



CENTRAL BANK OF
TRINIDAD & TOBAGO

Understanding and Usage of Payment Options by Businesses in Trinidad and Tobago

**Business Survey
March, 2010**

CONTRIBUTIONS

The Payments System Council wishes to acknowledge the contribution of the following Associations and their members: the Trinidad and Tobago Chamber of Industry and Commerce, the Energy Chamber of Trinidad and Tobago, the American Chamber of Commerce of Trinidad and Tobago, the Trinidad and Tobago Coalition of Services Industries, the Trinidad and Tobago Manufacturers' Association, the Supermarket Association of Trinidad and Tobago and the National Entrepreneurship Development Company Limited (NEDCO).

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PREFACE

The Trinidad and Tobago Payments System Council (Council) was formed by the Central Bank in September 2002 to provide a forum where key stakeholders could contribute to the development of payment systems that meets the country's needs. The objective of the Council was stated as follows:-

*"...to support the achievement of sound and efficient payments, clearance and settlement systems in the country and to participate in regional and international efforts aimed at maintaining ordered conditions in regional and international payment systems."*¹

Initially, its membership comprised the Central Bank, commercial banks, the Securities and Exchange Commission and Government, which were the

organisations, engaged in the reform of the payment system at that time. In February 2009, the membership of the Council was expanded to include a wider cross section of stakeholders in the payment system. These are the Central Bank as the financial sector and payment system regulator, the Securities and Exchange Commission as the regulator of the securities market, the Treasury Division of the Ministry of Finance which manages government receipts and payments, the commercial banks and payment system operators as key payment system intermediaries, the business sector and consumers as critical users of the system and the Telecommunications Authority of Trinidad and Tobago (TATT).

The Central Bank provides the leadership as well as the secretariat for the Council.

¹ Taken from the paper "Formation of a Payments System Council in Trinidad and Tobago – November 2000" Section II.

1. EXECUTIVE SUMMARY

A survey on the usage and understanding of payment instruments was conducted by the Payments System Council over a period of four months from October 2009 to January 2010. Businesses of various sizes and across several sectors were asked about their understanding and use of various payment methods – cash, cheques, debit and credit cards, the ACH and the RTGS systems. The major findings of the survey are summarized below, under three headings:

- (i) Knowledge of Payment Methods
- (ii) Use of Instruments
- (iii) Payment Preferences

Knowledge of Payment Methods

In addition to cash, there is broad-based knowledge of the more traditional payment methods - cheques, debit and credit cards - across business sectors; however knowledge of newer electronic methods is significantly less. In particular, only about half of respondents had knowledge of the ACH. The extent of their knowledge varied among sectors, being least in the Construction sector. A fewer number of respondents - approximately a quarter- had knowledge of the RTGS. It is not altogether surprising that knowledge of the RTGS is less than that of the ACH since the former is targeted to transactions with a value of over \$500,000. Knowledge of both the ACH and the RTGS is higher among large and medium sized businesses than among small and micro businesses.

Use of Instruments

Cheques remain the most commonly used non-cash instrument for both making payments and receiving

funds. A larger number of companies reported that they used cheques to make payments than the number reporting that they received funds by this means. For example, within the Distribution sector, about 90 per cent of respondents use cheques to effect payments, while only about 50 per cent indicated that they got their receipts by this means.

About 20 per cent of respondents reported that they use the RTGS or the ACH for either payments or receipts, noticeably less than the amount reporting that they had knowledge of these instruments.

Payment Preferences

All sectors, irrespective of size of business, indicated a preference for making payments by cheque; however with regard to receipts, a significant number had a preference for the ACH followed by the RTGS. The preference for receipts by electronic means is encouraging, although the asymmetry relative to payments would suggest that there is less than full appreciation for the efficiencies to be derived from the newer electronic methods.

Respondents were also asked to indicate the areas in which they would like to see improvements with each of the payment methods. For all means of payment other than cash, the need for improved customer support was mentioned. This speaks to the need to ensure that those providing payment services are adequately knowledgeable and have the capacity to properly advise and assist users.

