



ΥΠΟΥΡΓΕΙΟ ΟΙΚΟΝΟΜΙΑΣ & ΟΙΚΟΝΟΜΙΚΩΝ  
ΥΠΟΥΡΓΕΙΟ ΕΣΩΤΕΡΙΚΩΝ, ΔΗΜΟΣΙΑΣ ΔΙΟΙΚΗΣΗΣ & ΑΠΟΚΕΝΤΡΩΣΗΣ  
ΕΠΙΧΕΙΡΗΣΙΑΚΟ ΠΡΟΓΡΑΜΜΑ  
"ΚΟΙΝΩΝΙΑ ΤΗΣ ΠΛΗΡΟΦΟΡΙΑΣ"



**E' Work Cycle: Work Group E3**

**SUMMARY OF FINAL RESULT  
ELECTRONIC PAYMENTS:  
PROBLEMS AND PERSPECTIVES**

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**Rapporteurs: Elpida Prasopoulou, Athanasios Nikas**

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## 1. Introduction

The spreading of the Internet during the last decade and its use for commercial purposes created new conditions in the business sector. Businesses are called to create the infrastructure that will allow the consumers to purchase products and services through the Internet. Already, in most countries of the world, Electronic Commerce constitutes an undisputed reality to which businesses have to adjust in order to remain competitive, while at the same time meeting the requests of their clientele.

In Greece, in the framework of wider institutional changes that have been put into operation already, since the first five years of the 90's, electronic commerce has gradually gained ground in the market, with the help of appropriate actions of the 2<sup>nd</sup> and 3<sup>rd</sup> Community Support Framework, but also the activity by subsidiaries of large multinational companies. However, even though systematic evaluations of the course and perspectives of electronic commerce in Greece have been executed, until today no detailed evaluation of electronic payment systems has been carried out in our country. Thus, the goal of Work Group E3 has been the systematic examination of the existing electronic payment systems in Greece and the examination of the factors that are connected to the development and adoption of those systems by consumers and businesses.

The discussion in the framework of the Ebusiness Forum was mainly focused on the characteristics of the Greek market that cause a grave indecisiveness in the development of electronic payment systems. Furthermore, the condition of electronic commerce in our country was examined, as an important factor that affects the development of electronic payment systems, but also the purchasing culture of Greek consumers that decisively affects the adoption of such systems. Special reference was made to the driving role of Public Administration initiatives, such as Taxis.net, which familiarize the population with the use of new technologies and which have the ability to create in a very short period, the critical mass that is needed to achieve each initiative.

## 2. The E3 Work Group: "Electronic Banking: Problems and Perspectives"

The E3 Work Group was formed in the framework of the Fifth Work Cycle of Ebusiness Forum, aiming to describe the condition in the electronic payment sector in Greece. The group had as a goal to begin a fruitful dialogue between all agents that are involved in the electronic payment issue, so that the major problems will be made known, any opportunities will be recognized, and mostly to arrive at clear proposals that will guide the government, businesses and banks to formulating efficient policies.

The E3 Work Group was coordinated by Mr. Dimitris Georgopoulos, Manager of Alternative Networks at Nova Bank and Mrs. Aggeliki Polimenakou, Assistant Professor in the University of Economic Sciences in Athens. The group's rapporteurs were Mrs. Elpida Prasopoulou and Mr. Athanasios Nikas, Phd candidates in the University of Economic Sciences in Athens, who also have the responsibility of drafting the final result. In the group's works participated persons from the private and public sector which were invited either by name or due to their knowledge on the issue of electronic payments, or were selected through open invitations addressed to agents that are involved in the issue of electronic payments.

## 3. Definition of Electronic Payments - Distinctions

Payment systems that use electronic distribution networks constitute a frequent practice in the banking and business sector since the 60's, especially for the transfer of big amounts of money. In the four decades that have passed since their appearance, important technological developments have taken place, which on one hand have expanded the possibilities of electronic payment systems and on the other hand they have created new social practices, which make the use of these systems necessary. These changes, naturally, have affected the definition of electronic payments, which is evolving depending on the needs of each period.

**In its most general form, the term electronic payments includes any payment to businesses, banks or public services from citizens or businesses, which are executed through a telecommunications or electronic network using modern technology.** It is obvious that based on this definition, the electronic payments that will be the objects of the present result, are the payments that are executed by the payer himself, whether the latter is a consumer or a business, without the intervention of another natural person. Furthermore, the payment is made from a distance, without the physical presence of the payer and naturally it does not include cash. By providing such a definition for electronic payments, we include the transfer of information concerning the accounts of the parties involved in the transaction, as well as the technological means or distribution channels through which the transaction is executed.

