

BANKS MUST EXPLORE DEBIT CARDS TO GENERATE REVENUE

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Introduced to Thailand over a decade ago, debit cards are still not widely accepted. Card volume reached 26 million in 2008, double that of credit cards. Swiping debit cards at stores, however, averages just Bt75 a month per card, or one-50th of credit-card transactions. This implies that cardholders use debit cards mainly to withdraw cash from ATMs but not to make purchases at the point of sale.

Many factors explain this low use. Customers prefer credit cards to debit cards because of delayed repayment plus attractive incentives like reward points, store discounts and cash back. Some customers are also concerned over security and prolonged dispute procedures since money is debited from cards because of delayed repayment plus attractive incentives like reward points, store discounts and cash back. Some customers are also concerned over security and prolonged dispute procedures since money is debited from their account immediately.

The fee merchants pay to banks for each transaction made is another factor that discourages stores from accepting cards, especially for small-value purchases. To reduce the merchant discount fee and encourage merchant acceptance of debit cards, many countries implemented a local debit-card network so that local banks can lower merchant rates and eliminate transaction fees being paid to international network operators. This initiative is worth considering for Thailand, as the existing ATM network has potential for development.

Debit cards confer numerous social benefits. Consumers gain the convenience of carrying less cash and saving the time and cost of cash withdrawals. Using debit cards also supports the philosophy of the sufficiency economy as it helps control spending - contrary to credit cards, by which cardholders can too easily spend more than they earn. Merchants can reduce the costs and risks of fraud and robbery incurred in handling cash received from customers. Additionally, accepting card payments creates customer satisfaction and increases sales volume.

Looking foreword, banks should refocus on debit cards as an opportunity to generate revenue streams and develop products and campaigns that best fit different customers' needs and lifestyles. Debit cards in various countries are marketed to a variety of customer types: from high-end business persons to farmers, from men to women, from individuals to corporate and so forth. Improving customer confidence in card payments and building a debit-card swiping culture can be driven by advanced technologies. Banks should utilize mobile technology to provide transaction confirmation and account balance reports. Besides, the cutting -edge contact less technology like Near Field Communication (NFC), which allows integration of debit-card features into mobile phones, should be considered to enhance customer experience and attract the new generation of shoppers.

Boosting debit-card transactions is a challenge to the banking industry. Banks, as key service-providers, benefit from promoting the use of debit cards. Transaction -based fees from debit cards are an alternative source of revenue to compensate for declining interest income. Many countries' experience has been that debit-card transactions are less adversely affected by the economic downturn, Furthermore, customers' use of debit cards improves brand recognition and customer loyalty as well as saving banks' costs associated with cash. Finally yet importantly, banks can obtain valuable information on customers' spending behavior to offer better customer-relationship management.

(The views expressed are the author's own.)

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