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Indonesia's Economic Futures: Who Will Pay?

DOREEN LEE

On April 19, 2021, the long-awaited announcement of a merger among Indonesia's largest Internet companies finally arrived. Rumors had floated since 2020 about which of the giants would merge. For a while the bet was on Grab and Gojek, two mobility-based startups that are major regional competitors. Gojek, the country's premier "superapp," began in 2011 as a motorcycle ride-hailing app. It has since expanded into a diversified portfolio of ride-hailing (motorcycles, sedans, and luxury vehicles), delivery, entertainment, and financial services in addition to the popular Go-Pay digital wallet. But instead of Grab, Gojek ended up combining with another behemoth: Tokopedia, which was founded in 2009 and has become the country's largest digital marketplace, Indonesia's equivalent of Amazon.

The merger formed Indonesia's biggest Internet company, GoTo, with an estimated valuation of $18 billion. To celebrate the deal, Tokopedia released videos of its world-famous spokespeople, the two top K-Pop groups, BTS and BlackPink, which have huge followings in Indonesia. The merger paves the way for a future round of investment set to more than double GoTo's value.

This kind of spectacular financial news paints a rosy picture of Indonesia's economic future, and casts the average Indonesian as a consumer in the digital marketplace. For now, though, the COVID-19 pandemic has put Southeast Asia's largest economy in recession. Economists are still cautiously optimistic. They point out that Indonesia's economy has contracted less as a result of the pandemic than those of wealthy countries, and its outlook for next year is positive.

The Indonesian government has promised generous public spending to combat the pandemic's economic fallout, and it stands by its goal of propelling the country out of the middle-income trap by the next decade. At the state and start-up level, things look promising. But what does financial life look like for the grassroots? In what ways might high and low finance intersect? What are the requirements for participation and inclusion in Indonesia's economic future? Financial life has become an important measure of citizenship, and financial innovations stemming from the digital economy have already transformed people's everyday lives.

PRESIDENT IN A HARD HAT

At the start of his second term in October 2019, President Joko Widodo (commonly known as Jokowi) named a new cabinet featuring the leadership skills of the corporate world. Most notable were the appointments of Erick Thohir as minister of state-owned enterprises and Nadiem Makarim as minister of education and culture. Both are extremely wealthy and famous on social media, and both enjoy a high level of public recognition for their previous roles: Thohir for his lauded stewardship of the 2018 Asian Games in Indonesia and now for his management of COVID-19 vaccination efforts, and Makarim as the likeable millennial CEO of Gojek. Alongside such newcomers, the respected former World Bank director Sri Mulyani Indrawati returned for a second term as minister of finance.

The prominence of technocrats, start-up capitalists, and oligarchs in the current administration

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solidifies Jokowi's focused commitment to infrastructural investment and economic development across Indonesia. His inauguration speech highlighted ambitious economic goals for his second term, with no mention of cultural, environmental, or human rights issues at all.

Even though the economy has contracted during the pandemic, a new wave of speculative energy is set to descend on Indonesia as construction of the new capital city, the Ibu Kota Negara, gets under way. Inevitably, attention will shift from the old capital of Jakarta to the new one and its surroundings, the next frontier of Penajam Paser Utara in East Kalimantan.

The government has proposed the creation of a sovereign wealth fund, the Indonesian Investment Authority (INA), as a vehicle to fund national development, infrastructure projects, and pandemic recovery through foreign investment. The fund is intended to set a new threshold for global partnerships in Indonesia, and to deflect criticism that the nation is being drawn into China's sphere of influence through its participation in Beijing's Belt and Road global infrastructure initiative. To date, the INA has secured a $10 billion commitment from the United Arab Emirates, and international development banks and pension funds have expressed interest.

Financial innovations from the digital economy have transformed everyday lives.

It is no secret that the INA is linked to aspirations for the planned capital city, which will become the crown jewel of Jokowi's infrastructure legacy. Early digital renderings show a futuristic and monumental city. Much like the controversial Garuda-shaped reclamation project off the coast of Jakarta, the design boasts a blend of hypernationalist emblems and manicured, vertical rainforests. The Ibu Kota Negara will be a smart city that replicates the air-conditioned tropical modernity of Singapore's award-winning Changi Airport at a much grander scale. Plans have already been announced for the celebration of Independence Day in the new capital on August 17, 2024.

