



DEBUNKING MYTHS ABOUT BUSINESS PAYMENT CARDS

With business credit cards, SMEs can extend their days payable outstanding and optimise working capital, taking advantage of up to 55 days interest-free to improve their cashflow

BY MATT BAKER

IN SINGAPORE, it is common to see people whip out different credit or debit cards to pay for everyday purchases. After all, an average Singaporean holds about five to six different credit cards. Digital payments have become a way of life for many Singaporeans, and this growth is accelerated with the proliferation of digital wallets and mobile payment options.

The same might not be said for corporates and small to medium-sized businesses (SMEs) that are just starting on their journey towards becoming cashless. Many of them are still using cheques and cash because they are not fully aware of the benefits that business credit or debit cards bring.

In Singapore, there are approximately 264,000 enterprises, of which 99 per cent are SMEs. The Singapore government is driving a digital agenda for SMEs with the introduction of PayNow Corporate and the nationwide eInvoicing Framework launched by the Infocomm Media Development Authority (IMDA).

SMEs are inclined to use cheques because this may help provide a buffer period for payments to be made to their suppliers. This gives them more flexibility with their cashflow.

It may be unknown to SMEs that making payments on a business credit card will provide them more cashflow. SMEs can “buy now and pay later” by using the interest-free days available. In some cases, this could be up to 55 days.

According to Visa’s data, approximately 20 per cent of consumer card transactions in Singapore exhibit similar spending patterns to those of SMEs. This could imply that a lot of SMEs are still using their personal cards for business expenses.

A possible reason for this is that some business owners think that by using their personal cards to pay for business items, they can benefit by earning rewards. Some of them are not aware that a business card is available to them, and

others may not have been offered this product by their banks.

The advantages of using a business card are numerous and will add value to SMEs by saving them time, helping their business grow and empowering them to control their business.

At Visa, we power businesses everywhere, and our vision is to help them pay and be paid seamlessly and securely.

As commerce continues to move towards digitally driven experiences, businesses – especially home-grown SMEs must adapt accordingly – and take on a digital-first mindset. This includes embracing payment solutions and being open to new technology in order to keep pace, grow and thrive.

Here are some common misconceptions about business payment cards.

• **Losing out on rewards for the business:** SME owners worry about losing out on rewards such as cashback and points if they use their business credit cards. However, it is important to be aware that business credit or debit cards can provide similar benefits and more.

Visa has negotiated discounts at over 40 service providers for Visa business cardholders. These include discounts with Google, Xero, Microsoft and LinkedIn Learning.

Such solutions are extremely useful for SMEs. They not only save costs but enable SMEs to become more efficient by helping them digitise processes, reach more customers and learn how to run their business.

• **Better control of cash flow and liquidity:** Besides enjoying the convenience and security of using digital payments, many SME owners often overlook the use of business credit cards as a business planning and budgeting tool.

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their days payable outstanding and optimise working capital, taking advantage of up to 55 days interest-free to improve their cashflow.

Moreover, with the recent push to go digital, some banks have raised cheque fees in a bid to encourage firms to eliminate the use of cheques. Hence, we believe more SMEs will start using business payment cards, given the increase in costs for cheque payments. Furthermore, we believe that SMEs will have actual cost and time savings if they use business payment cards due to process costs of cash and cheque payments.

• **Concerns that suppliers do not accept card payments:** Last August, Monetary Authority of Singapore (MAS) shared that more than 110,000 organisations had signed up for PayNow corporate, one of the digital payment options available to businesses. It is evident that these SMEs are recognising benefits of using digital payments.

Given that card payment acceptance among businesses may not be as prevalent, Visa is supporting expansion of acceptance of business cards. Specifically, we are working through partners – termed Business Payment Solution Providers (BPSPs) – to expand business-to-business (B2B) supplier acceptance.

BPSPs, such as AXS and CardUp, bridge the gap between buyers and suppliers by allowing a buyer to pay with a business credit card where the supplier is paid directly into their bank account. This also simplifies the reconciliation process for the buyer and supplier by sending payment data to both parties.

Other BPSPs, such as HREasily, can even enable SMEs to pay salaries on a Visa Business Card.

• **Misuse of business payment cards:** Some SME owners are concerned that by providing their employees with business cards, they may misuse it, leaving the owner liable.

Giving a business card to employees removes the need for the business owner to reimburse their employees at the end of the month, which is time consuming for both the owner and employee.

According to a recent Visa study, employees in Singapore are supporting their employers by up to S\$200 million a month for business expenses.

The problem of reimbursement is a big issue for many, and 34 per cent of people say they experience personal cash flow issues because of their companies’ expense submission policies.

To ensure that employees’ misuse of business cards are mitigated, SME owners can educate their employees and inform them when they should use the business card.

With enhanced reporting available for SMEs and using transaction controls to manage how, when and where a business credit card can be used, SME owners should be assured that the business card will not be abused. This provides peace of mind for SME business owners to focus on growing the business.

In conclusion, when it comes to business payments, SMEs are gaining more attention as an underserved segment in Singapore. As the backbone of economies, SMEs play a pivotal role in building communities and providing economic growth.

As economies pivot towards digital-first experiences, SMEs have to start embracing digital payments in order for the country to become a truly digital nation. This vision is not as far off as one might think. ■

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