

Chapter 6

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Vision 2020, a national goal that sets out specific aims and objectives for long-term development is guided by a five-year strategic development master plans. Vision 2020 is an aspiration of Prime Minister Dato' Seri Dr Mahathir Mohamad, the proposal of a fully developed, matured and knowledge-rich society by the year 2020. To achieve the vision, Malaysia has launched a strategic plan to explore the Information Age. It includes investing in new technology frontiers and partnering with global IT players.

Today, many organisations are moving away from traditional approaches towards BPR. As firms, capital, end user, communication and civilisation become global, it is necessary to change the way of doing business. As a first step, Malaysia has created the Multimedia Super Corridor (MSC) to accelerate Malaysia's entry into the Information Age. MSC will be an integrated environment to create the perfect global multimedia atmosphere (refer to Appendix C).

The MSC is expected to:

- ❑ attract technology-led foreign as well as local companies to invest in multimedia technology.
- ❑ be the platform where a multimedia value chain of goods and services will be produced and delivered across the world.
- ❑ be a test bed for invention, research and multimedia developments.
- ❑ be a world of Smart Homes, Smart Cities, Smart Schools, Smart Cards and Smart

Partnerships

Fibre-optic cable with the capacity of 2.5 - 10 gigabits per second will be in place by 1998. Through Telekom, the MSC will have 5 gigabit per second fibre-optic links to hubs in ASEAN, Japan, the US and so forth to handle multimedia conferencing as well as traditional voice communications.

The Government of Malaysia has launched Electronic Government as one of the MSC applications to utilise multimedia technologies in formulating a new way of government operations. Electronic Government will enhance the convenience, accessibility, and quality of interactions with people and businesses. Today, the government computerisation programmes have attained notable levels. However, the Electronic Government strategy goes beyond the entire computerisation of government. Electronic Government Programme means changing fundamental government operations and implies a new set of accountability for civil servants, businesses, and households. These need changes in the mindset of government staff as well as the public. Multimedia kiosks and the Internet will also support direct delivery of government services. Electronic Government will shift to paperless offices via paperless information exchange and on-line transactions throughout the nation. Thus, productivity improvement in the public sector will accelerate productivity increase in the private sector. The main applications of Electronic Government are:

⇒ *Licensing & Related Vehicle Services and Utility Payment.*

⇒ *Electronic Procurement.*

⇒ *Prime Minister's Office.*

⇒ *Human Resource Management Information System.*

⇒ *Project Monitoring System.*

6.1 TOOL FOR THE INFORMATION AGE

Smartcard is a card equipped with Random Access Memory (RAM) and Read-Only Memory (ROM) processors. Thus, smartcard is a type of computing device that can process, implement and store instructions. The development of Malaysia's Multi-Purpose Card (MPC) will offer tremendous opportunities to provide the most cost-effective and efficient ways of delivering services. MPC will be a plastic card implant with a chip or microprocessor that has the capability to carry out functions such as data processing, storage, and file management. The chip contains secured information and has better memory than current information systems. With MPC a set of critical government and payment applications will be launched, which is expected to be cost-effective. In addition, it will provide a chance for Government agencies to re-engineer their services.

Two categories of applications are identified for the MPC:

Chip Applications. Eight applications have been selected to be included in the initial MPC:

- **National ID.** The data in the national identity card will be stored on the chip.
- **Driving Licence.** Regular driving licence with violation and demerit points to facilitate enforcement.
- **Immigration.** The card will complement passports for Malaysian citizens.
- **Health Card.** Basic medical information will be stored on the card.

- **Electronic Cash and other Financial Transactions.** By acting as an electronic purse as well as a debit, ATM, and credit card with improved security.

These applications will initially be developed in a two-card approach:

- government-related card that comprises national identity card, driver's licence, immigration re-entry, medical application, with electronic purse as an option
- payment-card that caters for electronic purse, debit, ATM, and credit card applications. Since both cards will be based on a single technology platform, it will be possible later to migrate all applications onto one card.

Access Key Applications. The access key applications use the information inside the chip such as IC number or thumb print to access a database, run a program, or conduct a transaction. Key applications that could be supported by the MPC are: Employee Provident Fund transactions, voter registration, bill payment, ticketless air travel, student card, and car park access.

6.2 STEPS NEEDED

Bank Negara has been encouraging the finance mergers for a long time. It moves to get financial institutions to merge by March 1998. Malaysian banks are very small and cannot compete with multinational banks. The forces pushing for market liberalisation are growing stronger day by day. Malaysian financial institutions need to merge in order to become stronger and ready to face open competition with foreign institutions. That means local financial institutions must be prepared to modernise their banking operations.

