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CBDC Field Research Insights: Hierarchies of Participation: Experiences with Cashlessness in Indonesia

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Author

Sandbukt, Sunniva

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By Sunniva Sandbukt (Assistant Professor at the IT-University of Copenhagen)

This blogpost draws on fieldwork conducted in Yogyakarta, Indonesia, between 2018 and 2019 for the author's PhD.

Enter E-Money

The use of “e-money” in Indonesia began in 2007. In 2009, *uang elektronik* (electronic money) was given a distinct legal definition apart from the type of digital money used with credit, debit, and ATM cards (BI 2009). Defined as a means of payment, e-money is stored electronically (for instance, on a server) and functions practically as a type of digital credit that can be purchased from licensed companies and usually accessed through an app. Once purchased, this money can only leave the app in the form of payment to an affiliated merchant, unless the customer has upgraded their account. In this way, e-money operates similarly to gift cards—money that has been earmarked for a specific purpose (Zelizer 1995).

The discourse around digital payments in Indonesia has emphasized developing toward a “less-cash” society (BI 2014; SNKI 2017). In a context dominated by cash, and where few people have access to credit cards, e-money represents a novel alternative to cash-based transactions (Azali 2016; Demirgüç-Kunt et al. 2018). However, while the e-money transacted through these apps may be denominated in state-issued rupiah, it is being transported within a privately controlled infrastructure.

I want to highlight two characteristics of e-money. First, these cashless transactions do not replace cash. On the contrary, the circulation of digital money is intimately entangled with the circulation of both cash and human labor. Second, in their conversion of cash into digital credit, these app companies not only change what this money is but also exert influence over its value. Both characteristics are contributing factors to different experiences of participation in the digital economy.

Cash-Filled Cashless Transactions

As an e-money customer of platforms like Gojek or Grab, you first have to “top up” your *saldo*, or digital balance. For users who do not have a debit or credit card, an accessible way to do so is by purchasing credits directly from the on-demand drivers who work for the app. When pressing the “top up” instructions in the Gojek app menu, topping up with a driver is the first suggested method, and the only method that does not include fees.

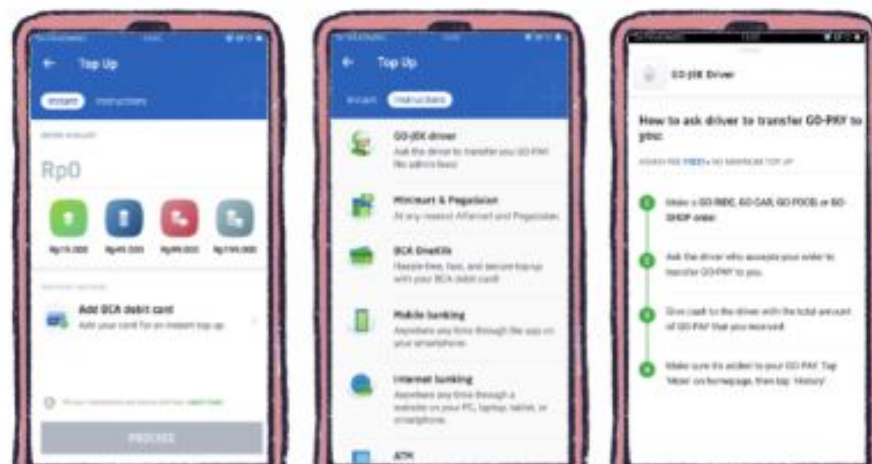


Figure SEQ Figure * ARABIC 1. Screenshots recording topping up with GoPay, April 2019.

In practice, the customer purchases e-money directly from the balance belonging to the driver. In other words, the driver is not issuing new credit but typically reselling e-money, which they have earned from completed trips, in exchange for cash. Though customers can use these apps without connecting their accounts to a bank account, a bank account is a requirement to be a driver. This is because drivers must be able to withdraw digital earnings, first by making a cash-out request, and then by withdrawing their money from an ATM. Thus, it is drivers who must bear the transactional costs of converting this digital income into the cash they need for their daily expenses.

