TECHNICAL
PROPOSAL

STUDY ON TRADERS' MINDSET IN RETAIL AND FOOD & BEVERAGE SUBSECTOR ON CASHLESS TRANSACTIONS (ADOPTION OF E- WALLET: CASHLESS BUSINESS TRANSACTION)

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APRIL 2020

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1. INTRODUCTION

This proposal is prepared to study the adoption of cashless transaction by retail and food and beverage (F&B) players in Malaysia, primarily smaller retailers (the "target group"), referring to petty traders, hawkers and micro enterprises. Concern has been raised that this target group is slow in adopting cashless transaction. In this study, the behavioural aspects among the target group in adopting cashless transaction will be analysed and suitable behavioural interventions will be proposed. The study is part of behavioural insights case studies commissioned by the Malaysia Productivity Corporation (MPC) in 2020.

To identify the issue, current gaps, and challenges faced by the target group, as well as to gather relevant behavioural insights evidence, focus group discussion (FGD) and survey will be conducted as part of the pre-intervention phase of the study. Following that and using evidences collected in the pre-intervention phase, experimental study will be implemented. The proposed behavioural interventions by means of electronic poster (e-poster) and short messages (through SMS or Whatsapp application) will be introduced consecutively to randomly selected respondents. Subsequently, an evaluation on the effectiveness of the interventions will be conducted. Finally, action plan and suggestion will be proposed to address the issue and improve the overall effectiveness of relevant policies.

The target group for all the study phases is anticipated to be located in Selangor, Kuala Lumpur or Putrajaya. However, this will be confirmed during the implementation stage of the study based on the ability to access target group's contact details. Due to the COVID-19 pandemic, wherever possible, all activities identified in this proposal will be conducted electronically or through online platforms.

The stakeholders identified in this issue are KPDNHEP, Bank Negara Malaysia, retail and food and beverage (F&B) micro enterprises, petty traders and hawkers, cashless payment service providers, internet providers and customers. Other relevant stakeholders are listed in Section 4.0. Wherever required, relevant stakeholders will be invited to participate in this study.

2.   BACKGROUND OF STUDY

Electronic payment is essential to increase efficiency of Malaysia's payment system and as the country aims to be a high value- added and high-income economy. According to the Financial Sector Blueprint 2011-2020:

> "Electronic payments (e-payments), which offers a more expedient, secure and cost-effective means of moving funds over paper-based payments, is one of the strategic tools for achieving greater economic efficiency, productivity and growth···"
>
> (Financial Sector Blueprint 2011-2020)

Bank Negara sets a target for each person in Malaysia to make an average of 200 electronic payment transactions per person in 2020. To achieve this target, several measures have been implemented, such as facilitating wider outreach of e-payments infrastructure (Fintech Malaysia, 2019).

In 2018, e-money recorded highest transaction volume per person among all types of cashless transactions, at 56.2%. E-money is used to pay for small transactions, at 0.23% of total transaction value per person (Fintech Malaysia, 2019). This evidence offers an opportunity for the target group (retail and food and beverage (F&B) petty traders, hawkers and micro enterprises) to adopt cashless transaction as goods and services offered by this group are normally of smaller values.

The use of cashless transaction is further supported by the high mobile phone penetration rate (11.5 million number of mobile banking accounts in 2017), as well as untapped market of 12 million adults population out of 24 million adult population in Malaysia. Additionally, the number of approved non-bank e-money issuers had increased to 44 as at end-June 2018 (Bank Negara, 2018).

Using behavioural insights, this study hopes to answer a question that has been raised as to why the target group appears slow in adopting cashless transaction compared to their larger peers, despite initiatives by the government. According to OECD, behavioural insights refer to:

"An inductive approach to policy making that combines insights from psychology, cognitive science, and social science with empirically-tested results to discover how humans actually make choices" (OECD).

Using concept such as nudges, it is hoped that behavioural insights can offer a novel approach and solution to the issue based on a better understanding on the decision-making made by the people involved. It is however noted that barriers to adoption of cashless transactions by the target group can also be attributed to non-behavioural factors.

