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TRANSACTIONS AT POINT OF SALE (POS) TERMINALS IN MALTA IN RECENT YEARS

BOX 2: TRANSACTIONS AT POINT OF SALE (POS) TERMINALS IN MALTA IN RECENT YEARS¹

The Central Bank of Malta collects card payment data on a semi-annual basis from all credit, payment and e-money institutions, to analyse payment trends at a national level. The analysis shows that card payments are gaining popularity among consumers mainly because such payment instrument provides convenience and reliability when compared to other traditional paper-based instruments such as cash and cheques. It is particularly interesting to analyse the volume and value of payment transactions effected at physical POS terminals located in Malta which are reported by credit and payment institutions that are licensed locally.

The following analysis relies on two main sources of data, namely information reported from the acquiring perspective and from the issuing perspective. In the acquiring perspective, data are reported by institutions offering the physical POS terminal to merchants, while the issuing perspective reflects transactions reported by the institutions issuing the actual payment cards to consumers. These data are reported in line with ECB Regulation on Payment Statistics ECB/2013/43 and CBM Directive 5 on statistical reporting requirements. Furthermore, the Central Bank of Malta collects additional data on contactless POS terminals from a separate source.² Where available, information is reported separately for (a) debit and credit cards and (b) cards with an e-money function, which were acquired by terminals located in Malta.³ This Box also includes a brief mention about the volume and value of online payment transactions to local and foreign merchants with domestic cards for the years 2019 and 2020.

The analysis covers the five years between 2016 and 2020. As expected, 2020 presents considerable changes when compared to previous years due to COVID-19 health protocols which had a positive impact on the volume and value of transactions carried out at physical POS terminals using locally issued cards.

Issuing Perspective

Table 1 shows the number of payment cards issued in Malta with a debit, credit and e-money function in recent years.

The number of cards with a debit function and those with an e-money function significantly exceed the number of credit cards. In particular, debit cards and e-money cards each accounted for nearly 45.0% of the total number of payment cards issued in Malta during 2020.

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² Data on contactless payments will be included in the revised ECB Regulation on Payment Statistics as from reference period 2022.

³ E-money cards are considered as pre-paid cards which can be either re-loadable (from an e-money account) or non-reloadable (example gift cards).

Table 1
TOTAL NUMBER OF PAYMENT CARDS ISSUED IN MALTA

	2016	2017	2018	2019	2020
Cards with a credit or debit function	881,794	911,761	860,833	809,819	846,850
<i>of which:</i>					
Cards with a debit function	697,808	730,041	681,474	632,101	679,281
Cards with a credit function	183,986	181,720	179,359	177,718	167,569
Cards with an e-money function	-	779,850	736,576	698,064	657,453
Total	-	1,691,611	1,597,409	1,507,883	1,504,303

Source: Central Bank of Malta.

Furthermore, the number of credit cards was on a decreasing trend, falling from 183,986 in 2016 to 167,569 in 2020. The highest decrease was registered last year, when the number of credit cards issued decreased by 10,149, or 5.7% when compared to 2019. On the other hand, the number of debit cards increased in 2017, before it decreased in the following two years, only to increase again by 7.5% during 2020.

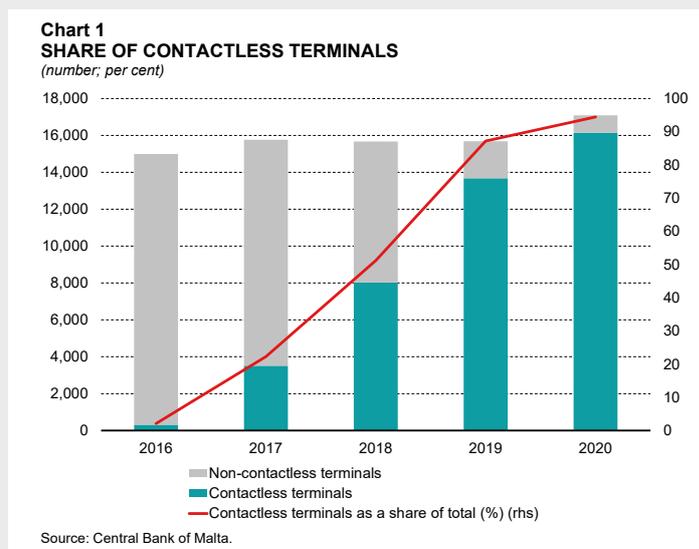
As regards the total number of e-money cards (pre-paid cards), these stood at 779,850 as at 2017, decreasing progressively thereafter to 657,453 by 2020.

Overall, the total number of cards in circulation decreased by around a tenth compared to 2017, mostly on account of a decrease in e-money cards and in debit cards. This may reflect the increased use of alternative payment methods, such as mobile applications that do not require a card. Furthermore, a number of debit cards deemed to be inactive for over two years or which were otherwise terminated by the issuer have been only partly replaced by other cards.

Acquiring perspective

This section reports data from the acquiring perspective as reported by the institutions providing the physical POS terminals to merchants. Up to 2019, there were three institutions that offered such terminals, with the fourth acquiring institution registered in 2020.

