BOX ARTICLE

Reducing Cost and Enhancing Efficiency for SMEs via e-payments

In an effort to spur the adoption of e-payments among SMEs, BNM has undertaken reform measures such as correcting price distortions, establishing market incentives, and improving the accessibility, quality and value proposition of e-payment services.

Electronic fund transfer services as an alternative to cheques

SMEs can access credit transfer services, for example, the Interbank GIRO (IBG) and Instant Transfer services, not only via online banking but also at over 11,000 ATMs nationwide. Since 2013, the Pricing Reform Framework has corrected the price distortions between cheques and credit transfer services. Effective 2 May 2013, the transaction fee for IBG was lowered from RM2 to not more than 10 sen. Meanwhile, a cheque processing fee of 50 sen was introduced effective 2 January 2015 to reflect its higher processing cost. The Pricing Reform Framework was supplemented by the e-Payment Incentive Fund (ePIF) Framework in 2015, where cheque fees collected by banks are channelled to their customers as incentives to encourage the adoption of e-payments. Among the incentives funded via ePIF are waivers of Internet banking subscription fees, security token fees and e-payment transaction fees, which are directed to assist SMEs and individuals specifically.

The impact of such reform measures has been encouraging. The decline in cheque usage had accelerated from an average of -1.6% per annum (2011 - 2013) to -11.8% per annum (2014 - 2017). Meanwhile, the volume of credit transfer transactions increased by more than three folds from 99 million transactions in 2013 to 329 million transactions in 2017. This positive trend shows that individuals and businesses including SMEs are increasingly moving away from cheques.

Debit cards and mobile payments as an alternative to cash

Accepting payment cards such as debit cards can further reduce the costs and risks associated with handling cash. Besides reducing the risk of theft and pilferage, payment card acceptance would also facilitate reconciliation and may lead to higher sales as customers are not limited to the amount of cash in hand.

Following the implementation of the Payment Card Reform Framework (PCRF) in 2015, the average Merchant Discount Rate (MDR) rates had recorded a continued decline, making payment card acceptance more affordable to smaller merchants. For the period between 2015 and 2017, the cumulative cost savings to merchants pursuant to the lower MDR rates are estimated to be RM508 million. This is supported by the establishment of the Market Development Fund (MDF), where the annual growth of Point-of-Sales (POS) terminals has increased by three folds to 20.4% per annum on average from 2015 to 2017. The MDF was established to channel about RM455 million to expand the network of POS terminals from 233,248 terminals in 2014 to 800,000 terminals by 2020.

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Moving forward, SMEs should consider accepting mobile payments as a cost-effective alternative to cash and cheques. To promote the usage of mobile payments, the Interoperable Credit Transfer Framework (ICTF) came into operations in July 2018 to foster reachability between bank accounts and e-money accounts issued by non-bank e-money operators, via a shared payment infrastructure. From 1 July 2018, the fee for Instant Transfers up to RM5,000 is waived for individuals and SMEs. Also in the pipelines is the development of the real-time Retail Payments Platform (RPP), which will facilitate the transfer of funds to SMEs via common identifiers such as mobile phone numbers or scanning of a QR code.