

Strategy for the development of the payments market in Slovenia for the period of 2024 to 2028

31st meeting of the NPC
20 December 2023

“Passed by consensus of the National Payments Council, the strategy will motivate stakeholders involved in the NPC to carry out the agreed strategic initiatives, and to further develop secure, broadly accessible and effective means of payment. I’m grateful to the members of the NPC for their contributions to the strategy, and salute their decisiveness and proactivity, which are vital to its implementation.”

Simon Anko, Chairman of the National Payments Council

“Seizing the moment, we enter the payments market securely and simply.”

Tomaž Okorn, Chamber of Commerce and Industry of Slovenia

“I fully support the Strategy, as it puts key guidance in place for the development of the payments market in Slovenia; a commitment to creating secure, innovative and inclusive means of payment that meet the needs of users. At the same time it entails a comprehensive approach to creating a sustainable and competitive payments ecosystem in Slovenia by 2028.”

Barbara Franko, Flik Scheme Committee

“Mastercard supports the joint endeavours of the industry for the ongoing development of digital payments in Slovenia, as the increased efficiency, the higher level of digitalisation, the greater inclusiveness and, not least, the increased general competitiveness of the Slovenian economy bring benefits to all of society.”

Luka Gabrovšek, Mastercard

“We need secure, reliable and easy-to-use payment services, which are vital to ensuring effective financial governance and maintaining the stability of budget spending units. This strategy supports a robust, secure network for exchanging electronic payments.”

Urška Kos, Public Payments Administration of the Republic of Slovenia

“Technological progress brings with it changes, challenges and opportunities. I’m delighted to be a part of the process of accompanying the dynamic development of the payments market and strengthening the market so that payments are even more secure, always available to all, and cost-effective.”

Davor Lekič, Slovenian Competition Protection Agency

“I’m delighted to have the opportunity to help shape the foundations of an advanced payments market that offers users a positive experience, and encourages them to use new, innovative solutions, despite any limitations.”

Barbara Mesojednik, Ministry of the Economy, Tourism and Sport

“A diversity of payment methods and a good user experience when making payments help to increase the volume of liabilities settled on time. The strategic initiatives combine the endeavours of all stakeholders connected with the payments market, and will help to make it quicker to regulate and access payments tailored to the user.”

Marta Mihelin, Financial Administration of the Republic of Slovenia

“We’re delighted to be able to help shape the future of payments in Slovenia to the benefit of commerce and all other stakeholders.”

Dean Čerin, Chamber of Commerce

“I’m convinced that the Strategy is a vital foundation that will help us be successful in Slovenia in the development and modernisation of the local payments market. I’m particularly happy that the strategic objectives and the collaboration between various stakeholders in the market will help us ensure a flexible, competitive and inclusive environment.”

Alenka Mejač Krassnig, Visa

“I consider it an honour that I was able to play a part in drawing up the Strategy, which recapitulates the key requirements of users, namely simplicity, security and wide usability, and which will be a great help to improving the payments market in Slovenia.”

Gregor Rakar, Telekom Slovenije d.d.

“The strategy for the development of the payments market in Slovenia for the period of 2024 to 2028 is a document that Slovenia needs for several reasons, where the most important is defining specific objectives, and thus the direction of development in the field of payments. Our expectation is that what is described in the strategy will be put into practice as soon as possible, as it gives consumers greater choice, and thus a better user experience when making payments at points of sale, meaning that we’re also upholding the requirements of the imminent new European regulations and the new development trends, namely the digitalisation of the payments market.”

Nataša Tomc Jovović, NLB d.d.

“All of us make payments: members of the public, sellers, buyers, producers and the government. Our common objective, one which defines our future activities, is a commitment to realising the strategic initiatives in the development of payments in Slovenia, to ensure secure payments in a competitive manner that will meet the evolving expectations of service users as technology progresses.”

Stanislava Zadavec Capriolo, Bank Association of Slovenia

“Means of payment are making rapid technological advances, and the NPC’s strategic approach to encourage the realisation of the broad benefits to society from the innovations brought by the development of the payments market is of key importance. I believe that as members of the NPC we will pursue its vision, and work together to realise the stated strategic initiatives.”

