CHAPTER V

CONCLUSION

5.1. Research Summary

This study aimed to determine the relationship of non-cash payments (APMK and electronic money) and output in Indonesia based on the value of Gross Domestic Product (GDP) during the period 2010Q1 to 2021Q4. The VECM model estimates the short-term and long-term relationship of non-cash payments and output (GDP). This model was chosen because the variables are stationary at the first difference level and cointegrated. The results of non-cash payments can be seen through the Impulse Response Function (IRF) test. Furthermore, the Variance Decomposition (VD) test was also carried out to see the contribution of non-cash payments and Indonesia's GDP from time to time.

According to empirical findings from the VECM test, all non-cash payment variables have a short-term positive relationship on output based on the value of GDP; hence an increase in non-cash payment transactions will boost GDP in Indonesia. While, in the long term, credit cards have a negative and significant relationship on GDP in Indonesia, the increasing number of credit cards will reduce GDP in Indonesia. On the other hand, ATM/debit cards and electronic money have a positive and significant relationship on GDP. This is because using an ATM/debit card and electronic money will make it easier for the general public to transact and can lower the opportunity cost of the community keeping money on hand or just in case.

The Impulse Response Functions (IRF) test was used in this study to look for empirical evidence of the non-cash payment relationship. The findings of the IRF test indicate that a non-cash payment phenomenon accompanies Indonesia's economic expansion. The GDP response resulting from credit card use exhibits a negative trend. This is because, according to data from Bank Indonesia for 2018, there has been an increase in cash withdrawals from credit cards used as debt instruments, leading to bad loans that may slow economic growth. The GDP response caused by an ATM/debit card exhibits a positive trend, which can be attributed to the fact that transactions carried out by the general public using ATMs or debit cards are becoming simpler and that these transactions can lower the opportunity cost of people holding money and acting as a safety measure. The final factor is the GDP response to e-money, which exhibits a positive trend and is predicted to improve the velocity of money as more people use e-money.

The use of non-cash payment instruments can contribute to GDP by increasing transaction efficiency and public consumption and output. The existence of a non-cash transaction support program can potentially have a growing impact that can be seen from time to time. The use of non-cash payment systems is increasing, shifting the role of cash, coupled with the continued development of digital technology that makes the use of non-cash payment systems very efficient. And the cause of significant influence is due to the psychology of someone who can spend money more easily and quickly compared to using cash payments. This illustrates the development of this non-cash payment system that can provide convenience and transaction speed.

5.2. Recommendation

Based on the exploration of the result of testing the hypothesis, put forward some suggestions that may be beneficial for:

1. Government – with non-cash payments, it provides convenience and efficiency for its users. This creates an opportunity for Bank Indonesia and banks to improve further services, innovation, and ease of use of non-cash payments, the need for credibility from the central bank as an effort to control monetary, it is necessary to improve facilities and infrastructure for non-cash

transactions and Bank Indonesia must be able to apply technology and good legal facilities. With an increase in non-cash payments, Indonesia's GDP can be boosted, and it can serve as a model for attempts to raise the value and volume of non-cash transactions in society to stimulate the economy in the future.

2. Future Researcher – this research is expected to be a reference for further researchers who can further develop the influence of each non-cash payment indicator on monetary policy and the welfare of the people in Indonesia.