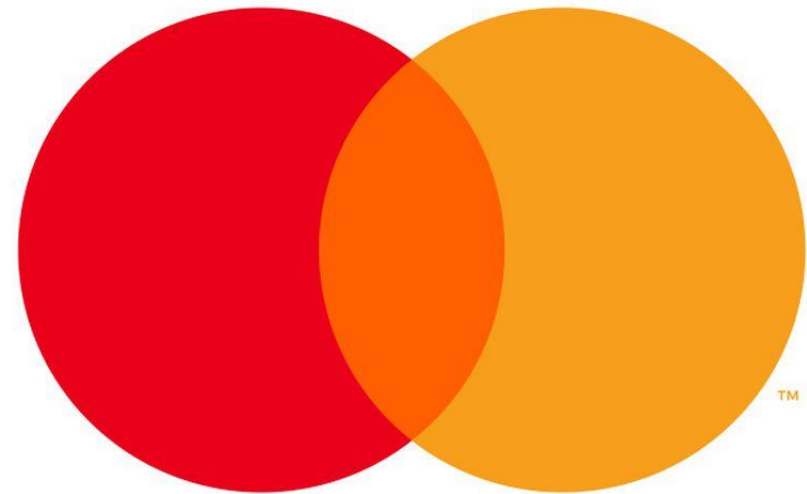


Payment acceptance trends of Maltese merchants

Survey conducted for Mastercard

May 2019







Research on the “Payment acceptance trends of Maltese merchants”

Survey commissioned by Mastercard in collaboration with GRTU – Malta Chamber of SMEs

Dear Ms. Konstantinidou,

In accordance with the instructions set out in our proposal dated 9 November 2018, we have pleasure in enclosing a copy of our report prepared in connection with the survey conducted on the payment acceptance trends of Maltese merchants.

This report is confidential and has been prepared exclusively for Mastercard. It should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Mastercard for our work, our report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the report by the addressee(s) for any purpose other than in connection with the preparation of this study.

This report is issued on the understanding that our attention was drawn to all matters, financial or otherwise, which may have an impact on our report up to the date of signature.

Additionally, we have no responsibility to update this report for events and circumstances occurring after this date.

If you have any questions in respect of this report or its contents, please contact Daniel Gravino on +356 9925 4746 or via email on: daniel.gravino@mt.gt.com.

Yours faithfully,

Daniel Gravino
Director, Economic Advisory Services

Contents

Section	Page
Executive summary	5
Scope of work	10
Methodology	12
Respondent profile	15
Acceptance of card payments	18
Merchant fees	24
Preferred payment method by customers	29
Preferred method of receiving payments by businesses	31
Merchants' preferred method of paying for own expenditure	36
Business concerns	40



Executive summary

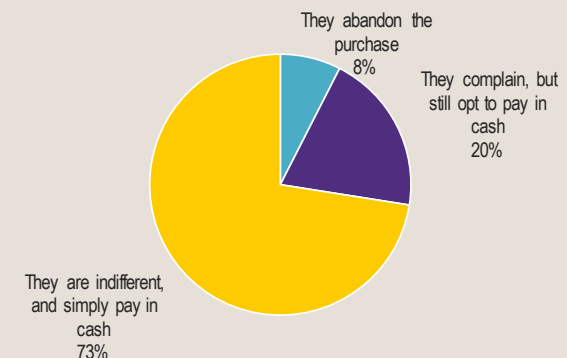
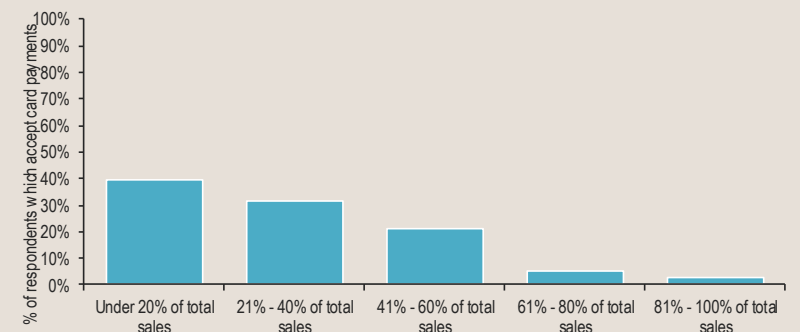
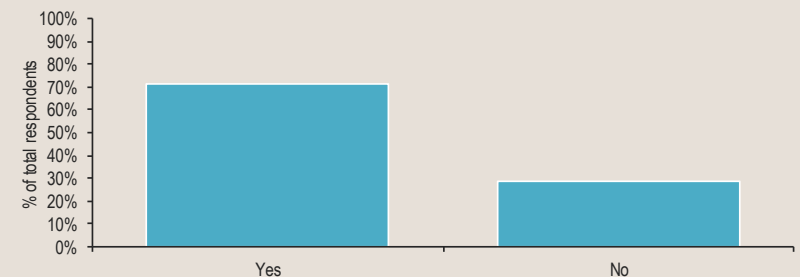
Executive summary

<p>Scope of work</p>	<ul style="list-style-type: none"> • MasterCard engaged Grant Thornton Malta to carry out market research on the payment acceptance trends of local merchants. The exercise entailed carrying out a survey with over 100 businesses operating in Malta. The objective of the survey was to obtain insight on: <ul style="list-style-type: none"> • Payment acceptance trends of local business; • Customers' preferred method of payment, and merchants' preferred method of payment acceptance; and • Merchants' satisfaction with current payment service providers. 																				
<p>Methodology</p>	<ul style="list-style-type: none"> • 139 complete responses were collected between 18 April and 24 May 2019. The survey was conducted with members of <i>GRTU – Malta Chamber of SMEs</i> using an online survey. This was conducted through an online survey tool, which also allowed the data to be entered directly on to an online data entry system. • The sample characteristics are presented in the figure below: <div data-bbox="598 903 1021 1248" data-label="Figure"> <table border="1"> <caption>Business Structure Distribution</caption> <thead> <tr> <th>Structure</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Limited liability company</td> <td>62%</td> </tr> <tr> <td>Sole proprietorship</td> <td>29%</td> </tr> <tr> <td>Partnership</td> <td>8%</td> </tr> <tr> <td>Corporation</td> <td>1%</td> </tr> </tbody> </table> </div> <div data-bbox="1164 900 2016 1256" data-label="Figure"> <table border="1"> <caption>Business Size Distribution</caption> <thead> <tr> <th>Size</th> <th>% of total responses</th> </tr> </thead> <tbody> <tr> <td>Micro</td> <td>58%</td> </tr> <tr> <td>Small</td> <td>32%</td> </tr> <tr> <td>Medium-sized</td> <td>8%</td> </tr> <tr> <td>Large</td> <td>2%</td> </tr> </tbody> </table> </div> • Around 50% of survey respondents operate in the <i>Retail and Services</i> sector; but the sample also includes businesses operating in Food and Hospitality, Professional Services, Healthcare, Infocom, as well as construction and manufacturing (see page 17). 	Structure	Percentage	Limited liability company	62%	Sole proprietorship	29%	Partnership	8%	Corporation	1%	Size	% of total responses	Micro	58%	Small	32%	Medium-sized	8%	Large	2%
Structure	Percentage																				
Limited liability company	62%																				
Sole proprietorship	29%																				
Partnership	8%																				
Corporation	1%																				
Size	% of total responses																				
Micro	58%																				
Small	32%																				
Medium-sized	8%																				
Large	2%																				

Executive summary

Results on payment acceptance trends

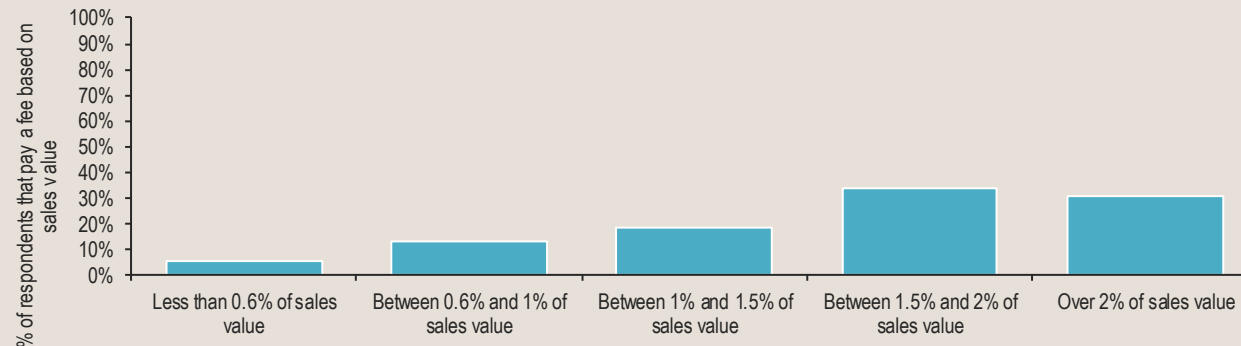
- 71% of the sample respondents accept payments by card, whilst 29% of businesses do not accept payments by card (see adjacent figure).
- 63% of businesses that accept card payments believe that accepting card payments attracts more customers.
- 39% of respondents indicated that the proportion of sales paid by card per month is under 20% (see adjacent figure). 31% indicated that the proportion of sales paid by card per month is between 21% and 40%, whilst 21% indicated that the sales proportion of card payments is between 41% and 60%.
- 73% of respondents that do not accept card payments identified the cost associated with POS machines as a major reason for not accepting card payments. 23% of respondents reported that they do not accept card payments because their customers prefer to pay in cash.
- 45% of respondents indicated that clients rarely ask to pay by card. Asked about their customers' reaction to instances where they inform them that they do not accept card payments, 73% reported that clients are indifferent to the business not accepting card payments, and simply pay in cash (see adjacent figure).



