

Small traders need access to debit order systems to reduce cash risk

Banks should do more to bring small traders into the banking net so that they can take advantage of systems such as debit orders and electronic funds transfer mechanisms to settle accounts rather than relying on cash payments.



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Peggy Drodskie of The South African Chamber of Commerce & Industry (SACCI) said it was vital that banking services be made available to as many traders as possible so that they can grow their enterprises by making use of the wide variety of services offered by banks. "Banks are not making it easy for individual traders or small and informal traders to open bank accounts. This has to change. The issue of tax is also important because these businesses should be brought into the taxation net."

Fred Steffers, MD of SmartCollect, one of the largest debit order processing companies in South Africa, said Eskom's load shedding programme and very slow growth in the economy has hit small and medium enterprises particularly hard. "Every time the lights go out, most small traders have to shut their doors because they can't afford the luxury of generators like their bigger counterparts. Thousands of businesses have already had to close their doors and many more will follow until Eskom can provide uninterrupted power."

He said debit orders could play a major role in helping SMEs to keep their doors open because it would immediately reduce their debt load and ease the cash-flow crisis that many of them experience every month.

"While high income earners rely almost exclusively on debit orders to settle recurring debts, middle and lower income earners are still largely locked into a cash-based payment system. This is risky because it means that they often have to walk around with large sums of cash on them. It is also wastes valuable time because it means that they have to take time off from work to pay for a funeral policy or some other form of recurring expense."

Debit order fraud 'insignificant' and easily reversed

"Debit orders are by far the most cost effective and safest way to make payments. Of the 60 million debit orders processed monthly by payments systems companies less than 1% were fraudulent or 'problematic' in any way."

Even in cases where fraud does occur, it is easily remedied because consumers are able to cancel them quickly and easily.

"Contrary to popular belief - and as some of the banks would have their clients believe - a fraudulent debit order does not have to be cancelled or revoked with the call centre that generated it. It is in fact incumbent upon the consumer's bank to cancel and reverse the debit order on a no questions asked basis provided it is done within 30 days of the debit order appearing on the client's bank statement.

"If the consumer becomes aware of the fraud after the 30-day window, it is incumbent upon the bank to verify that the company who processed the debit order has a valid mandate from the consumer. If they cannot provide a mandate, the transaction has to be reversed and the client reimbursed," concludes Steffers.

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