



BANK ĊENTRALI TA' MALTA  
EUROSISTEMA  
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# AN ANALYSIS OF MALTESE PAYMENT HABITS IN 2018

## BOX 5: AN ANALYSIS OF MALTESE PAYMENT HABITS IN 2018<sup>1</sup>

### Introduction

Payment habits can be defined as the pattern of use by society of different payment instruments to effect payments. The analysis of such habits sheds light on the coexistence of cash and other means of payment methods in society. Given that central banks seek to promote more effective and efficient payment methods, the survey on Maltese payment habits is beneficial for providing an insight into the behaviour of households in Malta in this regard.

### The 2018 Payment Habits Survey

Following the first Payment Habits Survey in 2013, the Central Bank of Malta conducted a second survey in 2018, with the aim of better understanding trends and developments of payment habits in Malta.

The study is based on a systematic sample of 500 Maltese households, covering 1,118 respondents. The survey took place in the first quarter of 2018. Similar to the previous survey, it was spearheaded by the Regulation and Oversight Office within the Payments and Banking Department of the Central Bank of Malta. The fieldwork and the grossing up of statistics was carried out by the NSO. Survey data were weighted using the post-stratification method to correct for any bias which would be present in the final sample of participating units arising from different response rates observed in different categories.

The survey was designed in two sections:

- a) a questionnaire;
- b) a payment diary where respondents were asked to keep record of all their purchases made during five days (Monday to Friday) and which payment instrument was used for making such purchases.

Data collected comprised the demographic characteristics of each respondent, such as gender, age, region of residence, education level, employment status, and income. Other information focused on the current usage of payment instruments and their usage in the next five years. Survey results confirm that even though the use of modern payment instruments has increased, cash remains the preferred payment instrument of Maltese households for the purchase of groceries, consumables, non-consumables as well as the payment of utility bills and wellness services.<sup>2</sup> Both the survey as well as additional information based on ECB payments statistics suggest that when it comes to the relative importance of the main payment instruments other than cash, cards are more important than cheques. At the same time, ECB payment statistics for 2017 show that cheques are used to a greater extent in Malta than in the EU.<sup>3</sup>

### Payment instrument access and use

The survey aims to identify the accessibility that a person has to particular payment instruments. Accessibility is defined as the person's ability to have direct access to a payment instrument and the knowledge to use it. Though the use of a payment instrument might be highly correlated with its availability, access does not necessarily mean that an instrument is widely utilised by households, as usage is also influenced by factors such as processing costs and perceptions about efficiency and security.

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<sup>2</sup> According to the Payment Habits Survey 2018, *groceries* include payments for grocer, supermarket, butcher, fish-monger, bakery and confectionery; *consumables* include payments at clothes shops, shoe shops, stationeries and book shops; *non-consumables* include payments for white goods, furniture, gold, cars, hi-fi, electronics, and computers; *utility bills* include payments for water and electricity, internet, telephony, mobile phone, gas, petrol and diesel; and *wellness* includes payments to hairdressers, beauticians and the gym.

<sup>3</sup> [www.ecb.europa.eu/press/pr/stats/paysec/html/ecb.pis2017.en.html](http://www.ecb.europa.eu/press/pr/stats/paysec/html/ecb.pis2017.en.html)

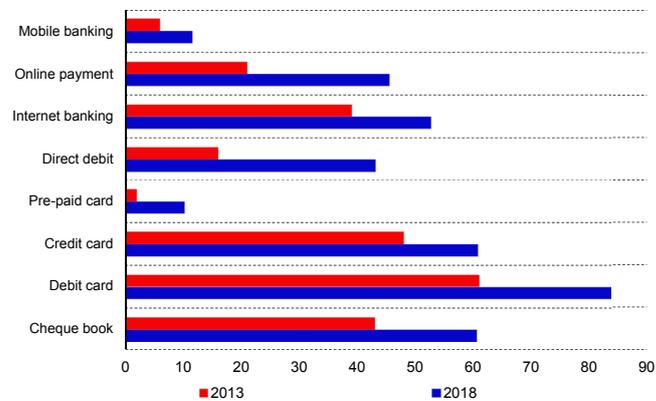
In general, accessibility to the different payment instruments/channels increased across all instruments between 2013 and 2018 (see Chart 1). The most significant increases were observed for online payments, direct debits and prepaid cards. However, these instruments were still perceived to be less accessible than debit cards, credit cards and cheques.

