
THE USE OF ALTERNATIVE PAYMENT METHODS
AS A RESULT OF COVID 19

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Abstract

The payment industry is always moving forward, but Covid 19, imposed the businesses had to adjust and move online when the hit the countries in 2020. Financial services are becoming more digital day by day, providing faster and better features for customers.

Therefore, the purpose of this paper is to analyze the methods of payment through electronic commerce imposed by Covid 19 and which are on the rise. A comparative analysis of these payment methods was made in certain years before, during and period after Covid 19. An analysis was also made of the alternative payment methods that are used in some countries.

The research results show that offering alternative payment methods can help for online merchants to generate more sales and customers can use their preferred payment methods. It is therefore necessary to supplement the alternative payment methods and this will make online shopping to be fast and hassle-free. As the analysis shows, credit and debit cards are still number one among the payment methods. But it is also clear that there is a change in the landscape of payment methods, driven by several factors. This was confirmed by the use of alternative payment methods during the Covid 19 period.

Keywords: payment cards, electronic commerce, alternative payment methods.

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1. Introduction

As a result of the Covid 19 pandemic, with a large number of restrictive measures, the people have directed themselves towards online buying as an alternative to the traditional buying.

That can be seen from the data obtained from the published reports by the National bank in our country. Also, according to the last published data by the State Statistics Office, we can see the growth of the Internet usage and online buying, and at the same time, with the change in the habits of the people, there has been growth of the e-commerce as well, that can be seen from the data available in the Association of e-commerce reports in the last couple of years. The financial services digitalization enables numerous advantages for the clients, and increases the competitiveness in this domain. The implementation of the Payment Services Two (PSD2) directive in Europe, has contributed even more to encouragement of the online banking tools, and at the same time has strengthened the security in their use.

2. Comparative analysis of the alternative payment trends in some European countries

As a result of the Covid 19 influence, the new normal in the banking world has forced the banks to keep a pace with the trends and the consumers' demands by offering various digital platforms. In this way, the use of electronic banking will be easier, and at the same time the users' personal data will be protected according to the laws, educating the clients for this service advantages. Every day we can see advancement in the different ways of payment, and the Covid 19 with its restrictive measures has additionally contributed to the companies to adjust and direct towards online working. All that contributed to new trends appearance in the e-payment. Popular ways of payment in some European countries in 2022 can be seen in the following table:

Table 1. Popular payment methods in certain European countries in 2022

	Credit/debit cards	Digital wallets	Local solutions	Other
Finland	Visa, Mastercard	MobilePay	Verkkopankki	Bank transfers
Swedish	Visa, Mastercard, Eurocard			Invoices
Netherlands	Mastercard, Visa	PayPal		Direct bank payments, invoices, post-payment

				options and cash on delivery
Poland	Mastercard, Visa	Apple Pay, Google Pay, PayPal, YetiPay	YetiPay	Direct bank transfers via Przelewy24, BLIK, PayU Payment in cash on delivery
Italy	Visa, Mastercard, CartaSi	PayPal	CartaSi	Payment in cash on delivery, bank transfers
United Kingdom	Mastercard, Visa and American Express	PayPal and Google Pay		
Germany	Visa, Mastercard	Apple Pay, PayPal	Giropay, Girocard and Splitit, Sofort (from Klarna)	Invoices, Payment in advance
Spain	Visa, Mastercard	PayPal, Apple Pay, BBVA Wallet and CaixaBank Wallet	BBVA Wallet and CaixaBank Wallet	Bank transfers
France	The national card Carte Bleue, American Express и Visa	PayPal, Paylib, Lydia, Amazon Pay	The national Carte Bleue card	
Romania	Contactless cards			Payment in cash on delivery

Source: by the authors according to data of certain countries, available at <https://ecommercenews.eu/popular-payment-methods-in-europe-in-2022/>

Survey data for Finland show different results. From all presented ways of payment: cards, digital wallets and bank transfers, the following ones are the most frequently used: Trustly, Klarna, Zimpler and MobilePay. By 2023 we expect increasing number of online payments realized via bank transfers, by a support of the local solution Verkkopankki.

Also, the users in Sweden use several ways of payment by cards: Visa, Mastercard, Eurocard, invoices and etc., and the online buying is usually in the country. Like in Finland, some of the most frequently used ways of payment are Trustly, Klarna, Swish etc.

For the Netherlands, the characteristic is that in the last several years the use of the local solution iDeal as a way of online payment has been widening. After it, the digital wallets and cards, such as Mastercard, Visa and PayPal, which are very popular among the online buyers, follow. In this country there is a diverse offer for ways of e-payment, such as for an example: direct bank payments, invoices, options for post-payment, such as: Klarna, AfterPay etc., and payment in cash at delivery.