Executive summary

Merchant fees

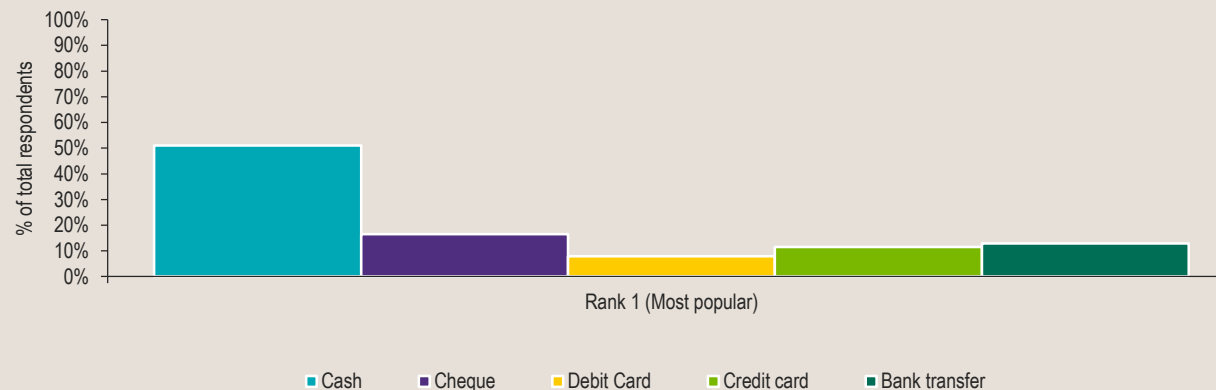
- 78% of businesses indicated that the cost of the POS machine is covered by the merchant fee.
- 80% of businesses operating a POS machine pay a fee based on the sales value of the transaction. Of these, 33% pay between 1.5% and 2.0% of sales value, 31% pay over 2% of sales value, and 18% pay between 1.0% and 1.5% of sales value (see figure below).



- 53% of respondents that do not accept payments by card reported that they would be interested in integrating new payment schemes. 73% would be motivated by free of charge POS machines.

Preferred payment method by customers

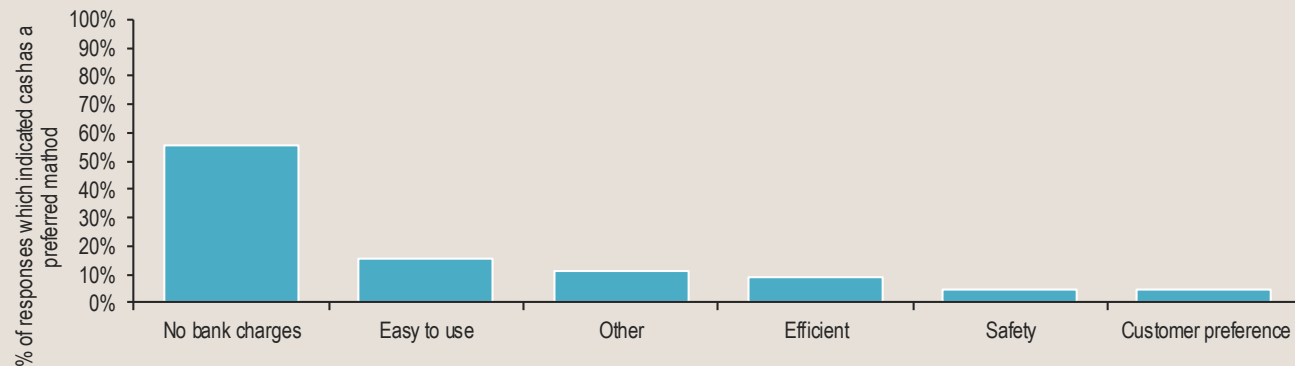
- 51% of respondents believe that cash is the preferred method of payment by their customers.



Executive summary

Preferred method of receiving payment by businesses

- 45% of respondents that accept card payments indicated that cash is their preferred method of receiving payments; and 56% of respondents that accept card payments indicated cash as their preferred method due to no bank charges (see figure below).
- 50% of respondents that do not accept card payments indicated that bank transfers are the most preferred method of receiving payments.





Scope of work

Scope of work

MasterCard engaged Grant Thornton Malta to assess the payment acceptance trends of Maltese merchants. The exercise entailed carrying out a survey with members of the GRTU – Malta Chamber of SMEs. The results are presented in this report.

Objectives of the Merchant Payment Acceptance Survey

The survey mapping the payment acceptance trends of local businesses had the following research objectives:

- general identification of type and size of business;
- acceptance of card payments;
- proportion of sales paid by card per month;
- type and number of POS machines, and associated fees;
- customer payment preference;
- business payment acceptance preference;
- settlement of expenses;
- satisfaction levels of payment service providers.



Use of technology

Assessing the use of technology, including POS machines and possible innovations



Payment acceptance trends

Assessing the different payment methods that are accepted and preferred by merchants and customers



Merchant fees

Assessing the fees associated with the acceptance of certain payment methods, and merchants attitudes towards these fees



Methodology

Our approach

To best achieve the survey's objectives, we undertook a 5-stage approach.

Methodology

The methodology used for this research involved five main stages: desk research; survey design and approval; survey distribution and data collection; data editing; and data analysis.

Desk research

In order to obtain a better understanding of the market, we undertook desktop research on tender types, vendors, and fees borne by merchants regarding payments by card, among other related topics.

Design and approval

The target population comprised businesses operating in Malta and Gozo. Questions were designed to be easily understood by people from all educational backgrounds and business sectors. Furthermore, the questions were kept short and straight to the point, so as not to discourage respondents and to ensure that valuable insights are obtained from the data analysis.

The questions were based on similar research studies carried out in Malta and abroad, as well as feedback from GRTU – Malta Chamber of SMEs. The draft questionnaire was sent to Mastercard and GRTU. Feedback was provided and the questionnaire amended accordingly.

Survey distribution and collection

The survey was conducted utilising an online survey promoted and distributed by GRTU. The online survey was conducted through an online survey tool, which also allowed the data to be entered directly on to an online data entry system. The use of the online data entry system catered for skipping non-applicable questions such that the respondent was directed to the next relevant question.

The data collection took place between 18 April and 25 May 2019.

Data editing

To produce high quality statistics, the survey responses were cleaned out for any errors. We dealt with three types of errors:

- **Range error:** This involves answers which fall outside the valid domain of answers. As the data collection method was through telephone interviews and online surveys, these errors were minimised. Any range error within a response resulted in an invalid entry and the results were excluded from the analysis;
- **Consistency error:** This is where an inconsistency is found in a specific logic. Any consistency errors found within a response resulted in an invalid entry and the results were excluded from the analysis; and

Our approach (contd.)

To best achieve the survey's objectives, we undertook a 5-stage approach.

Data editing (contd.)

- **Routing error:** This is when an interviewer fails to follow the specified branch or skip instructions, i.e. the route through the questionnaire is incorrect and irrelevant questions are answered, or relevant questions are left unanswered. Any routing errors resulted in an invalid entry and the results were excluded from the analysis.

Analysis

For the purposes of this research, we opted for an exploratory analysis. This is where there are no pre-set ideas, and the aim is to detect possibly existing patterns, structures and relationships in the collected data which is used to make inferences on the population.



Respondent profile

Sample characteristics

139 valid responses were collected via an online survey with members of GRTU – Malta Chamber of SMEs.

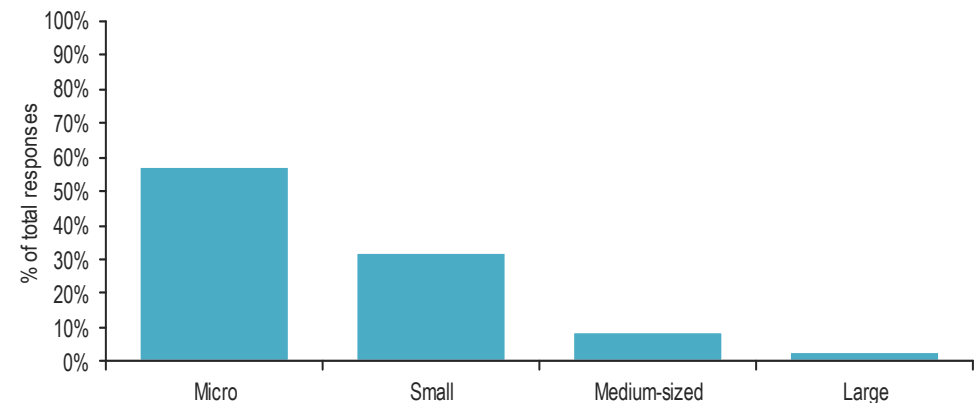
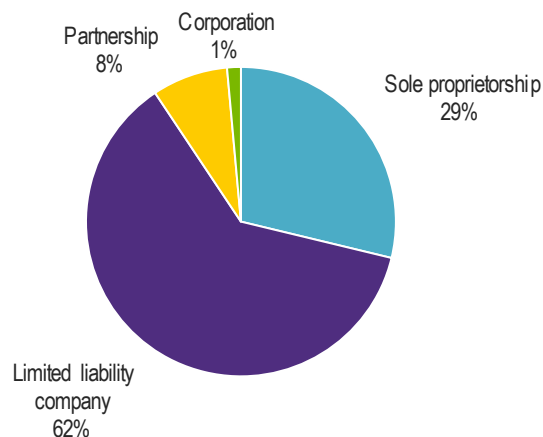
Survey responses

A total of 139 valid responses were collected through an online survey targeting member of GRTU – Malta Chamber of SMEs.

Survey characteristics

The pie chart below shows the distribution of the sample by type of business, whilst the adjacent bar chart shows the distribution of the sample by size of the business.

Limited liability companies and micro businesses are the most represented in this survey. Corporations are the least represented in this survey, accounting for 1% of total responses.



Size of business

Micro businesses have less than 10 employees employed by the business.

Small businesses have less than 50 employees employed by the business.

Medium-sized business have less than 250 employees employed by the business.

Large businesses have more than 250 employees employed by the business.

