

Encik Abu Hassan Alshari Yahaya: The benefits of online banking services and Inter-Bank GIRO (IBG) in Malaysia

Welcoming remarks by Mr Encik Abu Hassan Alshari Yahaya, Assistant Governor of the Central Bank of Malaysia, at the “Experience IBG” Roadshow, Kuantan, 2 December 2013.

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It is my great pleasure, ladies and gentlemen to meet and welcome all of you to the “Experience IBG” roadshow in Kuantan this morning. This roadshow is jointly organised by Bank Negara Malaysia, the Association of Banks in Malaysia (ABM), the Association of Islamic Banking Institutions Malaysia (AIBIM) and the banking institutions to create awareness amongst the small businesses on online banking services, focusing specifically on Interbank GIRO or IBG, which is a payment system that allows a person to conduct transfer of funds between banks.

The first roadshow began in Seberang Prai on 22 October 2013, and it will end in Kuching on 5 March 2014, after covering 12 major towns in the country. The first four roadshows have attracted more than 1,500 (1,590) participants, who are mainly the SMEs and micro enterprises and more than 1,000 (1,056) or 66% of the participants have signed-up for the online banking services such as Internet banking and mobile banking. This demonstrated that the explanation and promotional efforts undertaken by the banks during the roadshow’s exhibition has helped participants to understand more about the benefits of using online banking in comparison to cheques.

Our discussion this morning will provide information for participants to obtain guidance and have a closer look on the benefits of online banking services and IBG. In line with the development in technology and innovation, making payments electronically through online banking can reduce the cost of doing business by reducing or using resources previously used to handle cash and cheques, enabling businesses to optimize their business performance and profitability. This can be achieved through increased use of electronic payments where the cost of manual processing, including the postage fee or the cost to deposit cheques in the Cheque Deposit Machine (CDM) or at the counter of bank branch, can be saved. My point is, you can save on your petrol expenses, parking fees or even avoid being issued a ticket for illegal parking and most importantly, you will be able to save time that could be utilised to increase your business productivity.

This is because online banking allows you to enjoy the convenience of banking at anytime and anywhere without the hassle of having to queue at the bank counter or hiring employees to perform daily banking activities. Among other benefits of online banking and IBG is that, it offers faster movement of funds compared to payment using cheques. For example, the transfer of funds through IBG performed before noon allows a person to receive the funds within the same day compared to cheques that will take a couple of days to three days. For a beneficiary who has an account within the same bank with the payer, which is known as *Intrabank*, the funds will be credited instantaneously.

The program for today includes the showing of three video clips on online banking and IBG, which can be downloaded through *YouTube* and ABM and AIBIM’s website, including presentations by two banks. In addition, 17 banks and MyClear (the national payment system operator) have also set up exhibition booths to showcase their respective electronic payments and funds transfer solutions. This is indeed an opportunity not to be missed as you will be able to learn and ask questions about online banking solutions and sign up for the special offers such as free security tokens or waiver of monthly subscription fee for business Internet banking as provided by some of the exhibitors today.

In conjunction with today's roadshow, I am pleased to announce that 2 banks namely, Bank Simpanan Nasional and OCBC Bank, together with 8 banks in Temerloh¹ in Kuantan will hold their "Open Day" from today, 2 December until this Friday, 6 December. During the week-long "Open Day", visitors can enquire and learn more about e-payment solutions from the branch staff. The "Open Day" event is open to all businesses and the general public to complement the efforts of the roadshow to reach out to smaller towns and I encourage all participants to take this opportunity to visit the bank branches in Kuantan and Temerloh. Based on the "Open Day" events held in 8 towns in 4 states for the past 2 months, more than 900 (911) banks' customers have signed up to use the online banking services.

