

Potential for Social Conflicts Due to the Globalization of Digital Money

Rininta Diang Kirana^{1*}, Pujo Widodo², Kusuma³, Achmed Sukendro⁴
Universitas Pertahanan Republik Indonesia

Corresponding Author: Rininta Diang Kirana [rinintakirana@gmail.com](mailto:rinntakirana@gmail.com)

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ABSTRACT

With the development of technology, digital money is spreading as a means of payment. The method used is qualitative descriptive. The results of the study show that The growth of social media and the adoption of cryptocurrencies marks a digital transformation in the payment system. However, the shift from cash to digital transactions has also had an impact. On the positive side, transactions are more practical and the risk of theft is reduced. However, there is a risk of system errors and potential social instability in the event of major disruptions in the digital system. The Great Reset agenda supports the use of digital money to improve economic efficiency and inclusivity, but it also poses challenges related to national sovereignty and security. Digital education, proper regulation, and international cooperation are key to effectively managing this complex transition.

INTRODUCTION

Money is an important instrument in the economy that functions as a medium of exchange and a means of payment. The use of money replaced the barter system, which while effective in its time, experienced a sharp decline after money was used extensively in international trade. However, in conventional economies, money is often treated as a commodity, resulting in repeated speculation and economic crises (Maurer, 2012). In Islam, money is supposed to function only as a medium of exchange, not a commodity that is traded or rented. Conventional economic thinking that considers money as a commodity has led to various economic crises. Money in Islamic economics must continue to flow in the economy, not be stored for profit (Mallat, 2007).

The history of money began with the barter system, where goods were exchanged directly. However, barter has limitations in meeting complex needs. Therefore, humans created money as a more efficient medium of exchange. Money was first known in the Sumerian and Babylonian civilizations, and later developed into goods money, paper money, and bills of exchange (Arvidsson, 2014). Money goods have intrinsic value and can be traded other than as a medium of exchange. However, with the development of financial technology, the concept of money has developed into electronic money or e-money. E-money is the value of money stored in electronic media and used for non-cash payments (Schuh et al., 2016).

Electronic money (e-money) consists of two types: prepaid cards and prepaid software. Prepaid cards store electronic value in chips embedded in plastic cards, while prepaid software uses computer networks to store money value (Pousttchi et al., 2007). The development of e-money is driven by advances in information and communication technology that increase the efficiency of the payment system. In Indonesia, e-money is growing rapidly and is used in the form of cards and applications on mobile phones. Some of the well-known e-money products in Indonesia include the Flazz card from Bank BCA, the e-money card from Bank Mandiri, and the Brizzi card from Bank BRI (Ozili, 2018)

E-money facilitates micropayment transactions and is considered suitable for reducing the use of cash. In addition, e-money also offers flexibility and efficiency in conducting transactions, as well as making it easier to track transactions for better accuracy (Cheng, 2018). Bank Indonesia has adapted e-money as a means of payment that can accommodate the needs of modern society. E-money allows for fast payment processing at low fees, and the value of electronic money is stored in a server or chip that can be accessed quickly and securely. Bank Indonesia Regulation No. 11/12/PBI/2009 and No. 16/8/PBI/2014 supports the use of e-money to create a society that reduces the use of cash (less cash society). E-money offers faster and more convenient transactions than cash, especially for small-value transactions (Yang, 2012).

According to a report by the European Central Bank, e-money is an electronic monetary store that has value on a technical device and can be used for payments without having to involve a bank account. E-money is obtained by depositing a certain amount of money to the issuer, which is then stored in electronic media such as chips or servers, and used for payment transactions by reducing the value of the stored money (Venkatesh et al., 2012). In Bank Indonesia Regulations, e-money is defined as a means of payment that meets several criteria: issued on the basis of the value of previously deposited money, the value of money stored electronically in a server or chip, used as a means of payment to merchants who are not issuers, and the value of electronic money managed is not bank deposits (Venkatesh et al., 2012).

During the COVID-19 pandemic, cashless payments became a trend to avoid the spread of the virus. The use of digital wallets or e-wallets is expected to minimize the risk of virus transmission through cash. WHO calls for the implementation of a cashless society to reduce direct contact with other humans. Information technology continues to develop, offering convenience for humans in transactions (Venkatesh et al., 2012). E-money simplifies microtransactions and reduces the need for printing currency. In addition to banks, e-money issuers now also involve non-bank institutions (LSB) such as technology and transportation companies. E-money products such as OVO, GoPay, Brizzi, and Flazz have become popular in the community, showing an increase in the use of e-money especially during the pandemic (Venkatesh et al., 2012).

