

# Optimizing E-Invoicing Rollout: Adaptive E-Invoicing Rollout (AER) Framework for Navigating Malaysia's Digital Transformation

**Koh Chee Hong**

*UCSI University, Kuala Lumpur, Malaysia  
Email: 1002265962@ucsiuniversity.edu.my*

**Abdul Samad Bin Shibghatullah**

*UCSI University, Kuala Lumpur, Malaysia  
Email: AbdulSamad@ucsiuniversity.edu.my*

## Abstract

In the dynamic landscape of Southeast Asia's digital economy, Malaysia is gearing up for a transformative shift with the mandatory rollout of electronic invoicing (e-Invoicing) beginning June 2024. Recognizing the critical need for a structured approach to this transition, this study presents the design and evaluation of an Adaptive E-Invoicing Rollout (AER) Framework, which is aimed at facilitating a successful e-Invoicing implementation across Malaysia's diverse business sectors. The framework is developed through a qualitative methodology that synthesizes insights from an extensive literature review, expert interviews, case studies, and the Delphi technique. The AER Framework stands out for its comprehensive approach, incorporating a theoretical predictive model that assesses various variables influencing e-Invoicing success. By employing the correlation coefficient, the model quantifies the relationships between key variables, providing a structured mechanism to predict and enhance the successful adoption of e-Invoicing. This model is particularly designed to be adaptable and dynamic, evolving with ongoing insights and changes in the e-Invoicing landscape. The study's findings offer a significant contribution to the digital economic literature and practice, providing policymakers, businesses, and stakeholders with a robust tool for strategic planning and effective decision-making. As Malaysia navigates its digital transformation, the AER Framework serves as a critical guide, ensuring that the e-Invoicing rollout is not only compliant with regulations but also conducive to enhancing fiscal transparency, economic efficiency, and business operations. Furthermore, the framework's adaptability and predictive nature make it a relevant model for other countries considering similar digital transitions, marking it as an asset in the broader context of digital finance evolution.

*Keywords:* Electronic Invoicing, Digital Transformation, Adaptive Framework, Predictive Model, Qualitative Methodology, Malaysia, Correlation Coefficient, Stakeholder Strategy, Fiscal Transparency

## 1. Introduction

In the burgeoning digital economy of Southeast Asia, Malaysia stands on the precipice of a significant transformation with the impending mandatory rollout of e-Invoicing beginning June 2024. The introduction of e-Invoicing is not merely a technological shift, but a strategic maneuver poised to streamline tax compliance, bolster fiscal transparency, and catalyze economic efficiency. However, despite the clear benefits and the comprehensive guidelines issued by the Inland Revenue Board (IRB), the successful adoption and implementation of e-Invoicing across diverse business ecosystems presents a complex challenge.

The significance of this study lies in its potential to bridge the gap in understanding the multifaceted dimensions of e-Invoicing adoption, from the perspective of compliance [1],[2] to the readiness of technological infrastructure [3],[4]. As noted by Chan [5], the digital economy collaboration and the integration of digital payment systems are crucial areas of development in ASEAN, with Malaysia being no exception. Yet, a comprehensive framework that encompasses all aspects of the transition to e-Invoicing is absent, underscoring the necessity for

this research. This study aims to contribute to the body of knowledge by providing an empirical evaluation of the factors influencing e-Invoicing success in Malaysia, thereby guiding policymakers and businesses in their decision-making processes. Moreover, it will offer a novel predictive model to anticipate the trajectory of e-Invoicing adoption and its ripple effects on the digital economy, drawing on the insights from the ASEAN Digital Economy framework [6].

The novelty element of this study is encapsulated in its comparative analysis approach, juxtaposing the Malaysian e-Invoicing rollout with global best practices [7], [8] and its predictive nature, which seeks to forecast the long-term implications of e-Invoicing on the digital transformation of the Malaysian economy [9], [10]. By examining the intersection of digital payments, data regulations, and e-Invoicing [5], [11], along with the critical factors for cloud-based e-invoice service adoption [12] and the effects of e-government measures on 2. taxpayer compliance [13], this research will carve out a novel paradigm in the digital economic literature, specifically tailored to the Malaysian context. The proposed research is poised to offer a robust, scalable, and adaptive framework for e-Invoicing implementation in Malaysia, contributing significantly to the literature

and providing practical implications for stakeholders across the board.

### 3. Methodology

The methodology for the research study, "Optimizing E-Invoicing Rollout: Adaptive E-Invoicing Rollout (AER) Framework for Navigating Malaysia's Digital Transformation" will be composed of a qualitative approach, given the pre-implementation state of e-invoicing in Malaysia.

#### 3.1. Literature Review

A comprehensive literature review was conducted to synthesize global and local e-invoicing practices, identifying critical themes and practices that inform a predictive model for e-invoicing success. The key findings are summarized in Table 1.0: Key Findings from Literature Review.