Sample characteristics (contd.)

Businesses operating in the retail and services industry are the most represented in this survey.

Respondents were grouped into 7 categories as follows:

Retails and services:

Services (hairdressers, gyms, beauty salons, handyman, repairs); retail (shoes and clothes stores, jewellery, bookshops, sale of technical materials, tools, equipment, etc.); petrol service stations; carpentry and sales of original art, design services; car dealership; and car rentals.

Food and hospitality:

FMCG category (grocery store, restaurants, cafes, food bars, bakeries); and tourism (travel agencies, accommodation).

Professional services:

Engineers and lawyers; insurance services and consultancy; and accounting, tax preparation, bookkeeping and payroll services.

Healthcare:

Doctors and pharmacists.

Infocom:

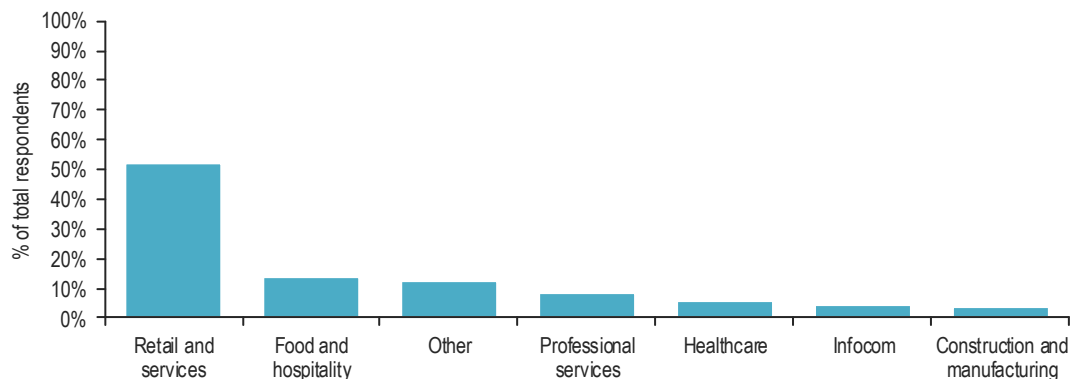
Infocom (computer programming, telecommunications, web publishing, data processing, hosting); and audio-visual services

Construction and manufacturing:

Manufacturing; construction; and electrical and mechanical installations.

Other:

Wholesalers; real estate agents and brokers; agricultural estate; customs clearing and forwarding; entrepreneurship; aviation; and scuba diving and dance schools.





Acceptance of card payments

Acceptance of card payments

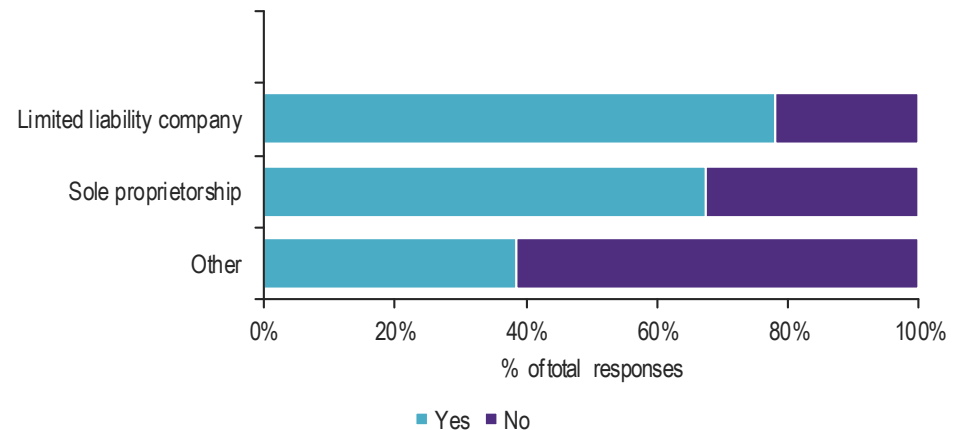
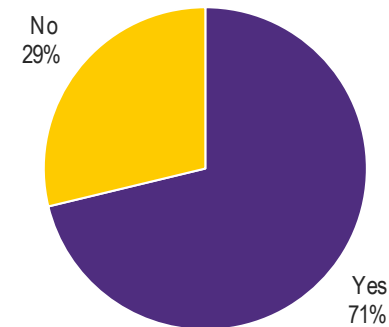
71% of total respondents accept payments by card.

Do you accept card payments?

All respondents were asked whether they accept payments by card. This was a straightforward question with only two available answers: 'Yes' or 'No'.

71% of total respondents indicated they accept card payments, whilst 29% of businesses specified that they do not.

77.9% of limited liability companies accept card payments; as do 67.5% of sole proprietors. But other types of businesses are less likely to accept card payments.



Benefits of accepting card payments

63% of businesses that accept card payments believe that accepting card payments attract more customers.

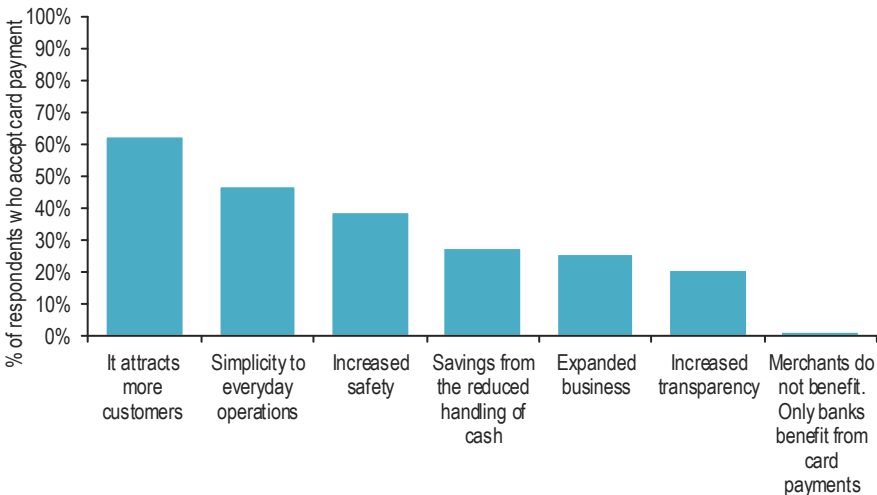
What are the benefits of accepting cards for your business?

Those respondents that indicated that they accept payments by card were asked about the benefits that card acceptance brought to their business.

This question allowed more than one answer per respondent, with possible answers being; 'Simplicity to everyday operations'; 'Increased safety'; 'Savings from the reduced handling of cash'; 'Expanded business'; 'It attracts more customers'; 'Increased transparency'; and 'Other'.

63% indicated that card acceptance attracts more customers, while 46% of total respondents agree that card acceptance simplifies everyday operations. 38% indicated that payments by card increase safety, whilst 27% experienced savings from the reduced handling of cash. 25% of respondents believe that card acceptance has contributed to business expansion, and 20% indicated increased transparency.

Note that since this question allows multiple responses per respondent, the total percentage exceeds 100%.



Benefits of card acceptance

	%
It attracts more customers	63%
Simplicity to everyday operations	46%
Increased safety	38%
Savings from the reduced handling of cash	27%
Expanded business	25%
Increased transparency	20%
Merchants do not benefit. Only banks benefit from card payments	1%

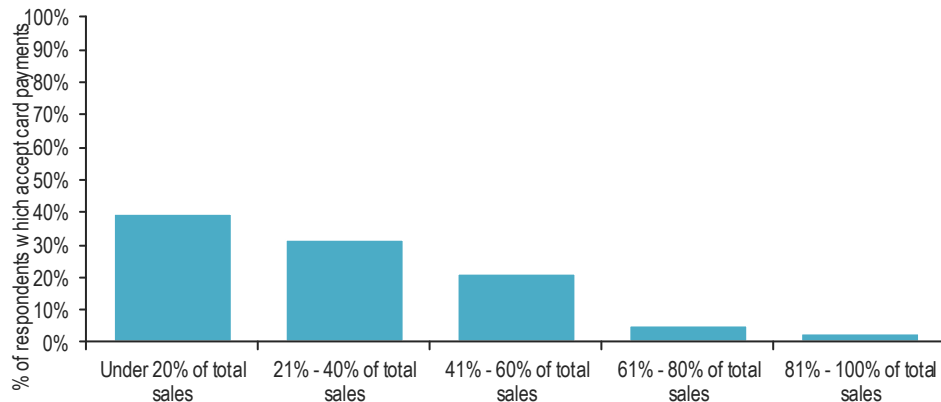
Sources: 1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

Proportion of sales paid by card per month

39% of respondents indicated that the proportion of sales paid by card per month is under 20%.

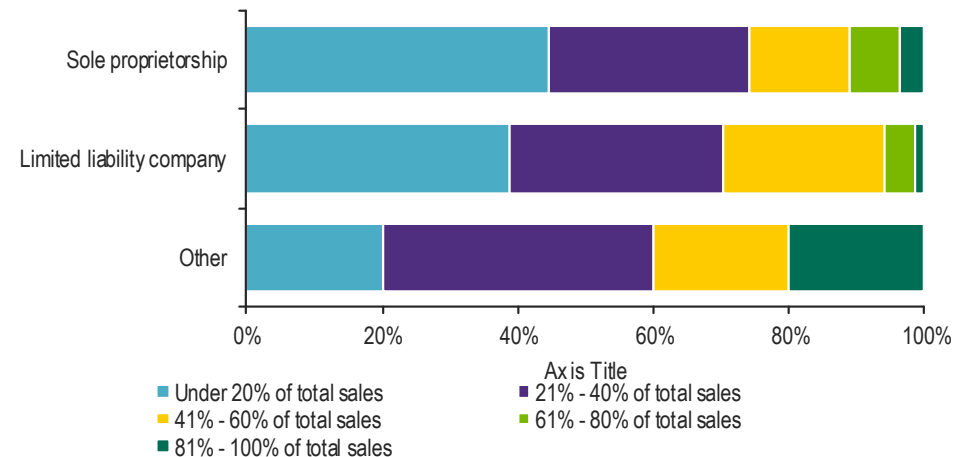
In general, what is the proportion of sales paid by card per month?

