

Reserve Bank needs to liberalise payment systems

The Reserve Bank urgently needs to liberalise payment systems after holding bi-lateral talks between government and South African technological innovators.

By [David Reynders](#) 30 Mar 2009



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This will not only enhance safe payment options for consumer and business, but allow the opening of markets to those who normally can't afford to bank - which is most of the earning market in South Africa and the developing world.

Faster, easier, cheaper

Bank transactions needed to be made faster, easier and cheaper. The FICA regulations, as an example, were introduced to curb money laundering, but few, if any, money launderers are going to make average deposits of R1,000 or less each time. There are extensive limits to people who are low earners opening bank accounts or using cellphone payments.

For example, a person who is not a high income earner needs money to be quickly available; they operate on such limited resources that any delay in payment has a real impact on their lives. But there are delays of two to seven days before money will clear through their bank account, if they have one.

This effectively dissuades them from becoming part of the banked population, and is ensuring that cellphone payments and mobile payments find extensive challenges unless they are part of a conventional bank, which limits competitiveness in the South African market. As an example, people with credit or cheque accounts can pay with a cellphone payment system immediately, but those with a savings account have to wait two days to receive a reference code unless they use a conventional bank.

Crisis indicates need for change

This does not mean I am not among those who congratulate the Reserve Bank's conservative fiscal policies that have helped keep the South African economy more stable than many others in the world. It is the role of the regulator to guard against systemic risk, but it also has to look at measures to spur economic growth.

The financial crisis has shown that existing banking structures and economic management need to change. Information technology has created the capacity for faster and safer movements of money but this privilege tends to be restricted to high income, already banked people.

Immediacy increases competition

If you can enable immediate money payments between banks, you immediately increase competition between payment systems.

New technology like mobile phones also give increased security - there is no evidence of any being hacked into, unlike internet and ATM banking.

Attention also needs to be paid to certain rules around banking, for example, there are different rules for payment and remittance. A payment is in lieu of goods and services where an invoice is received and a remittance is between people. If cellphone payments allow for transactions between individuals.

There has been scant attention to the role that non-banks can play, and certainly institutions like the Payment Association SA, which has membership restricted to banks, should consider opening membership to other payment providers. This would enable the association to more carefully regulate this industry, while also allowing greater competition, faster payments, lower rates and better services to consumers and employees across the economy.

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