

## ABSTRACT

This study analyzes the relationship among per capita consumption expenditure (CONS), currency (CR), electronic transactions (ET), and payment system efficiency (EF) in Indonesia from 2021 to 2024 using the Vector Error Correction Model (VECM). The EF variable is treated as exogenous and measured by the cash-to-non-cash ratio, while CONS is divided into two groups: urban and rural areas.

The long-term VECM results show that cash negatively affects both urban and rural consumption, whereas electronic transactions have a positive impact, confirming the substitution effect and supporting rational consumer utility theory. In the short run, urban areas show consumption persistence; cash increases spending, while electronic payments show weak effects. Meanwhile, rural areas also display consumption persistence but with limited short-term adjustments, as other variables are mostly insignificant. The IRF and VD results show urban and rural consumption persistence, mainly driven by its own shocks, with cash influence rising and electronic transactions showing minimal effects.

**Keywords:** per capita consumption, cash, electronic transactions, payment system efficiency, VECM.

