

## DuitNow QR: Fostering Inclusive Digital Payments

Imagine this scenario:

On a typical day at a local roadside stall, customers queue patiently for their favourite nasi campur. The mak cik who owns the small stall prepares each plate diligently for her customers. Suddenly, the mak cik encounters an anxious customer who realised that he forgot to bring his wallet to pay for his meal. Without hesitation, the mak cik points towards the iconic pink DuitNow QR code displayed on a stand. With a quick scan, the customer promptly settles the bill and enjoys his meal without further worry.



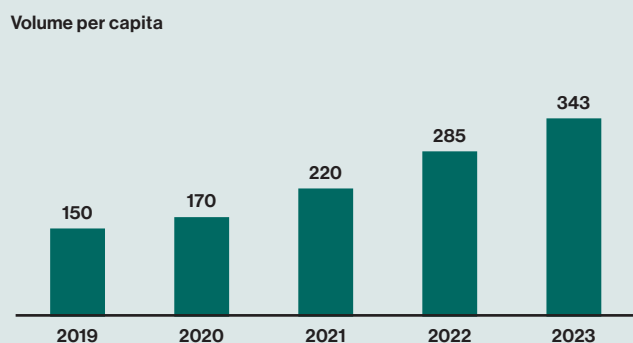
Source: PayNet

This is just one example of how digitalisation has become an integral part of economic activity here in Malaysia. Electronic payment (e-payment) services, like DuitNow QR, are accessible, affordable and easy-to-use. They allow the entire ecosystem, including micro and small businesses, to be more digitally ready to enable seamless business transactions. Importantly, it helps small business owners like the *mak cik*, to avoid the hassle and risks from handling cash. For the *mak cik*, with most of her customers paying via DuitNow QR, the amount of cash she must handle and carry around now is much less. This also reduces the times and risks of theft when she visits a bank branch or finds a cash deposit machine to deposit her cash earnings.

### Significant uptake in DuitNow QR payment transactions in 2023

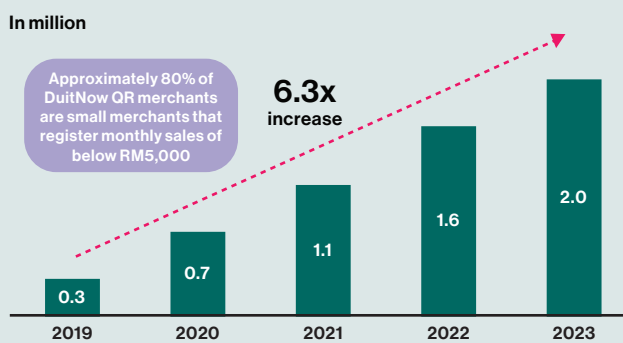
Since the launch of the DuitNow QR payment rail<sup>1</sup> in 2019 by Payments Network Malaysia Sdn. Bhd. (PayNet), it has continued to promote a more inclusive payment ecosystem with the diverse participation of 40 bank and non-bank players to serve different market segments. In 2023 alone, the year-on-year growth in DuitNow QR transactions has more than doubled to 360 million transactions valued at RM14.6 billion (2022: 125 million transactions valued at RM5.5 billion). The strong growth is supported by the high smartphone penetration rate of around 95%<sup>2</sup> and internet access of around 97%<sup>3</sup> among Malaysians. As a result, there has been a steady increase in the overall volume of e-payment per capita (Diagram 1) and DuitNow QR acceptance points by merchants across the nation (Diagram 2).

**Diagram 1: e-Payment Transactions Made per Capita**



Source: Bank Negara Malaysia

**Diagram 2: Number of Registered DuitNow QR Codes**






Source: PayNet

<sup>1</sup> DuitNow QR is part of a shared infrastructure for retail payments (i.e. Real-time Retail Payments Platform, RPP). The RPP allows industry players to pool resources and share costs for the development and maintenance of the infrastructure while also competing at product level to better serve end-users.  
<sup>2</sup> Based on the Hand Phone Users Survey 2021 released by the Malaysian Communications and Multimedia Commission, the penetration rate for smartphone users in Malaysia for 2021 was at 94.8%. Meanwhile, 41% of respondents had used mobile payment applications as an alternative to traditional payment methods.  
<sup>3</sup> Based on Pelan Jalanan Digital Negara (JENDELA) Phase 1 Concluding Report, 96.9% of populated areas in Malaysia have access to 4G network as of 31 December 2022.

