Digital Payment Transformation in State Agencies: Feedback, Challenges, and Urban-Rural Gaps in Sarawak, Malaysia

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Abstract

This study examines the feedback and challenges associated with cashless payment adoption among state and public agencies in selected divisions of Sarawak, Malaysia, providing a baseline reference for policymakers, administrators, and stakeholders to develop strategies for a more inclusive and efficient digital payment ecosystem. Aligned with the Sarawak Digital Economy Blueprint 2030, which identifies cashless payments as a key driver of efficiency, financial inclusion, and economic growth, the research adopts a mixed-methods approach comprising surveys (drawing on frameworks from Davis, 1989; Gupta et al., 2020; Rahman et al., 2020; Banchit et al., 2023), interviews, and focus group discussions with state agency officers, employees, users, and clients, including individuals and small and medium enterprises (SMEs). The baseline assessment covers 38 agencies in Kuching, Samarahan, Serian, and Mukah, revealing that 59% of users adopted cashless methods in 2024; an increase from 46% in 2023 and 43% in 2022, with 92% of adopters favoring e-wallets. However, cashless payments received by agencies exhibit pronounced urban-rural disparities, with Kuching achieving 64% adoption in 2024, followed by Samarahan at 45%, Mukah at 40%, and Serian at only 5%. Persistent challenges, including financial constraints, infrastructure deficiencies, and a strong preference for cash among the majority of respondents (both users and agency employees), exacerbate these divides. The study emphasizes the urgency of targeted interventions—such as infrastructure development, awareness campaigns, and incentive programs—and proposes tailored strategies to overcome barriers and accelerate Sarawak's transition toward a robust digital payment landscape

Keywords: Cashless payment adoption; E-wallet preference; Sarawak Digital Economy; State agencies; Urban-rural disparity