For information of all participants, to date, cheques are still widely used in our country. Based on the last 3 years data, an average of 205 million cheques amounting to about RM2 trillion are issued on an annual basis. In terms of the number of cheques over the country's population, or cheques per capita, it is at 7.1. This figure is much higher than 3.9 in advanced countries such as Norway, Finland and Australia. It is also worth noting that 92% (or 18.4 million) of the total adult population in Malaysia have banking accounts and of these, about 74% (13.7 million) of bank account holders have Internet banking accounts. However, although 74% of the bank account holders have Internet banking access, only 43% (5.9 million) of the Internet banking subscribers are active users in conducting financial transactions.

In this regard, we have not reached a stage where the masses are familiar or have gained sufficient trust in using Internet banking to conduct their financial transactions. It is through educational programs such as this roadshow event that we hope the businesses will take the opportunity to learn more about the security safeguards and safe practices to gain sufficient confidence to adopt online banking and conduct e-payments. Touching on the issue of security, the banking industry has implemented additional security features such as the introduction of two-factor authentication to ensure the validity of Internet banking users in addition to the use of user identification and password. For your information, the losses due to Internet banking fraud, accounts for only 0.0002% of the total transactions of RM3 trillion recorded in 2012 and this figure has declined to 0.0001% of the transaction amount of RM2.6 trillion in the first nine months (January – September) this year. The speakers will share with us more about the safety features and safe practices to conduct Internet banking afterwards.

To encourage the migration to e-payments, Bank Negara Malaysia has announced a new pricing strategy for payment services in March this year. The transaction fee for IBG conducted via Internet and mobile banking has been reduced from RM2 to 10 sen with effect from 2 May 2013. This is to give the public and businesses an 11 month head-start to adopt e-payments before the cheque processing fee of 50 sen is imposed on 1 April 2014. The adjustment to the IBG and cheque prices is to align them closer to their cost of production. The actual cost of production is about RM3 per cheque and currently consumers pay only 15 sen for the stamp duty per cheque leaf.

The 11 months delay in the increase in cheque fee was intentional to allow the public and businesses to familiarize themselves with the use of online banking to conduct e-payment transaction. In this regard, banking institutions have given their commitment to facilitate and advise customers on safe practices in migrating away from cheques to adopt electronic payments.

Bank Negara Malaysia and the banking industry will continue the efforts to assist businesses and the general public to ensure a smooth transition in adopting online banking and IBG. This includes the increase of transaction limit for IBG and online banking from RM5,000 to RM10,000 to facilitate high valued payments. With the increase in the limit, 90% of the total

¹ Affin Bank, AmBank, Bank Islam, Bank Rakyat, CIMB Bank, Hong Leong Bank, Maybank & Public Bank.

number of cheques which is 184 million from 204 million cheques in 2012, or 135 million of 150 million cheques issued in January to September 2013, can be made via online banking. In addition, most of the banks have shortened the crediting time for IBG transactions, in which the beneficiaries will receive their funds faster within the same day.

Other initiatives include several major banks will be offering IBG services via ATM and banks have provided access to Internet banking through the deployment of Self-Service Internet Kiosk at all bank branches to facilitate those who do not have access to Internet banking to make payment electronically. As at end August 2013, more than 2,100 (2,121) kiosks have been deployed in 74% of the 2,341 bank branches and it is expected that almost all bank branches will be equipped with the Internet kiosk by end March 2014. In addition, the banking industry has developed a framework on payment reference standard that will enable payers to indicate payment transaction details to allow beneficiaries to easily identify the source and purpose of payment and this will facilitate more efficient reconciliation process through e-payments.

Finally, I would once again like to emphasize that IBG via Internet banking and mobile banking provides significant benefits to the businesses by having the convenience of transacting anytime, anywhere. It also lowers the costs of doing business through reduction of cash and cheque handling costs and redeployment of resources for more productive activities. In closing, I wish you an insightful and productive engagement at this roadshow event and trust that the discussions today will be beneficial to you in your adoption of online banking and electronic payment solutions for your business operations.