The government supports the growth of IT usage. Through the MSC, the development of multimedia technologies will remove the barriers for doing business and promote borderless marketing. Thus, steps should be taken to ensure the entire banking institutions management is aware of IT policies. There should be adequate provision for IT policy review and operations. Special care should be taken in IT usage in order to provide sophisticated and advanced services.

In line with the MSC, a wide range of new services using smartcard will be available soon nationwide. Thus, the range is so wide that it is forcing banks to evaluate properly their existing services. Indeed, banks need to pick the appropriate technology either to replace or as a supplement to the existing one. It is possible that none of the existing technology can work effectively unless all the branches of bank are linked through this new system. This enables banks to promote a wide range of new customer relationship via telecommunications. Now the question is, how are they probably going to develop the new services and are the banks prepared to invest a huge amount of capital into these technologies.

The explosive usage of IT in financial institutions, while providing many advantages in banking functional areas or services, is also creating an enormous potential for fraud. The following are reasons why IT applications are susceptible to criminal acts:

- i) A lot of random access terminals throughout an organisation which employees can access.
- ii) Technological advance in hardware and software have not emphasised

the computer security.

- iii) Absence of normal audit trails, makes it difficult to track transactions in the event where complete files have been erased.
- iv) Lack of supervision or restriction on EDP/IT department staff.

In this age and time, it is appropriate to find ways to control internal and external fraud in order to minimise the financial loss, build customer confidence and ensure the long term progress of the finance industry. The prospect of fraud with the development of MSC could become reality if control aspects are not properly implemented.

6.3 FUTURE

In a competitive financial climate, every bank today strives to improve its customer service by implementing leading-edge technology. Management must be motivated to implement changes at all levels in their organisation. Steps should be taken to ensure the entire management is aware of IT policies. There should be adequate provision for IT policy reviews and operations. Special care should be taken in systems designed to provide sophisticated and advanced services.

Malaysia supports the growth of E-commerce and through the MSC, it is dedicated to the development of multimedia technologies that will remove barriers for doing business and promote borderless marketing. The point to stress here is that existing electronic banking services are delivery services, and independent of banking product. With the emergence of smartcard, it can be used as debit or credit cards; all the

services can be used on current accounts, savings account or other retail as well as corporate banking.

Banks today are upgrading their Computer Telephony Integration (CTI). The interactive voice response system consists of credit card, loan, hire purchasing, general information, etc tend to be complex in the banking environment. To overcome this, CTI offers interactive voice response systems. In other words, information will appear on screens of all customer service agents instantaneously. Irrespective of geographical area the agent could provide the customer's needs.

Ringgit*Net, the electronic data interchange (EDI) services provided by EDI Malaysia facilitates the exchange of financial transactions electronically. It eliminates the use of written cheques and paper remittance advice, thereby reducing overhead cost and workload. The service comprises electronic mailing, payroll, standing orders, inter-bank retail transactions and trade financing. Cost per transaction is RM2 for making payments and RM1.30 for receiving payments compared to the manual system RM3 and RM13 respectively. The service is chargeable on a monthly basis and depends on the volume transmitted. EDI clearing centre based on international UN/EDIFACT standards cater for mainly banks and financial institutions.

Trends in computing models and operating systems show developed countries are moving towards a three-tier client-server models and towards Internet/Intranet based

computing. There is also a tendency to move away from mainframe-based centralised information system (CIS) to the client-server bandwagon.

Although still in its infancy, E-commerce represents the new frontier that will revolutionise the way business is transacted globally. The Internet has matured substantially as the medium for E-commerce evolving in size, global reach and accessibility. Commerce on World Wide Web (WWW) is expected to grow in the coming years. According to a report by International Data Corporation (IDC) commerce on WWW is expected to grow from US\$2.6 billion in 1996 to US\$220 billion in 2001 (Star, Aug 15 1997). The worldwide growth will be spurred by the increasing number of web users and the average transaction size.

The financial institutions are approaching a paperless and cashless society. The increasing usage of IT in the banking sector raises issues relating to security and controls. Having said that, it is appropriate to implement the right measures to handle the situation. Press reports last year said that R & D in new technology may lead to a new generation of products such as picturephones, computers which can recognise human speech and ATM's which can recognise customers' face or eyes.