DETAILED REPORT

Introduction

A survey on business usage and understanding of payment instruments was conducted by the Payments System Council over the four-month period from October 2009 to January 2010.² The survey questionnaire was for the most part distributed electronically to the business community through various business Associations - the Trinidad and Tobago Chamber of Industry and Commerce, the Energy Chamber of Trinidad and Tobago, the American Chamber of Commerce of Trinidad and Tobago, the Trinidad and Tobago Coalition of Services Industries, the Trinidad and Tobago Manufacturers' Association, the Supermarket Association of Trinidad and Tobago and the National Entrepreneurship Development Company Limited. A total of 102 businesses responded to the survey.

Methodology

Members of the various business organizations were requested to complete the questionnaire on a voluntary basis. The respondents were therefore not randomly selected. The size and sector classifications that were used are broadly consistent with that of the Central Statistical Office (CSO) in its Survey of Business Establishments and other surveys conducted by the Central Bank. Despite the limited response, we believe the information gathered has given some interesting and useful insights into the relative use and understanding of the various payment methods.

Respondent Characteristics

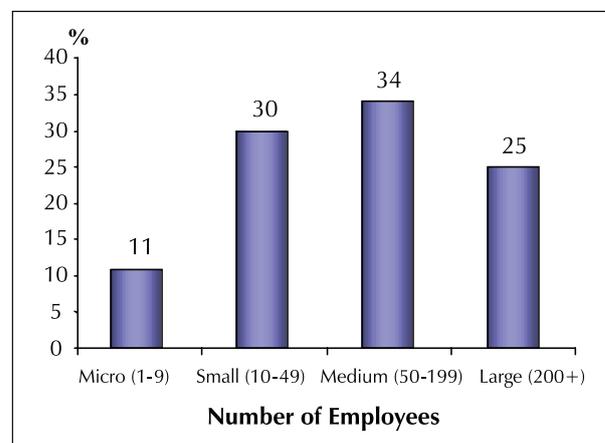
The respondents were classified according to three main characteristics:

- Size in terms of employee base
- Economic Sector; and
- Value of payments and receipts.

1. Size in terms of employee base

The respondents to the survey were classified by size, from micro to large, on the basis of numbers of employees. Micro represents firms with less than 10 employees while large firms have more than 200 employees. Chart 1 shows the distribution of responding firms by size.

Chart 1
Respondents by Size of Firm



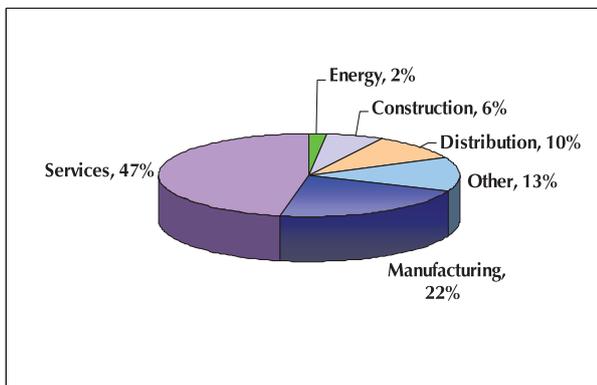
Source: Payments System Survey 2010.

² A separate survey of consumers was undertaken over the period December 2009 to February 2010. A report on the findings will be prepared once the data is collated and analyzed.

2. Economic Sector

The firms responding to the survey came from several economic sectors. However the majority of respondents were from the Manufacturing and Services sectors, accounting for 22 and 47 per cent respectively of the total. Chart 2 shows the sectoral composition of the respondents.

Chart 2
Distribution of Respondents by Sector



Source: Payments System Survey 2010.

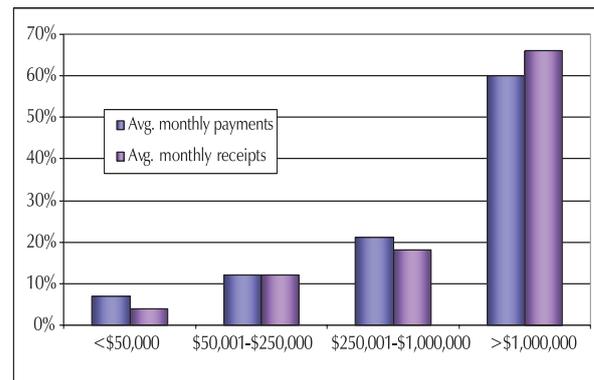
Table 1 below shows that within the Construction sector, 67 per cent of the respondents were small companies. The Distribution sector was fairly evenly represented across the small, medium and large groupings, while over 80 per cent of the Manufacturing sector

respondents were in the medium to large categories. In the Energy sector the only 2 respondents were large businesses while the Services sector respondents were of various sizes but mainly small and medium firms.

