The Use of "Internet Money"

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The debate around electronic commerce and payments on the Internet is being carried out with little reference to the way the residential user will use the new form of Internet money, that is money which uses the Internet as the main transaction mode. Instead of the user being at the center of the discussion, the focus has been on the new payments instruments such as e-cash, stored value cards and electronic checks and the growing use of e-mail and the Internet as transaction media.

This is resulting in public policy and corporate decisions being taken without understanding how this new form of money will shape and be shaped by social relations and cultural values. It has prevented the realization that a new form of money is emerging, which is different from previous electronic and non-electronic monies. It has also blocked questions of how and why people mix and match different forms of money. This is why we are again hearing the prophecies of the 1970s and 1980s, that we are at the threshold of a cashless, checkless, branchless society.

In this paper, I place the user at the center of the discussion. This shifts attention away from payments instruments and transaction modes within the banking framework and focuses it on forms of money. The new form of Internet money is discussed in the first section. In the second section, I show how people continue to use a mix of new and traditional forms of money, though the balance in the mix is changing. In the third section, I submit that the reason for the mix is that people use different forms of money as one of the ways of separating the multiple kinds of money that exist in the market and non-market spheres of life. Information is the key to the congruence between the form and kind of money.

This analysis is primarily based on open-ended interviews of 50 persons from 24 predominantly middle-income Anglo-Celtic households in Melbourne and the surrounding rural areas, between March 1995 and February 1996. Their use of electronic money was investigated within a wider framework of the use of information and communication technologies in the home. The analysis also builds on my doctoral thesis entitled Marriage, money and information: Australian consumers' use of banks (1994).

1. Internet money: A new form of electronic money

Forms of money combine transaction modes and payments instruments. They can be broadly grouped as physical and electronic, depending primarily on the transaction medium used. Physical forms of money include physical payments instrument and physical transaction media. They comprise cash and checks transacted person-to-person and across the bank branch or post office counter. It would also include checks sent by mail. Along the continuum between the physical and the electronic are plastic cards transacted physically across the counter. Electronic forms of money include those that involve payments instruments with no physical representation such as direct debit and credit and the electronic versions of cash and checks. Plastic cards used with electronic media such as automated teller machines (ATMs); electronic funds transfer at point of sale (EFTPOS); the telephone and fax; email and Internet form the most common instance of the electronic form of money. It has to be noted that an electronic transaction such as getting cash from an ATM or cash-out from EFTPOS yields a physical payments instrument. Moreover, an electronic money transaction often results in an immediate physical record as with credit card payments over the counter, ATM and EFTPOS payments and withdrawals.

The new Internet money, that is the form of money using Internet as the main transaction mode, builds on payments instruments such as credit cards and direct debit and credit and electronic versions of cash and checks. It differs from earlier forms of money in that it is both impersonal and virtual. There is no identifiable person at the other end of the transaction as when paying via EFTPOS or with a plastic card across the counter. It does not result in physical cash unlike the ATM or EFTPOS withdrawals. Internet money also does not automatically generate a physical record which is evidential in nature. The closest approximation to Internet money is using the plastic card over the phone, fax or mail. But the phone, fax and mail are less virtual than the Internet, in that the potential for personal interaction and a physical record of transaction, is greater.

2. A mix of new and old forms of money

For most Australians, cash, the check and the branch remain the dominant payments and transactions mechanisms. Despite a fast rate of growth in electronic payments and transactions, these traditional forms of money continue to remain important for Australian consumers.

- Cash remains the most popular and convenient way of paying for everyday transactions of small value in Australia. Though there is no hard evidence, it is estimated that some 90 per cent of the number of transactions are in cash (Bank for International Settlements, 1994, p. 8).
- The check is the most popular form of non-cash payment in Australia. In 1995, its volume (38%) exceeds that of credit cards (10%) EFTPOS (13%), ATM (17%); direct entry credit (18%) and direct entry debit (4%) (Mackrell, 1996, p. 4).
- Though high-value electronic funds transfer is now for the first time higher in value (63%) than checks (35%), checks continue to dominate over retail low value electronic funds transfer which remain unchanged between 1991 and 1995 at 2% (Mackrell, 1996, p. 5).
- Though payment by cards is increasing, it still comprised only 0.1 per cent of cashless transactions in value (Bank for International Settlements, 1994, pp. 46, 48).
- The number of ATMs and EFTPOS outlets is increasing in Australia. However Australians continue to conduct about 50 per cent of all transactions through the branch (Ayling, 1996). Empirical research suggests that the branch remains an important access point for banking, even when persons have electronic access (Singh, 1994).