As shown in the figure below, 39% of respondents indicated that the proportion of sales paid by card per month is under 20%. 31% indicated that the proportion of sales paid per month is between 21% and 40%, whilst 21% indicated that the sales proportion is between 41% and 60%.



If we look at the proportion of sales paid by card per month according to business type, we note the following:

- 39% of limited liability companies in the sample indicated that the proportion of sales paid by card is under 20% of total sales value;
- 44% of sole proprietorships in the sample indicated that the proportion of sales paid by card is under 20% of total sales value.



Sources: 1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

Business' reasons for not accepting card payments

73% of respondents that do not accept card payments identified the cost associated with POS machines as a major reason for not accepting card payments.

What are the business' reasons for not accepting payments by card?

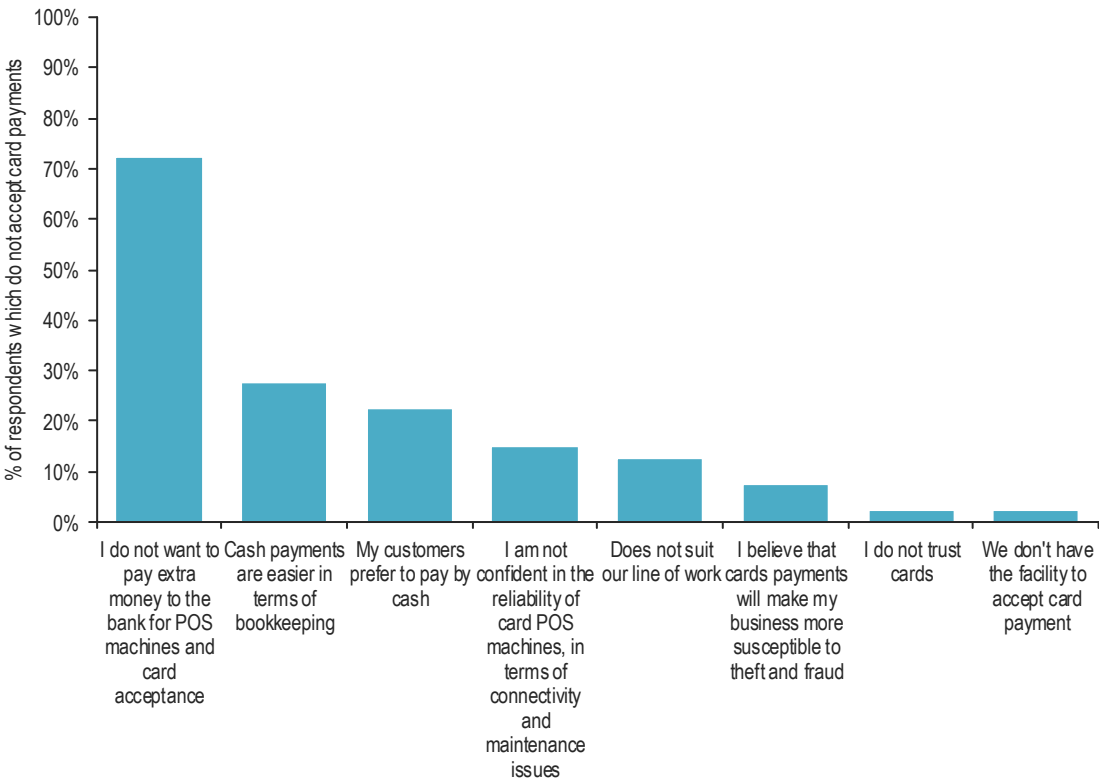
This question was asked to all respondents that do not accept payments by card. 73% of respondents reported that they do not want to bear extra charges associated with POS machines and card acceptance; 28% also identified that cash payments are easier in terms of bookkeeping; 23% of respondents do not accept card payments because their customers prefer to pay in cash.

Respondents also disclosed the following reasons:

- Lack of confidence in POS machines;
- It does not suit their line of work;
- Card acceptance makes businesses more susceptible to theft and fraud;
- Lack of trust in cards;
- The business does not have the facility to accept such payments.

Reasons for not accepting payments by card

	%
I do not want to pay extra money to the bank for POS machines and card acceptance	73%
Cash payments are easier in terms of bookkeeping	28%
My customers prefer to pay by cash	23%
I am not confident in the reliability of card POS machines, in terms of connectivity and maintenance is	15%
Does not suit our line of work	13%
I believe that cards payments will make my business more susceptible to theft and fraud	8%
I do not trust cards	3%
We don't have the facility to accept card payment	3%



Sources: 1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

Customer reactions when card payments are declined by business

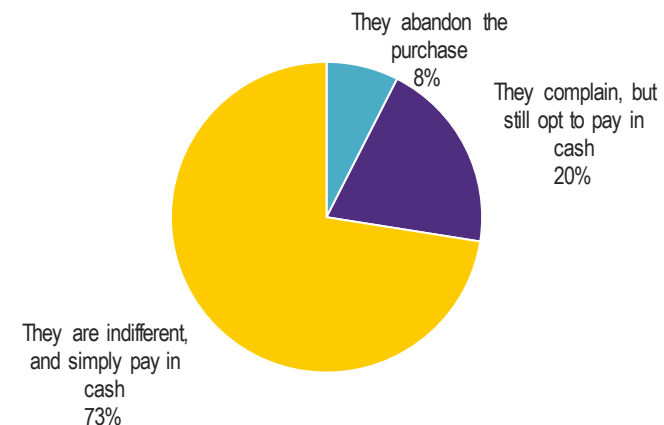
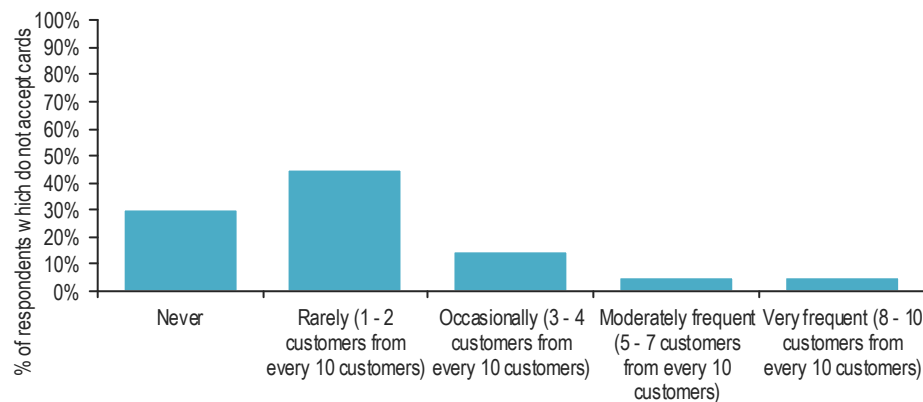
45% of respondents indicated that clients rarely ask to pay by card; and 73% reported that clients are indifferent to the business not accepting card payments and simply pay in cash.

How frequently do customers ask to make card payments when making a payment to the business?

This question was asked to all respondents that do not accept payments by card. 30% indicated that clients never ask to make payments by card; 45% of respondents reported that clients rarely ask to make payments by card; and 15% indicated that clients would occasionally like to make payments by card. 5% of respondents indicated that clients ask to make card payments moderately frequently, and another 5% very frequently.

How do customers usually react when you advise them that card payments are not accepted?

73% indicated that customers are indifferent and simply pay in cash. 20% of respondents disclosed that customers complain, but still pay in cash, and 8% simply abandon the purchase.





Merchant fees

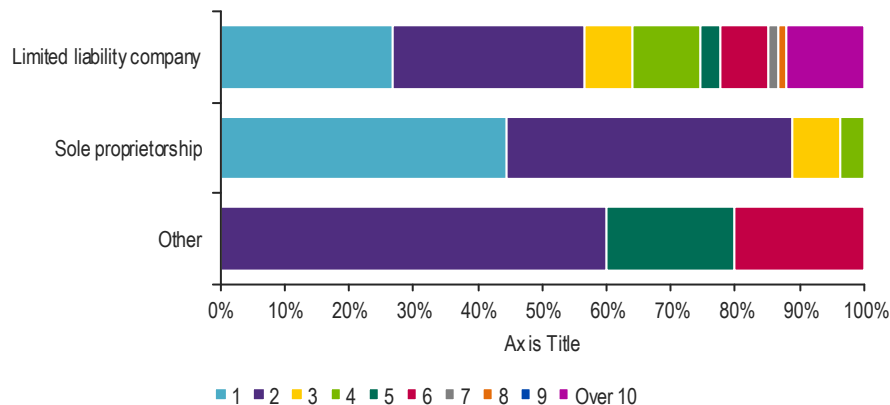
Types of POS systems used by local merchants

89% of sole proprietorships in this sample indicated that they operate either 1 or 2 POS machines.

How many POS machines do you operate?

Those respondents that indicated that they accept payments by card were asked to disclose the number of POS machines used.

89% of sole proprietorships in this sample indicated that they operate either 1 or 2 POS machines. On the other hand, many limited liability companies operate several POS machines.