The number of POS terminals located in Malta increased by 2,100 or 14.0% between 2016 and 2020, with the strongest increase registered during 2020 (see Chart 1). This increase is mainly



due to the fourth acquiring institution that started to offer terminals to Maltese merchants.^{4,5} On the other hand, when compared to 2019, the number of POS terminals increased by 9.0% in 2020, resulting in 1,411 additional terminals to accommodate card payments.

Chart 1 also shows that POS terminals with the contactless functionality are increasing rapidly. Such rollout was to provide a simpler, more efficient and convenient way of paying, while maintaining security standards when effecting low value payments. It is worth mentioning that while in 2016 only around 2.0% of POS terminals were contactless enabled, by 2018 around half the total number of POS terminals already had this feature, while during 2019 this share increased to 87.2%. During 2020, POS terminals with the contactless functionality amounted to 16,144 terminals, equivalent to 94.5% of the total POS terminals located in Malta, mainly due to the data reported by the new acquirer. Furthermore, in 2020 the limit for contactless payments was increased to €50. This is another step forward towards a more cashless society besides that it also provides a more hygienic way of effecting payments.

Payment transactions effected at local POS terminals with cards issued by local institutions

This section reports on the volume and value of payment transactions effected at POS terminals provided by local institutions with debit and credit cards issued in Malta.

Based on the data shown in Table 2, the volume and value of payment transactions effected at POS terminals with debit and credit cards have been increasing steadily. The former increased by 47.3% – from 15.6 million in 2016 to 22.9 million in 2020. Likewise, the corresponding value of transactions increased from €902.3 million in 2016 to €1.1 billion in 2019 and even more to €1.2 billion in 2020. This occurred despite the drop in overall private consumption in that year, resulting in an increase of 28.4% over a period of four years. On the other hand, the yearly average value per POS transaction derived from such data is constantly decreasing, going from around €58 in 2016 to €51 in 2020, meaning that customers are using this payment method to effect smaller value purchases.

Table 2

TRANSACTIONS AT DOMESTIC POS TERMINALS WITH DEBIT AND CREDIT CARDS ISSUED BY RESIDENT PAYMENT SERVICE PROVIDERS (PSPs) (INVOLVING NON-MFIs)

	2016	2017	2018	2019	2020
Volume	15,559,566	16,420,740	18,521,048	20,456,614	22,913,281
Value (€)	902,290,236	913,459,686	1,027,899,030	1,092,153,913	1,158,573,948
Average value per transaction (€)	58	56	55	53	51
Number of POS terminals	14,992	15,761	15,672	15,681	17,092
Volume per terminal	1,038	1,042	1,182	1,305	1,341
Value per terminal (€)	60,185	57,957	65,588	69,648	67,785

Sources: Central Bank of Malta; authors' estimates.

⁴ The 2018 decline in the number of terminals is mainly due to the termination of the Quikcash card which was only acquired through the terminals of one acquiring institution, and therefore some merchants might have decided to terminate their relationship with this institution and rely on another institution that acquired all the cards including the national card scheme namely CashlinkMALTA.

⁵ PISA (Payment Instruments, Schemes and Arrangements) Framework defines 'scheme' as a set of formal, standardised and common rules enabling the transfer of value between end users by means of electronic payment instruments and is managed by a governance body. Examples of schemes include card payment schemes, e-money schemes, digital payment token schemes, credit transfer schemes and direct debit schemes. Furthermore, the term 'national scheme' refers to a scheme which is based locally.

By contrast, the yearly volume of transactions per POS terminal shows a steady increase, meaning that POS terminals are becoming more popular, indicating that such payment methods are considered to be efficient and secure. In fact, from a usage of 1,038 transactions per terminal in 2016, this has substantially increased to 1,341 transactions in 2020 – an increase of almost 30%. The value per POS terminal increased consistently until 2019, but decreased in 2020. From a yearly average value of €60,185 in 2016, it increased to €69,648 in 2019 per terminal. However, it decreased by 2.7% in 2020, to €67,785.

The increase in the value of transactions was more moderate when compared to the increase in the number of domestic POS terminals resulting in a decrease in the average value per terminal.

It is worth mentioning that apart from payments transacted at POS terminals where the card is used physically to settle purchases, payments can also be effected remotely (online payments), that is without card presence. When comparing data reported for 2019 to that for 2020, it transpires that the total volume of online transactions increased by 6.5%, from 17.9 million in 2019 to 19.0 million in 2020. On the other hand, the total value of such transactions decreased by 6.9%, from €1.3 billion in 2019 to €1.2 billion in 2020, reflecting the drop in private consumption during that year. This indicates that online payments are also increasingly being used for low value transactions. Overall, the information presented in this section suggests that payments at POS terminals were more resilient than online payments during the pandemic, as the value of the former continued to increase, while that of the latter declined.