Nada Zidar, Slovenian Insurance Association

“The strategy is a considered response to the dynamic changes in the payments ecosystem, and at the same time pointedly addresses the major challenges facing consumers, most notably the security aspect of electronic payments, and ensuring adequate access to cash for those who for various reasons are not willing or able to execute their financial transactions digitally.”

Marko Tretnjak, Slovenian Consumers’ Association

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National Payments Council

The National Payments Council (NPC) was established in 2013 by Banka Slovenije as a strategic consultative platform for stakeholders in the payments market in Slovenia.

The aim of the NPC is to support the 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 (SEPA).

The following participate in the NPC alongside Banka Slovenije, who chairs it:

- the ministries responsible for matters related to payments and consumer protection, and bodies within these ministries;
- sectoral and trade organisations and institutions representing the interests of payment service users and providers;
- payment system operators;
- payment instrument scheme operators; and
- card processors.

A list of the stakeholders participating in the NPC is published on the Banka Slovenije website.

The NPC is a forum for coordinating the interests of the stakeholders deriving from their roles in the payments market, and for setting priorities in the development of the payments market. The broad nature of participation in the NPC allows for the discussion of joint challenges that cannot be resolved by the stakeholders acting alone or in a small group.

The success of the NPC, which acts on a consensus basis, depends on the commitment and support of each participating stakeholder in realising the common objectives.

The functioning of the NPC is defined in detail in the Decision of procedure of the NPC.

Vision

The NPC's vision is a payments market that gives users the opportunity of choosing secure, innovative, inclusive and sustainable means of payment that satisfy their needs while being efficient for society as a whole.

The vision is aligned with the European Commission's vision for retail payments, which is that:

- citizens and businesses 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 infrastructures;
- competitive home-grown and pan-European payment solutions are available, supporting Europe's economic and financial sovereignty; and
- the EU makes a significant contribution to improving cross-border payments with non-EU jurisdictions, including remittances, thereby supporting the international role of the euro and the EU's "open strategic autonomy".

The NPC's vision also follows the Eurosystem's strategy, which promotes the development of pan-European retail payment solutions that are safe and efficient for society as a whole, with the ambition of supporting European sovereignty in the payments market.

Purpose and objectives of the strategy

The NPC's strategy sets out its strategic initiatives for the period covering 2024 to the end of 2028.

The purpose of the strategy is to set out the framework for the work of the NPC and the participating stakeholders.

The objectives of the strategy are:

- i. ensuring a good user experience in the field of payments for various user segments;
- ii. providing a choice of different means of payment at points of sale;
- iii. increasing users' confidence in the security of electronic means of payment;
- iv. raising users' awareness of payments-related issues, and encouraging the use of electronic means of payment;
- v. maintaining the Slovenian payments market's position within the European payments ecosystem; and
- vi. maintaining access to cash as legal tender.

Preparation of the strategy

The basis for the preparation of the NPC's strategy was the Proposal of strategic initiatives, which was drawn up by an external consultant, Deloitte svetovanje d.o.o., within the framework of the project for analysis of the payments market in Slovenia (henceforth referred to as the project).

The purpose of the project, which was funded by a call to support reforms under the instrument of technical assistance for EU Member States, was to analyse the state of the payments market in Slovenia.

The consultant conducted market research in several phases and using various approaches between December 2021 and December 2022, which involved consumers, including vulnerable population groups, retailers (together referred to as users), bank and non-bank payment service providers, and the payments processor. The research was limited to the payment habits of consumers in relation to other consumers, retailers and service providers, but did not cover payments by business entities.

Based on the research the consultant identified the challenges in the payments market in Slovenia, and proposed measures for the further development of the market, in light of practices in the rest of the world.

The NPC's strategy is a synthesis based on a critical assessment of the consultant's proposal of strategic initiatives.

Precepts in the development of the payments market

Technological progress is allowing the development of (innovative) electronic means of payment, the advantages of which from the users' perspective lie primarily in the user experience. Depending on the concepts on which they are based, these means of payment can be more efficient, as they make it simpler for users to engage in the payment process, and allow for automation and greater speed in the transfer of money. Because electronic means of payment do away with the need for manual and paper processes, digitalisation in this area supports the global ambition of green and sustainable development and the digital transformation.

