Implementing an Electronic Payment System: Getting Things Done!

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Abstract: This case study presents the challenges and critical success factors in JomPAY implementation in a local authority in Putrajaya. System failures, stakeholders' resistance to change and third-parties operational issues were among the challenges faced by the local authority in implementing the system. The project champion's credibility and technical skills play an important role in making sure the implementation is a success.

Keywords: JomPAY; electronic payment; local authority; critical success factors; stakeholders management, implementation issues.

INTRODUCTION

The coordination meeting on a Cashless Citizenship Initiative-Direction and Status programme has just ended. The programme was one of the initiatives to drive Malaysia's aims to be a cashless society by the year 2050. In the meeting, the attendees were briefed on the status of the electronic payment (or e-payment) mechanism available in all states in Malaysia through local authorities. Types of services offered were ranging from tax assessment payment, renewal of business licenses, parking payment, and penalty payment. The meeting did not satisfy some of the local authorities which still have not fully adopted a 100% e-payment system.

Mr. Azwan Shahir, a Senior Director in charge of Special Project in the Ministry was tasked to lead this Cashless Society Initiative. He needs to prepare a comprehensive report for his top management review at the end of the given time which is in two months since some local authorities are still slow or have a *"wait and see"* attitude toward adopting this initiative. Therefore, he planned to obtain a success story of adopting e-payment so that future organizations can refer for guidance. After searching for information from various sources, he came to know that there is a similar nature of the operation (of a local authority) that had successfully adopted e-payment or "JomPAY". He contacted the organization, Perbadanan Putrajaya (PPJ) to set an interview for getting crucial information regarding JomPAY implementation.

E-PAYMENT SYSTEM DEVELOPMENT IN MALAYSIA

Global trends in e-commerce have sparked more developments in its ecosystem. Be it small or big organisations, most if not all have invested substantially in technology to drive their businesses forward. As a country, Malaysia has been spending billions of ringgits on information and communications technology (ICT) related projects for the future development of the digital economy. For instance, Bank Negara Malaysia (BNM) has released a statement outlining the country's aspiration to be a cashless society by the year 2050 that reads:

> *"Accelerating the country's migration to electronic payments (e-payment) to quicken the pace for the country to realise the resulting cost savings and benefits has become an part of the bank's agenda to increase the efficiency of the nation's payments systems."[1]*

For future Malaysian generations, cashless and contactless payment systems are the way forward to replace conventional cash transactions. E-payment has become a major point of consideration to achieve this transformation. An e-payment system permits consumers to pay for goods or services electronically or digitally using electronic payment means, such as computer networks, the internet, and digital systems (Wyllie et al., 2010). The government invested a large amount in the establishment of its very own online bill payment scheme called JomPAY in 2015. This is one of the many initiatives of the government to achieve widespread acceptance and adoption of the e-payment system in the country. JomPAY ensures financial inclusion, better circulation of money, and reduction of financial inequality (Lee, 2016). A year after its introduction, a total of 1,013 billers registered with JomPAY (Wong, 2016). By 2020, the number of registered billers increased significantly to over 10,000 with 42 banks offering JomPAY services[2].

JomPAY recorded 3.9 million transactions valued at RM2.8 billion in 2016 (BNM, 2017). Among the JomPAY billers are the local authorities in Malaysia. The adoption of JomPAY by local authorities helps in smoothing the flow of processing payment collection from various stakeholders such as citizens, business communities, and organizations. In local authorities, there are various types of payment such as tax assessment, quit assessment, rental of facilities, fines, etc. The use of JomPAY will expedite these payment processes towards efficiency, especially in the aspects of reducing the cost of the transaction, queuing and delayed payments, and receipt of payments. Owing to the crucial value JomPAY adds to the payment system, some local authorities are also involved in awareness programs to let the public know the esteemed importance of using JomPAY for payment.

TAKE ON THE CHALLENGE!

Putrajaya Corporation or Perbadanan Putrajaya (PPJ) is acting as a local authority in Putrajaya, the federal administrative centre of the Malaysian Government. The Federal Territory of Putrajaya is a planned city and also a smart city for Malaysia. Based on its annual report in 2017, PPJ reported total assets of RM3.93 billion, an income of RM604.1 million, and expenses of RM519.0 million. PPJ uses SAP software for its enterprise resource planning (ERP) system.

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[1] https://www.bnm.gov.my/index.php?ch=ps_mep&pg=ps_mep_drv_toward&ac=193&lang=bm
[2] https://www.jompay.com.my/index.html

One of the main revenues for PPJ is tax assessment, which is collected two times a year as mentioned in the Local Enactment Act 1976 (171). Approximately 2,000 properties are charged annually which brings about RM44.3 million of revenue (based on 2017 data). Besides tax assessment, other collections from online payments as published in the 2017 annual report are rental (RM16.8 million), license or permit (RM2.9 million), and compound (RM1.6 million).