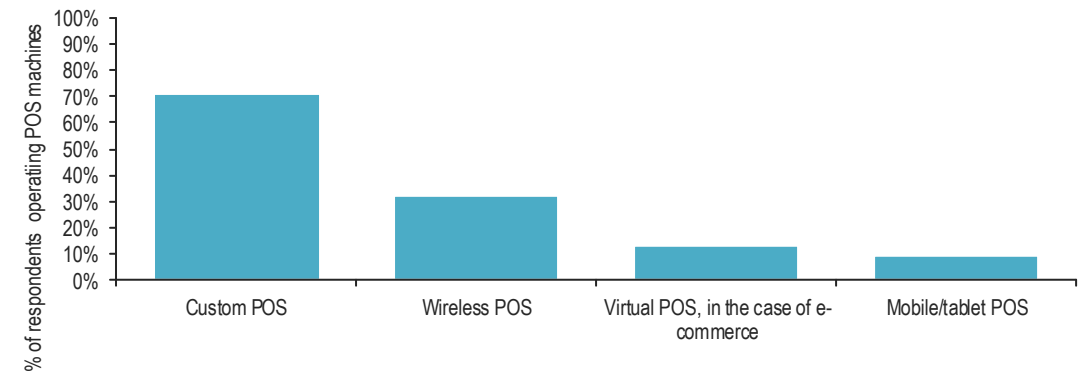
71% of businesses use a custom POS.

Which POS machines are used for card payments in your business?

Those respondents that indicated that they accept payments by card were asked to disclose the type of POS machines used.

Respondents could select more than one answer to allow for cases where businesses operate more than one type of POS machine.

71% indicated that they currently use a custom POS; 32% use a wireless POS; 13% of respondents use a virtual POS in case of e-commerce, and 9% use a mobile/tablet POS.



POS fees

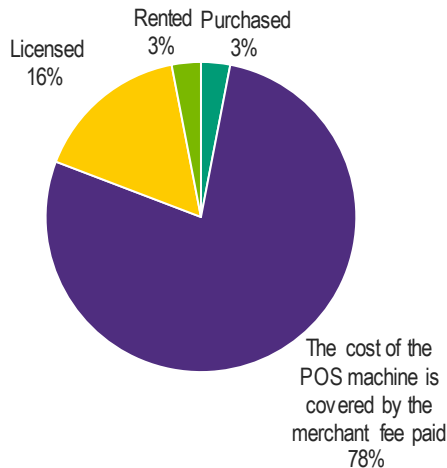
78% of businesses indicated that the cost of the POS machine is covered by the merchant fee.

80% of respondents pay a fee based on the sales value of the transaction.

Is/are your POS machine/s rented, purchased, or licensed?

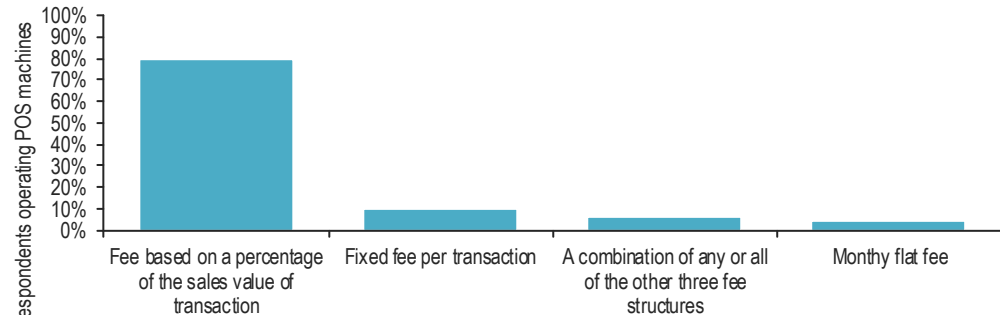
Those businesses that indicated they accept card payments were asked to disclose more information about their POS machines. In this question, respondents were asked to select one answer from the following: 'Rented'; 'Purchased'; 'Licensed', 'The cost of the POS machine is covered by the merchant fee paid'; or 'I have one or more machines that are rented, and one or more machines that have been purchased'.

78% of respondents indicated that the cost of their POS machine is covered by the merchant fee, whilst 16% indicated that their POS machines are licensed. 3% of respondents rent their POS machines, and another 3% purchased them.



Kindly indicate the basis on which the merchant fee is calculated

80% of respondents indicated that they pay a fee based on a percentage of the sales value of transactions, whilst 10% of respondents pay a fixed fee per transaction. On the other hand, 6% indicated that they pay a combination of a monthly flat fee, fee based on a percentage of sales value, as well as a fixed fee, whilst 4% pay a monthly flat fee.



Merchant fee

	%
Fee based on a percentage of the sales value of transaction	80%
Fixed fee per transaction	10%
A combination of any or all of the other three fee structures	6%
Monthly flat fee	4%
Total	100%

Merchant fee breakdown

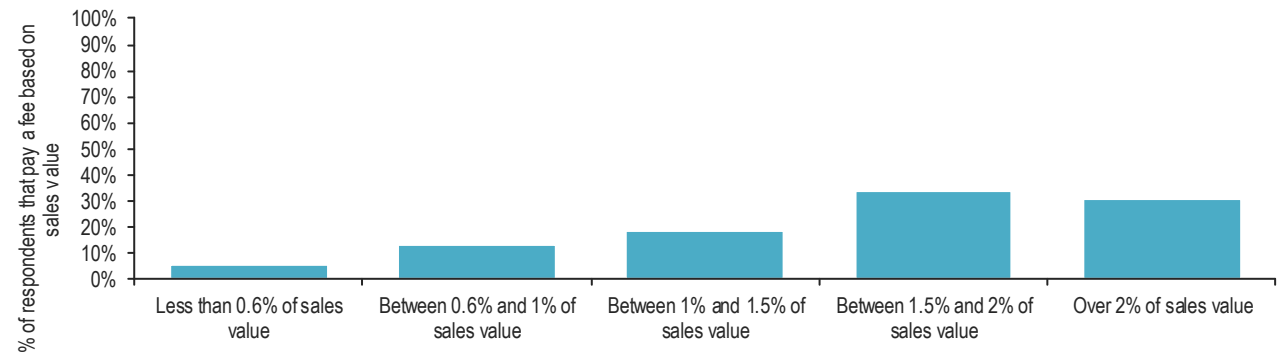
33% of businesses paying a fee based on a % of total sales value pay between 1.5% and 2% of the sales value per transaction.

Kindly indicate the percentage of the sales value of transactions that you pay as a merchant fee

80% of the respondents that accept card payments indicated that they pay a fee based on the percentage of sales value of the transaction. Out of the 80% of respondents, 33% of them pay between 1.5% and 2% of sales value, 31% pay over 2% of sales value, 18% pay between 1% and 1.5% of sales value, 13% pay between 0.6% and 1% of sales value, and the remaining 5% pay less than 0.6% of sales value.

Fee based on percentage of sales value of transaction

	%
Less than 0.6% of sales value	5%
Between 0.6% and 1% of sales value	13%
Between 1% and 1.5% of sales value	18%
Between 1.5% and 2% of sales value	33%
Over 2% of sales value	31%
Total	100%



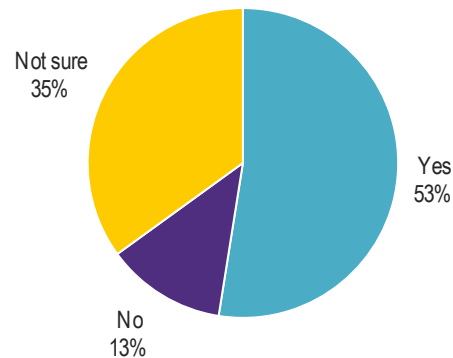
Sources:
1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

Motivation for accepting card payments

53% of respondents that do not accept payments by card reported that they would be interested in integrating new payment schemes. 73% would be motivated by free of charge POS machines.

Would you be interested in integrating new payment schemes into your business?

This question was asked to all respondents that do not accept payments by card. 53% specified they would be interested in integrating new payment schemes into their business, whilst 35% indicated they were not sure, and 13% indicated they were not interest.

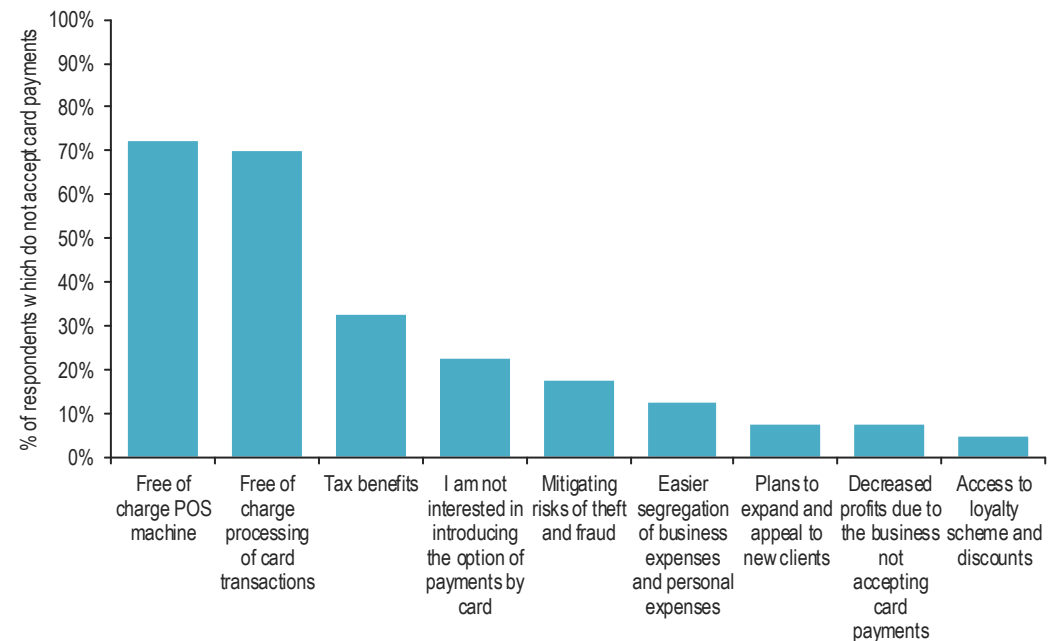


Sources:

1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

What would motivate you to accept card payments?

73% would be motivated by free of charge POS machines, 70% indicated that they would be motivated by free of charge card transaction processing, and 33% would be motivated by tax benefits. On the other hand, 23% indicated they were not interested in introducing card payments.