For drivers, then, selling their balance directly to a customer can serve as a shortcut to convert their digital earnings into tangible cash. The companies further incentivize drivers to sell their balances—for instance, through bonus points or by depositing percentage-based “cashbacks” directly into their digital wallets. Therefore, some drivers are strategically proactive in encouraging customers to purchase digital credit, ironically operating on the front lines of the push for a cashless economy in their pursuit of cash. While drivers operate as human ATMs for digital money (Maurer et al. 2013), they are also using the infrastructural mechanisms of the app to serve their own needs, effectively converting their customers into ATMs for cash.

“It’s Cheaper That Way”

When customers purchase goods or services through these apps, they are offered the choice of paying either with cash or e-money. The question then becomes: If a customer is paying a driver cash for an e-money top up to be used on their next trip, why not just pay the driver cash directly each time? Certainly, there are conveniences to having digital money stored within an app, but it also requires financial liquidity to maintain credit balances across multiple apps.

What the apps offer, besides the convenience of making such payments digitally, are discounts, promos, and “cashbacks” for purchases paid digitally. The apps actively incentivize the use of digital money by reducing the costs of services paid for digitally. Thus, the choice to pay either using cash or e-money is not neutral, or just a choice of convenience. Digital money increases the purchasing power of your rupiah by making “things” cheaper. As one driver described his method for persuading customers to purchase the e-money used in the Grab app:

“for instance, if they use cash, they pay with cash, we pretend to persuade them, ‘Do you not use OVO? It’s cheaper that way, you know.’ That’s how we persuade them, so they’d fill their OVO.”

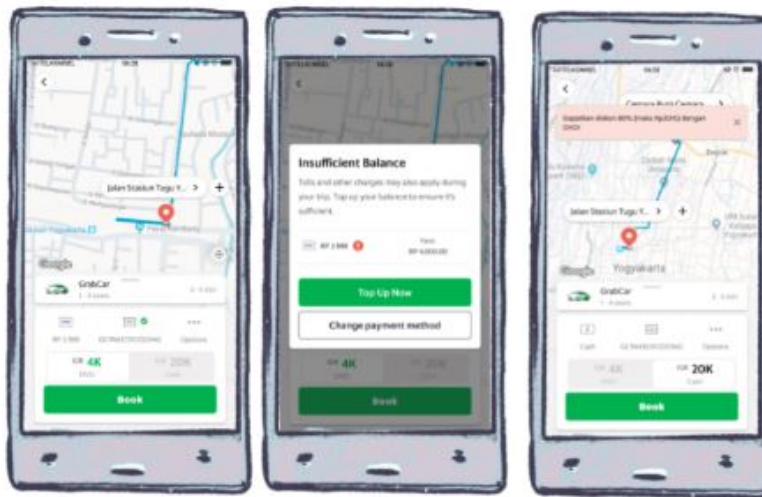


Figure SEQ Figure * ARABIC 2. Selecting payment method with Grab, March 2019.

Not only do the apps reduce the cost of purchases paid for using e-money, but they also communicate this price difference intensively through the interface—for instance, highlighting the price differences in red and green, or even drawing attention to how much more a cash payment will cost you as a consumer, reminding you to keep your balance topped up to benefit from the discounts. The price difference can be significant, and the result is that customers are encouraged to continuously exchange their cash for digital money to preemptively maintain a liquid digital balance in order not to miss out on these cheaper services. Thus, the real value proposition of e-money cannot be reduced to it being digital, and therefore convenient. The real value for customers lies in its ability to provide access to cheaper services and

products.

Experiential Differences

Participation in a cashless economy is not a universal experience; a technology that makes life more convenient and affordable for some can greatly complicate the lives of others. By displacing transactional costs onto drivers, these companies can provide both convenient and cheap services for their customers. Ultimately, it is this transactional constellation that is valuable to the companies, as customers and drivers both keep money circulating in the platform, thus generating transactional metadata (O'Dwyer 2018). The cashless economy is enabled not just through digital technology but also largely by its existing context of social infrastructure and the continuous circulation of cash itself.

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