher support for 3D Secure. UK Finance, the payments and finance industry union in the UK, said the country will raise its fee-free limit from £15 (\$17.43) to £45 (\$52.29). UK shoppers made 9.6 billion contactless payments in 2020, up 12% on the previous year. (2021). Finally, charities have also started to explore card readers for 'click and donate' to increase giving.

As for businesses, the commission they charge for depositing money is often more expensive than the card transaction fee. This is necessary for businesses to remain competitive. Even in the UK, where people used to pay cash, they now pay by card. Businesses need to establish a strategic business plan that includes cashless payment methods. There are several options for accepting cashless payment methods, such as iZettle and Worldpay<sup>5</sup> This strategy should include the integration of epos (Integrated and unintegrated), the online store and reviews, digital wallets and evaluate them based on the customer experience and the total transaction time.<sup>6</sup>

Some of the digital wallets that are particularly popular are: Google Pay, Apple Pay, PayPal, Flint, PaySimple, Stripe, Square and Venmo.

- Regarding the need of cashless payments, you can watch the follow video;



- You can read more regarding a cashless society here;

<sup>5</sup> <https://www.wellersaccountants.co.uk/blog/now-is-the-time-to-prepare-your-business-for-cashless-payment>

<sup>6</sup> <https://www.opayo.co.uk/blog/cashless-payment-systems>

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## Theoretical part – SLOVENIA

With the COVID-19 pandemic, our consumer and payment habits have changed drastically. New situation and living conditions have created new trends that will have an influence over future society and generations.

Before the pandemic, the choice of payment method by debit card, cash or mobile wallet was primarily a spontaneous decision, based on the preferences of the individual. However, this has not been the case recently. Cashless payments are booming now. Health concern of the individual prevails. Consumers have adopted new habits related to safety and hygiene during the payment procedure itself.

Due to the closure of outlets and shops, most purchases are now made online and via mobile applications. Not only have habits of how, what and where we buy (shopping habits) changed, but also habits of how we pay for purchased goods or services have changed. COVID-19 has significantly contributed to digitalization and to the move towards cashless payments, as well as to the increased usage of mobile payments and mobile wallets (Rolfe, 2020 as cited in Šuster, 2021, pp. 48–49).

Using mobile wallets is extremely safe. Mobile wallets use more security standards and mechanisms and are therefore safer than ordinary debit cards. The magnetic stripe on the back of the ordinary debit card is easy to read with magnetic scanners, which means a greater chance of data theft and misuse. The security aspect is crucial for mobile wallet developers and issuers, as there are sensitive data about the holder and his finances, which can easily become a fraud target. Mobile wallet security technology continues to improve and upgrade, however there are still many people sceptical about the security of mobile wallets use. Mobile wallet security technology includes strong two-factor authentication. Strong customer authentication is authentication using two or more elements that fall into the category of user knowledge (something only the user knows), user possession (something that is in the exclusive possession of the user) and inseparable connection with the user (something the user is), which are independent of each other. That means that a breach of one element does not reduce the reliability of others and that they are created to protect the confidentiality of the data being verified. When they are in use, most mobile wallets require a PIN, fingerprint or other biometric data. Biometric authentication is a security measure which uses biometric features to verify the identity of the person who tries to access the device. Biometric features are unique biological and physical characteristics of an individual, which are extremely hard to falsify.

An additional security mechanism of mobile wallets that uses top security and data protection technology is the tokenization system. This includes exchange system of dynamic tokens that are being used instead of actual card number, so they are not stored in the phone or sent to the retailer (Šuster, 2021, p. 65).

### **Mobile wallets in Slovenia**

Contactless payments with a mobile wallet are an alternative to plastic cards. Mobile wallets in Slovenia are offered by most banks, retailers and telecommunications companies in the framework of their own brand. For companies, this option is simple, fast and cheaper. Below you can find some of the most prominent mobile wallets in Slovenia:

- mBills <https://www.mbills.si/>
- VALÚ <https://www.valu.si/>
- M Pay <https://www.mercator.si/aktualno/mobilna-denarnica-moj-m/>
- Mobile wallets of Slovenian banks (Meško, 2019)

### **Mobile wallets of fintech giants**

There are many mobile wallets of various providers on the market that offer a wide range of different payment and other services. They constantly compete with each other for market share and offer more and more innovative services. The most recognizable issuers of mobile wallets in the world are Google Pay, PayPal, Apple pay, Samsung Pay, Amazon Pay,

Alipay, Facebook Pay, Venmo, Zelle, VeChat Pay etc. (Šuster, 2021, p. 52).

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