Even though the use of electronic systems for the execution of payments is a common practice for some decades now, during the last five years, the sector of electronic payments has been the source of

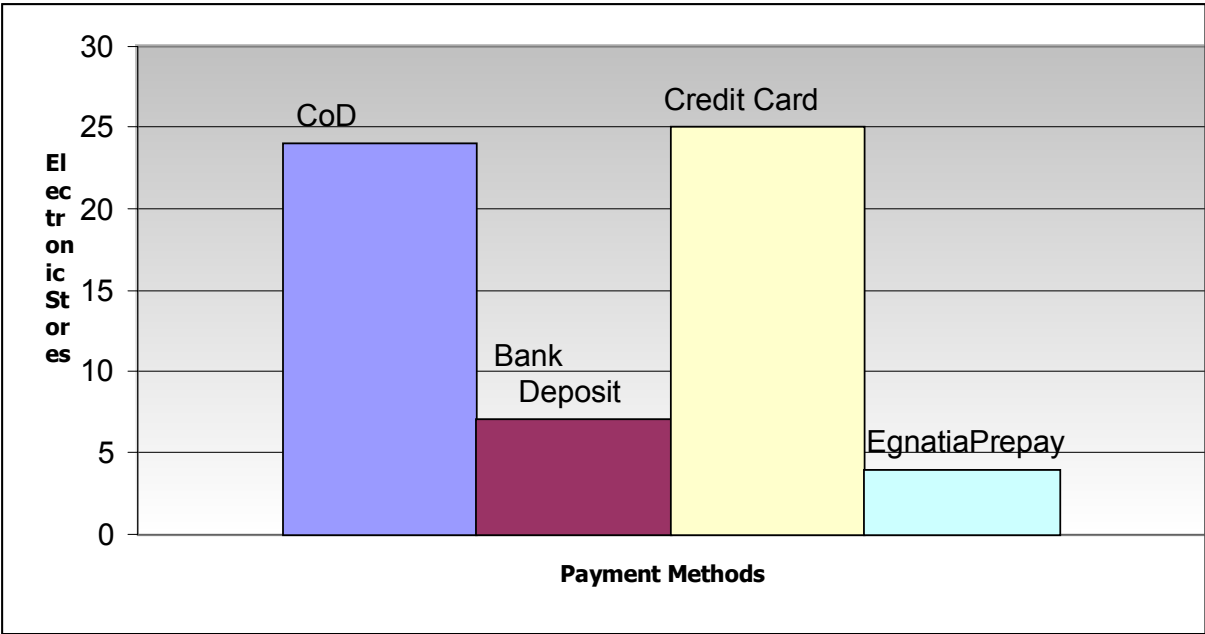
particular interest for the business as well as the academic community. This increased interest must be awarded mainly to the development of the Internet, but also to the spreading of mobile telephony, both offering new possibilities to all businesses. The global character of the above two means, as well as the easy access to them, widened considerably the action field of all businesses, and as a result electronic business and mobile business evolved into an important parameter of modern business practice. Considering the fact that the business activities that use these new technologies need support by modern electronic payment systems, the discussion concerning the field mainly focuses on payment systems through the Internet and through mobile devices. For this reason, the present discussion mainly focuses on these two categories of electronic payments. The purpose of the discussion is to examine mostly the changes that are noted in the banking and business sector, but also in public administration, due to the use of the Internet and mobile telephony.

**4. Greek electronic stores: Current payment methods**

In the framework of the discussion and in order to have a more systematic description of the use and adoption of electronic payment systems in Greece, the examination of payment methods offered by Greek electronic stores was deemed necessary. The research on the payment methods was executed by the group’s rapporteurs, and it was based on visits to the electronic stores.

The selection of electronic stores was executed on the basis of press publications where their put into operation was announced, or through the links that can be found on the basic Internet portals of Greece. In total, we visited approximately 30 electronic stores. The products offered through these stores covered a wide range, mostly concerning books and office materials, computer products, electrical devices, flowers, CDs and DVDs, but also other categories such as baby products, clothing, presents etc.

In the framework of the research, we visited the webpage of each store and examined the choices offered to consumers in what concerns product and services payments. In most of the electronic stores, this information was available to the visitors of the webpage in the section that concerned the terms of use of the webpage. In those stores where this information was not directly available, the practice that was followed in the framework of the research, was the creation of a purchases basket so that the access to the webpage where the available payment methods could be found, was possible.