3. Value of Payments and Receipts

Additionally, businesses were classified by the dollar value of their payments and receipts. As indicated in Chart 3 below, approximately 60 per cent of respondents had monthly receipts and payments of over \$1,000,000. The value of receipts and payments within each value range was fairly similar.

Chart 3
Value of Payments and Receipts



Source: Payments System Survey 2010.

Table 1
Size of Firm by Sector

	Sector					
	Construction	Distribution	Energy	Manufacturing	Services	Other
	Size (%)					
Micro: 1-9	0	0	0	5	17	15
Small: 10-49	67	30	0	14	38	15
Medium: 50-199	17	30	0	50	30	46
Large:200+	17	40	100	32	15	23
Total	100	100	100	100	100	100

(Totals may not add to 100% due to rounding)
Source: Payments System Survey 2010.

Analysis

1. Characteristics of Respondents

The survey results indicated that most of the businesses in the medium and large categories had average monthly receipts and payments amounting to over \$1,000,000. The average monthly payments and receipts of businesses classified as small ranged between \$50,000 to over \$1,000,000, while for the micro firms, these receipts and payments were largely valued at \$250,000 and under. (Table 2)

A significant proportion of businesses in all sectors had average monthly payments and receipts in excess of \$1,000,000. Table 3 shows that all respondents in the Energy sector had average payments and receipts above \$1,000,000 compared with 46 per cent for the Services sector. Businesses reporting average monthly receipts and payments under \$50,000 were generally within the Services and Other categories. (Table 3)

Table 2
Average Monthly Payments and Receipts by Size of Firm

	Size of Firm				
	Large: 200+	Medium: 50-199	Small: 10-49	Micro: 1-9	Total
	(%)				
Average Monthly Payments Nil	0	0	1	0	1
< \$50,000	0	1	1	5	7
\$50,001 - \$250,000	0	0	7	5	12
\$250,001 - \$1,000,000	2	6	12	1	21
> \$1,000,000	24	27	9	0	60
Total	26	34	29	11	100
(%)					
Average Monthly Receipts Nil	0	0	0	2	2
< \$50,000	0	0	1	3	4
\$50,001 - \$250,00	1	0	6	5	12
\$250,001 - \$1,000,000	2	3	12	1	18
> \$1,000,000	23	31	11	0	65
Total	26	34	29	11	100

Source: Payments System Survey 2010.
Nil- No selection made by respondents.

Table 3
Average Monthly Payments and Receipts by Sector

	Sector					
	Construction	Distribution	Energy	Manufacturing	Services	Other
	Average Monthly Payments (%)					
No Responses	17	0	0	0	0	0
< \$50,000	0	0	0	5	9	15
\$50,001 - \$250,000	17	10	0	9	15	8
\$250,001 - \$1,000,000	0	20	0	14	30	15
> \$1,000,000	66	70	100	72	46	62
Total	100	100	100	100	100	100
Average Monthly Receipts (%)						
No Responses	0	0	0	5	2	0
< \$50,000	0	0	0	0	6	8
\$50,001 - \$250,000	17	10	0	0	17	15
\$250,001 - \$1,000,000	17	10	0	23	21	8
> \$1,000,000	66	80	100	72	54	69
Total	100	100	100	100	100	100

Source: Payments System Survey 2010.

Table 4
Knowledge of Payment Instruments

	No Knowledge	Limited Knowledge	Very Good Knowledge	Non-Responses	Total
	(%)				
Cheque	1	2	93	4	100
Debit Card	2	6	91	1	100
Credit Card	3	7	87	3	100
ACH	9	32	59	0	100
RTGS	39	28	31	2	100

Source: Payments System Survey 2010.

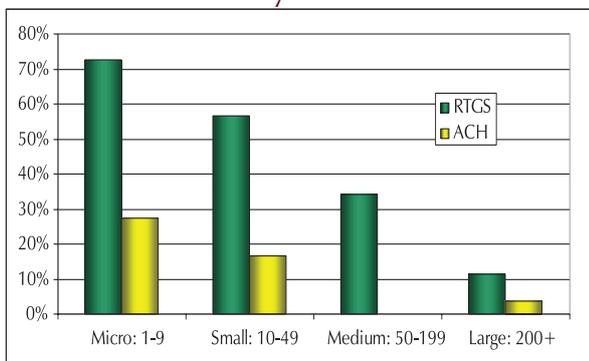
2. Knowledge of Payment Methods

As shown in Table 4, almost all survey respondents indicated that they knew about cheques, debit and credit cards. Approximately 39 per cent of the respondents had no knowledge about the RTGS, while 9 per cent had no knowledge of the ACH.