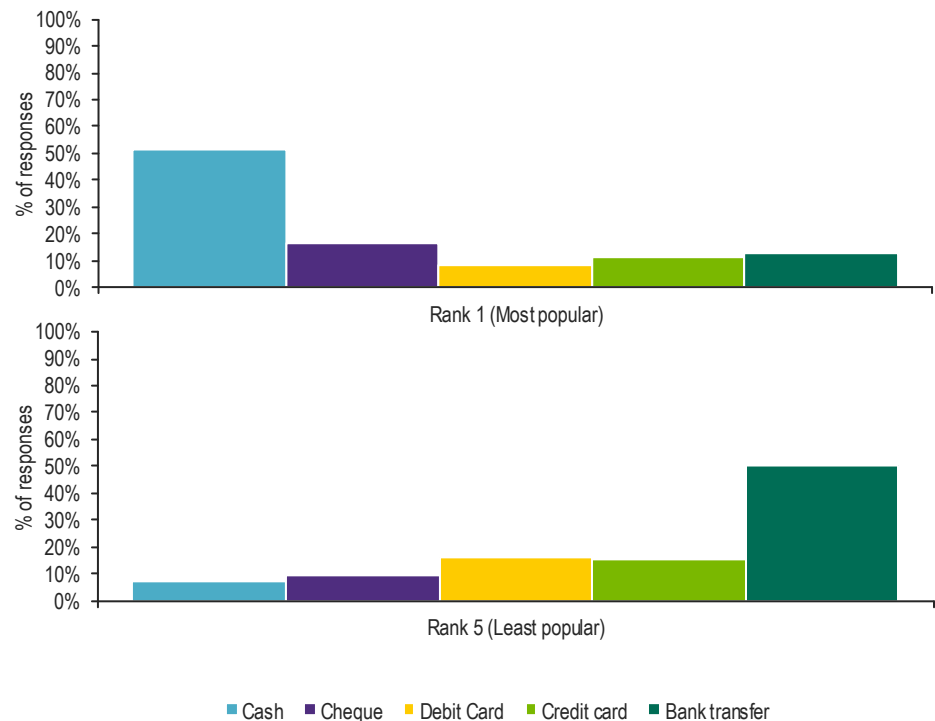
Preferred payment method by customers

Customers' preferred payment methods

51% of respondents believe that cash is the preferred method of payment by their customers.

Kindly rank your customers' preferred method of payment

Merchants were asked to rank 5 different payment methods based on their perception of their customers' preferred payment method. Cash was reported to be customers' preferred method with 51% assigning it the highest rank, whilst bank transfers were reported to be the least popular with 50% assigning it the lowest rank.



Definitions

- **Rank 1:** Most preferred means of payment;
- **Rank 2:** Popular means of payment but is inferior to the means of payment given '1' ranking;
- **Rank 3:** This is the middle ranking and is inferior to ranks '1' and '2';
- **Rank 4:** Not a preferred means of payment, but superior to rank '5';
- **Rank 5:** Least preferred means of payment.

Ranking of customer preference

	Cash	Cheque	Debit Card	Credit card	Bank transfer
Rank 1 (Most popular)	51%	17%	8%	12%	13%
Rank 2	10%	30%	20%	30%	10%
Rank 3	25%	10%	29%	22%	13%
Rank 4	5%	34%	27%	20%	13%
Rank 5 (Least popular)	7%	10%	16%	15%	50%

Sources:

1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis



Preferred method of receiving payments by businesses

Businesses' preferred method of receiving payments

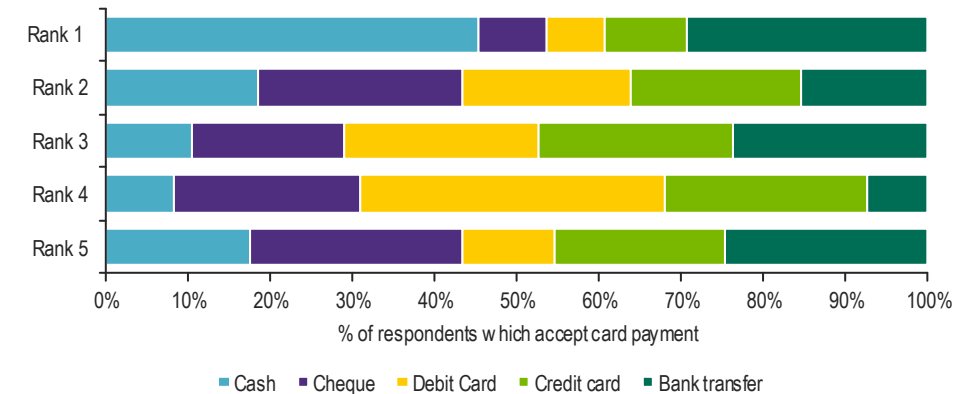
45% of respondents that accept card payments indicated that cash is their preferred method of receiving payments.

Kindly rank your businesses' preferred method of receiving payments

Respondents that indicated that they accept payments by card were asked to rank 5 different payment methods based on their preferred method of receiving payments.

As indicated in the figure below, cash is the preferred method, with 46% of respondents assigning to it the highest ranking. Bank transfers are also popular, with 30% of respondents assigning the highest ranking.

On the other hand, 26% of respondents assigned the lowest ranking to payments by cheque, making it the least preferred method of receiving payments.



Definitions

- **Rank 1:** Most preferred method of receiving payments;
- **Rank 2:** Preferable method of receiving payments but is inferior to the method given '1' ranking;
- **Rank 3:** This is the middle ranking and is inferior to ranks '1' and '2';
- **Rank 4:** Not a preferred method of receiving payments but superior to rank '5';
- **Rank 5:** Least preferred method of receiving payments.

Ranking for businesses that accept card payments


	Cash	Cheque	Debit Card	Credit card	Bank transfer
Rank 1	45%	8%	7%	10%	29%
Rank 2	19%	25%	21%	21%	15%
Rank 3	10%	19%	24%	24%	24%
Rank 4	8%	23%	37%	25%	7%
Rank 5	18%	26%	11%	21%	25%

Sources:

1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

Businesses' preferred method of receiving payments

50% of respondents that do not accept card payments indicated that bank transfers are the most preferred method of receiving payments.



Definitions

- **Rank 1:** Most preferred method of receiving payments;
- **Rank 2:** This is the middle ranking and is inferior to rank '1' but superior to rank '3';
- **Rank 3:** Least preferred method of receiving payments.

Ranking for businesses that do not accept card payments

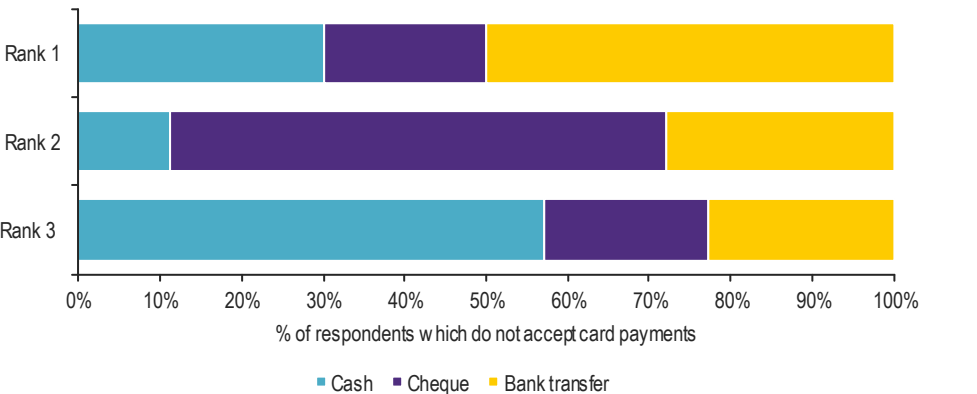
	Cash	Cheque	Bank transfer
Rank 1	30%	20%	50%
Rank 2	11%	61%	28%
Rank 3	57%	20%	23%

Sources: 1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

Kindly rank your businesses' preferred method of receiving payments

Respondents were asked to rank 3 different payment methods based on their preferred method of receiving payments.

As indicated in the graph below, payment by bank transfer seems to be the most preferred with 50% of respondents assigning the highest ranking. Cash on the other hand seems to be the least preferred method of receiving payments by businesses that do not accept card payments, since 57% of respondents assigned the lowest ranking.



The preferred method of receiving payments for businesses that accept card is indicated to be cash. On the other hand, cash is the least preferred method of receiving payments by businesses that do not accept card payments, with the preferred method for these businesses being bank transfers. This may indicate that businesses benefit from having cash deposited directly to their accounts; but may discouraged from accepting card payments due to high bank charges.

Reasons for businesses' preferred method of receiving payments

56% of respondents that accept card payments indicated cash as their preferred method due to no bank charges.

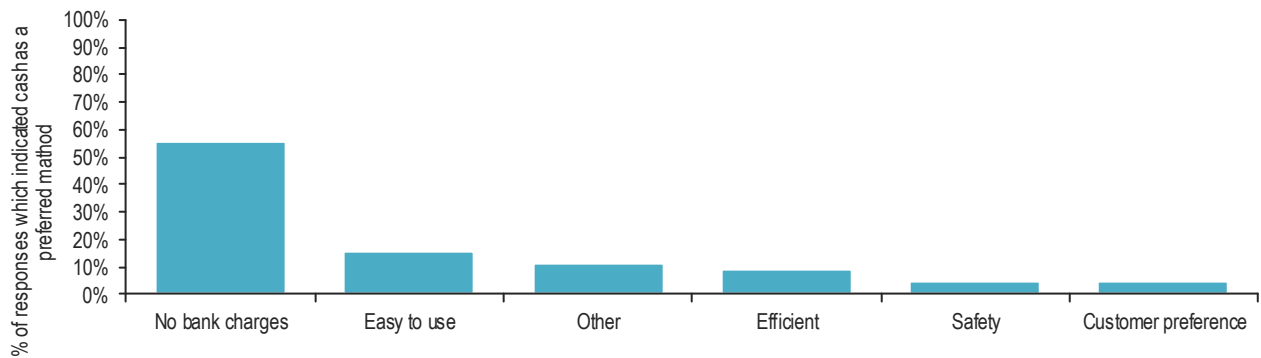
Kindly provide a reason why this is your preferred method of receiving payments

After ranking their preferred method of receiving payments, respondents were asked to provide a reason why this was their preferred method.

