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Resistance to e-Money in Poor Remittance Recipient Families: The Case of Lombok Island, Indonesia (IMTFI Blog)

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## Resistance to e-Money in Poor Remittance Recipient Families: The Case of Lombok Island, Indonesia

By *Catur Sugiyanto, Tiar Mutiara Shantiuli and Zuhrohtun.*

Each year, approximately 50,000 workers from the Nusa Tenggara Barat (NTB) (West Nusa Tenggara) Province in Indonesia go abroad to work. Their main destinations are Malaysia and Saudi Arabia. In addition, many workers seek work in Taiwan, Hong Kong, and South Korea. These workers usually have little education. The Human Development Index (HDI, HDI Human Development Index) for this province is low; the index rates the region 32nd out of 33 provinces in Indonesia. Such a low HDI indicates that most of the population, including the poor, has little education.

Remittances have been key for the livelihoods of the families that workers leave behind. There are different ways to send money home: In the past, sending money to friends or acquaintances through surrogates who are returning home accounted for a large portion of remittances, although the exact proportion is unknown due to a lack of official statistics. Delivery through bank transfers and other modern electronic methods (Western Union, Money Gram, etc.) is already widely known to workers. In addition, asking for friends' help is still common. It is not known with certainty, however, how much money is sent through friends and Tekong (unregistered sender/agency workers).



Transactions with the bank and post office are not easy for remittance recipients. They need "someone" who can help.

The technology used to transfer money from abroad includes a number of modern transaction technologies. Therefore, it is interesting to examine the process of the adoption of new technologies as well as their adaptation. Other research shows that the process of adoption of new technologies is not a simple one. For the case of the adoption of new technologies in agriculture, various studies have shown how the extension system was successful in Asia (Otsuka and Kalirajan, 2006; Otsuka, 2006), and also in Indonesia (Resosudarmo and Yamazaki, 2011). Adoption of new technologies moves the adopter from a transactions space where he/she is very comfortable, familiar, full of confidence, into a new domain that exposes him to new conditions that are not necessarily comfortable, though perhaps still familiar, and that

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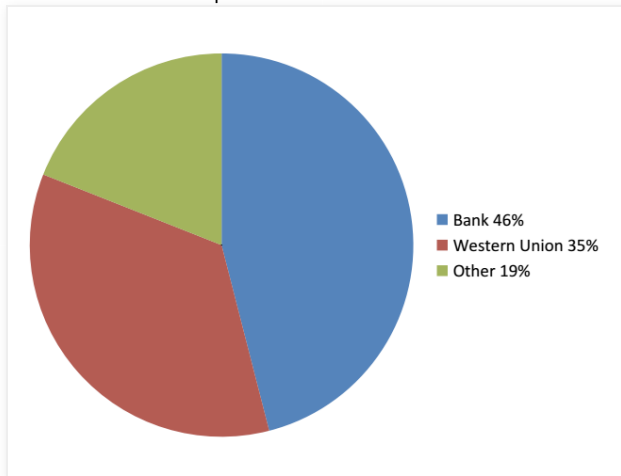
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involve new risks. Therefore they need an intermediary person who helps the adopter move from the old system into the new system.

In order to understand how the workers' families learn about new technology, we surveyed 200 poor remittance receivers in the NTB province. Receiving remittances through banks is preferred because although users cannot conduct their own transactions, there are private services (usually motorcycle drivers) who are "knowledgeable about transactions with banks". Families receiving remittances pay a fee to the motorcycle taxis of around 50-200 thousand per transaction (including the return transport) to facilitate the transfer. Receiving money through Western Union (WU) is also favored by families of migrant workers, because the process is easier: there is no need to open a bank account, no need to carry a passbook, and it is sufficient to show an identity card (ID) and enter a pin code (which is usually a PIN sent via SMS) to receive the money. WU also has more strategic locations and is affordable for families of migrant workers. WU is available in various banks, Indomaret mini markets, and pawnshops. WU locations in the post office are also common and accessible. The number of post offices in NTB province is 79 units, consisting of 4 post offices, 56 post office branches, 10 additional post office units, 2 mobile postal units and 7 sub-sub office branches. WU at pawnshops have more accessible locations because they are available everywhere. There are about 128 outlets in NTB province. These pawnshops have relatively flexible hours, since they are also open on Sunday, meaning that they are accessible all week from 10am-8pm.



Families of workers are also likely to receive money at the airport, through Tekong or friends returning home. Families waiting for remittances have become a common sight at the arrival gate of the Lombok airport. Receiving money via the worker recruitment agency is also convenient because compatriots usually work in the same place (eg the same plantation), so it makes the delivery and retrieval of funds easier. Remittance transactions through MONEY GRAM (where the transaction process is almost the same as WU's), are also seen as convenient by workers' family members: those who have subscribed can take money orders via telephone and money can be delivered to the families' homes, with no set fee.

The stages along the path to the use of new technology are also interesting to observe. Do the remittance recipients have bank accounts or mobile phones first or do they use both concurrently? If they begin using a mobile phone first then they may need a bank account to save money. If remittance recipients begin with a bank account and then use a mobile phone to receive a PIN transfer, it usually indicates that they are looking for flexibility in accepting a transfer: not necessarily through the bank but through a variety of media discussed above. These processes have not been explored in the survey, therefore there is no definite answer to how to process remittance recipients' adoption of modern technology in the transfer of money.

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A "tekong" helps a remittance recipient navigate the cash transfer process.

Thus, it can be concluded that the beneficiaries of remittances still prefer traditional methods: receiving money through a friend or someone they know. Even when dealing with the bank, the post office, or other institutions, they need intermediaries who can "speak local" and make them comfortable, even if they are not motorcycle taxi drivers or office workers formally involved in these transactions. Those who are willing to use bank transactions continue to prefer "person to person" transactions with service tellers over automated technologies. It seems that the continued importance of intermediaries in developing familiarity with new kinds of transactions and technologies is key to why remittance recipients continue to prefer traditional transactions over e-money.

Posted by Robert Kett at 8:40 AM



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