In Code We Trust! India’s Demonetization, Trust Ambivalence & Electronic Currencies

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Abstract

This multi-method study contributes to the emerging literature on FinTech revolution in Information Systems by examining role of institutions in diffusion of digital currencies and cryptocurrencies using institutional trust as a theoretical lens. Using demonetization in India as our empirical setting, first we use qualitative data and find that the policy shock (demonetization) implemented in 2016 by the government created a trust ambivalence in institutional environment – currency system and fiat currency. Then, we hypothesize and demonstrate empirically, with a regression discontinuity design, that trust ambivalence provides growth opportunities for business organizations at arm’s length from government-private banks and cryptocurrency organizations - by acting as alternative trustees to the government. Fundamentally, we demonstrate that trust in money need not be institutional only but can be substituted for by trust in digital instantiations of money (i.e., digital currencies and cryptocurrencies) and hence the business organizations can leverage the institutional trust ambivalence to their favor. Our study contributes to the interdisciplinary literature on trust and as well as emerging literature on FinTech and cryptocurrency in Information Systems.

Keywords
Cryptocurrencies, digital currencies, FinTech, trust in technology, institutions