



Paying later

MARTIN O'DONOVAN SURVEYS THE SCENE FOR POTENTIAL DEVELOPMENTS IN PAYMENT TECHNOLOGIES.

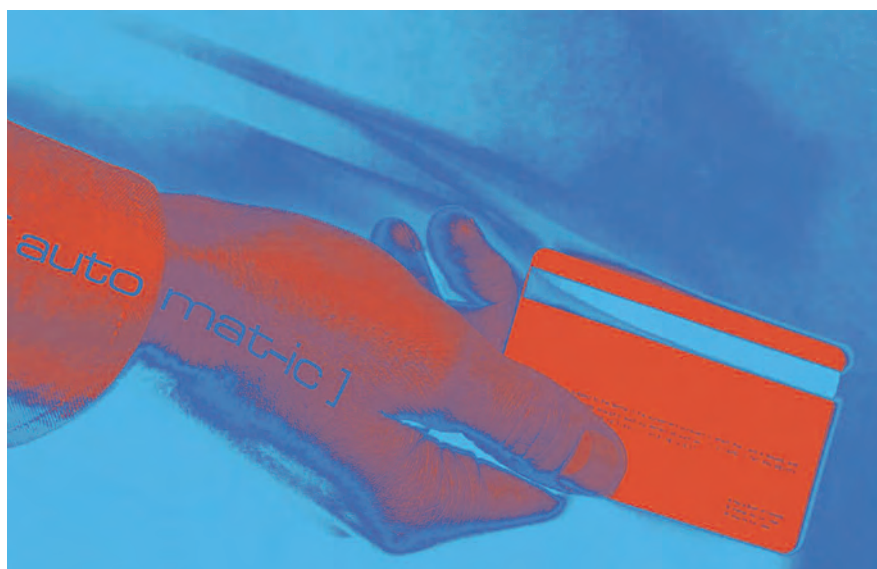
We all know that the future is digital but the question for those trying to plan for the future of cash management payments is which digital future will it be? A quick look at the current cash management technology scene and it becomes apparent that there are a bewildering number of technology-driven payment mechanisms and initiatives.

However it seems that the future of payments will include mobile, purchase and pre-paid cards. The term **mobile payment** covers a range of payments types that at some point in the process involve a mobile phone and these types can themselves be categorised in various ways. They can be used at close proximity for payment in a shop in place of cash, or can be at distance akin to an internet purchase. For the close proximity type the payment may be authorised using the telephone network to communicate or, as has relatively recently been rolled out, a contactless card payment functionality similar to Oyster on London Transport.

Familiarity with **mobile payment** seems to be easily achieved as is the use of **purchase cards**. Admittedly not new, purchase cards seem to be undergoing a reinvention as their benefits are better recognised. For lower cost non-strategic everyday items the admin, processing and payment are time consuming processes and the transaction costs can become disproportionate. Here a procurement or purchase card comes into its own. For the more imaginative organisations it can go much further and become integrated into a more general e-procurement set up. Supplier catalogues can be loaded onto the company's purchasing system so users can purchase the required items and be settled automatically using the purchase card. The administration for processing transactions, reporting, monitoring and capturing volume discounts is much simplified.

One benefit technology should bring is greater control and this is where **pre-paid cards** should have the edge. They can be provided by corporate or public institutions to staff or citizens and used to grant payment of payroll, expenses, state benefits or can be consumer products chosen by the consumer such as gift cards or for use for remittances or online payments. An alternative split is between closed loop cards which can only be used within one retailer or a group of participating outlets and open loop cards which carry a card scheme brand and can be used anywhere.

The use of pre-paid cards has been growing rapidly as more and more companies recognise the features and advantages they can offer. This is most obvious for payments to



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employees who have no bank account or at least no local currency bank account. This can happen with migrant workers where the anti-money laundering rules make account opening arduous or impossible. The employee can be provided with a pre-paid card which can be loaded with the employee's wages virtually instantly without the cost of issuing and distributing cheques or having to offer encashment arrangements.

This article is based on a longer article Martin O'Donovan ACT, Assistant Director, Policy and Technical, wrote for the ACT Cash Management Conference Report 2008. See www.treasurers.org/resources/eventdiary/cashmanagement2008.pdf