When it comes to actual use, 56.0% of households reported making the same use of payment instruments

other than cash and cheques as they did five years ago, while 41.2% of households indicated that they made greater use of such instruments. When asked about what makes them use a particular payment instrument alternative to cash or cheques, the majority of respondents (60.2%) answered that they would consider convenience first, followed by efficiency (36.7%) and safety and security (30.7%). Other reasons included payment history (15.5%) and availability of electronic point of sales (EPOS) (10.6%).

Chart 2 presents information on the payment instrument/channel used when acquiring different goods and/or services. It shows that cash usage still leads as a payment instrument for all the goods and services whether these are groceries, consumables, utility and wellness. Thus, even though there has been progress in the payments landscape, cash is still the preferred payment instrument amongst Maltese households. The study shows that 86.7%, 69.1% and 46.0% of households used cash to pay for groceries, consumables and non-consumables, respectively. Furthermore, 59.3% of households paid utility bills in cash and 95.6% paid for wellness services using this instrument. It is also interesting to note that cards were the next important instrument used by households for groceries while mobile payments were the second most frequently mentioned instrument for consumables and the preferred choice for non-consumables. However, only a small percentage of households used cards and mobile instruments to pay for utilities and wellness services. This low usage

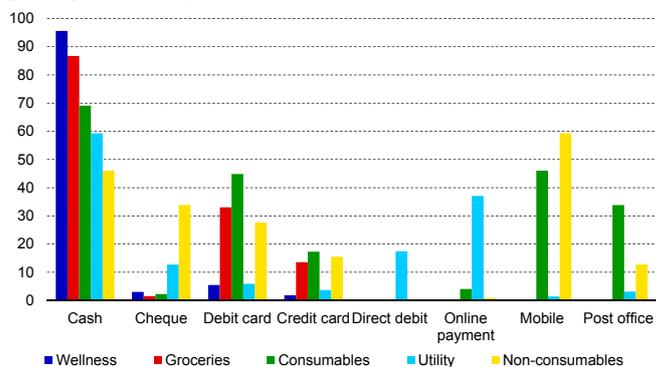
**Chart 1**  
**COMPARISON OF THE ACCESSIBILITY TO DIFFERENT PAYMENT INSTRUMENTS/CHANNELS: 2013 and 2018<sup>(1)</sup>**  
*(percentage of respondents)*



Source: Central Bank of Malta calculations.

<sup>(1)</sup> Respondents were asked to state if they had personal access to the payment instruments/channels.

**Chart 2**  
**PURCHASE OF GOODS AND SERVICES BY PAYMENT INSTRUMENTS/ CHANNELS CATEGORY<sup>(1)</sup>**  
*(percentage of households)*



Source: Central Bank of Malta calculations.

<sup>(1)</sup> Respondents were asked to state which payment instruments/channels they preferred to use when buying groceries, consumables and non-consumables as well as when paying utility bills and wellness services.

may indicate a lack of POS devices in outlets offering wellness services. Furthermore a significant share of utility bills is settled by means of online payments, with 37.1% of households using them as a means to settle utility bills.

The survey also reveals that cheques were mostly used to pay for non-consumables and, to a lesser extent, for utilities. However, only a small percentage of households reported using this instrument to pay for groceries, consumables and wellness services.

On balance the survey indicates that although consumers have been presented with a number of new and enhanced payment instruments that are efficient and secure, and although there is some shift towards less traditional instruments, Maltese households still use to a large extent paper-based products which may reflect consumer preferences but may also be due to lack of provision of alternative means of payment by suppliers or service providers.