Such presidential pronouncements are released at a fast clip, on topics as varied as a digital literacy campaign or new airports and roads built in underdeveloped areas, often featuring images of Jokowi wearing a hard hat at a construction site. They confirm the massive scale of digital penetration and infrastructural intervention into daily life. The state's efforts complement private-sector projects that introduce speed, service, and self-realization through the new economy. These are the standards that all private and state enterprises now seek to meet: becoming more outwardly ambitious, fast, and digital. Nowhere is this ethos more evident than in the superapp.

CONVENIENCE AND RISK

The emergence of superapps has enhanced and expanded the business of convenience. Tokopedia says it aims to democratize the digital marketplace and provide logistical solutions to the archipelago's 17,000 islands, while Gojek professes to go anywhere and do anything. The promises of these superapps suggest the reenchantment of daily life—things and people appear as if by magic, all meals can be delivered, and payments for utilities, insurance, and gym memberships can be made from one's phone, at an ATM, or at a local convenience store.

In using such conveniences, Indonesians must deal with an implicit level of risk. Whose motorcycle are they getting on for a ride to work? How do they ensure that their goods will arrive as promised? Trust is built into the daily transactions that drive the online economy, exemplified by the rise of ride-hailing apps and digital payment schemes. They link urban mobility and financial innovation, creating monetized encounters between the working poor and the middle and upper classes.

To take one example of the customized conveyances available: people in Jakarta will instruct a courier to deliver a handwritten note to their loved one (in the courier's own handwriting!) alongside a birthday cake or a sweet treat. Couriers are expected to procure desserts, drinks, and raw ingredients with a high level of specificity. The discovery that reserve labor can materialize one's desires prompts a high level of consumer satisfaction and imperious demands for immediate gratification.

As in other places where middlemen (known in Indonesia as *calo*) systems exist, the automation of such services can lead to unknown consequences, since institutional knowledge and muscle memory are still vested in people. Couriers and other gig workers receive little to no training to prepare them for the kind of service and logistical work that they do. Microinsurance is the financial industry's inevitable innovation and proffered solution to harvest the risk potential of the poor. These cheap policies offer couriers and drivers ("partners" per tech industry parlance) à la carte coverage for contingencies and are offered as available features in place of employee benefits, in contrast to more traditional forms of savings underwritten by secure, salaried positions or state benefits.

In his 2002 book *The Financialization of Daily Life*, American sociologist Randy Martin explained the process of financialization as the integration of calculating logics and finance norms into other arenas of life. As Martin put it: "Financialization integrates markets that were separate.... It asks people of all walks of life to accept risks into their home that were hitherto the province of professionals."

Part of this process involves cultivating responsibilization as a form of identity: individuals must now bear a strong sense of personal responsibility for their financial choices, as the metrics of responsibility grow to encompass not just finance but life as a whole. Financialization promises the rewards of the good life to those who follow the correct protocols to build themselves as disciplined financial beings.

Yet there is also a temporal dimension to financialization: the innovations linked to finance always outpace the learning curve of the average person, such that sociopolitical anxieties converge around those "left behind." Moreover, the repercussions for refusing to honor the "new social contract" are severe. Hence, I call the coercive process by which citizens are brought on board the digital economy *conscription*.

There is a veneer of choice in which apps to download and which big bank to use. But as Indonesia promotes smart cities, e-governance, biometrics, and cashless payments, ordinary Indonesians are constantly confronted with new technologies they must learn and integrate.

A CASHLESS SOCIETY

The drive to create a cashless society can be felt at all levels. Tollbooths on roadways in Bali now automatically deduct e-payments as you drive by, surveillance cameras and e-traffic tickets have replaced the functions and bribe-seeking of the traffic police, and mobile phone apps, digital wallets, and cheap bank transfers are weaning Indonesians away from cash in their daily transactions.

One of the most influential vectors moving Indonesians toward digital payments and new financial instruments has been the presence of the mobile phone coupled with the superapp. Together they facilitate as much as they necessitate a high degree of fluidity and flexibility between cash and cashlessness.

The financial possibilities of mobile phone technology are part of a person's "money repertoire," as anthropologist Bill Maurer calls it, in a complex ecology of instruments, trust, and habits. Mobile money repertoires would not be possible without the degree of intimate attachment that Indonesians have to mobile phone and internet usage. Indonesians participate in digital life intensively, ranking third in the world in Facebook membership at 140 million accounts, just behind the United States. There are 13.2 million Twitter users and 39 million WhatsApp users.