Despite the evident trend of digitalisation in payments, for a number of reasons it is vital to maintain the possibility of paying with cash, which has the status of legal tender. Technologically-driven innovations in the field of payments are a challenge for that part of the population who are not well-versed in modern technology, or are unable or unwilling to use it. There is therefore a risk of the financial and social exclusion of this population, or their dependence on help from others in making payments, if the matter of ensuring adequate access to cash is not properly addressed in the further development of the payments market.¹ For a variety of reasons some users value the greater anonymity provided by cash, and the perception of better transparency when it comes to spending. Because the use of cash is not dependent on technology, cash payments can always be made even without an internet connection. This is significant from the perspective of ensuring the resilience of the payments market and continuity in payments. Some consumers also prefer to pay with cash because it is free to use for them.

From the perspective of efficiency, it is important to be aware that every means of payment has its corresponding social costs (i.e. the overall costs to society as a whole that arise along the payment chain of all stakeholders involved in the chain). Different means of payment contribute to this to a different extent, on account of the nature of payment instruments, the ways in

¹ Independently of this, the risk of the exclusion of users with poor digital skills is to a certain extent being addressed by financial and digital literacy.

which they are issued, market distribution, the payment and acceptance process, the processing of payment transactions in the payment system, etc. In general the social costs of payments account for a smaller share of GDP in countries where payment by electronic means is prevalent, while cash contributes the most to social costs. This follows from studies of payment costs conducted by a number of national central banks, although comparing the results between countries is far from simple, given the methodological differences between the studies. In the countries where studies were conducted over multiple periods, the decline in the ratio of social costs of payments to GDP is attributed to digitalisation, rapid technological developments, faster payments, the improved efficiency of cash distribution channels, regulatory interventions to support efficiency and security, and not least changes in the payment habits of consumers in the direction of increased use of electronic payments.

In light of the aforementioned aspects and, in particular, the expectations and needs of various payment service user groups, a balanced approach to the development of the payments market is important. Within this framework it is necessary to consider the various effects on the payments market, and to prevent any kind of discrimination against individual legitimate means of payment, with the aim of ensuring the development of an inclusive and competitive payments market.

The changing expectations and needs of users encourage innovation, and the development of new business models on which concrete payment solutions aimed at users are based. The benefits brought by the appeal of payment solutions and their adaptability to the needs of users are felt most by the users themselves. At the same time, developing innovative payment solutions within legal frameworks that ensure the stability of the business environment gives leverage to providers to expand their user base and to gain economies of scale.

Users need assurance that the various means of payment are secure, and confidence in the possibility of making and accepting payments in the way that best suits them. Only users who are aware of the payment alternatives available to them, and of the ways to protect themselves from abuse in making payments and using the technologies on which individual payment solutions are based, are able to make informed decisions on how to make or receive payments.

Not least it is vital to be aware that through their actions and as part of their role in the payments market all stakeholders involved in the payments chain can help to reduce the costs of payments from the point of view of society as a whole.

State of the payments market

The state of the payments market is defined on the basis of the perceptions of various stakeholders, and is fundamental to setting the direction of the future development of the payments market.

Payment habits

Cash payments account for 53% of transactions at points of sale and between individuals. The largest number of electronic payments at points of sale are made with physical debit cards (29% of transactions), followed by credit cards (10%). Other payment solutions such as mobile payment solutions and mobile wallets account for just 8% of all transactions.²

The stakeholders believe that electronic payments are likely to become more widespread in the future, while the use of cash is expected to decline.

User experience when making payments

The user experience is an important factor in the decisions by consumers and retailers to use a particular means of payment. But consumers, particularly those who do not have smartphones, and retailers often associate electronic means of payment with a worse user experience than paying with cash. Consumers want to use electronic payment solutions with higher added value (e.g. loyalty programmes, digital archiving of bills, management of personal finances), while the vulnerable user segment has specific needs in the field of payments. Advanced means of payment present a particular challenge from the perspective of the user experience.

² The data on payment habits was obtained from logs of consumer payments.

Security aspects

Certain consumers do not trust electronic means of payment, and therefore make the majority of their payments in cash. Furthermore, the aversion of certain consumers to using electronic means of payment also comes from a lack of trust in the payment service providers.

Acceptance of different means of payment

The option of choosing between various means of payment is important to consumers, but cash is seen as the most widespread and commonly accepted means of payment at points of sale. However a choice of different means of payment is not always available, particularly at smaller retailers and service providers.