In early 2020, several workshops was organised by MPC to identify the issue as well as associated benefits, and develop preliminary project plan for each case study. Salient points from the workshops are given below.

The issue of cashless transaction adoption by the target group is believed to contribute to the following problems:

1. Inefficiency, such as error in giving change during transactions.
2. Fraud (counterfeit money being used in transactions)
3. Crime such as robbery, snatch thief etc.
4. Transmission of communicable diseases through the use of paper money or coins, such as COVID-19 infection.

If this issue is not addressed, the implications include lower revenue for the target group, whereas safety and health of the target group and customers are at stake.

Some of the key benefits of cashless transactions are given below:

1. Cashless transaction means more efficient business
2. Cashless transaction can lead to higher revenue for the target group
3. Cashless transaction means safer transactions as customers and retailers do not have to carry cash.

3.   OBJECTIVE & RESEARCH SCOPE

STUDY OBJECTIVE

In line with the Terms of Reference, the objectives for this study are to apply behavioural insights to the following:

i.   To identify the issue and main problem for the case study

ii. To identify current status of the issue and analyse the case in detail

iii. To implement experimental study to change behaviour of the target group

iv. To propose action plan and suggestion to improve efficiency and services, particularly in the delivery system of government's services.

To achieve the above objectives for this study, we propose to:

a) Examine the issue and current status of cashless transactions among the target group, from behavioural insights perspective;

b) Examine the use of behavioural interventions in cashless transactions among the selected respondents within the target group.

STUDY SCOPE

In line with the Terms of Reference, the scope of this study is as follows:

i. To review and examine relevant literatures, particularly related to cashless transactions adoption and behavioural insights to drive behaviour change and achieve the desired policy outcomes;

ii. To make comparison on the behavioural insights practices, regulations and policies adopted by other countries in relation to cashless transactions, particularly among smaller retailers;

iii. To analyse current practices and scenario of cashless transactions among retail and F&B petty traders, hawkers and micro enterprises in selected location(s) in Selangor, Kuala Lumpur or Putrajaya (subject to confirmation during implementation stage);

iv. To identify gaps, issues and challenges faced by retail and F&B petty traders, hawkers and micro enterprises in adopting cashless transactions;

v. To identify potential behaviours among retail and F&B petty traders, hawkers and micro enterprises with regards to the adoption of cashless transactions.

vi. To recommend action plan including behavioural insights interventions that can be used to encourage retail and F&B petty traders, hawkers and micro enterprises to adopt cashless transactions.

vii. To propose improvements and potential solutions.

4.   STUDY METHODOLOGY

In accordance with the objectives and scope set out above, this study will use several research methods as follows. Wherever required, the methodology outlined below will be improved and fine-tuned during the implementation stage as and when more information is made available throughout case study.

Due to the COVID-19 pandemic, wherever possible, all methods identified in this proposal will be conducted electronically or through online platforms.

i. Method of Comparative Studies
   a. This method of comparative doctrinal study will produce "systematic exposition of the rules governing a particular legal category, analyses the relationship between rules, explaining areas of difficulty and may also predict future developments".

b. This method will be used to identify and analyze the relevant provisions of law and policy in Malaysia regarding cashless transactions.

c. Micro- and macro comparisons will be used in this study to identify models and best practices as part of the process for this study.

ii. Pre & Post Design

Figure 1: Pre & Post Research Desgin

Pre - Intervention (6 weeks)

a. FGD: Respondents' inputs will be gathered to understand actual practices and current situations. This is important to identify the real issue, gaps and challenges faced. This will also ensure the appropriateness of the proposed interventions in the next phase.

- Sample Size Estimate: Max. 30 informants
- The data collected will be transcribed and analyzed thematically.

b. Survey: Survey questionnaires will be developed based on the literature review and FGD analysis results.

- Sample Size Estimate: Max. 500 respondents
- Samples for survey studies are different from FGD samples
- The data collected will undergo descriptive and inferential analysis.

Intervention (4 weeks)

a. Phase 1 [e-Poster]: 2 e-posters containing selected slogans will be sent to respondents

b. Phase 2 [Short Message]: Selected messages will be sent to respondents via WhatsApp / SMS

- The slogan will contain a 'nudge' message that contains at least one category of social influence (Thaler & Sunstein, 2008).
- The slogan will go through a polling process between FGD informants.

