

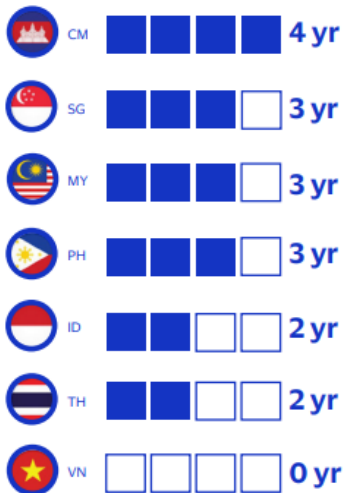


The QR Code Payment: Fostering ASEAN Regional Payment Connectivity

Meung Chansomanita

Overview of ASEAN's digital payment landscape

The pandemic has accelerated consumer expectations of my country becoming a cashless society by:



The concept of digital payment is not new to the ASEAN regional bloc as it was firstly introduced to the region in the ASEAN Digital integration framework in 2018. The digital payment is also consistent with the objectives outlined in the AEC 2025 Strategic Action Plans for Financial Integration.¹ The silver lining of the COVID-19 pandemic was that it brought a substantial surge in the

¹ ASEAN. 2018. "ASEAN Digital integration framework". Available at [Adopted-ASEAN-Digital-Integration-Framework.pdf](#)

number of new 400 internet users.² According to the data from Statista, it is projected that by 2025, the Southeast Asian region will witness a significant increase in the number of digital consumers, reaching a total of 310 million individuals who actively utilize the internet for daily activities.³ Furthermore, the number of e-commerce users in this region is projected to rise to 443 million individuals during the same period.⁴ The adoption of digital payments has been driven by the shift from offline to online consumer behavior.

ASEAN countries are witnessing a surge in the adoption of digital payment methods such as e-wallets, mobile banking, and QR-code-based cross-border payment systems. According to a study by VISA in 2022, approximately 80% of customers in Southeast Asia express their intention to increase their utilization of cashless payment methods. Notably, this tendency is particularly prevalent among consumers in Thailand (89%), Vietnam (83%), Malaysia (78%), Indonesia (78%), and the Philippines (78%).⁵ Moreover, the proportion of mobile penetration in the region is ranked as the third highest globally, reaching a rate of 132% by 2021, which outlines a lot of potential for internet-based services, especially the e-commerce.⁶

A cashless society refers to a financial system where physical currency is no longer the primary medium of exchange. Instead, transactions are conducted electronically through various digital payment methods such as credit cards, mobile wallets, and online banking.⁷ This shift towards a cashless society is driven by advancements in technology and the increasing popularity of digital transactions. After the 42nd ASEAN Summit in Jakarta, the ten leaders reached a deal on the commencement of negotiations for an ASEAN Digital Economy Framework, which happened to

² Markus, Ivana, and Livia Feliciiani Nazara. 03 June, 2023. "Unlocking ASEAN's Digital Economy: Payment Systems in the Digital Era." Economic Research Institute for ASEAN and East Asia - ERIA. Available at [Unlocking ASEAN's Digital Economy: Payment Systems in the Digital Era - News and Views : ERIA](#)

³ Bain & Company. 2019. "Digital Consumers of Tomorrow, Here Today". Available at [facebook and bain and company report digital consumers of tomorrow here today.pdf](#)

⁴ Ibid.

⁵ VISA. "Consumer Payment Attitudes Study 2022" August 2021. Available at [visa.com.sg/dam/VCOM/regional/ap/documents/visa-cpa-report-smt-2022.pdf](#)

⁶ Digital 2021: Global Overview Report. Southeast Asia is 3rd after Southern Africa and Eastern Europe. Available at [Digital 2021: Global Overview Report — DataReportal – Global Digital Insights](#)

⁷ You, Sokunpanha. 2019. "Cashless Cambodia". Chap 9. Cambodia 2040. Future Forum. Available at [kas.de/documents/264850/9494366/Chapter+9+Cashless+Cambodia.pdf/d00e6de0-e5f4-92ae-04b4-807760b422dd?version=1.0&t=1593967290927](#)

be two years ahead of schedule.⁸ Regional Digital payment Connectivity surely plays a crucial role in addressing economic growth by increasing efficiency, productivity, and reducing costs.