#### 3.2. Expert Interviews

Insights were gathered from industry experts to understand the operational, technical, and compliance aspects of e-invoicing implementation. The synthesized perspectives are documented in Table 2: Theoretical Predictive Model Variables for E-Invoicing Success.

#### 3.3. Case Study Analysis

An analysis of various regional e-invoicing implementations provided criteria for success, highlighting parallels and distinctions across ASEAN countries. Findings are presented in a comparative format.

#### 3.4. Delphi Technique

A Delphi study established consensus on predictive parameters for e-invoicing success, integrating expert opinions into the AER Framework's development criteria. Parameters such as system integration readiness, compliance rates, and user adoption were discussed, echoing the approach suggested by Wagiman et al. [14] in applying the Delone & McLean Information Systems Success Model to assess net benefits.

#### 3.5. Theoretical Predictive Analysis

The theoretical predictive model was developed from an integration of literature reviews, expert interviews, and case study findings. It evaluated various variables impacting the success of e-invoicing, each assigned a rating from 1 to 5 for its predictive importance.

Application of the Correlation Coefficient:

The correlation coefficient, a crucial metric in this model, was calculated to measure the relationship between pairs of variables, such as regulatory compliance and e-

invoicing success rate. It indicated both the strength and direction of their relationship.

Pearson's Correlation Formula Simplified:

$$r = \frac{n\sum xy - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

Where:

- **r (correlation coefficient):** This was the desired outcome of the analysis. It is a value between -1 and 1 that indicated how strongly two variables were related.
- **n (number of pairs):** This represented the total number of observations or data points available. Each pair represented a set of two variables, such as a particular e-invoicing feature's implementation and its observed impact on overall success.
- **$\sum xy$  (sum of the product of paired scores):** For each pair of variables, they were multiplied together and then all these products were summed up. This sum helped understand the joint variability of the two variables.
- **$\sum x$  and  $\sum y$  (sum of x scores and y scores):** These were simply the totals of all the first and second variables in the pairs respectively.
- **$\sum x^2$  and  $\sum y^2$  (sum of the squares of x scores and y scores):** Similar to  $\sum x$  and  $\sum y$ , but each variable was squared before they were summed up. This component helped in understanding the spread or distribution of each variable.

The results of this predictive analysis, including correlation coefficients and predictive importance ratings, were summarized in Table 2.0: Theoretical Predictive Model Variables for E-Invoicing Success. This table served as an essential tool for stakeholders, offering insights into the influential factors of e-invoicing success. It enabled stakeholders to anticipate potential outcomes more effectively and align strategies accordingly.

#### 3.6. Documentation and Reporting

The meticulous documentation and reporting of findings throughout the research process ensured that the framework would be dynamic and subject to continuous improvement. This living document approach allows the framework to evolve as new insights emerge, maintaining its relevance and effectiveness.

### 4. Result/Discussion

#### 4.1. Development of the AER Framework

The "Adaptive E-Invoicing Rollout (AER) Framework" is the outcome of a methodical approach that amalgamates a comprehensive literature review, expert interviews, comparative case studies, Delphi consensus,

and theoretical predictive analysis. This blend has formulated a detailed and adaptable guide suitable for the nuanced needs of Malaysia's e-invoicing initiative.

#### 4.2. Literature Review Outcome

The outcome of the literature review of e-invoicing related journal papers were consolidated in the Table 1 below:

Table 1 Key Findings from Literature Review

Theme	Key Findings	Predictive Model Relevance	Reference
Digital Economy & E-Invoicing	Studies note the rapid growth of e-invoicing and regulations in ASEAN	Highlights the significance of Cintegration and Aadoption in the predictive model.	[5], [6]
Implementation & Adoption Challenges	Identifies technology, operational, and compliance barriers to e-invoicing adoption	Reinforces the importance of Rreadiness and Ccompliance	[1], [9], [5], [16], [18], [20]
Benefits & Outlook	Discusses the potential benefits of e-invoicing and forecasts its adoption trajectory	Suggests Uusage as a critical outcome measure in the model.	[7], [8], [14], [17]
Regulatory Aspects & Compliance	Focuses on the role of regulations and legal frameworks in facilitating or hindering e-invoicing	Underscores Ccompliance as a vital predictor in the model.	[3], [11], [13], [19]

#### 4.3. Predictive Analysis for E-Invoicing Success

The critical component of the AER Framework is the theoretical predictive model, which was designed to forecast and evaluate the success of the e-invoicing rollout. Drawing insights from the comprehensive literature review, this model incorporates various variables identified as significant predictors of e-invoicing success. Each variable, substantiated by the literature, is accompanied by a correlation coefficient indicating its impact and relevance in forecasting the successful implementation of e-invoicing, as consolidated in Table 2 below.