**Figure 1:** Available payment methods in Greek electronic stores

As can be seen in figure 1 that shows the results of the research, the basic payment methods offered to Greek consumers at this time are four:

- Payment with cash on delivery, especially for residents of Athens and urban centers in general
- Payment with credit card
- Bank deposit
- Prepaid cards (Egnatia Prepay)

It is also obvious from figure 1 that among these four payment methods, the electronic stores prefer to a large extent payments with cash on delivery or credit cards, and then payments by bank deposit. Even more restricted is the possibility of payment with modern payment means, such as prepaid cards. It is characteristic that in most electronic stores that we visited, the possibility of payment without the use of a credit card was particularly stressed, so that visitors of the webpage would make purchases. This fact demonstrates the general mistrust and lack of faith that characterizes the Greek consumer public in what concerns electronic payment systems. Furthermore, the results of this research demonstrate the hesitation of Greek banks or other companies to proceed to the creation of innovative products that will be based on modern payment means, as their acceptance is expected to be low and it will not justify the increased required investment. For this reason, until today there are only three innovative electronic payment systems in Greece, which are presented in the following unit.

## 5. Work group proposals

Based on the conclusions that resulted from the bibliographical review as well as from the meetings that were executed in the framework of the discussion, the proposals of E3 work group: "Electronic payments: Problems and perspectives" are the following:

### 5.1 TO THE GOVERNMENT

The basic point of view that prevailed during the discussions was that the government can play a particularly important role in the development and adoption of electronic payment systems. For this reason, the volume of proposals by the work group concerns mostly the government and the actions which she must take if it wishes to promote electronic payments in Greece.

- **Execution of transactions with the public administration through electronic systems.** With the implementation of Taxis, the Government showed that it has the know-how but mostly the will to transfer an important volume of transactions with the citizens to the Internet where they can be executed faster. The systematic transfer of payments to the Public administration to electronic systems will create an critical volume of users which will gradually use these systems more even in order to purchase consumer products and it will lift the fears and mistrust of users around the systems in question.
- **Information and education of consumers.** An important problem in the adoption of electronic payment systems mostly by consumers is the great mistrust that they show in what concerns the safety of transactions. The systematic informing of consumers on the advantages of electronic payments is necessary. Furthermore, information on security issues is particularly important, as well as the upholding of security regulations in order to ensure the integrity of transactions.
- **Quicker adoption of laws.** Even though the most basic European laws concerning issues of electronic payments have been adopted by the Greek state, it is necessary to speed up the adoption rate so that soon a legal framework is formed, which will regulate electronic payments in their totality. Furthermore, it is particularly important that specialized regulations are issued by the competent authorities so that the necessary push is given to electronic commerce as well as to electronic payments in our country.
- **Normalization and modernization of transaction morals:** An important obstacle, especially to the adoption of electronic payment systems in transactions between businesses, is the existence of transaction morals that cannot be transferred as they are in the virtual world. The government must call the competent agents (Chambers, Banks, Associations) to a discussion, so that a gradual course can be mapped towards the modernization of transaction morals in commerce in such a way that no further obstacles appear in their digitization.

### 5.2 TO BANKS AND COMPANIES

The banking, as well as the business world can play an important role in the development and adoption of innovative electronic payment systems. Already, the banking market presents a high mobility in what concerns the creation of products that are based on prepaid cards. As we have already seen, there are two such products that circulate widely, while numerous banks are preparing to present their own similar products. However, despite any initiatives, there are important actions that must be made so that consumers gain trust in electronic payment systems. Thus,

- **Information to the consumer public:** Businesses through the Chamber of Commerce and Industry, but mostly banks, must inform the public on the advantages of electronic payment systems. Furthermore, they must train properly their staff so that it can adequately guide the interested parties in the use of electronic payment systems. Special attention must be paid by banks to the security measures taken, so

that the mistrust of the consumer public is lifted, something which constitutes the essential psychological obstacle that discourages the wider adoption of electronic payments.

- **Promotion of DIAS S.A.:** the strengthening of the role of DIAS S.A. in the development and promotion of electronic payment systems, will considerably help in the fast achievement of the critical size that will attract new investments in electronic payment systems and will activate the market. Furthermore, smaller banks will have the opportunity to participate, strengthening the promotion of electronic payment systems.

In total, the government as well as the banking and business sector must inform the public, in a coordinated manner, on the advantages of electronic payments. At the same time, all involved sectors must create the necessary infrastructure in the Greek market that will allow to achieve the required critical size in order to turn electronic payment systems into a financially profitable activity for banks and businesses. Finally, an important role in the promotion of electronic payment systems will be played by the appropriate legal framework, which will allow the correct operation of the systems, while it will create a feeling of security for the consumers as well as for the businesses.