PPJ has several methods of collecting taxes from its stakeholders; i.e., the taxpayers. The payment can be made using internet banking via appointed banks namely Malayan Banking (MBB), CIMB, Bank Islam, and Ambank. The taxpayers also can use the financial process exchange (FPX) system through the PPJ's portal. As per the government of Malaysia circular titles *1PP PS2.3 Terimaan Kerajaan Secara Elektronik Melalui Perbankan Mudah Alih*, one of the payment methods mentioned is JomPAY. As the system runs, an improvement on payment collection activities is made consistently to make sure its benefits not only the taxpayers but also the employees.

The idea of JomPAY was first discussed in the Financial Management Division, Department of Finance, PPJ in 2016. After a few discussions and meetings with various stakeholders, especially the participating banks, JomPAY was officially implemented in PPJ on January 1, 2017. This implementation involved 42 banking networks in Malaysia. The Board of Directors of PPJ had approved one bank ("Bank A") as a collection agent of JomPAY for PPJ.

INEVITABLE UPS AND DOWNS: WHAT WORKS, WHAT DOESN'T?
Starting as a pilot project for tax assessment collections, the effectiveness of the JomPAY system after only several months in operation has led to the extension of its use to cover other revenue collections, such as rental, licenses, e-submission, and summons.

However, the implementation of the JomPAY system was not a silver bullet. A lot of "expect the unexpected" moments during the initial stage. The Director of Financial Management of PPJ, who was the Project Manager of JomPAY implementation said:
> *"We had several meetings with our key users to iron out problems relating to tax assessment. Lots of issues like addresses changed, ...I could say that on average, [it] took about six months to get everything in order. It is stress[full] for everyone…but to see [the] results…it [is] worth doing."*

There were taxpayers, especially among the older generation, who still prefer to do business over the counter. PPJ had to allocate resources to ensure counter services are available for this group of taxpayers. Likewise, some of the business communities, which are part of the PPJ ecosystem that brings revenue to the organisation, refused to use the JomPAY system.

During the initial implementation of JomPAY, a few participating banks were not ready to serve PPJ. Services such as auto bank recon, real-time online, T+1 TRF to the customer's bank account, were not fully functional and created a lot of problems for PPJ. This has forced PPJ to change from 'Bank A' to 'Bank B' a year after JomPAY implementation. Bank B does not require PPJ to open a bank account with them.

Implementing a new system requires various parties' involvement. In PPJ's case, dealing with technical people, consultants and banks required a strong character to make things done

according to the plan. According to the Director of Financial Management of PPJ, as a project manager:

> "You should not allow yourself to be easily influenced by others' views or methods. Some people like to do things simply or just use the standard which might not suit your accounting reporting needs. So, you have to strongly fight for your needs as long as you believe it is within the scope of the project.
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> We have to be firm with what we want. In our case, initially, the bank is reluctant to use auto recon services due to lots of customizations that need to be done by them. We stressed to them [that is] what we need. As long as it can be done, you have to provide [it]. If not, we will find other banks. In the end, after several discussions and trials, we managed to get it done as per requirement.
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> Get all end-users involved. At least get their opinions on what they want from the new system. Make sure all parties do their jobs as agreed in the scope discussed earlier in progress meetings throughout the project implementation.
> Since you appoint and pay them [the consultants] a lot, they [were] supposed to assist you and make your requirements achieved. You have to be firm in your decision and get them to do the work!
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> Make sure everything is organized and recorded. This documentation such as minutes of progress meetings (MOFM) is very important especially when we had a kind of dispute during the implementation. We can always refer to MOFM so that we can solve these disputes in amicable ways."

After all, having had experience working with SAP consultants a few years before PPJ changed its accounting system helped the Director develops her technical and managerial skills.

THE WAY FORWARD
Mr. Azwan is very pleased with the takeaways that he obtained from the interview. He now knows that to implement any new project, managing the stakeholders is one of the important factors to consider, apart from the technical and managerial skills of the project manager. With all the information that he gathered, he is ready to spice up his report.

DISCUSSION QUESTIONS
1. Describe the importance of an e-wallet as a medium of payment.
2. Why implementation of a new system such as JomPay as highlighted in the case usually takes a long period? Discuss.
3. At what stage of the system development life cycle (SDLC), does the project match? Explain your choice.
4. What is a legacy system?
5. What are the challenges faced by the organisation working with different stakeholder groups in JomPAY implementation?
6. Discuss several critical success factors for ensuring any ICT-based project such as JomPay's is successfully implemented. (Hint. You may search for relevant articles to answer this question).

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