

Malaysia Payments Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Malaysian payments market was valued at USD 157.00 billion in 2021 and is expected to register a CAGR of 10.30% during the forecast period. The development of payment technologies has accelerated significantly over the last few years. Although cash is one of the primary payment methods in the country, the number of digital transactions is growing. The government has established an infrastructure for the smooth functioning of the same.

Key Highlights

Payment systems are an essential component of a country's economic infrastructure. Payments Network Malaysia Sdn Bhd (PayNet), a payment subsidiary owned by Bank Negara Malaysia, operates Malaysia's extensive value payment system, RENTAS, which permits the transfer and settlement of high-value interbank payments and securities. With RENTAS's effective operation, transactions can be completed securely and promptly, boosting economic performance.

Malaysia is making significant strides in e-commerce transactions, supported by governmental efforts and rising smartphone and internet penetration. Further, the private financial institutions in the country have helped the government in the digitalization of small and medium enterprises (SMEs). This digitalization process involves the full range of SME operations and extends from financing to open solutions.

Malaysia's adoption of card-based payments is primarily supported by the gradual rise in consumer spending on online and point-of-sale stores, the financial inclusion measures by the government, and the increasing preference for contactless payments. The country has witnessed significant growth in online payments for goods and services, especially for e-commerce transactions, in urban and semi-urban cities after the outbreak of COVID-19. In addition, fintech and e-wallet firms are increasing their efforts to integrate technology into the local shopping experience, increasing the accessibility of online payments.

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Adoption of Card-based Payments to Drive the Market

The adoption of card-based payments in Malaysia is largely supported by the continuous efforts of the country's Central Bank, Bank Negara Malaysia. For instance, in December 2021, the bank released the Draft of the Payment Cards Framework, which details a reduction of the interchange fee, i.e., from 0.15% to 0.10% on debit cards and from 1.10% to 0.60% on credit cards. In addition, the Draft aims to ensure that the cost of accepting payment cards remains fair and reasonable, enables merchants to manage their payment card acceptance costs, and addresses other distortions and frictions in the payment card market. Such instances are further expected to strengthen the adoption of card-based payments among consumers and merchants across the country.

The volume and value of card-based transactions are rapidly increasing, both in physical transactions and online (e-commerce) transactions. As per Bank Negara Malaysia, the number of credit card transactions in the country in 2019 was 510.1 million, which increased to 556 million in 2021. Further, during January-July 2022, the number of credit card-based payment transactions was 395.7 million, of which 179.9 million were e-commerce transactions.

Similarly, the volume and value of debit card-based payments are witnessing significant growth. As per Bank Negara Malaysia, the number of debit card transactions in the country in 2019 was 371 million, which increased to 736.8 million in 2021. Further, during January-July 2022, the number of debit card-based payment transactions was 642.2 million, of which 152.1 million were e-commerce transactions. In addition, the value of debit card-based payments increased from MYR 52,394.1 million in 2019 to MYR 78,212 million in 2021.

Online Payments to Boost the Growth of the Market

During the COVID-19 pandemic, Malaysia's e-commerce industry grew, most notably due to the government's encouragement to shop online and stay home to prevent the spread of the virus. Many Malaysians have learned to shop online for groceries and other daily necessities after the government's Movement Control Order (MCO) was implemented. Thus, the adoption of electronic and digital payments in Malaysia was boosted by the pandemic.

Card payments are the prominent payment methods used in e-commerce transactions in Malaysia. People use either credit, debit, or charge cards for these payments. According to a recent report by Visa, 70% of all Malaysians support the movement of the nation from cash payments to digital transactions.

Furthermore, e-wallets and digital wallets are gaining popularity. The use of digital wallets and e-wallets significantly increased after the outbreak of COVID-19. E-wallet transactions are logged digitally and automatically, allowing users to conveniently track their spending.

Since digital wallets and e-wallets can be used for online and offline transactions, they have the same flexibility as credit and debit cards. Thus, digital payments are increasing across all age demographics, and people actively look for discounts, bargains, and offers that are routinely offered on different e-wallets. In Malaysia, there are currently over 50 different types of digital wallets, each with unique selling factors.

Digital wallets are also gaining significant traction in cross-border payments in the e-commerce sector. Further, the growing number of collaborations by the various players in the country may boost the use of digital wallets during the forecast period.

Malaysia Payments Market Competitor Analysis

Malaysia's payment market is highly competitive, with many local and global players. The major players in the market are

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leveraging strategic collaborative actions and innovations to improve their market shares and enhance their profitability.

June 2022: Samsung Pay introduced the Samsung Wallet by combining Samsung Pay and Samsung Pass. This wallet can securely save passwords and monitor digital assets, such as cryptocurrencies. Moreover, the Samsung Wallet includes features to store driving licenses and student IDs.

February 2022: Huawei partnered with Aleta Planet and UnionPay to support Digital Mobile payments on Huawei Phones. Huawei phone users can now use the new AP-1/Huawei Pay UnionPay card to make cashless payments.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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