ABSTRACT

The development of technology has provided an innovation in financial sector. One form inovation of the financial sector is the existence of non cash payment system. The convenience offered in non cash payment will make people slowly switch to using non cash payment. It is feared that there will be a substitution between the use of cash and non cash payment, so that the demand for money (M1) will decrease along with the incease in non cash payments.

This research aims to analyze the effect of non cash payment, real income, and interest rate in the short and long term on demand for money (M1) in Indonesia from 2009-2019 using monthly data. Non cash payment in this research were limited to the value of debet card/ATM transactions, cresit card transaction value, and e-money transaction value. This research uses secondary data obtained from the website Central Bank of Indonesia and Badan Pusat Statistik. The analysis model used the Error Correction Model (ECM) using the E-Views 10 program.

The results showed that the use of debit / ATM cards had a positive and significant effect on the demand for money (M1) in the short and long term. The use of credit cards and e-money has a positive effect to money demand (M1) in the short term, but not significant in the long term. Real GDP has a positive and significant effect on money demand (M1) in the long run. Interest rates have a negative and significant effect on money demand (M1) in the long run. The results show that the demand for money is stable in the short term despite financial innovations

Keywords: Money demand (M1), Non-Cash Payment, Debit / ATM Card, Credit Card, E-Money, Error Correction Model