Cash was the most preferred method, with 51% of respondents assigning the highest rank. Of these 51%, 53% indicated that they preferred cash since there are no bank charges associated with this method of payment. 16% of respondents preferred this method due to its ease of use.

Cash

	%
No bank charges	56%
Easy to use	16%
Other	11%
Efficient	9%
Safety	4%
Customer preference	4%
Total	100%



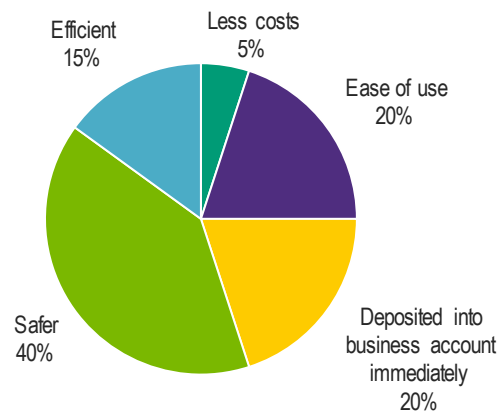
Sources: 1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

Reasons for businesses' preferred method of receiving payments

Kindly provide a reason why this is your preferred method of receiving payments.

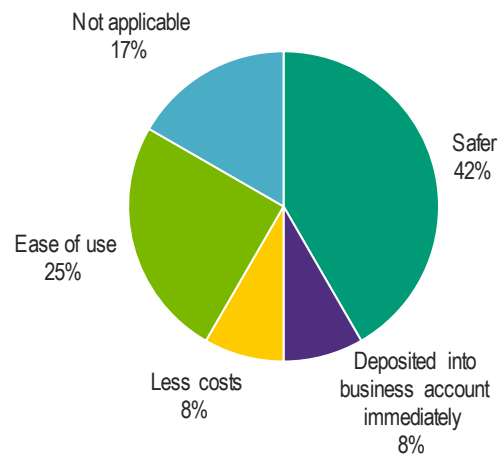
Bank transfers

50% of our sample of businesses that do not accept card payments indicated that payments by bank transfer is the preferred method of receiving payments. Of the 50%, 40% prefer this method as it is deemed to be safer than the alternatives. Furthermore, 20% prefer this method as the payment is deposited into their business account immediately, and a further 20% because of its ease of use.



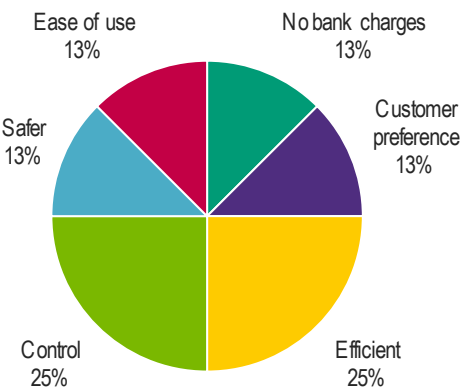
Cash

30% of businesses that do not accept card payments selected cash as their preferred method of receiving payments. Out of this 30%, 42% prefer this method over its alternatives due to safety reasons. 25% on the other hand indicated that it is preferred due to its ease of use. 8% of the over 30% indicated that they prefer cash due to less costs, and another 8% prefer this method since it is deposited immediately into their business account.



Cheques

20% of businesses that do not accept card payments selected cheques as their preferred method of receiving payments. Out of this 20%, 25% prefer this method due to its efficiency, and another 25% prefer cheques due to the control it gives businesses. On the other hand, safety, ease of use, customer preference, and lack of bank charges represent 13% of total responses each.





Merchants' preferred method of paying for own expenditure

How do you pay your expenses?

Cheques and payments made through a business account are the most popular methods of payment by local businesses.

How do you pay your suppliers / tax payments / utility bills / rent expenses?

Respondents were asked how they settled their payments with their suppliers. These questions allowed multiple answers per respondent.

The below table shows that payments by cheque are the most popular means of payment, followed by payments through a business account. In particular:

- with respect to payments to suppliers, 73% of respondents indicated that they pay by cheque or postal order, and 54% pay using a business account;

- with respect to tax payments, 53% indicated they use cheques or postal order, and 52% use a business account;
- 48% and 44% of respondents indicated that they use cheques or postal orders and business accounts to pay utility bills, respectively;
- respondents indicated that 48% paid their rent by cheques or postal orders, and 25% paid using a business account.

On the other hand, online payments, payments through corporate cards, personal accounts, and cash are less common methods of payment.

Breakdown of settlement of expenses

	Cash	Corporate cards	Personal payment card	Business account	Personal account	Cheques or postal order	Other
Suppliers	17%	10%	3%	64%	6%	73%	4%
Tax payment	4%	1%	1%	57%	1%	53%	4%
Utility bills	4%	6%	5%	50%	6%	48%	5%
Rent	4%	1%	1%	29%	1%	48%	0%

Advantages of using a corporate card

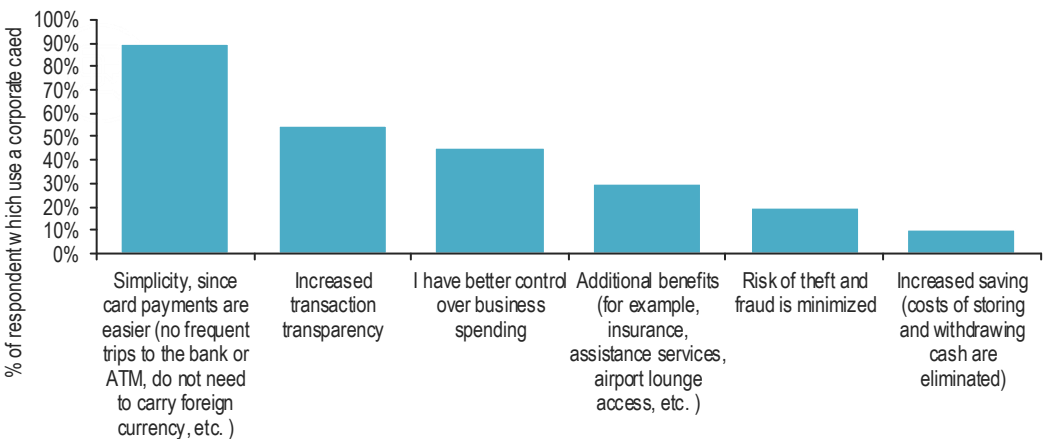
90% of respondents identified that an advantage of using of a corporate card is its simplicity.

What are the advantages of using a corporate card?

This question was asked to those that indicated that they used a corporate card to pay for payments and bills. This question allowed multiple answers per respondent; therefore, the total percentage exceeds 100%.

By looking at the adjacent graph, it is evident that the main advantage identified through this survey is simplicity, since corporate cards do not require frequent trips to the bank or ATM in particular. In fact, 90% of respondents selected this characteristic as an advantage. 55% of respondents identified increased transaction transparency as a prominent advantage. 45% also disclosed that though a corporate card, the business has better control over spending.

On the other hand, 30% identified additional benefits such as insurance and airport lounges as an advantage of using a corporate card, whilst 20% indicated that corporate cards help against theft and fraud risk. The remaining 10% disclosed that corporate cards help eliminate costs relating to the withdrawal of cash.



Advantages of corporate cards

	%
Simplicity , since card payments are easier (no frequent trips to the bank or ATM, etc.)	90%
Increased transaction transparency	55%
I have better control over business spending	45%
Additional benefits (for ex ample, insurance, assistance services, airport lounge access, etc.)	30%
Risk of theft and fraud is minimized	20%
Increased saving (costs of storing and withdrawing cash are eliminated)	10%

Reasons why businesses are discouraged from using corporate cards

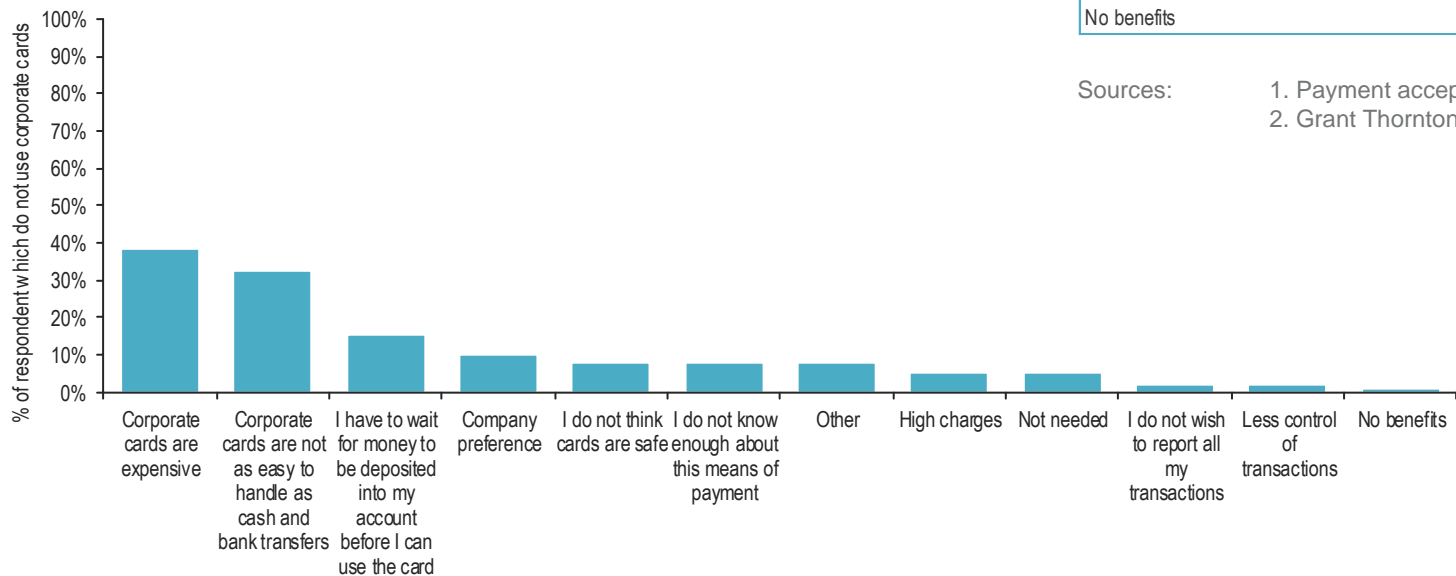
38% of respondents were discouraged from using corporate cards because they are expensive.