The most popular way of online payment chosen by the buyers in Poland are the direct bank transfers via Przelewy24, BLIK, PayU. Concerning the debit and credit cards such as Mastercard, Visa, their use is less. Also, the digital wallets such as Apple Pay, Google Pay, PayPal and the local YetiPay, are less used. Like the case in Romania, the payment in cash at delivery remains as one of the options to which the people tend to return. On the top of the list of popular ways of payment in Italy are the debit and credit cards such as Visa, Mastercard and the local CartaSi, and the digital wallets, such as PayPal. Before the Covid 19, the cash was the most frequently used option, but during and after the pandemic the habits have changed towards the digital way of payment. With some e-merchants in the country, there is still a possibility for paying in cash at delivery. Furthermore, there is also possibility for more regular use of the bank transfers as a way of payment in the following two years.

In the UK, debit and credit cards are mostly used. But in the market, the digital wallets such as PayPal and Google Pay become their competitive way of payment.

In Germany, the invoices are the most frequently used way of payment that increases its popularity. Furthermore, online merchants often offer the users to pay by Visa, Mastercard, advanced payment, then digital wallets, and by Sofort from Klarna as a way of payment.

Other popular ways of online payment are Apple Pay, PayPal, and the local Giropay, Gorocard and paydirekt, then Klarna, Splitit, etc.

In Spain, and in Italy, the debit and credit cards are on the top on the list of ways of payment, while the digital wallets follow after them. It is expected that by 2023 the cards use will gradually decrease, while bank transfers and digital wallets will be more used. The most popular digital wallets are PayPal and Apple Pay, and the local solutions such as BBVA Wallet and CaixaBank Wallet.

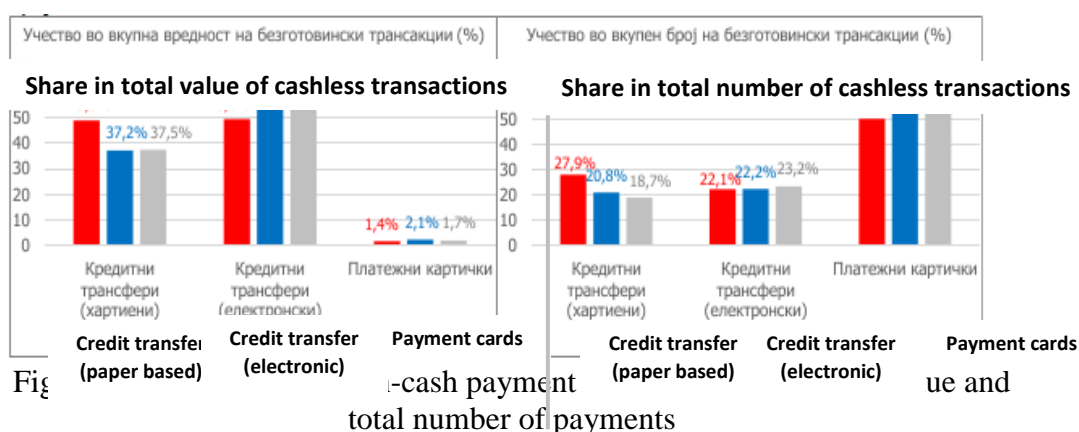
Like in many countries, the mostly used ways of payment in France are the debit and credit cards. The national card Carte Bleue is usually used. The other kinds of cards such as American Express and Visa, although they are used, are less popular. The digital wallets PayPal, Paylib, Lydia, Amazon Pay, etc. use is usually in the mobile commerce.

Covid 19 has a big influence in using cash and alternative ways of payment in Romania, too. Cash payment at delivery, although very popular, is rather decreased, while the contactless cards popularity increases.

According to the a.m. it can be concluded that among the mentioned ways of payment, the debit and credit cards are still no.1 in almost all mentioned countries, and the situation is the same in our country as well. However, the change in the ways of payment is evident, that also results from the Covid 19 and other factors influence, and the rise of demographic data for alternative ways of payment in the European countries shows that, and the online merchants should utilize that.