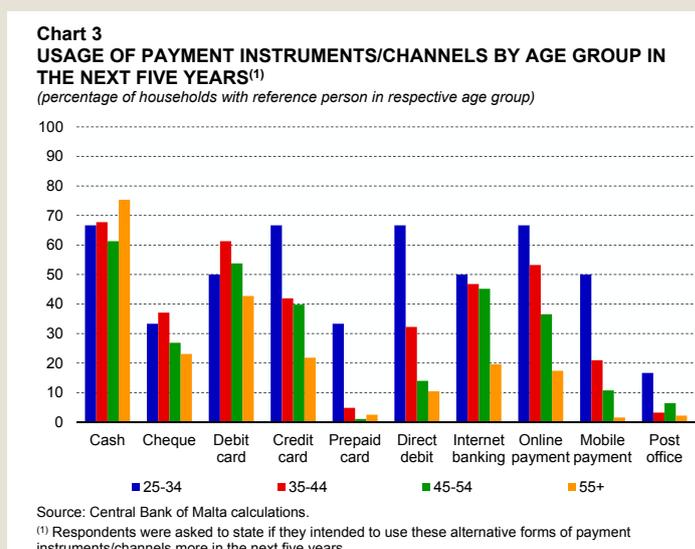
### Expected use of alternative payment channels in the next five years

Respondents were also asked to give an indication of their expected use of payment instruments in the forthcoming five years. The responses are summarised in Chart 3.

A significant share of households across all age groups indicated that they intend to still use cash over the next five years, with this share ranging from 61.3% for those in the 45-54 age bracket, to 75.3% for those aged 55 and over (see Chart 3). The survey also reveals that a significant percentage of households intends to make greater use of debt and credit cards in future. This is most evident among households with a young reference person.

Such households also appear to have a higher predisposition than other households to increase the use of all non-paper instruments. For example, two-thirds of households in the 25-34 age bracket indicated that they intend to increase the use of online payments. This share falls to 17.4% among households with a reference person aged 55 and over. Similarly, while over 60.0% of households in the 25-34 age group intend to increase their use of direct debits, this percentage drops markedly in households with an older reference person. This pattern is visible across several other instruments. Chart 3 also suggests that cheques are less likely to record higher usage over the next five years, compared to debit cards and credit cards.

As highlighted in Chart 3, the results of this survey indicate that cash usage is predominant and the most popular payment instrument among all age groups. However, among the lowest age bracket there are relatively smaller differences in usage across all kind of payment instruments. Amongst the other three age brackets which follow, that is those aged 35-44, 45-54 and 55-64, usage of cash is more predominant relative to other instruments, most notably direct debit, credit cards, and mobile and online payment. As use of



the internet has increased, so too has customer preference to use internet banking and online payments.

The importance of cards relative to other non-cash instruments in Malta is also confirmed by payments statistics published by the ECB.<sup>4</sup> Chart 4 compares the data for Malta with the EU average in terms of the relative importance of key payment instruments.

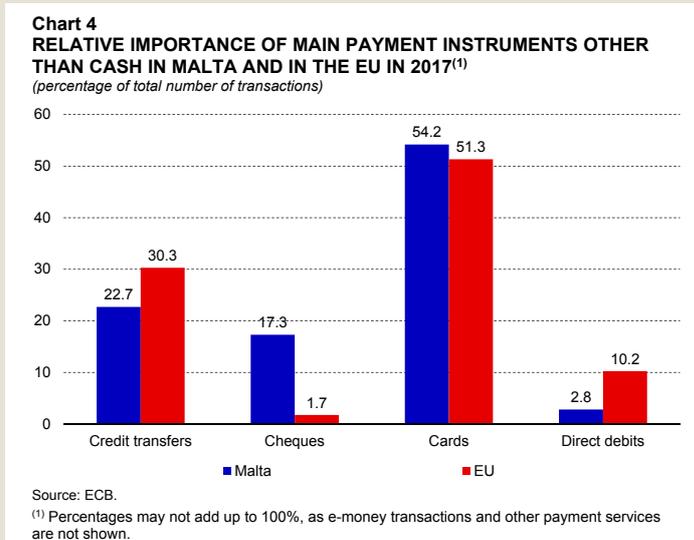
Data show that in 2017, cards were used for 54.2% of non-cash transactions in Malta, while credit transfers and cheques were used for 22.7% and 17.3% of such transactions, respectively.