Post - Exam (2 weeks)

a. Survey: Survey questionnaires will be distributed to respondents at the end of the interventions.

- Sample Size Estimate: Max. 500 respondents
- Samples for survey studies are different from FGD samples
- The data collected will undergo descriptive and inferential analysis.

List of stakeholders:

a. Policy makers and Government Agencies:

- Ministry of Domestic Trade and Consumer Affairs (KPDNHEP);
- Ministry of Finance (MOF);
- Malaysian Communications and Multimedia Commission (MCMC);
- Ministry of Economic Affairs (MEA);
- Bank Negara Malaysia (BNM);
- Other relevant Ministries/ Department

b. Non-governmental parties are as follows:

- Small and Medium Industries (SMEs);
- Industry Associations;
- Cashless payment service providers
- Malaysian public/customers; and
- Other related parties

5.   EXPECTED FINDINGS

Study findings will be used as inputs in applicable public policy formulation. The findings can also be used as reference for future work directly related to the issue and behavioural insights in general.

6.   RISKS

Risks identified for this study include:
- (i)   Unable to access contact details of the target group. It is noted that contact details for the target group may not be in KPDNHEP's record.
- (ii) Target group not cooperating or poor cooperation from the target group for various reasons eg. No access to or unfamiliar with video conferencing.
- (iii) Ineffective communication/discussion when done through online platforms.
- (iv) The composition of respondents could be dominated by certain type of players only i.e. petty trader, hawker or micro enterprise.

7.   LIMITATIONS

Due to time and cost constraints, as well as constraints imposed by the COVID-19 pandemic, this study can only cater for a limited number of sites/respondents (to be confirmed during the implementation stage).

While findings and lessons from this study may offer useful insights on the issue of cashless transactions adoption by the target group as well as behavioural insights application in general, care should be taken so as not to generalize findings from this study to other sites/target groups.

8.   ORGANISATION

This study will involve a team of researchers from different backgrounds and expertise. The list of team members for this study is shown in the table below:

Table 8.1   Name and role of team members

Bil	Name	Role	Expertise
1.	Mohammad Abdul Hamid	Project Leader	Project Management, Behavioural Insights
2.	Dr. Daniella Mokhtar	Technical Advisor	Research Method/Design & Analysis, Industrial & Organisational Psychology
3.	Puan Amanda	Representative from the KPNHEP	Domestic Trade and Consumer Affairs
4.	Cik Shantini	MPC representative/ Project Assistant	Project Management
5.	Cik Adira	Project Assistant	Project Management
6.	Puan Fazila	Project Assistant	Project Management