## Simple and cost-effective setup has facilitated wider adoption of DuitNow QR

DuitNow QR is designed to facilitate payment transactions across different e-wallets, issued by banks and non-banks. Such interoperability provides convenience and a wider choice to both merchants and consumers. It fosters competition amongst e-wallet providers to drive innovative product offerings that cater to various merchant segments. DuitNow QR is also designed to be a more cost-effective payment method, compared to other payment options such as cash or payment cards. As an example, the use of QR code payments removes the need for merchants to incur recurring rental costs for point-of-sale (POS) terminals<sup>4</sup> that are otherwise required for payment card acceptance. Collectively, these factors reduce the barriers to entry for e-payment acceptance among merchants, especially smaller merchants (Diagram 3). This in turn encourages wider use of e-payments by bridging the last mile in e-payment acceptance.

**Diagram 3: Key Features of DuitNow QR**

Key Feature	Description
 <p><b>Interoperability<sup>5</sup></b></p>	<ul style="list-style-type: none"> <li>Merchants can accept payments from customers using different e-wallet accounts through a unified QR code, i.e. DuitNow QR.</li> <li><i>Example: A merchant with an account with e-wallet brand A can receive payment from their customer using e-wallet brand B.</i></li> </ul>
 <p><b>Cost efficiency</b></p>	<ul style="list-style-type: none"> <li>Competitive DuitNow QR Merchant Discount Rate (MDR)<sup>6</sup> that is equivalent or lower than that of domestic debit card, MyDebit.</li> <li>Merchants save on intrinsic costs associated with the handling of cash or payment cards.</li> </ul>
 <p><b>Inclusivity</b></p>	<ul style="list-style-type: none"> <li>All merchants regardless of size, have access to a variety of payment providers participating in the DuitNow QR ecosystem.</li> </ul>

Source: Bank Negara Malaysia

## Maintaining the reliability of the DuitNow QR infrastructure incurs cost and investment

For any payment infrastructure, ensuring the safety, soundness and reliability of the payment system is critical. This requires continuous investments, particularly for cybersecurity and fraud prevention controls. It is imperative that these controls are of high standards to provide protection against latest threats, whilst assuring efficient services for users.

During the initial stages of DuitNow QR implementation, as part of efforts to familiarise the public with DuitNow QR payments and encourage take-up, PayNet and the industry provided a temporary waiver on DuitNow QR transaction fees<sup>7</sup> for DuitNow QR service providers. This in turn translated to zero MDR charges for most merchants. The waiver, which was intended to be lifted in 2022, was extended for another year to provide support to merchants during the post-pandemic recovery period.

With the normalisation of economic activities, the industry in consultation with BNM, has introduced a more sustainable model to recoup costs associated with providing the DuitNow QR payment service. This will ensure the payment ecosystem remains secure and reliable for users through continuous investments needed to maintain the payment infrastructure, including investments in measures to deal with the evolving cybersecurity threats and fraud. The long-term commercial model for DuitNow QR balances this need with preserving access to DuitNow QR services at the lowest possible cost for smaller merchants.

<sup>4</sup> This applies to merchants that adopt static QR codes, i.e. a fixed QR code displayed by a merchant for their customers to scan and make payments. The DuitNow QR solution also offers dynamic QR codes which enables merchants to automatically generate QR codes that are integrated with sales and inventory management systems of businesses for easier tracking of transactions. The dynamic DuitNow QR solution requires a POS terminal to operate and is mainly used by larger merchants.