More detailed examination of businesses' knowledge of the newer methods, the RTGS and the ACH, **by size of business** shows that over 70 per cent of micro and 57 per cent of small firms had no knowledge of the RTGS system. This number declines as firm size increases, such that only 11.5 per cent of large firms reported that they had no knowledge of the

RTGS. Similarly for the ACH, larger firms are more knowledgeable than smaller ones. About 27 per cent of micro, 16 per cent of small and 4 per cent of large businesses reported that they had no knowledge of the ACH. All respondents in the medium group reported some knowledge of the ACH. (Chart 4)

Chart 4
Firms with No Knowledge of RTGS and ACH by Size



Source: Payments System Survey 2010.

The knowledge of the RTGS system varied across sectors, ranging from all respondents in the Energy sector to 50 per cent in the Construction sector.

3. Current Methods of Payments and Receipts

Most survey respondents (82 per cent) indicated that they used mainly cheques for making payments while a somewhat lower number (68 per cent) stated that this was the most common means by which funds were received. The RTGS and debit card were the instruments least in use for both payments and receipts - approximately 57 per cent of respondents indicated that the RTGS was the least used method for their receipts, while 70 per cent indicated that the debit card was least used for payments. (Appendix Q2 & Q4)

Current Methods of Payments

Table 5 shows the most and least used methods for making payments by sector. For **all sectors** the cheque was the most commonly used method for making payments. However, the method that is least used differed across sectors. The debit card was least used by the Construction, Distribution and Manufacturing sectors, while for the Energy and Services sectors, cash and the RTGS system respectively were the least used methods.

Table 5
Method of Payment by Sector

Sector	Most Used	Least Used
Construction	Cheque	Debit Card
Distribution	Cheque	Debit Card
Energy	Cheque/ ACH	Cash
Manufacturing	Cheque	Debit Card
Services	Cheque	RTGS
Other	Cheque	Cash

Source: Payments System Survey 2010.

While the cheque was the most commonly used form of payment in all sectors, there were some differences in the extent of this usage by **size of firm**. Among the large firms, cheques were ranked by about 73 per cent of respondents as the most used means for making payments, while among micro and small businesses the level climbed to 81 per cent and 93 per cent respectively. The low usage of the RTGS and debit cards for making payments was common across all sizes of businesses. (Table 6)

Current Methods of Receipts

Consistent with the fact that most payments are made by cheques, this was also the most common means by which businesses receive funds. However, the use of cheques is less dominant on the receipts side, suggesting that other users of the payment system are settling their obligations using non-paper based instruments. Overall, the RTGS system was the least common means by which businesses received payment, although the debit card was least preferred in the Construction sector and cash in the Energy sector. (Table 7)

Table 6
Method of Payment by Size of Firm

Size	Most Used	%	Least Used	%
Micro 1-9	Cheque	81	RTGS	63
Small 10-49	Cheque	93	Debit Card RTGS	63 56
Medium 50-199	ACH	80	Debit Card RTGS	85 60
Large 200+	Cheque	73	Debit Card RTGS	69 46

Source: Payments System Survey 2010.

Table 7
Method of Receipt by Sector

Sector	Most Used	%	Least Used	%
Construction	Cheque	100	Debit Card	66.7
Distribution	Cheque	50	RTGS	70
Energy	Cheque/RTGS	50	Cash	100
Manufacturing	Cheque	68.2	RTGS	68.2
Services	Cheque	68.1	RTGS	57.5
Other	Cheque	69.2	ACH/Credit Card	46.2

Source: Payments System Survey 2010.

Table 8 below shows the dominance of cheques across all sizes of businesses - 76 per cent among small firms, 71 per cent of medium-size ones, 63 per cent of micro enterprises and 54 per cent of businesses in the large category. The RTGS option was the least used method for receipts by firms of all sizes except the medium category which ranked the debit card as lowest.