Understanding regional payment connectivity

Regional Payment Connectivity (RPC) in ASEAN refers to the ability of individuals and businesses within an ASEAN region to easily and efficiently make financial transactions across borders.⁹ It involves the establishment of seamless payment systems and infrastructure that enable the transfer of funds, goods, and services between different countries or territories within the region. The RPC initiative was introduced by the central banks of Indonesia, Singapore, Thailand, Malaysia, and the Philippines during the G20 Summit in 2022. Its primary objective is to foster the development and improvement of inclusive cross-border payment systems in Southeast Asia, with a particular focus on the utilization of QR-code payments and strengthening regional currency usage.

QR code payment refers to a cashless transaction method that utilizes quick response (QR) codes to facilitate payments.¹⁰ It allows users to simply scan a QR code displayed by the merchant using their smartphones, enabling instant and secure transactions. Several countries in Southeast Asia, namely Cambodia (KHQR), Indonesia (QRIS), Lao PDR (Lao QR), Malaysia (DuitNow), the Philippines (QR Ph), Singapore (PayNow), Thailand (PromptPay), and Vietnam (VietQR), have implemented standardized QR code systems at the national level. Therefore, it is now time for a region-wide digital payment system. There are currently a number of cross-border payment systems in Southeast Asia, however they are mainly bilateral. For example, Cambodia and Laos PDR set up a “KHQR-LAOQR” payment system this August to facilitate the cross-border payment

⁸ ASEAN. 03 September, 2023. “ASEAN launches world’s first regionwide Digital Economy Framework Agreement“. Available at [ASEAN launches world’s first regionwide Digital Economy Framework Agreement - ASEAN Main Portal](#)

⁹ ASEAN. 25 August 2023. “Joint Statement of the 10th ASEAN Finance Ministers’ and Central Bank Governors’ Meeting (AFMGM)“. Available at [asean.org/wp-content/uploads/2023/08/Joint-Statement-of-the-10th-AFMGM-Final.pdf](#)









¹⁰ Hewawasam, P., Jaharadak, A. , Khatibi, A. and Azam, S. (2023) “QR Code Enabled Payment Solutions in Creating a Cashless Society among Sri Lankan Consumers“. Journal of Service Science and Management, 16, 110-132. Available at [QR Code Enabled Payment Solutions in Creating a Cashless Society among Sri Lankan Consumers—A Literature Review \(scirp.org\)](#)

between the two mainland Southeast Asian countries¹¹. The determination of fees and currency rates can be achieved by bilateral agreements among central banks, minimizing the involvement of American-owned intermediaries. This approach enhances transaction efficiency and reduces costs.¹² Besides the QR code system, ASEAN has made significant progress in promoting regional payment connectivity through various initiatives. One such initiative is the ASEAN Payment Connectivity Framework, which aims to enhance cross-border payment infrastructure and promote interoperability among ASEAN member states. Blockchain technology and Central Bank Digital Currencies (CBDCs) have been extensively discussed in ASEAN member states.

For instance, Cambodians have familiarized themselves with Bakong. It is a digital service introduced by the National Bank of Cambodia in cooperation with Soramitsu, a blockchain company. It facilitates digital inter-bank transfers and is part of Cambodia's ongoing digital transformation. According to the National Bank of Cambodia, Bakong processed a total of 11.6 million transactions, while US dollar transactions of 21.3 million transactions for the half 2023.¹³

Additionally, the ASEAN Single Window initiative facilitates seamless trade and customs processes by integrating national single windows of member countries. These initiatives have contributed to the development of a more efficient and secure regional payment system, fostering greater economic integration within ASEAN.¹⁴ This connectivity is crucial for promoting economic growth and reducing poverty as it facilitates trade, investment, and financial integration among countries, leading to increased economic