People can be found squatting on the roadside looking at their mobile phones or using them to watch videos during their bus and train commutes. Café customers sit and work on their laptops with their phones next to them on the table. Wealthy families dine out with three generations all interacting with their phones instead of each other.

The continuous stream of data generated by identity verification, password entries, address lookups on GPS navigators, and Google searches is ripe for harvest by hackers, state surveillance agencies, and private firms. Systemic risks loom in the form of lax data security and limited legal protections for users.

In May 2021, the government was forced to acknowledge a data leak involving over 279 million Indonesians registered in the national health insurance program. The data was openly sold on the dark web and included information about both living and deceased citizens enrolled in the program. The disclosure lent momentum to an effort in parliament to pass data protection laws to address the current regulatory gap.

Technological leapfrogging involves complex measures of state infrastructure, living standards, and citizenship that far exceed the initial goal of banking the unbanked. Where technocrats envision a seamless digital future, marginalized groups are continuously penalized by sudden, unilateral pronouncements of imminent technological upgrades. Coping is hardly as simple as opening a bank account and linking it to one's mobile phone. Becoming cashless entails a series of steps toward ensuring data security and enhancing the legibility of one's identity.

Mobile phone numbers must now be registered and linked to national ID numbers; those without national ID cards will have to find a workaround. The banked need to maintain mobile-banking capacities and be vigilant about monitoring their own account activities. Purchasing power and creditworthiness will be based on several verification regimes that connect private enterprises to state institutions. While private sector initiatives promise quick service, state mechanisms for verifying citizenship are less agile and more prone to corruption.

The divides that cashlessness brings to the fore are already visible in the European cities of Stockholm and Amsterdam, providing a glimpse into the near future. In Stockholm, as anthropologist Gustav Peebles recounts, over 60 percent of shops now refuse to accept cash as payment, and even public toilets are inaccessible without a card. In Amsterdam, a sharp distinction is drawn between locals who use direct debit for daily purchases and tourists who, expecting to be able to use cash, are turned away from café counters.

Such innocuous examples of cashless borders lead to more worrisome exclusions of refugees, internal migrants without papers, the very young and the elderly, and those with low digital literacy. Cashlessness and idealized but restrictive forms of citizenship have become conflated.

MIDDLE-CLASS CRUNCH

In the course of my research into the financial lives of everyday people in Jakarta, speaking to those who have bounced between irregular windfall and crisis, I became interested in precarity as a constitutive feature of the urban majority. A well-known figure often cited in the United States to illustrate the financial fragility of the American middle class is $400. That modest sum, according to a 2018 Federal Reserve household survey, is the difference between solvency and disaster for much of middle-class America, across a range of blue and white collar professions. When every penny is spoken for, an unexpected $400 expense places enormous strain on the average middle-income American.

The revelation that so many middle-class Americans were living paycheck to paycheck and had little savings arrived on the heels of the last great economic crash in 2008. Many Americans have learned to manage their debt burdens by accessing credit rather than increasing their incomes, effectively eliminating any possibility of saving.

The financial lives of the Indonesian middle class and urban dwellers, by comparison, are less wellresearched and publicized. In Indonesia, one might instead consider both the consistency of financial pressures and the limited avenues for supplementing one's income with regulated forms of credit. There is no magic number to show how precarious middle-class Indonesians really are. But global attention to poverty alleviation through policy instruments such as cash transfers or the provision of national health insurance has produced a more grounded understanding of the challenges faced by the poor.

The standard of living for middle-class households in Indonesia's urban centers is based normatively on the needs of a nuclear family—two parents, two to three children, a small rented house, one motorcycle or car bought on credit, a laptop, three to four mobile phones, and private education. The Indonesian middle class is facing rising living costs and upgraded lifestyles with stagnant salaries that range from the equivalent of $300 to $1,000 a month for office jobs.

Debt can wipe out social mobility and stability in an instant.

Government schemes to provide affordable housing are commonly organized around election promises by individual politicians. Once those politicians are in office, implementation often falls short. The salariat has access to credit cards, but most people, especially those employed in the informal sector, do not. No matter how high their income, my informants experienced financial pressures at various points in their lives that left them vulnerable.

In a high-cost city like Jakarta, people frequently run out of money by the middle of the month. The remaining two weeks on the calendar before the next payday become excruciating. People stop socializing, pack lunch to take to the office, or just stay home in order to avoid spending. This self-restraint can be difficult, since Indonesians are famously sociable and trend-driven.