4. Preferred Methods of Payments and Receipts

Businesses were also asked to indicate the most and least preferred means of payment. The results show some difference between what currently obtains and the preferences of businesses. The ACH and cheques were the instruments most preferred for both payments and receipts. (Respondents were allowed to indicate more than one preference.) With respect to their **receipts**, the ACH was most preferred by 56 per cent of all respondents followed by cheques with 46 per cent; while with respect to making **payments**,

cheques were most preferred by 63 per cent of the respondents with the ACH ranked as the second most desired option by 56 per cent. A significant number of businesses indicated that cash was their least preferred means for receiving funds (58 per cent) as well as for making payments (68 per cent). (*Appendix Q3 & Q5*)

Preferred Methods of Payment

The preferences for making payments varied **by size** of business with medium and large size businesses favouring the ACH and small and micro firms preferring cheques. Most firms in the large, medium and small categories preferred not to make payments in cash. (Table 9)

The analysis of payment preferences by sector shows that the Distribution, Construction and Services sectors prefer to make payments by cheque while the other sectors opted for the newer electronic systems.

Table 8
Method of Receipt by Size of Firm

Size	Most Used	%	Least Used	%
Micro 1-9	Cheque	63.6	RTGS	63.6
Small 10-49	Cheque	76.0	RTGS	63.3
Medium 50-199	Cheque	71.4	Debit Cards	60.0
Large 200+	Cheque	53.8	RTGS	46.2

Source: Payments System Survey 2010.

Table 9
Payment Preferences by Size

Size	Most Preferred	%	Least Preferred	%
Micro 1-9	Cheque	63.6	Credit Card	45.4
Small 10-49	Cheque	80	Cash	63.3
Medium 50-199	ACH	68.6	Cash	71.4
Large 200+	ACH	65.4	Cash	80.8

Source: Payments System Survey 2010.

Generally cash was the least preferred method for making payment by all sectors. (Table 10)

Preferred Methods of Receipt

Businesses expressed a similar preference for how they make payments and how they would like to receive funds. Accordingly, large and medium firms preferred the ACH while small and micro enterprises preferred to

receive cheques. Additionally, cash was least preferred by small, medium and large firms, while micro firms were more averse to credit card receipts. (Table 11)

The sector data show some differences in preferences on the receipts side. The Construction and Distribution sectors indicated a preference for cheques while the other sectors preferred the newer electronic systems (the RTGS and the ACH). Cash and credit card receipts were the least preferred options. (Table 12)

Table 10
Payment Preferences by Sector

Sector	Most Preferred	%	Least Preferred	%
Construction	Cheque	66.7	Credit Card	66.7
Distribution	Cheque	80	Cash	70
Energy	RTGS/Cheque	50	Cash	100
Manufacturing	ACH	72.7	Cash	95.5
Services	Cheque	59.6	Cash	59.6
Other	RTGS	61.5	Cash	46.2

Source: Payments System Survey 2010.

Table 11
Receipt Preference by Size

Size	Most Preferred	%	Least Preferred	%
Micro 1-9	Cheque	63.6	Credit Card	54
Small 10-49	Cheque	60	Cash	63.3
Medium 50-199	ACH	62.9	Cash	65.7
Large 200+	ACH	81.8	Cash	50

Source: Payments System Survey 2010.

Table 12
Receipt Preference by Sector

Sector	Most Preferred	%	Least Preferred	%
Construction	Cheque	66.7	Credit Card	50
Distribution	Cheque	70	Cash	40
Energy	RTGS/ACH	50	Cash	100
Manufacturing	ACH	72.7	Credit Card	72.7
Services	ACH	55.3	Cash	63.8
Other	RTGS	61.5	Cash	46.2

Source: Payments System Survey 2010.

5. *Areas for Improvement*

Businesses indicated that they would wish to have an improvement in customer support for all non-cash methods of payment. Table 13 below summarises the responses to the question on the areas requiring improvement in the delivery of each payment option.

Conclusion

With a small sample size of 102 respondents, it is difficult to make conclusive statements on either the practices or preferences of the various sectors. Nonetheless we believe that the data allow us to gain some broad understandings of current payment choices and preferences of the business community.

- A large number of companies currently rely on cheques for both payments and receipts while a small percentage actually make use of the RTGS and the ACH. However, a notable share indicated a preference for the ACH and RTGS systems. This suggests significant scope for the use of electronic alternatives.
- Companies in the small and micro classes appear to be least knowledgeable of the newer electronic methods of payment such as the ACH and RTGS systems. This suggests that this is a major target group that needs to be made aware of these instruments, their uses and benefits.