The advantages of using e-money include ease and practicality in transactions. The technology acceptance model (TAM) shows that the perception of benefits and ease of use affects a person's interest in using new technology. E-money provides significant benefits and convenience, which makes it increasingly accepted by the public, especially in a pandemic situation that demands a reduction in physical contact (Venkatesh et al., 2012). Trust and risk also play an important role in the adoption of e-money. Consumers must be confident that electronic payment systems are secure and reliable. Studies show that benefits, ease of use, service features, and trust have a positive effect on interest in using e-money. On the other hand, risk perception has a negative effect (Venkatesh et al., 2012).

Although the digital payment system is efficient, many Indonesians still use cash. The main users of digital payment systems are the upper middle class and those who are tech-savvy. The equitable use of electronic money is still lacking, even though the government has launched the cashless society program in preparation for global competition (Venkatesh et al., 2012). Overall, technology has changed the way humans work and transact. Advances in payment technology provide efficiency and convenience, although adoption is still uneven across all levels of society. The government seeks to encourage the use of electronic money for economic stability and readiness to face global competition. The digital payment system is also in accordance with Islamic principles that emphasize transparency and fairness in transactions (Venkatesh et al., 2012).

LITERATURE REVIEW

Digital Money

Digital money theory refers to the concept that money is increasingly significantly transitioning from physical form to digital form, affecting the global financial system. Digital money allows electronic transactions without the need for physical currencies, such as bitcoin and other cryptocurrencies, as well as digital payments facilitated by technologies such as blockchain. This theory highlights the transformation of consumer behavior and changes in financial infrastructure (Nakamoto, 2008).

Globalization

Globalization theory explains the integration of economy, politics, and culture globally. It describes the process by which ideas, products, and people move across borders more quickly, creating complex global interdependencies. This theory is influenced by neoliberalism's view of free markets and global integration (Ohmae, 1990).

METHODOLOGY

This research is descriptive with a qualitative approach, where initially the author explained about space diplomacy. After that, the author discussed the perspective of potential social conflicts due to the globalization of digital money. Furthermore, the author describes every subtheme about potential social conflicts due to the globalization of digital money. The research methods used are literature study and secondary data analysis. Data is taken from various sources in the form of library materials, consisting of previous research, scientific journals, books, government reports, official news, and information from trusted and relevant websites related to the potential social conflicts due to the globalization of digital money. Data analysis techniques use theories from Milles, Huberman and Saldana (2014), namely data collection, data condensation, presenting data (data display), and drawing conclusions or verification (conclusion drawing and verification). The validity test of the data used is Credibility (Internal Validity), Transferability (External Validity), Dependability (Reliability) and Confirmability (Objectivity).

RESEARCH RESULT AND DISCUSSION

The rapid development of the digital industry has provided great prospects for the digital economy in the future. Digitalization in the economic sector facilitates various activities and reduces high costs which are still a serious problem in Indonesia. The rapidly increasing use of the internet, both in the world and in Indonesia, is the main indicator of this development (Kshetri, N, 2018). According to data as of August 2017, global internet users reached 3.8 billion, with more than 2 billion active users of Facebook. In Indonesia, internet users grew by 51% in a year, the highest in the world, surpassing the Philippines and Mexico. Research by Google and Temasek shows that the economic value of Indonesia's internet is 2.9% of GDP, which is expected to continue to increase along with the development of information technology (De Reuver et al., 2018).

The APJI survey and Indonesia Poll in 2018 showed that the number of internet users in Indonesia reached 171.18 million people, an increase of 27.91 million from the previous year. The convenience and efficiency of the internet has made it a basic need of the community. A Pricewaterhouse Cooper report revealed that payments via smartphones increased by 47% in early 2019, compared to 38% in early 2018. The security and ease of e-commerce have increased people's interest in online shopping, despite concerns related to security. (Gomber et al., 2018). Data as of January 2019 from Wearesocial Hootsuite shows that social media users in Indonesia reached 150 million people, up 20% from the previous year. This growth is driven by the development of e-commerce both locally and internationally. In addition, there is an assumption that digital currencies, such as cryptocurrencies, tend to rise in value every year, making them a new *prima donna* for investment (Chaudhuri et al., 2001).