Attitudes towards cashless payments

	Plan to use cashless payments more often	View cashless as a safer way to pay	Support government initiatives for going cashless	Prefer shops that accept cashless payments
 S.E.A.	77%	75%	72%	68%
 SG	71%	66%	69%	61%
 MY	78%	75%	73%	66%
 ID	78%	79%	73%	63%
 VN	83%	80%	76%	77%
 PH	78%	79%	72%	71%
 TH	89%	86%	80%	81%
 CM	43%	49%	43%	43%

¹¹ Kang, Sothear. 21 August 2023. “Cambodia, Laos Launch KHQR-LAOQR Cross-Border Payments.” Khmer Times. Available at <https://www.khmertimeskh.com/501345965/cambodia-laos-launch-khqr-laoqr-cross-border-payments/>

¹² Guild, James. 13 June, 2023. “ASEAN’s Cross-Border Digital Payment System Explained”. Available at [ASEAN’s Cross-Border Digital Payment System Explained – The Diplomat](#)

¹³ Kunmakara, May. 08 August, 2023. “Bakong Digital Transactions Rise Sharply in First Half.” Available at [Page not found | Phnom Penh Post](#)

¹⁴ ASEAN. 09 December 2005. “Agreement to Establish and Implement the ASEAN Single Window”. Available at [Agreement-to-Establish-and-Implement-the-ASEAN-Single-Window-ASW-Agreement-1.pdf](#)

opportunities and improved living standards for individuals in the region.

Challenges for ASEAN regional payment connectivity

ASEAN's digital payment landscape is characterized by significant disparities among its member countries. While some countries have made notable progress in expanding access to financial services, others still face challenges in reaching underserved populations.

Addressing the “Digital Divide” is one of the main keys for least-developed countries in Southeast Asia like Cambodia, Laos, Myanmar and Vietnam.¹⁵ There exist batches of individuals that possess the capability to effectively employ and harness technology for their advantage. Conversely, there are also segments of the population who struggle to acclimate and integrate with technological advancements. Distinct groups of the population, like the elderly, people with disabilities, those residing in rural areas, and those with little financial resources, face a dearth of access to inclusive digital communication tools and network connectivity. Numerous digital solutions are developed specifically for individuals who possess characteristics such as tech-savvy young people, who are mostly familiar with the English language. Improving digital infrastructure, such as broadband connectivity, is crucial for creating a more inclusive digital landscape. Additionally, enhancing digital knowledge and skills among individuals and promoting a culture of digital literacy can empower people, particularly in rural areas, to get exposure to digital banking.

The establishment of institutions and regulatory frameworks is important prior to the implementation of a comprehensive program spanning multiple countries as they help build trust and confidence among participating countries. They provide a transparent and accountable system that ensures fair treatment and protects the interests of all member countries. To successfully adopt a region-wide digital payment system, it is recommended that the Association of Southeast Asian

¹⁵ World Bank. 2019. “The Digital Economy in Southeast Asia: Strengthening the Foundations for Future Growth.” Available at documents1.worldbank.org/curated/en/328941558708267736/pdf/The-Digital-Economy-in-Southeast-Asia-Strengthening-the-Foundations-for-Future-Growth.pdf

Nations (ASEAN) consider the establishment of an institutional entity, akin to an ASEAN central bank, with the purpose of overseeing and issuing rules for the payment system within the region.¹⁶

Conclusion

One probable certainty of the future of payment is that it will be digital based. To further enhance digital payments in ASEAN, these are the key area to consider. ASEAN needs to address the digital divide by improving inclusivity and accessibility across the region. Second, states must focus on the development and enhancement of regulations to ensure the security and protection of consumers in digital transactions. Overall, the digital payment plays a crucial role in unlocking ASEAN's digital economy by increasing efficiency, and productivity, reducing costs, and fostering regional economic growth.

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¹⁶ Leang, Seakleng. 11 November, 2022. "Why ASEAN Needs a Region-Wide Digital Payment System". The Diplomat. Available at [Why ASEAN Needs a Region-Wide Digital Payment System – The Diplomat](#)