March, 2010

Table 13
Areas for Improvement in Payment Methods

Payment Instrument	Areas For Improvement
Cash	Security, privacy and convenience.
Cheque	Timely and accurate completion of payment, customer support and convenience.
Debit Card	Technical customer support, privacy and security.
Credit Card	Cost, privacy, security and customer support.
ACH	Customer support, convenience, ease of use, timely and accurate completion of payment.
RTGS	Cost, customer support, convenience and ease of use.

Source: Payments System Survey 2010.

APPENDIX

SUMMARY OF RESULTS ON PAYMENTS SYSTEM BUSINESS QUESTIONNAIRE:

GENERAL INFORMATION

Location

NORTH	69
EAST	13
WEST	13
SOUTH	6
TOBAGO	1
TOTAL	102

Size (as measured by number of employees)

	% of responses	# of responses
Micro (1-9)	11	11
Small (10-49)	30	30
Medium (50-199)	34	35
Large (200+)	25	26
	100.00	102

Type of Business Activity

	% of responses	# of responses
Construction	6	6
Distribution	10	10
Manufacturing	22	22
Energy	2	2
Services	47	47
Other	13	13
	100	100

Average monthly payments

	% of responses	# of responses
<\$50,000	7	7
\$50,001 - \$250,000	12	12
\$250,001 - \$1,000,000	21	21
>\$1,000,000	60	61
	100	101

Average monthly receipts

	% of responses	# of responses
<\$50,000	4	4
\$50,001 - \$250,000	12	12
\$250,001 - \$1,000,000	18	18
>\$1,000,000	66	66
	100	100

SURVEY QUESTIONS

Q1. Indicate your level of understanding of each of the following payments methods using a scale of 1-3 where 1 signifies no knowledge of the payment method, 2 signifies limited knowledge and 3 signifies very good knowledge of the payment method.

	1	2	3	Non-responses	Total
	(%)				
Cheque	1	2	93	4	100
Debit Card	2	6	91	1	100
Credit Card	3	7	87	3	100
ACH	9	32	59	0	100
RTGS	39	28	31	2	100

Q2. Rank in order the most common means by which you currently receive payments using a scale of 1- 6 where 1 signifies the least frequently received payment method and 6 signifies the most frequently received.

	1	2	3	4	5	6	Non-responses	Total
	(%)							
Cash	29	17	12	11	13	14	4	100
Credit Card	42	12	11	9	6	11	9	100
Cheque	4	3	5	7	12	68	1	100
ACH	36	15	12	8	13	9	7	100
Debit card	45	11	10	11	8	5	10	100
RTGS	57	10	5	7	5	6	10	100

Q3. Indicate how you would prefer to receive your payments using a scale of 1 - 3 where 1 signifies the least preferred payment method, 2 signifies no strong preference and 3 signifies the most preferred method.

	1	2	3	Non-Responses	Total
	(%)				
Cash	58	19	11	12	100
Credit Card	54	18	14	14	100
Cheque	17	30	46	7	100
ACH	9	23	56	12	100
Debit Card	33	18	34	15	100
RTGS	20	20	43	17	100

SURVEY QUESTIONS (Continued)

Q4. Rank in order the most common means by which you currently make payments using a scale of 1- 6 where 1 signifies the least frequently received payment method and 6 signifies the most frequently received.

	1	2	3	4	5	6	% non-responses	TOTAL
	(%)							
Cash	45	21	14	9	2	1	8	100
Credit Card	34	16	12	19	7	5	7	100
Cheque	1	0	2	7	8	82	0	100
ACH	20	18	12	12	13	17	8	100
Debit card	70	7	4	0	1	1	17	100
RTGS	56	7	7	6	7	7	10	100

Q5. Indicate how you would prefer to make your payments using a scale of 1 - 3 where 1 signifies the least preferred payment method, 2 signifies no strong preference and 3 signifies the most preferred method.

	1	2	3	% Non Responses	Total
	(%)				
Cash	68	13	1	18	100
Credit Card	41	25	14	20	100
Cheque	11	20	63	6	100
ACH	13	18	56	13	100
Debit card	53	12	14	21	100
RTGS	27	18	39	16	100