The boom-and-bust cycle is worse for those who are part of the gig economy and get paid once every few months. They face expectations to continue to see colleagues and friends on weekdays after hours, and on weekends for special trips often involving visits to the newest malls or food destinations. Expensive coffee shops are ubiquitous, and the average cost per visit exceeds $10.

Rent is also costly. The most common reason for borrowing money is the financial burden of renewing a housing contract; it is common practice in Jakarta to be charged one year's rent up front. Other typical reasons for borrowing are school fees, medical expenses for elderly parents or sick children that are often paid out of pocket, and payments for motorcycles and phones. People are always robbing Peter to pay Paul, or in the Indonesian version of the saying, digging one hole to fill another.

DEBT TORMENTS

In Indonesia, the original gateway purchase—a big ticket item that requires formal credit—is the motorcycle. The working poor in the villages and in the cities have found it necessary to purchase new or used models to get to work or school, and to keep up with everyone else.

With the expansion of ride-hailing apps as a form of self-employment for the poor, motorcycle ownership is seen as even more indispensably tied to income. Yet people often fall behind on payments and find themselves in the crosshairs of professional debt collectors who impound vehicles on sight. A person might leave home on a motorcycle and return without it, if theirs is on a "wanted" list for vehicles with overdue payments.

At the feet of the massive new apartment complexes in Jakarta that have been built for the new middle class and salaried workers who rent instead of buy, tens of thousands of motorcycles are parked as far as the eye can see. They spill onto sidewalks and outside the gates, often parked under the watchful eyes of local men whose job is to collect illegal parking fees. These motorcycle farms are also under the close watch of aggressive debt collectors called *matalang*, who establish stakeouts nearby, or at busy intersections where millions of motorists pass daily.

Aggressive lending practices abound in the real estate sector as well, but they are especially prevalent in the automobile industry. Leasing companies, as they are known, provide the financing for the vehicles they sell. Credit card companies target unsuspecting or aspirational consumers who, armed with credit, spend at unsustainable levels.

A taxi driver I spoke to had worked in the fast-paced marketing unit of a private credit company, targeting housewives and civil servants. He said he had quit the white-collar professional world of the credit industry after one too many encounters with debtors who were in danger of losing their homes or desperately trying to keep their debts secret from family members and neighbors. It was too dispiriting for him to continue luring customers with credit and then punishing debtors by seizing their assets.

Recently, loan apps for mobile phones have become widely available, causing serious concern. Although technically under the jurisdiction of the Financial Services Authority (OJK), online lenders frequently operate without permits, simply relaunching themselves as new entities if they are caught. The OJK closed 3,193 illegal financial technology (fintech) companies in the brief period between January 2018 and April 2021. Between April and May 2021 alone, the OJK identified 86 illegal lending apps. In comparison to the large number of illegal entities operating online, there are only 125 online lenders that the OJK currently recognizes as legal and permitted.

Some of these phone apps have targeted new users who are unaware of the legal loopholes that they exploit. They may gain access to customers' phone data and charge predatory interest rates that can multiply a debt in a matter of days. Even securely employed civil servants have become vulnerable to online lenders—some have gotten caught in debt cycles as they open new accounts to service their mounting debt from other apps. An indebted person might have up to 20 different accounts with online loan providers, all but ensuring that their debts will never be paid off.

Debt collectors, who are either in-house employees or subcontractors working on commission, show up in person and will not leave until they have made contact with their targets. They torment debtors by loudly shaming them in front of their neighbors, or by incessantly calling and texting them. Online lenders utilize the data they have procured from the app download process to blast texts to a client's entire contact list, announcing the person's financial failings.

The debt collection business is an example of the kind of "gray" industry, composed of legal and illegal aspects, that is particularly rife in urban areas with high consumption patterns. Although debt is not criminalized, its effects and enforcement can be violent. This is why sociologist Tressie McMillan Cottom calls it a means of "predatory inclusion." The majority are conscripted into e-modernity by the weight of the fine print.

APP TRAPS

A young man I spoke to in Jakarta had fallen into the common trap of using several online lending apps in order to cover his business expenses. He was a struggling bookseller, translator, and café owner who roasted his own coffee beans and bought used books from the city's scavengers.

His profits never covered his growing debt, and he had resorted to borrowing from friends and pleading for gig work advances in order to fend off the debt collectors who called incessantly. He described the ease with which fintech had entrapped him, and also how his debt grew out of control due to hidden costs:

> Two million turns into three million in the span of 15 days. Loans can be anywhere from 7 days, 15 days, to 30 days. There is an admin fee they take off the top immediately.
>
> At first it seems easy. You want to avoid borrowing from friends. It's not nice. You feel shame, to be borrowing from friends constantly. . . . But then the payments start becoming overwhelming immediately. So you borrow to pay your debts. And the friends who seem more flexible, those payments you delay or prolong, to buy a few days for yourself.