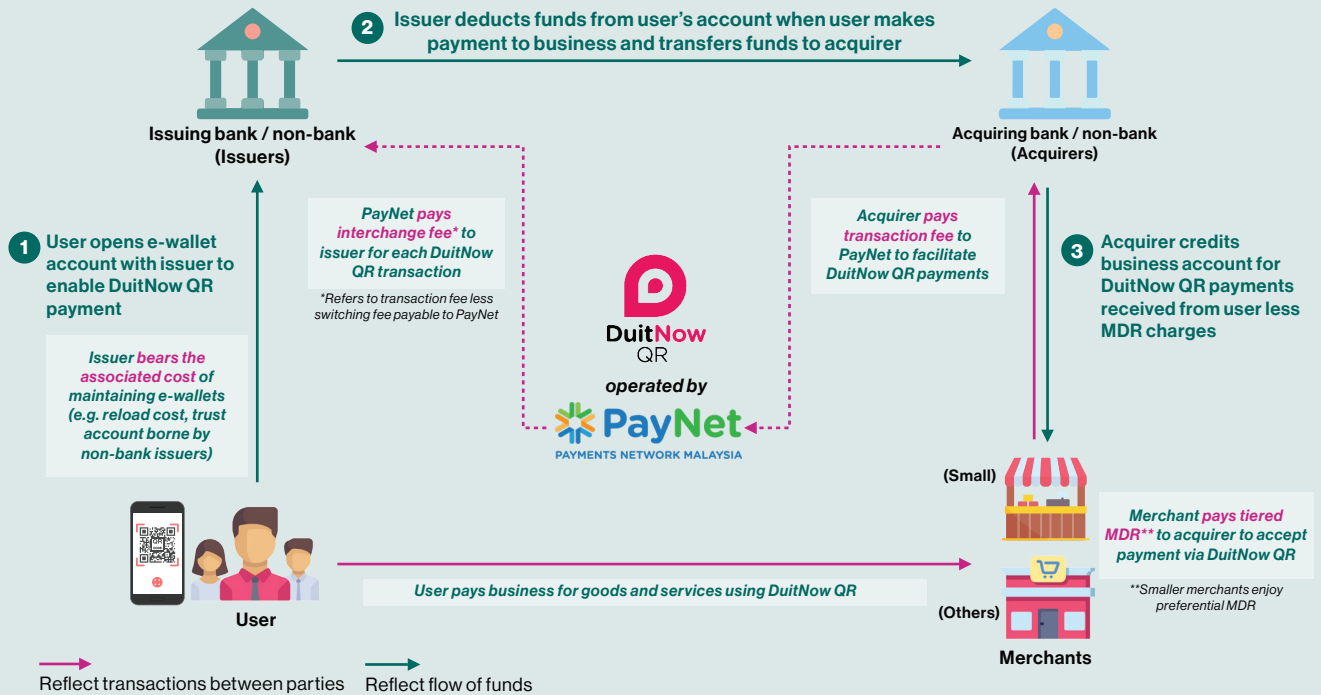
<sup>5</sup> Under the Interoperable Credit Transfer Framework, banks and non-banks are mandated to participate directly or indirectly in a shared payment infrastructure (i.e. RPP) to enable greater accessibility to e-payment services.

<sup>6</sup> MDR is a common fee associated with the provision of e-payment services and is charged based on the transaction value of the e-payment transaction. The MDR is intended to cover costs and investments needed by the industry for the upkeep of their payment systems, in order to maintain high service and security standards for e-payment services.

<sup>7</sup> Refer to the interchange fee and switching fee payable by acquirers to issuers and PayNet, respectively in the DuitNow QR ecosystem.

Pricing model will be periodically reviewed to ensure the longer-term sustainability of the DuitNow QR ecosystem

Diagram 4: Cost-sharing Arrangement Adopted in the DuitNow QR Ecosystem



Source: Bank Negara Malaysia

The model illustrated in Diagram 4 adopts a tiered approach to DuitNow QR transaction fees. Under this arrangement, larger merchants which often have greater financial capacity would incur some costs in the form of MDR for access to DuitNow QR services. Such merchants have economies of scale to absorb these costs and the ability to better negotiate pricing terms with payment providers. Smaller merchants would enjoy a preferential MDR that would be maintained at a low level, thus ensuring that all merchants, big and small, will continue to have affordable access to DuitNow QR payments. Importantly, DuitNow QR payments will remain a lower cost payment option compared to other e-payment alternatives. Consumers will also continue to pay the same price for their goods and services regardless of whether they pay via cash or DuitNow QR.

This arrangement is consistent with the goal of supporting the widespread adoption of e-payments in Malaysia through a vibrant, secure and inclusive payment ecosystem that is also sustainable in the long run.