It is difficult to go beyond this picture to detail the use of different payment and transaction mechanisms. As the Australian Payments System Council notes in its 1994-1995 annual report, "Limited data are available on the number of payments, and there is limited detail on the relative usage by consumers of different payment instruments" (1995, p. 41). Hence there is no data on the public record about the use of different forms of money. However, the macro picture shows that even 22 years after Bankcard was introduced in Australia and 15 years after the first bank ATM, physical forms of money continue to dominate.

Socio-economic factors like income and literacy are important for drawing the outer limits of access to bank accounts, plastic cards, personal computers and modems. Access to bank branches and ATMs is also a limiting factor in some rural areas pushing people more to the use of EFTPOS on the one hand and checks paid personally or across the post office counter on the other. These factors are less useful, however, for predicting the way people use different forms of money.

The micro picture shows that even among the early adopters who use Internet money, there continues to be a mix of different forms of money. The quality of this mix varies even for different members of a household, where the wife may use more cash from the bank branch, ATM or EFTPOS than the husband who may use more checks and the credit card. Some of the differences of the mix can be explained by life stage and gender roles. However one needs to go further than this to explain why a person in Melbourne who uses Internet money to buy books from Boston and information services from Colorado also pays his utility bills by checks at the bank branch or the post office.

3. Matching forms of money to kinds of money

In this section, I argue that people continue using various forms of money, because this is one of the ways they separate grocery money from mortgage money; tax-deductible expenditure from non-tax deductible expenditure; utility bills from discretionary spending on the weekly Tattslotto or scratch tickets (See Viviana Zelizer, 1994 for a background to this approach). These different kinds of monies require different levels of information for accountability. For instance, it is important to have a physical record for tax-deductible expenses for the Tax Department. Similarly it helps to be able to prove that utility bills have been paid. Hence the popularity of checks for these kinds of monies. The need for certainty that the mortgage has been repaid makes direct debit the most frequent option.

Credit cards used across the counter are the most frequent choice for paying for incidental business expenses. Often a separate credit card is devoted solely to business expenses so that the statement of accounts is separated from personal expenditure on the pesonal credit card.

It is usually not critical to have an evidential record of grocery expenditure. It is important though, if one is on a tight budget, to know on a continuing basis how much money has been spent and how much money remains. This explains the popularity of physical cash, for that alone gives immediate information on money spent and money still in hand. This association of cash and grocery shopping is further strengthened by a general aversion to the use of credit for food.

The information dimensions that are important for forms of money and kinds of money are those tat relate to time; range and record. Does it yield or require immediate information or will retrospective information suffice? Does it give information on money spent or also money still in hand or in the account? Is the record evidential, discretionary, or is there no record at all? On these information dimensions is also overlaid a person's sense that some information is more reliable than others. Preliminary analysis of the qualitative data shows that reliability of information is related to whether the information is obtained personally or impersonally; whether it is physical or virtual. These aspects relate to the payments instrument and to the mode and context of the transaction.

An investigation of psychological factors is important to discovering why some persons are more comfortable only with personal and physical information while others can handle different degrees of impersonal and virtual information. However, it is a more complicated issue than putting one measure of reliability against one personality type, for as noted earlier, the same person can use both forms with equal ease for different kinds of money. The preliminary conclusions from the qualitative research are that where possible, a person tries to personalize electronic money, either through familiarity with the merchant, the intermediary, or the individual recipient. This is an important point to verify, for the use of Internet money will depend on users' comfort with the impersonal and virtual nature of this form of money. Or conversely Internet money will be shaped by users' desire to personalize the money and/or ensure that some part of the transaction generates a physical record.

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