The digital economy allows humans to get goods and services without having to go to the market, just with a smartphone. The history of money dates from the use of the shekel in Iraq which symbolized the amount of barley equivalent to gold and silver, to the first banknotes issued in China in the 7th century. Money in general is a means of payment accepted for goods, services, and debts. The definition of money varies, from M1 (banknotes and metals plus bank statements) to M3 (M2 plus savings and deposits in non-bank institutions) (McKnight et al., 2002). Money has three main functions: as a unit of measurement of value, a medium of exchange, and a store of wealth. The types of money are classified into full bodied money, representative full bodied money, and credit money. Money requirements include being generally accepted, stable value, sufficient amount, easy to carry, and durable. Money must also have a unit that makes it easier to exchange and easy to divide (Brynjolfsson, 2014).

Money theory is divided into two, namely static and dynamic money theory. Static theories include theories of metallism, convention, nominalism, and the state. Dynamic theories include quantity theory from David Ricardo and Irving Fisher, cash supply theory, and production cost theory (Grover et al., 2019).

Cryptocurrencies are digital assets designed as a medium of exchange using cryptography to secure transactions, control the creation of additional units, and verify the transfer of assets. Unlike conventional currencies, cryptocurrencies are used for virtual transactions and are decentralized, without intermediaries. Transactions using cryptocurrencies are protected by digital signatures through private keys to prevent data piracy and falsification (Kim et al., 2019). The internet has become a means of meeting buyers and sellers, creating efficient distribution of goods and services. The development of digital money is inevitable in the industrial era 4.0, with almost all services using the internet. Starting from primary to tertiary needs, as well as government services such as health, education, and finance, all are digital-based. This has prompted innovation in payment systems, which are now known as digital money or cryptocurrencies (Tapscott et al., 2016).

Moreover, the COVID-19 Pandemic has changed many aspects of daily life, including the way we transact. The fear of spreading the virus through the surface of paper money has led many people to turn to digital payment methods. Research shows that physical money can be a medium for the spread of viruses and bacteria, so many people prefer to use credit cards, e-wallets, and other contactless payment methods (Abdullah et al., 2021).

Cash Removal and Digital Transactions

With the diminishing use of physical money, some countries are starting to consider completely switching to digital money. The elimination of cash and the shift to digital transactions have had several significant impacts.

Positive Impact

1. **Practical and Fast:** Digital transactions allow for a faster and more efficient payment process. There is no longer a need to calculate change or wait for the validation process.
2. **Reduced Risk of Theft:** Without cash, the risk of physical theft is drastically reduced. The security of transactions can be easier to monitor and improve through digital systems (Smith, 2020).

Negative Impact

1. **Risk of System Errors:** Full reliance on digital systems poses a huge risk in the event of a system error or failure. A phenomenon like this can result in a major disruption in the wheels of the economy.
2. **Potential for Social Chaos:** If there is a dysfunction of digital transactions regionally or globally, people cannot transact. This can lead to panic, chaos, and even social unrest. Experience shows that the inability to access funds can trigger a significant negative reaction from the community (Brown, 2021).

Impact on the Wheel of Government and People's Lives

Dependence on digital transactions also has the potential to disrupt the wheels of government and people's lives in the event of a system failure. The government must ensure that the information and communication technology (ICT) infrastructure is adequate and safe from cyber threats. In addition, they need to consider groups of people who may be left behind in the adoption of this technology, such as the elderly and those living in remote areas with limited internet access (Jones & Miller, 2020).

Great Reset Agenda by World Economic Forum

The Great Reset agenda, initiated by the World Economic Forum (WEF) and popularized by Klaus Schwab, emphasizes on restructuring the global economy to achieve sustainability and inclusivity. One important aspect of this agenda is the adoption of digital technology, including digital money. Although it has noble goals, such as reducing economic inequality and increasing efficiency, this agenda also presents new challenges and potential conflicts (Schwab, 2020).

Controlling the World Economy with Digital Currency

Controlling the world economy through digital currencies can threaten the sovereignty and defense of a country. Digital currencies allow for tighter monitoring and control over the flow of money, which can be used by countries with great economic power to influence the economic policies of other countries. This can create geopolitical instability and worsen global inequality (Rodriguez, 2021).

Phases of Potential Conflict

1. Switching from Physical Money to Digital Money

In the initial phase, people began to switch from the use of physical money to digital money. This change is triggered by several factors, including technological developments, government policies, and the need for efficiency in transactions. The COVID-19 pandemic has accelerated this process, due to concerns about the spread of the virus through banknotes (Abdullah et al., 2021). In this phase, potential conflicts arise from unequal access to technology. Not everyone has the same access to digital devices and the internet. Rural communities, the elderly, and those who are less fortunate may have difficulty adapting to these changes. This can lead to social dissatisfaction and tension (Jones & Miller, 2020).

