

To the max: The case for business cards

■ More banks are pitching business credit cards at the SME sector – should you be in a hurry to ditch the cash and cheque book or is plastic not always so fantastic? ■

If you're an SME owner who'd benefit from access to short term credit with no notice, a five per cent discount on what you're buying for your company as well as medical cover when you travel, a business credit card might be useful.

The use of business credit cards is spreading around the world. Here in the Middle East, transactions are still at low levels in comparison with the rest of the world, but this is increasing.

The big questions are, do business

SME business cards (A sample of products available, not an exhaustive list.)

Bank	Card Types	Countries	Total Clients	Fees
Mashreq	SME Business Debit Card: Platinum, Premium, And Value	UAE, Qatar, Bahrain, Egypt	5000	Free along with account packages, no associated fees.
National Bank of Abu Dhabi (NBAD)	NBAD Visa Business Credit Card	UAE	N.A (Just launched April 2011)	No annual fee
Abu Dhabi Islamic Bank (ADIB)	ADIB Business Covered Cards: Gold and platinum	UAE	(not supplied)	Two per cent per month interest; AED 300 per annum
BLOM Bank	BLOM Visa Platinum Business	Lebanon	304	\$250 per annum; LBP 21 per cent monthly interest.
Bank of Baroda	Baroda SME Gold Card	UAE	(not supplied)	Nil
Standard Chartered	SME Business Credit Card	UAE	N.A (Just launched April 2011)	First year free. From second year annual fee AED 750
	VISA Business Debit Card	UAE	>5300	AED 150 p.a. on Business Plus
	VISA Gold Business Debit Card	UAE	Included above	AED 250 p.a. for Business Plus; free for Business Priority Account
Dubai First	Dubai First Business Card : Visa Card	UAE	(not supplied)	One per cent of credit limit

cards genuinely provide benefits for SMEs and, if so, how do you pick a good one from a bad one?

SMES SET TO BOOM

The SME segment has become strategically important for the banks, says prepaid card expert Bernardo Nicoletti, Business Consultant and Coach for VRL Financial.

"The large corporate sector entities were the focus of attention in the early days – but most of the larger corporations have already decided where they will do their banking business.

"The recent banking market trend is the increasing focus on small and medium enterprises – the markets perceived as having a good growth and profit potential.

"Banks are competing in developing specific products for this market, in broadening access, as well as in improving

the quality of financial services provided to the SMEs," Nicoletti says.

As a case in point, Standard Chartered aggressively joined the fight for a piece of the SME market in April this year with the launch of a range of products and services exclusively for SMEs, including a new SME Business Credit Card.

Speaking at the launch of the new products, Som Subroto, Global head of SME banking for Standard Chartered said: "We see SMEs as a bigger part of the economy and doing business across borders in Asia, Africa and the Middle East.

Currently, Standard Chartered claim to have about 17,000 SME customers which they estimate accounts for six per cent of the market.

"We estimate the sector is worth



"Yeah great but does it get me air miles?"

\$30 to \$40 billion and is growing at eight to 10 per cent per annum. We aim to double our market share in the UAE in the next three years," Subroto said.

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Maximum Credit	Minimum Balance	Target Audience	Selling Point
AED 50k for cash withdrawal and AED 100k for purchases	AED 10,000 minimum balance at customer level across current accounts	SME companies	First-ever Business Platinum Debit Card launched in the UAE with high cash withdrawal and transaction limits
AED 20k to AED 500k	N.A.	SME companies	Fifty days interest-free grace period, travel insurance up to \$150,000, pre-set limits on individual cards, access to cash, consolidated payments as well as special offers and discounts.
AED 250k	(not supplied)	Shari'ah-compliant SMEs with turnover between AED 2m to 40m.	Shari'ah-compliant product
(not supplied)	(not supplied)	SME companies	(not supplied)
10 per cent extra limit of sanctioned Fund Base limit.	Not applicable	All SME and corporate borrowers with satisfactory dealing with bank for last three years	SMEs will have additional liquidity comfort which can be used during exigencies and they need not approach for ad hoc credit facilities.
AED 180k	N.A.	SME companies	Helps businesses manage expenses, save costs while getting a rewards programme, worldwide recognition, financial flexibility, security benefits, etc.
Up to AED 20k	AED 25k for Business Plus Accounts	SME companies	As above.
Up to AED 50k	AED 25k for Business Plus Accounts	SME companies	As above plus higher cash withdrawal limit
AED 250k	No minimum balance	SME companies	First ever business card in the Middle East offering flexible interest rates, flexible rewards and flexible spending power

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Cards enable the streamlining of processes that would be otherwise labour intensive and often paper based, eg, employee expense management ■

BENEFIT OR BURDEN?

They might be a booming market for banks but the question remains, are business cards a good deal for an SME?

According to Francesco Burelli, Principal for Value Partners Management Consulting Ltd, the case for corporate cards is based on a cost substitution rationale. The cards enable the streamlining of processes that would be otherwise labour intensive and often paper based, for example, employee expense management and reconciliation.

"These are typical of large companies but, despite this, SMEs are also in a position to benefit from the use of SME corporate cards. There are a number of benefits deriving from the use of corporate cards for SME including: Being able for employees to pay without having to carry cash, simplification of expense reimbursement procedures as corporate credit cards can be settled on a company account, potential business benefits and rewards and finally the opportunity to optimise the cash flow with a deferred settlement payment.

In general, says Burelli, cards are good products for SMEs especially when they replace paper based, manual processes.

"A card can be a good product depending on a set of circumstances unique to each individual SME. The first one to consider is what is the alternative cost of not using a card in terms of cash holding, time spend managing cards and transactions, mistakes and impact on



Don't panic! The business card is here to save the world from death by paperwork.

cash flow and working capital.

"SME entrepreneurs should be mindful of taking in account the full cost of substitute product as, typically, cash is considered a free payment product when in reality it can have significant

cost implications to a small company."

At the end of the day though, any credit card must be used with caution. If you don't pay it off every month, you're on the slippery slope to troublesville. Use with care. ■

Spotting a good business card out from a not-so-good one

As with any other financial product, SMEs should shop around to get the best deal but there are a number of questions that have to be answered to determine if a card is a good product for an SME, such as:

1. Will the card work when it is needed? Will it be accepted as a payment by the intended payees/suppliers?
2. Are the card benefits and rewards really good for the SME firm? Are the rewards and business services valuable to the SME firm?
3. Will it help the cash flow? Does it take costs out and is the deferred payment/ grace period good for the SME cash flow and working capital position?

Benefits of a good business card

- Cheap short term credit
- Control expenditures
- Use as payment for merchants, as well as for cash withdrawals at ATMs, POS or bank branches across the country
- A grace period up to 45 days, meaning that no interest is charged if repaid amounts used in that time
- Settlement costs will be made in the accounts only on the company bank statement, no longer needed to travel presentation orders, invoices or receipts
- Bank delivery of an agreed amount of cards for the entire company and with individual limits for each user
- A complete travel insurance package