The factors based on which retailers decide to accept certain means of payment are the user experience, the support from payment service providers in the implementation of solutions, and the efficiency of the particular means of payment, including in terms of cost. Retailers see electronic payments as less efficient than cash.

User awareness

Consumer awareness of the existence, usage and advantages of various electronic means of payment and innovations in the field of payments is low. The degree to which retailers are qualified to provide support to their customers in making payments with certain electronic (mobile) means of payment is low.

Payments ecosystem

Users see Slovenian payment service providers as less innovative than the foreign providers present in the Slovenian market. At the same time providers and retailers see the Slovenian legislative framework in certain areas regulating payments as complicated, which can have an impact on innovation. In the areas of data processing, the development of payment solutions and the user experience, bank providers see potential in collaborating with other stakeholders, while they themselves can contribute knowhow in the area of customer due diligence (from the perspective of AML/CFT requirements) and risk management. Open banking is another area with potential for collaboration between stakeholders in the payments market.

Providers of technology-dependent innovations in the area of payments and online banks account for a small share of the providers in the Slovenian payments ecosystem.

Access to cash

Certain groups of consumers who do not know how to use advanced means of payment, or are unable or unwilling to do so because of a lack of trust, security reservations, or force of habit, are dependent on cash. In rural areas in particular, where access to physical bank infrastructure (e.g. branches and ATMs) can also be more difficult, there is a risk of diminished access to cash.

Strategic initiatives

The NPC's strategy includes five strategic initiatives for the development of the payments market in Slovenia. The strategic initiatives are complementary to one another, and there are synergies between them.

1. Developing simple payment solutions with a good user experience in line with the needs and expectations of users, including vulnerable groups

The NPC is working to ensure that consumers, including vulnerable population groups, and retailers have access to simple and appealing payment solutions. The NPC therefore supports the development of payment solutions that give a good user experience. To ensure that payment solutions best satisfy the needs and expectations of various user groups, the NPC encourages their active involvement in the processes of planning, development and testing.

2. Addressing the security aspects of electronic payments

The NPC supports efforts to increase security in the area of payments, and the potential introduction of additional security mechanisms within electronic payment solutions in line with the needs of users. For the purpose of identifying the target areas of communication, the NPC also encourages activities in the direction of identifying any erroneous or unsubstantiated beliefs of consumers with regard to the security of electronic payments. To raise user awareness with regard to the security of electronic means of payment, the NPC encourages the active and targeted education of users, coordinated between the stakeholders, in particular about the types of potential abuse, user liability, and the ways to prevent abuse.

3. Ensuring the phased acceptance of electronic payments at points of sale

The NPC encourages a choice of different means of payment at points of sale.

Phase 1: Coordinated and continual promotional and educational activities for users

The NPC is working to actively promote the use of electronic means of payment, and to educate consumers and retailers about their benefits. The NPC encourages coordinated communication with users by all relevant stakeholders. The NPC supports making users aware of the cost and environmental aspects of various means of payment for the realisation of socially efficient payments and other incentives of use, including security elements and functionalities that ensure that users have a good experience when making payments.

Phase 2: Mandatory acceptance of electronic payments at points of sale

The NPC encourages activities to examine the possibility of introducing mandatory acceptance of at least one electronic means of payment at points of sale. The NPC also encourages examining the possibility of putting in place a national financial scheme for making adaptations in connection with the acceptance of electronic means of payment at points of sale, in particular for smaller retailers and service providers.

4. Ensuring an encouraging environment for increasing innovation, and collaboration between stakeholders in the payments market in line with activities at EU level

The NPC encourages the development of the payments market in line with the EU initiatives, and is working to ensure a level playing field for Slovenian and foreign payment service providers. To this end the NPC encourages active communication between competent authorities and other stakeholders with the aim of identifying and resolving any regulatory challenges.

5. Continuing to ensure adequate access to cash

The NPC works to maintain adequate access to cash, and its acceptance at points of sale, having regard for the needs of users, particularly vulnerable groups, with the aim of preventing discrimination against cash amid the rising digitalisation of payments.

The approach to realising the NPC's strategy, the owners of various activities, and the timetable will be set out in detail by action plans.