Payment transactions effected at local terminals with cards issued by non-resident institutions

Besides cards issued by institutions registered locally, payments at POS terminals are also made by customers using non-resident cards, that is, debit and credit cards issued abroad by non-resident institutions. This section looks at the volume and value of such payment transactions which are effected in Malta by non-Maltese nationals residing in Malta, tourists, as well as Maltese card holders.

As outlined in Table 3, up to 2019 both volumes and values show a steady increase in non-resident card payments transacted at domestic POS terminals. In fact, from a total volume of 6.0 million in 2016, transactions more than doubled by 2019, to 12.8 million. Meanwhile, values increased by around €144.0 million, from €525.9 million in 2016 to €669.6 million in 2019.

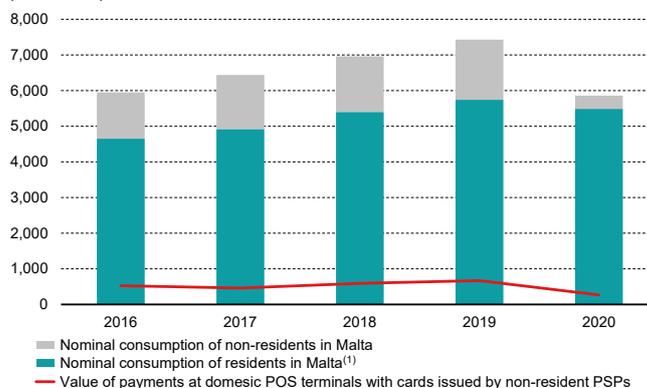
Table 3
TRANSACTIONS AT DOMESTIC POS TERMINALS WITH DEBIT AND CREDIT CARDS ISSUED BY NON-RESIDENT PSPs (INVOLVING NON-MFIs)

	2016	2017	2018	2019	2020
Volume	6,047,431	6,552,655	9,366,370	12,777,578	6,531,755
Value (€)	525,862,413	459,892,743	591,082,201	669,565,154	266,739,181
Average value per transaction (€)	87	70	63	52	41
Number of POS terminals	14,992	15,761	15,672	15,681	17,092
Volume per terminal	403	416	598	815	382
Value per terminal (€)	35,076	29,179	37,716	42,699	15,606

Sources: Central Bank of Malta; authors' estimates.

During 2020, this upward trend was interrupted as the number of transactions with non-resident cards fell by almost 50.0%, while the total value of transactions decreased by around 60.0%. This reflected the decline in tourist arrivals during 2020 due to COVID-19 restrictions. It is notable that the consumption of non-residents in Malta decreased by around €1,315.0 million, while nominal consumption of residents in Malta decreased by €254.8 million (see Chart 2). The value of POS payments by non-resident cards in Malta decreased by €402.8 million. Thus, the magnitude of the drop in the value of POS payments using these cards was relatively contained when seen against the drop in consumption in Malta. This indicates that many resident non-Maltese workers still use cards issued abroad. The resilience apparent in POS transaction data may also reflect the greater use of non-resident cards by Maltese residents.

Chart 2
PRIVATE CONSUMPTION IN MALTA AND PAYMENTS AT DOMESTIC POS TERMINALS WITH CARDS ISSUED BY NON-RESIDENT PSPs
(EUR millions)



Sources: NSO; Central Bank of Malta.

⁽¹⁾ Residents includes Maltese nationals and foreign nationals who intend to live in Malta for a period of at least 12 months.

Table 3 also shows that, the average value per transaction with non-resident cards, decreased from €87 in 2016 to €41 in 2020, meaning that cards issued by non-resident PSPs are increasingly being used for lower value payments.

Usage rates increased markedly between 2016 and 2019, when the volume of transactions per terminal broadly doubled from 403 to 815. However, this indicator fell in 2020 to its lowest value in five years, likely as a result of the significant decrease in tourist arrivals and other international passenger flows. The value per terminal also increased between 2016 and 2019 going from €35,076 to €42,699, before falling to €15,606 in 2020.

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Conclusion

The information presented in this Box shows that the number of POS terminals has increased in recent years, particularly in 2020. Moreover, the vast majority of such terminals are now contactless.

The spread of POS terminals and improved functionality of debit and credit cards has also supported the increased use of these payment instruments among the resident population, as reflected in a steady increase in the volume of transactions per terminal using cards issued by local PSPs which continued unabated in 2020. At the same time, it appears that such instruments are increasingly also being used for smaller value transactions.

POS transactions using cards issued by non-resident PSPs have also increased in volume and value terms in recent years. The pandemic, however, had a strong negative impact on such transactions – in both volume and value terms – mainly reflecting the decline in international passenger traffic. At the same time, such transactions have shown greater resilience than one might expect on the basis of the decrease in official consumption data. Such transactions also showed better resilience when compared to online payments. This likely reflects the continued strong presence of non-Maltese workers in Malta as well as the increased popularity of non-resident cards among Maltese nationals. Disruptions in global supply chains as a result of the pandemic and Brexit may also have discouraged recourse to international online purchases, which may partly have been reflected in increased reliance on physical card payments when shops re-opened, although overall consumption also declined in 2020 due to confidence effects reflected in relatively high rates of saving.