

## **ABSTRACT**

*The use of non-cash transactions has continued to increase each year. This is evidenced by data published by Bank Indonesia, which shows that the value of non-cash transactions from 2013 to 2024 exhibits an upward trend. However, along with the increase in non-cash transaction values, the amount of currency in circulation has also continued to rise over the years. Therefore, this study aims to analyze the effect of non-cash payments on the demand for cash in Indonesia.*

*The method employed is the Error Correction Model (ECM). This study uses monthly data on transaction values of credit cards, debit cards, electronic money, real-time gross settlement (RTGS), electronic data capture (EDC), digital banking, credit clearing, debit clearing, and interest rates as independent variables. Meanwhile, the dependent variable is the amount of currency in circulation, which is used as a proxy for cash demand.*

*The results show that credit cards, debit cards, RTGS, EDC, and digital banking have a positive effect on the amount of currency in circulation, both in the long run and the short run. Electronic money has a positive effect in the long run but has a negative and insignificant effect in the short run. Credit clearing has a positive effect on the amount of currency in circulation in the long run, but a negative effect in the short run. Debit clearing produces a negative effect on the amount of currency in circulation, both in the long run and the short run. The interest rate has a negative coefficient but does not have a significant effect on the amount of currency in circulation in either the long run or the short run.*

*Keywords: Cash Demand, Digital Payment System, Electronic Money, Banking Digitalization*