What discourages you from using a corporate card?

This question was asked to the respondents that indicated that they do not use a corporate card to pay suppliers or bills. This question allowed multiple answers per respondent.

The main reasons companies do not opt for a corporate card are as follows:

- Corporate cards are expensive (38%)
- Corporate cards are not as easy to handle as cash or bank transfers (32%)
- There is a waiting time from when money is deposited to them becoming available (15%)
- Company preference (10%)



Reasons why businesses are discouraged to use corporate cards

	%
Corporate cards are expensive	38%
Corporate cards are not as easy to handle as cash and bank transfers	32%
I have to wait for money to be deposited into my account before I can use the card	15%
Company preference	10%
I do not think cards are safe	8%
I do not know enough about this means of payment	8%
Other	8%
High charges	5%
Not needed	5%
I do not wish to report all my transactions	2%
Less control of transactions	2%
No benefits	1%

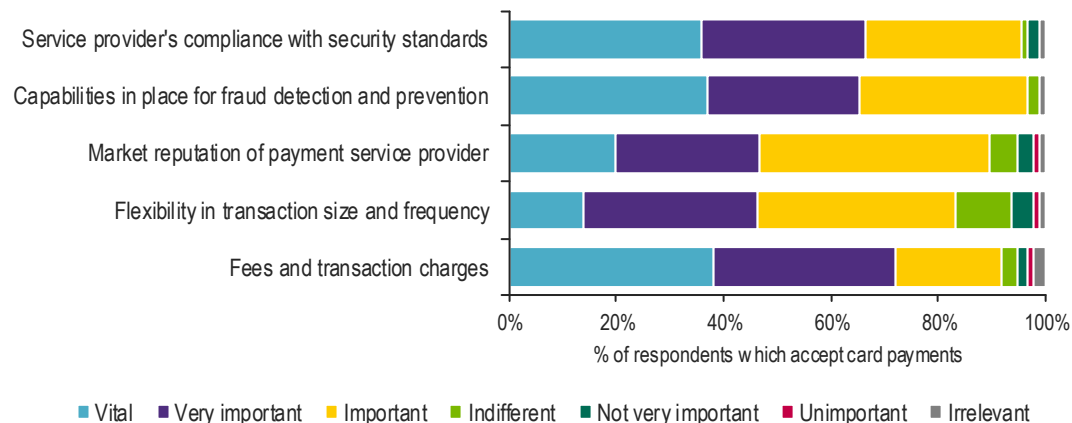
Sources: 1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis



Business concerns

Payment service provider

Respondents seem to be most concerned about fraud detection, and compliance and security standards.



Please indicate how important the following factors were in choosing the business' payment service provider

This question was asked to all respondents that indicated they accept cards. It is clear from the adjacent graph that a vast majority of respondents pay particular attention to all categories when choosing their payment service provider.

In particular, the total % of respondents that indicated an importance level of 'Important', 'Very important', and 'Vital' per category is as follows:

- Payment service provider's compliance with security standards (96%)
- Capabilities in place for fraud detection and prevention (97%)
- Market reputation of payment service provider (90%)
- Flexibility in transaction size and frequency (84%)
- Fees and transaction charges (92%)

Therefore, respondents seem to be most concerned about fraud detection, and compliance and security standards.

Business payment service provider

	Vital	Very important	Important	Indifferent	Not very important	Unimportant	Irrelevant	Total
Payment service provider's compliance with security standards	36%	31%	29%	1%	2%	0%	1%	100%
Capabilities in place for fraud detection and prevention	37%	28%	32%	2%	0%	0%	1%	100%
Market reputation of payment service provider	20%	27%	43%	5%	3%	1%	1%	100%
Flexibility in transaction size and frequency	14%	33%	37%	11%	4%	1%	1%	100%
Fees and transaction charges	38%	34%	20%	3%	2%	1%	2%	100%

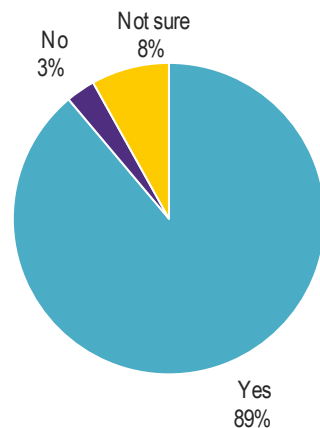
Sources: 1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis

Business' satisfaction with current payment service providers

89% are aware of the fees

Are you aware of the fees you are charged by your payment service provider?

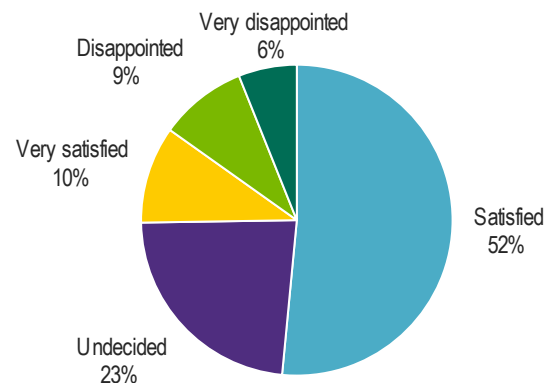
When asked whether businesses are currently aware of the fees they are charged by their payment service provider, 89% of respondents indicated they are aware, whilst 8% indicated they were not sure. The remaining 3% of respondents confirmed that they are not aware of the fees charged by their chosen payment service providers.



52% are satisfied

How satisfied are you with your current payment service provider?

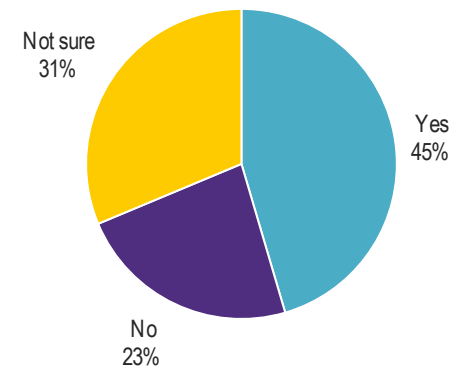
52% respondents which accept card indicated that they are satisfied with their current payment service provider. On the other hand, 23% of respondents are undecided, 10% are very satisfied, 9% are disappointed with their current payment service provider, and 6% are very disappointed.



45% would consider switching

Would you consider switching to another payment service provider?

52% respondents which accept card indicated that they are satisfied with their current payment service provider. On the other hand, 23% of respondents are undecided, 10% are very satisfied, 9% are disappointed with their current payment service provider, and 6% are very disappointed.



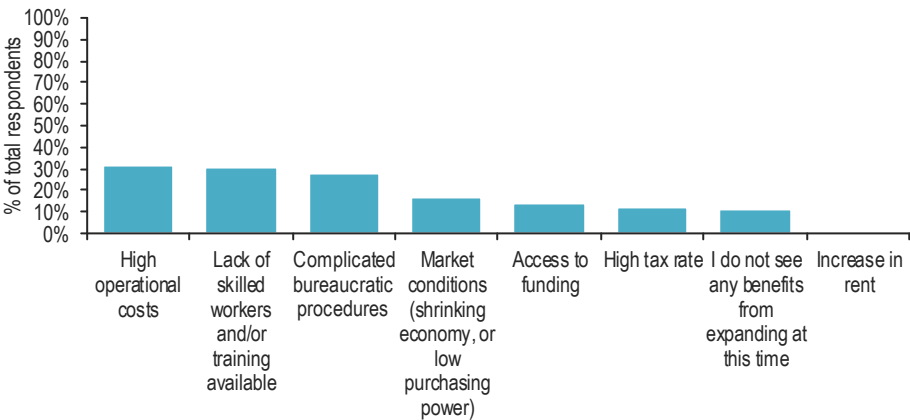
Main obstacles to development

32% of respondents identified high operations costs as a main obstacle to development.

What are the main obstacles to development which your business is currently facing?

This question was asked to all respondents, and was aimed at identifying main obstacles which each business is currently facing. 32% of respondents indicated that high operational costs is one of the obstacles they are currently facing. Lack of skilled workers and training available was also a predominant issue, with 31% of respondents identifying it as a main obstacle. Complicated bureaucratic procedures was also mentioned by 27% of respondents, whilst 17% identified the current market conditions as being a main obstacle.

Access to funding, a high tax rate, and increasing rental prices were also identified by respondents. On the other hand, 11% indicated that they do not currently see any benefits from expanding their business.



Main obstacles to development

	%
High operational costs	32%
Lack of skilled workers and/or training available	31%
Complicated bureaucratic procedures	27%
Market conditions (shrinking economy , or low purchasing power)	17%
Access to funding	14%
High tax rate	12%
I do not see any benefits from expanding at this time	11%
Increase in rent	1%

Sources: 1. Payment acceptance trends of Maltese merchants (2019);
2. Grant Thornton analysis



Grant Thornton

An instinct for growth™

[grantthornton.global](https://www.grantthornton.global)

© 2017 Grant Thornton International Ltd. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.