Electronic transactions are generally defined as any technology based payment system which do not include the use of cash and other paper based payment instruments. Given the current financial environment, this definition could be narrowed to payment instruments such as debit/credit cards, pre-paid cards, and transactions based on internet and mobile phone banking.

In Albania, cash is still the predominant mean of transactions in all spheres. According to the latest annual report from the Bank of Albania, cash and check payments accounted for 97.5% of all local currency payments in 2011. In other words, this corresponds to only 4 electronic payments per capita. This number is quite revealing because it is an indication that e-payments are almost nonexistent in Albania. This financial situation, therefore, raises a red flag for an EU candidate to be, given that the average share of e-payments accounts for more than 50% of all payments in the EU. It’s time for the Albanian society to make a serious effort towards the dissemination of e-payments as significant benefits are attached to them. Empirical studies have shown that such systems can save as much as 5% of their GDP (around $670 million in Albania’s case) if they transition to e-payments. An e-payment system is not only more efficient but it also provides transparency and a strong monitoring mechanism for tax purposes.

From a historical perspective, Albania has never enjoyed a comprehensive and consolidated payment system during its 20 years of democracy and free market environment. There has always been a deep-rooted notion that because cash is “tangible”, it offers a sense of security, which is not the case. The collapse of the so-called “pyramid schemes” in 1997 shook the trust of Albanians in the banking system and left them with a bitter taste. Since then, banks have had a negative connotation in Albanians’ minds. Today, 16 commercial banks operate in the country, with 14 of them being foreign owned and offering a variety of financial products. However, the introduction of the new financial products in Albania has high costs such as the risk of being robbed, existence of counterfeit notes, and time needed for the actor to get the next pay in cash. The government can also assist in this process by organizing informational campaigns on e-payment literacy and educating the public at large.

Even if the Albanian society, though, reaches a point where consumers are willing to use electronic cards to make purchases in stores, the need to also accept such credit cards has no alternative for the process to work. Hence, this becomes a two-fold issue which has to be tackled at both levels (consumer and business) simultaneously. It is also important to note that in very few instances stores accept cards in Albania; the main places being mainly trade centers and malls in Tirana and major touristy destinations such as Durres and Vlore.

Indeed, businesses operate entirely in cash in Albania, which facilitates the tax evasion phenomenon. According to the latest “Payment Systems Worldwide” report by the World Bank, Albania is ranked at a low medium level of retail e-payment systems, in the same group with countries such as Sudan and Zimbabwe. Adding to this, the informal economy is a major issue matter in Albania, and as such is important to be included in the national macroeconomic statistics. Experience from other countries shows that even if the installment of the stall issuing machines would not be sufficient to fight tax evasion, as authorities would still have a hard time monitoring transactions. Restructuring the tax system in Albania, in terms of payments and increasing the number of the stalls, would be of great help. Experience from other countries shows that even if the installment of the stall issuing machines would not be sufficient to fight tax evasion, as authorities would still have a hard time monitoring transactions. Restructuring the tax system in Albania, in terms of payments and increasing the number of the stalls, would be of great help.

How can Albania realize a scenario where all size businesses are willing to accept electronic cards? A good lesson comes from Mexico, which under the “FIMPE” project, managed to increase the use of e-payments in stores by almost 170% in 2003-2006, starting from the same point where Albania stands today. The project was successful because of a joint effort on behalf of the government and 15 financial institutions. They used incentives such as the government buying the card processing machines and as such, the reduction of cash in circulation should be one of the main goals for the Bank of Albania. This will come only with an increase in e-payments. In general, a developed infrastructure of e-payments can be beneficial for the economy as a whole because it can attract more investors, as well as more tourists.

At this point, an immediate step that can be taken in Albania is the creation of an independent public body. In general, the Bank of Albania, in collaboration with the Bank of Albania in order to design a comprehensive e-payment platform. Obviously, this process requires the involvement, to some extent, of all other interested parties such as businesses, commercial banks, card companies, mobile phone carriers, as well as the consumer protection agency, and civil society. A discussion through regular open conferences is the first step in order to disseminate information and knowledge to the wider public on e-payments, which can hopefully ignite tangible action.

While Albania is in its early steps of this transformative process and it looks like the e-payment reality is far, the Albanians have shown that they get used to new practices quickly. One can be hopeful by looking at countries such as Kenya and Tanzania (with a less advanced financial infrastructure than Albania) which established innovative electronic transactions (such as mobile phone payments) in a shorter period of time, just because there was serious engagement from both the government and the private sector.

All there needs to be is coordination and a serious debate in Albania about the benefits of e-payment systems, as well as the introduction of new e-payment instruments and the engagement of mobile phone companies in the payment market. Printing and promoting the use of e-payments and as such, the reduction of cash in circulation should be one of the main goals for the Bank of Albania. This will come only with an increase in e-payments. In general, a developed infrastructure of e-payments can be beneficial for the economy as a whole because it can attract more investors, as well as more tourists.

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