

Payment instruments: attitudes and perceptions of Russian consumers

Summary

For the past three years there has been a noticeable growth of financial services users among Russian population: according to NAFI research, the share of banking services users has increased by 5 percentage points since 2017 and currently is 86%. At the same time the level of digital literacy of Russians has also been rising: for the past three years it has grown by 10 points from 52 in 2017 to 62 out of 100 in 2019.¹ Russians have an interest in digital technologies, including digital financial instruments.

The increasing diversity of form-factors used by consumers motivated Centre for Research in Financial Technologies and Digital Economy SKOLKOVO-NES to study financial services users' attitudes towards different payment instruments (both cash-based and cashless) in Russia (i.e., owners of debit or/and credit cards) including the perceptions of their benefits, pain points and barriers while paying for goods and services. This quantitative research is a continuation of the qualitative study conducted in 2018², and was done in two stages with the help of National Agency of Financial Research (NAFR). The results of the first stage of study conducted in September 2019 based on representative nation-wide survey demonstrated that active users of payment instruments in question are citizens of large cities, 18-45 y.o. with sustainable income³. Considering the abovementioned parameters of the target audience, the data for the second stage was collected via an online panel survey (N = 1016 people) with quotas based on descriptive statistics from the official Rosstat statistics on the Russian population (sex, age, city type and Federal district) in order to maintain sample's representativeness.

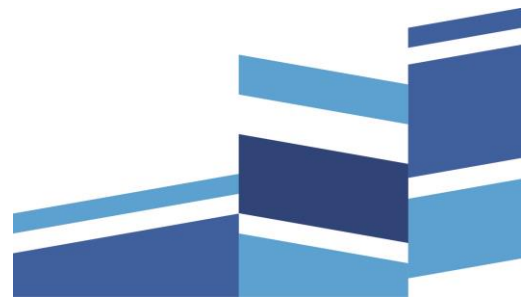
This research will be useful to everyone who is related to Russian retail payments market. First of all, these results offer financial services providers some insights into the attitudes of active card users towards different payment instruments, especially their pain points that might be addressed in order to improve customer experience and boost customer loyalty. The regulator might pay attention to the results in order to stimulate further usage and depth of usage of cashless payments to further foster financial inclusion.

¹ Level of digital literacy of Russians is rising/Press-release of Analytical Center NAFI (March 2019). URL:

<https://nafi.ru/analytics/uroven-tsifrovoy-gramotnosti-rossiyan-rastet-en-digital-literacy-of-russians-is-growing/>

²https://finance.skolkovo.ru/downloads/documents/FinChair/Research_Reports/SKOLKOVO_2018_12_Russian-consumers-research.pdf

³ N = 1600 people representing all adult (18 y.o.+) Russian population.



KEY RESULTS

- 1. The most popular payment instruments (used at least once during the past three months) among Russian card users are debit cards (98%), cash (97%) and mobile bank P2P transfers (93%); debit cards (52%), smartphones (39%) and cash (20%) are the most used everyday payment options.**
In addition, during the past three months every second respondent used credit card or online digital wallet (each 56%), less than half of the sample (46%) used smartphone payments, while the least popular instrument was installment payment card (25%).
- 2. 46% of bank card owners use smartphone for payments even though 76% of the sample have such functionality in their smartphone. Almost quarter of the respondents consider smartphone a preferred payment method (23%).**
There are more smartphone payment lovers among younger (18-29 y.o.) than older (38-45 y.o.) consumers (29% vs 14%). For almost all card users that now use smartphone payments (97%) the transition to the new payment instrument was easy, possibly due to the help from bank's representatives. The most popular pass-through wallet is Google Pay (47%). Apple Pay and Samsung Pay are used by 28% and 27% respectively.
- 3. Despite cash being one of the most demanded payment method, only 12% of card owners actually like using it.**
Card users mention the following disturbing factors while using cash: absence of cashback (88%), bad hygiene (75%), slower payment process (64%) and increased risk of money theft compared to card or smartphone payments (56%). Nevertheless, the largest benefit of cash is that it is accepted everywhere (51%), however, there are already 4% of those who consider that cash has no benefit at all.
- 4. The main benefit of bank cards compared to cash is an access to e-commerce (49%).**
People also mentioned higher speed at the checkout (36%), presence of cashbacks and discounts (25%). About a third of credit card users choose them due to cashbacks (30%) and because they do not have to think about how much money is left in their account (36%).
- 5. The most mentioned pain points associated with using a bank card is the necessity to pay bank fees (41%) and long refund time after returning goods to the shop (33%).**
More than a quarter of respondents dislike the lack of special checkouts for cashless payments (26%) and every fifth respondent mentioned that there are no pain points at all (19%).
- 6. Online stores that accept cards as a payment method are viewed as more trustworthy.**
61% of card users mentioned that they would not make purchases in the online store if it does not accept payment cards, while 58% of respondents would still buy products in a physical store if it does not accept cards.
- 7. 47% of card owners claim that if a bank card does not offer cashback, miles or bonuses they would not choose it. Moreover, 49% of respondents want their salary card to offer a loyalty program. Otherwise they would get the one that does.**
The largest share of those who are interested in loyalty programs live in Moscow (52%), are 38-45 y.o. (54%) and are from highest income group (68%). However, 48% do not mind having a card without loyalty program. 39% of card users would not care if their salary card does not offer a loyalty program.

8. Top 3 benefits of using smartphone as a payment instrument include: speed – 65%; access to all cards in one digital wallet (55%) and no need to remember card pin-code (27%).

For most of the users the most significant pain points are dead battery (58%) and the possibility that thieves might get access to their bank card data in case of smartphone loss (36%). 12% of respondents think that there are no pain points from using the smartphone at all.

9. Third of those that do not use smartphones for payments do not have such functionality in their smartphone (33%) or worry about losing their money either due to unauthorized access to banking cards (34%) or bank account (32%).

Some people choose not to use smartphone payments because its battery might die right at the time of payment (25%).

10. 48% of smartphone users agree that “it is easier to part with money” while paying with this payment instrument.

The highest agreement with this statement is among those in the highest income group (63%).

11. The largest number of mobile bank users consider using P2P transfers safer than using cash (74%).

Most popular mobile bank transactions include P2P transfers to family members or friends (84%), mobile phone and broadband Internet account top-ups (81%), transfers between own accounts, banking products management (77%).

12. 49% of online staged wallets clients use them since certain online stores/ marketplaces accept payments or provide refunds only via online wallets. Most card owners associate online wallets with fastest payment method on the Internet (58%), with which it is easier to transfer money to other people (50%).

Nevertheless, only 31% of respondents think that online wallets are safe. More than half of card owners claim that money could be easily stolen from the wallet: the level of wallet protection is unclear, the procedure of money refund in case of an unauthorized access is unknown (51%).

13. People percept online wallets, first of all, as an instrument for confidential payments.

62% of card owners think that online wallets are used for anonymity, 74% in order not to show payment card data on the Internet.

14. At the moment, online wallets are still considered relevant.

This is the opinion of 55% card users. However, 30% of the respondents, on the contrary, think that online wallets are rarely used. This figure differs by age – 35% among 18-29 y.o. vs 24% among 38-45 y.o.