2.1 Non-cash payment instruments in the Macedonian banking system

Like in many other countries, the changes in the habits of physical and legal entities as a result of the payment possibilities digitalization process benefits, which is a result of the Covid 19 pandemic influence, have also happened in our country. That can be seen from the increased use of the payment cards and other digital channels for payments realization. According to the data from the published reports by the National bank, in 2021 we see annual growth of 29,1% in the number of transactions realized by payment cards which contributes to increasing their share in the total payments number to 58,1%. Furthermore, the electronic credit transfers had annual growth of 32,5%, that influenced the increase of their share in the total payments number and the decrease of the credit transfer securities share. Those changes can be seen in the following figure (Annual report 2021, NBRM):



Since the beginning of Covid 19, the natural persons more frequently have used the electronic banking benefits, but the payments at the banks counters still dominate with 69,7%. Although the personal computers are used for realizing electronic credit transfers, the natural persons usually use the advantages of mobile phone applications, with 39,3% at the expense of the

personal computers share decreasing. Only a small percentage of natural persons used ATMs for the payments realization. That can be seen on the following table (Annual report 2020 NBRM):

Table 2. Credit transfers as a non-cash payment instrument

2020		
Number of credit transfers (structural participation)	Natural persons (%)	Legal entities (%)
By method of initiation		
Paper - based	69,7	37,2
Electronic	30,3	62,8
By device of initiation of the electronic credit transfers		
Personal computer	60,1	98,2
Mobile phone	39,3	1,8
ATM	0,6	/

Moreover, the infrastructure development for electronic payments in our country is also result of a continuous development of the contactless technology that is gaining higher and higher share in buying by payment cards. Besides that, the fast development of the digitalization process has offered many innovative possibilities for the users by offering virtual wallets. By the end of 2021, the number of the digitalized payment cards for paying via mobile phones and smart appliances for contactless payments, was 43.638, of which 75,7% are digitalized debit payment cards, while the others are digitalized credit payment cards.

3. Contactless cards popularity as a result of Covid 19

The contactless cards has got their importance and true value in the period of the Covid 19 pandemic and the large number of restrictive measures and recommendations for avoiding direct contacts and keeping a distance between the people. Besides the people's distrust in this type of cards, the contactless cards through their use for avoiding contacts when paying with them, and due to the fast transactions, have enabled a huge growth of this kind of payments. As a result of these advantages, we can tell some reasons why the contactless cards use has gained popularity as a way of payment, such as: One of the most important advantages of the contactless payment is time saving. In this contemporary society, the payment by contactless cards is twice faster than the use of a simple payment card. When the contactless payment is used, it is not necessary to put the cards in the POS terminal and to enter a pin for transactions up to the limit amount determined by the bank that issued the card, or up to the limit amount for contactless payment placed on the terminal on which the contactless cards can be used, so we can say that it is even multiple times faster compared to cash payment.

Furthermore this type of cards owns the highest standards for security in internet payment, such as 3D Secure – Verified by Visa – VbV and MC Secure Code, and usually they have limits on smaller amounts with which there is a protection from paying higher amounts and unauthorized payments. Moreover, for each realized transaction there is a possibility for the user to get sms notification on the mobile phone.

Of all advantages, we can stand out the possibility to realize contactless payment by using other appliances, such as a smart watch – Garmin or mobile phone. With the card digitalization, we can pay through Garmin watch or mobile phone with Android operating system, using defined banking application of the bank that offers such an option for payment.

The contactless payment enables fast and easy payment, which is an advantage for the users. Some of the banks that offer this type of cards, additionally offer different programs for the users' loyalty, as for instance payment in installments with some merchants, or collecting points that can be used for the next payment in the network of pos terminals of the bank itself. Having in mind all mentioned advantages, with the contactless cards use, the users stand to profit.

In our country, according to the data published in the annual reports by the National bank, at the end of 2021, of 2,1 million cards issued in our country, 68,3% cards are based on contactless technology, while of totally 30.045 appliances in the physical selling points, 83,8% support contactless payments, which means that there is an increase of 10,2% and 6,3% respectively, compared to the end of 2020.

4. Conclusion

The legal and physical entities more frequently use the advantages of the Internet and the possibility to realize everyday activities online, regardless of whether business or personal needs are in question. The habits change as a result of Covid 19 pandemic influence, can be seen in doubling the e-banking use and increasing number of users who request online information on many products and services. According to the a.m. information, it can be concluded that among the mentioned ways of payment, the debit and credit cards are still no. 1 in almost all mentioned countries, and the situation is the same in our country, too. However, the change in the ways of payment is evident, which is a result of the Covid 19 influence, and other factors as well, and the increase of the demographic data for the alternative ways of payment in the European countries says enough about that and the online merchants should utilize that. Besides the significant growth of the Internet use and online buying, our country is still on a lower level when ranking the European countries, which means that the growth is not sufficient and it is necessary all concerned parties to work further on increasing the upward trend which should continue at a faster pace. Also, it is necessary to continue the activities, efforts and

initiatives for creating favorable climate for accelerated growth of the e-commerce in our country.

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