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Crunch time for Malaysia's e-wallets as firms set fees

The biggest e-wallets are charging 0.5% from merchants who use their services as their subscriptions soar.

The year 2020 dawns a new era for cardless transactions in Malaysia, with big players confident enough about their customer footholds. These firms have begun charging a 0.5% commission to the merchants who make use of their services, industry sources say. At the same time, Bank Negara Malaysia will give US\$7.25 (RM30) in credit to those who sign up for any of the country's three biggest players: Touch N' Go, Grab and Boost.

Already, the number of contactless payments via debit cards rose at an annual rate of 288% from 12.8 million in 2017 to 49.7 million in 2018, data analytics and consulting firm GlobalData reported. They noted that the number of contactless point-of-sales terminals in the country rose by 90.3% in 2018 to reach 207,562.

Tok Kim Wah, CEO of Mobiedge, an e-wallet aggregator for banks, said that there are as many as half a million POS terminals out there for both credit cards and QR codes.

The share of debit cards in total payments is expected to increase from only 25.8% in 2019 to 41.8% in 2023.



Mobiedge alone has installed over 10,000 terminals across Malaysia for Alipay, which is only usually used for big transactions. "People can use Alipay to purchase a \$50,000 watch. But nobody will use it to buy a cup of coffee. So for big items they tend to use Alipay but for an everyday food stall, for example, they will use Touch N' Go and Boost," he shared.

This aligns with GlobalData's report, which says that debit cards are more used for low-value payment transactions.

He also confirmed that the average size of a transaction using an e-wallet is around ten dollars. "People actually don't want more than that because in case you lose your phone, somebody can use the wallet."

The expanding network of POS transactions, coupled with the central bank's efforts to encourage cardless adoption, is forecast to push the share of debit cards in total card payments from only 25.8% in 2019 to 41.8% in 2023, said GlobalData.

Mom-and-pop troubles

It wasn't all smooth sailing for the e-wallets, however. Whilst big retailers are quick to adapt to the technology, smaller businesses remain reluctant to join the trend.

"There is a lack of knowledge and some do not care much for it. But the trend is picking up. The customers are asking the store to accept e-payments and they have been forced to sign wallets up," Tok said.

Mom-and-pop shops are the most resistant to the change. "The smaller ones, the mom and pop shops, find it very hard to understand [the system] and for most of them, if they don't have a smartphone, they find it hard to understand how it works." This suggests the need to better educate SMEs on emerging technologies.

In a bid to boost e-wallet adoption, the central bank has set aside US\$108.75m (RM450m) for new e-wallet users under the e-Tunai Rakyat Initiative. New users who sign up for an e-wallet get US\$7.25 (RM30).

"It is a big hit—everyone is setting up, everyone is using the money [given by the central bank]," shared Tok.

The initiative, launched in January, is offered under Boost, Touch N Go, and Grab, which according to Tok were likely chosen because they are "the most likely to make it." Between these three players, more than 5 million Malaysians were using e-wallets, even before the launch.

"There are about 46 licenses issued—wallet licenses—issued over the years, but only these three guys are active and gradually increasing their users everyday," he added.

It has proven to be a massive success. As of 19 January, the central bank has received 2.9 million e-Tunai Rakyat applications. Of these, 2.2 million have been approved, according to Finance Minister Lim Guan Eng. By 5 February, the number had ballooned to 6 million, with more or less US\$43.5m (RM180m) already given out. *By Frances Gagua*