Table 2 Theoretical Predictive Model Variables for E-Invoicing Success

Variable (Factor)	Predictive Importance (Scale: 1-5)	Correlation Coefficient	Description
<b>Cintegration</b> (System & Data Integration Capability)	4	0.85	Technical integration capability [10]
<b>Aadoption</b> (Rate of Adoption Among Users)	3	0.65	User acceptance rate [9]
<b>Rreadiness</b> (Organizational & Technological Readiness)	4	0.75	Business and infrastructure preparedness [16]
<b>Ccompliance</b> (Compliance with Legal & Tax Requirements)	5	0.90	Regulatory adherence [13]
<b>Uusage</b> (Actual Usage & Utilization Rates Post-Implementation)	4	0.80	Utilization post-implementation [1]

In this table:

- **Predictive Importance** is quantified on a scale of 1-5, where 1 is the lowest and 5 is the highest level of importance. This allows a more objective comparison of factors.
- **Correlation Coefficient** remains a numeric value indicating the strength and direction of the relationship between each variable and the success of e-invoicing implementation.
- **Description** is a concise statement of what each variable represents.
- **References** are provided for each variable, offering direct access to the underlying studies or sources.

The predictive model is a robust, theoretical construct based on identified variables derived from qualitative insights and empirical evidence from similar initiatives. Each variable is assigned a predictive importance and a correlation coefficient, indicating how strongly it's expected to influence the success of the e-invoicing rollout. This model not only aids in forecasting outcomes but also assists in identifying areas requiring strategic focus and resource allocation, making it a grounded and practical tool for stakeholders. A conceptual model was defined to guide future quantitative studies. The variables identified for the predictive model are enumerated in Table 5: Predictive Model Variables for E-Invoicing Success. Informed by Hernandez-Ortega's work [10] and other seminal studies, this model was conceptualized to guide stakeholders in anticipating and preparing for the

potential outcomes of the e-invoicing rollout. The formula for the theoretical predictive model is as follows:

$$P_{success} = f(C_{integration}, A_{adoption}, R_{readiness}, C_{compliance}, U_{usage})$$

Where:

- *P<sub>success</sub>* is the probability of successful e-invoicing rollout.
- *C<sub>integration</sub>* represents system and data integration capability.
- *A<sub>adoption</sub>* indicates the rate of adoption
- *R<sub>readiness</sub>* reflects organizational and technological readiness.
- *C<sub>compliance</sub>* is the degree of compliance with legal and tax requirements.
- *U<sub>usage</sub>* measures actual usage and utilization rates post-implementation.

This model, as illustrated in Fig. 1, is significantly grounded in empirical evidence and industry insights, making it a novel and practical contribution to the field of e-invoicing and digital economy strategies.

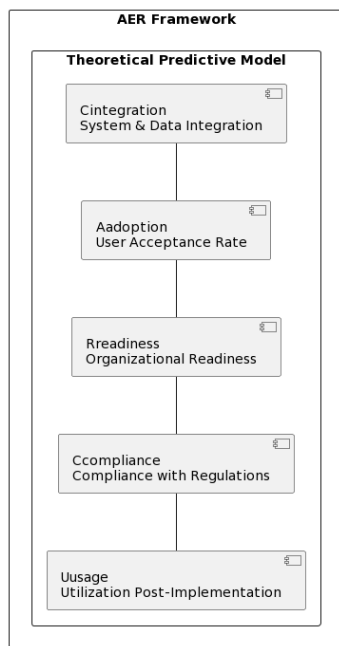


Fig.1 AER Framework - Theoretical Predictive Model

#### 4.4. Conclusion and Strategic Implications

The AER Framework emerges as a strategic, comprehensive guide for e-invoicing adoption in Malaysia. It is not just a theoretical construct but a practical, dynamic tool reflecting the complexities and requirements of real-world implementation. The framework's adaptability, combined with its predictive capability, positions it as a model for digital transformation, not only for Malaysia but potentially for

other countries embarking on a similar journey. As the landscape of digital finance continues to evolve, the AER Framework is poised to remain a relevant, effective tool for navigating the future of e-invoicing.

#### 5. Conclusion

Malaysia's transition to mandatory e-Invoicing reflects a crucial shift in its digital economy. This study developed an adaptive framework, utilizing a qualitative methodology to integrate insights from various sources, culminating in a theoretical predictive model. This model offers stakeholders a robust tool for strategic e-Invoicing implementation. The AER emerges as a practical guide, significant for Malaysia's digital transformation and relevant for similar global contexts, ensuring continued efficacy in evolving digital finance landscapes.

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### Authors Introduction

Mr. Koh Chee Hong



A seasoned financial technologist specializing in SAP FICO, SAP BPC/BW, and Oracle NetSuite, he is currently pursuing a PhD in Computer Science at UCSI University. He holds a First Class Honors B.Tech in Business Information System from Universiti Teknologi PETRONAS.

Dr Abdul Samad Bin Shibghatullah



He is a Senior Lecturer in UCSI with academic qualifications including a PhD and MSc in Computer Science, along with a Bachelor's degree in Accounting. His areas of focus include Modelling, Simulation, Optimization, and Artificial Intelligence.