Debt can wipe out social mobility and stability in an instant. The bookseller, for example, had been unable to finish his postgraduate degree at a local university and had to shutter his shop during the pandemic. Not only had personal debt harmed his social networks and ability to plan for his family's future, he could see no other recourse than to resume payments on loans that had already ballooned beyond his control.

Despite the growing frequency of financial dispossession, it is unlikely that victims of predatory lenders or other forms of financial fraud will organize collectively in a movement to strike against their debt. Especially in the global South, the politics of refusal are simply not available to poor borrowers. They have no way to resist the dominant frameworks of debt resolution, which operate through noninstitutional channels of negotiation, intimidation, and public shaming.

In the wake of so many financial scams and predatory practices, the OJK and the ministries of information and taxation routinely launch public awareness campaigns about predatory lenders and the latest social media swindles. Popular talk shows also feature sensational stories of urban crime, tweeting and posting warnings to the public: "Be aware of the latest scam," or "Never give out your private information," or even "Beware of strangers."

Such approaches place greater responsibility on individuals to deepen their own digital literacy and maintain appropriate levels of caution. Consumer rights advocates and lawyers point out the fraudulent and violent means employed by credit companies and debt collectors, but sectoral trade representatives and the police take a predictable stance in favor of responsibilization. They claim that victims are often "not up to date" or lax in their consumer standards. Either way, as anthropologist John Cox says of popular pyramid schemes in Papua New Guinea, "Scams operate in the space between how people think the world works and how the world should work."

PANDEMIC GRAFT

The economic recession precipitated by the COVID-19 pandemic has unearthed other unsavory aspects of Indonesia's financial life—notably the frequency of corruption at the state level. Erick Thohir, the minister of state-owned enterprises, has declared a new culture of good corporate governance, taking swift action against executives involved in corruption scandals and leadership failures.

The pandemic unearthed unsavory aspects of Indonesia's financial life.

Most recently, the entire board of directors of a state pharmaceutical company was fired when it was revealed that several low-ranking employees had administered already used COVID-19 antigen tests to unsuspecting passengers arriving at Kualanamu International Airport in Medan, North Sumatra. An even more egregious corruption case in 2020 involved the minister for social affairs, who demanded $2.3 million in kickbacks from contractors supplying pandemic-relief food aid to the poor.

The trial of the former minister has unveiled the complex and crude ways in which elite political networks utilize party affiliations and private sector opportunities to engage in graft. Such elite tactics mirror market manipulations lower down the chain, where connected individuals have exploited their access to pandemic relief supplies and vaccines to commit fraud and theft. A state-employed doctor in Sumatra was found to have profited from the illegal sale of free COVID-19 vaccines that were intended for prisoners. These cases belie the optimistic belief that good governance and a promised "mental revolution" in the civil service will eradicate systemic corruption.

In April of this year, the president's official spokesperson visited the new capital city's Point Zero by helicopter. The site was surrounded by forest and marked only by a simple stone; an official groundbreaking ceremony is scheduled for later this year. Unlike China, Indonesia has not yet experienced the ghost cities of endless real estate expansion. But speculation and powerful land developers have altered the landscape irrevocably.

New financial actors will profit from their investments in the Indonesian economy, blurring the lines between nationalist agendas and the opportunity to participate in one of Asia's largest property developments in the near future. It is imperative for stakeholders—not only from the usual beleaguered groups of affected communities and activists, journalists, and watchdogs, but also from a broader public—to press for financial transparency from the state and private institutions involved in the move to the new capital, as the potential for graft remains huge. Observers of the region will remember the fallout from the infamous Malaysian sovereign wealth fund, 1MDB, and its spectacular looting by state agents. Indonesians cannot rely on the politicized and weakened Commission for Corruption Eradication to police the capital spending spree.

How will Indonesia's economic future make room for citizens whose lives resist or run counter to an idealized course of personal responsibility? Who will ensure that data protection is required by fair and just laws? And what would be a commensurate, humane response from the state and the private sector to ordinary citizens who have paid for the new economy with their own experiments, risks, and losses? These questions hint at the scale of the digital, financial, and political entanglements that will affect all Indonesians going forward. ■