At the same time, the use of cheques in Malta is quite high when compared with the EU average of 1.7%. Malta had the highest share, ahead of Cyprus with 12.0% and France with 8.8%. This contrasts with a number of other countries, where cheques were hardly used. Although cheques are not an efficient payment method due to the long clearing cycle and the very labour intensive and costly processing involved, these may be attractive mainly due to the fact that cheques are free and negotiable instruments which could allow some form of anonymity.

Malta also registered a very low usage of direct debits. These accounted for 2.8% of transactions, which is lower than EU average of 10.2%. The limited use of this payment instrument may be due to lack of knowledge and trust. The importance of this payment instrument could increase as people learn to use it and experience its benefits.

### Security of payment instruments

The survey also reveals that there seems to be lack of knowledge with regards to the security element of each payment instrument against permanent financial loss or unwanted disclosure of personal information. For example, 46.0% of households in this survey said that cash is a secure or very secure payment instrument. Furthermore 27.4% answered that cash was neither risky nor secure, when actually cash is exposed to risks of theft and counterfeiting. When asked about the security of cheques, 50.0% of households said that cheques are secure or very secure and only 4.8% considered cheques to be risky or very risky, with the remaining 45.0% of households being either unsure or did not know. Meanwhile, 53.0% of households said that debit cards are secure or very secure, 35.4% did not really know how risky they are, and 11.6% said that they were either risky or very risky. This picture broadly also holds for credit cards although households perceive them to be less secure than debit cards. When households were asked to answer about prepaid cards, direct debits, credit transfers, mobile and online payments, a significant share were unable to identify the extent of risk and security in these payment instruments.



<sup>4</sup> The data was extracted from the ECB payment statistics for 2017 which can be viewed through the following link [www.ecb.europa.eu/press/pr/stats/paysec/html/ecb\\_pis2017\\_en.html](http://www.ecb.europa.eu/press/pr/stats/paysec/html/ecb_pis2017_en.html). The data represent transactions reported by local Payment Service Providers (PSP) for payment instruments issued locally.

## Conclusion

Similar to the previous survey, the latest one shows that cash usage by Maltese households remains the primary payment method. This attitude may partly be due to the reluctance of the general public to change habits, but could also reflect lack of availability of alternative electronic means of payment by suppliers or service providers. Although electronic payment instruments/channels are highly efficient and convenient, there may also be constraints from the business community in accepting non-paper means of payment. Maltese households also seem to underestimate the costs involved in maintaining and processing traditional paper based payment instruments. At the same time, while cash payments dominate, one can also detect some shift towards non-paper based payments instruments, particularly cards. Moreover, younger groups tend to have a greater predisposition to use multiple payment instruments.

This may reflect the fact that unlike the older cohorts, younger ones have been exposed to different payment instruments from a young age. Their spending patterns also differ from those of other groups. In particular, they tend to spend more on leisure goods and services rather than on energy or housing, which also influences the use of different payment instruments.<sup>5</sup> Furthermore expenditure patterns can differ across households depending on a number of demographic and economic factors, such as disposable income, standard of living and age.

Finally the survey indicates that there is lack of information on the various payment instruments and their benefits. This could explain why some households have a strong preference for using the traditional payment instruments such as cash, which they are conversant with. A nationwide educational campaign that would inform the general public and the business community on the features, advantages and risks associated with the various payment instruments/channels could better assist economic agents to make more informed decisions and better choices when effecting payments. However, this would need to also be accompanied by policies aimed at increasing the diffusion of electronic means of payments by suppliers and service providers to their customers.

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<sup>5</sup> See Darmanin, J. (2018), "Household Expenditure in Malta and the RPI Inflation Basket", *Quarterly Review* 2018(3), pp. 33-40, Central Bank of Malta, and NSO – Household Budgetary Survey 2015.