PROJECT ORGANISATIONAL CHART

PROJECT LEADER
En. Mohammad bin Abdul Hamid

TECHNICAL ADVISOR
Dr. Daniella Mokhtar

MINISTRY REPRESENTATIVE
Puan Amanda

PROJECT ASSISSTANTS
Cik Shantini (MPC Rep) Puan Fazilah Cik Adira
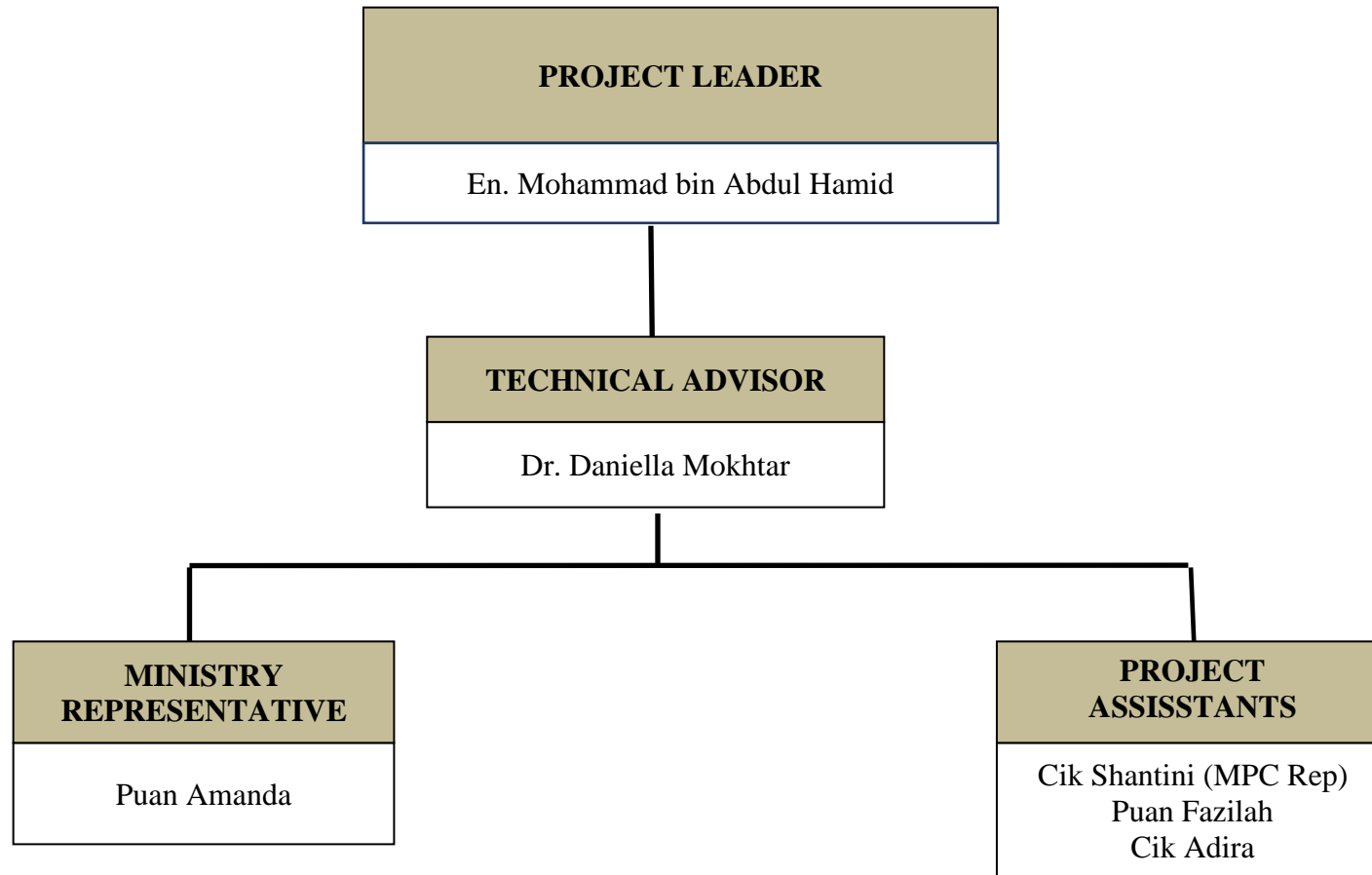
9.   PROJECT SCHEDULE

BIL	AKTIVITI	BULAN																							
		1 MEI				2 JUN				3 JULAI				4 OGOS				5 SEPTEMBER				6 OKTOBER			
		M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4	M1	M2	M3	M4
1.	**Preparation**	■	■	■	■																				
2.	Online Discussion	■	■	■																					
3.	Workshop	■	■	■																					
4.	Literature Review	■	■	■																					
5.	FGD preparation	■	■	■																					
6.	**Inception Report**				■																				
7.	**Data Collection**					■	■	■	■	■	■	■	■	■	■	■	■								
8.	FGD					■	■																		
9.	Transcribing & Analysis					■	■	■																	
10.	Pre-survey							■	■																
11.	Pre-Test									■	■														
12.	Intervention											■	■	■	■										
13.	Post-Test															■	■								
14.	**Interim Report**									■															
15.	**Analysis & Data validation**						■			■	■							■	■	■	■				
16.	Data analysis workshop																	■	■						
17.	Data analysis																		■	■	■				
18.	Final report workshop																				■				
19.	**Final report draft**																				■				
20.	**Final Report preparation**																					■	■	■	■
21.	Revision/updates																					■	■	■	■
22.	**Final report**																								■