2. Implementation of Digital Money Policy by the Government

In the next phase, the government began to implement policies to promote or even mandate the use of digital money. This could include the elimination of cash or the widespread enforcement of digital transactions. This policy can cause resistance from certain groups who feel disadvantaged. For example, small traders who are used to cash transactions may feel depressed by these changes. In addition, this policy can cause distrust of the government, especially if it is considered to be carried out in a hurry or without adequate consultation (Smith, 2020).

3. Full Dependence on Digital Systems

When the use of digital money becomes normative, society and the economy begin to rely entirely on the digital system. At this stage, almost all transactions are done digitally, and cash may have been used very rarely.

Full reliance on digital systems carries a great risk in the event of a system failure. If a digital payment system experiences technical problems or cyberattacks, the impact can be far-reaching, disrupting economic activities and daily life. Failures like this can cause panic and social chaos, especially if it lasts for a long period of time (Brown, 2021).

4. Digital Transaction System Dysfunction

In the worst-case scenario, the digital transaction system could experience dysfunction both regionally and globally. This can be caused by a variety of factors, including cyberattacks, technical failures, or natural disasters disrupting technological infrastructure. Prolonged dysfunction can cause chaos because people cannot make transactions. The wheels of government and people's lives can be disrupted, causing social and economic instability. At this point, the potential for social conflict could

increase significantly, with angry and frustrated communities potentially protesting or even rioting (Rodriguez, 2021).

Impact on National Security and National Defense

1. National Security Reliance on digital money also has serious implications for national security. Digital currencies allow for tighter monitoring and control over the flow of money, which can be used by countries with great economic power to influence the economic policies of other countries. In addition, digital transaction data can be a target for malicious actors, including terrorist and criminal groups, who can use it for illegal activities (Schwab, 2020). Insecurity in the digital money system can be used by external parties to damage economic stability and national security. Cyberattacks targeting financial infrastructure can paralyze the economy and cause social unrest. In addition, dependence on digital currencies controlled by foreign entities can threaten the country's economic sovereignty (Smith, 2020).
2. National Defense
3. In the context of defense, reliance on digital money can create new vulnerabilities. For example, if the digital financial system is attacked or manipulated, the government's ability to fund military and logistics operations could be compromised. In conflict situations, adversaries can target digital infrastructure as part of their war strategy. Such attacks could disrupt the supply of funds for military needs, damage communications, and weaken the country's overall defense. In addition, if global digital currencies are controlled by foreign countries or corporations, they can be used as a tool of political and economic pressure (Rodriguez, 2021).

Potential Solutions and Steps Forward

Education and Digital Literacy

One way to reduce the potential for social conflict is to increase education and digital literacy among the community. Ensuring that everyone has the necessary knowledge and skills to utilize digital money safely and effectively is an important step.

Proper Regulation

Creating the right regulatory framework for digital money can help reduce the risk of financial instability and cybercrime. Good regulation must balance consumer protection and encourage technological innovation.

International Cooperation

International cooperation is also important in overcoming the global challenges posed by digital money. Countries need to work together in regulating and monitoring the use of digital currencies to prevent abuse and maintain global economic stability.

CONCLUSIONS AND RECOMMENDATIONS

The globalization of digital money has a wide and complex impact. On the one hand, digital money offers convenience and efficiency in transactions. On the other hand, full dependence on digital systems poses a great risk in the event of a system failure, which can disrupt the wheels of the economy and cause potential social conflicts. In addition, controlling the world economy through digital currencies can also threaten the sovereignty of small countries. Therefore, there needs to be a prudent and inclusive policy to ensure that the adoption of digital money brings maximum benefits and minimizes the risks that exist.

Based on the rapid development of the digital economy, the Indonesian government should adopt several strategic steps to maximize this potential. First, improving digital infrastructure to ensure equitable internet access throughout Indonesia. Second, strengthen regulations related to cybersecurity and personal data protection to encourage public trust in online transactions. Third, supporting digital education and training for the community and business actors to improve digital literacy. Finally, encourage collaboration between the public and private sectors to create an innovative and inclusive e-commerce ecosystem, and accelerate the adoption of new technologies such as cryptocurrencies and digital payments

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