

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Research Summary

The purpose of this research are to know the effect of financial innovation to money demand for cash in Indonesia. This paper shown nominally how financial innovation would affect demand for cash in Indonesia. The research focus on the impact of financial innovation, with the proxy of ATM and E-Money as an independent variable. Based on the result, the ATM transaction is positive and significant effected demand for money in long run and short run. The increasing of ATM transaction will increase demand for cash in Indonesia. This is because the using ATMs are more often used to withdraw cash. The reason is there are still many people who need cash on hand for their daily needs. It seems the case for buying and selling transactions in the market still uses cash rather than non-cash transactions. For the effect of e-money to demand for money in Indonesia in long run nor short run is negatively affected. It means the increasing of e-money usage will decrease the demand for money. The result of the control variables, which is interest rate, and GDP is positive and significant in long run. But, in the short run, inflation is negatively affect the demand for money in Indonesia. The result for interest rate and inflation have an opposite result with the theory, but the coefficient is low. So, the elasticity for the effect of interest rate and inflation to money demand in Indonesia is less sensitive.

On hypothesis, it said that the effect of financial innovation to demand for cash is negative. This study used two variables that represent financial innovation which is ATM transaction and e-money transaction. E-money transaction indicate that the effect of e-money is negatively affect money demand. Meanwhile, ATM transaction have a positive effect to demand for cash in Indonesia. The ATM transaction here is the transaction for withdraw cash, so the result was positive because when people do a transaction at ATM, the most transaction is withdrawing cash. As ATM transaction

increase, the demand for cash also increase. Opposite to e-money transaction, as the definition of e-money that has stored of value, people still can transact using e-money and it did not need cash for transaction.

5.2 Recommendations

Recommendation in this paper is to the electronic money issuer and government. Because of the using of e-money increasing every year, it indicates that many people were using e-money on their daily life. There is so much consumer privacy is leaked and consumer money also can be stolen because of the using of e-money. It should be a concern for the government to increase the security for electronic payment and the users for electronic payments also should be secure for this problem.

For bank and any relates institution is expecting to promoting the use of financial innovation because it can reduce the counterfeit money, decrease the cost for printing money and also increase economic efficiency. It will give the positive impact for the government and Indonesian economic in the future.

The result of this paper is expect can be a reference for the further analysis and develop in the further analysis. Further research is expected to be able to develop this research more widely using other variables that may be more valid to determine the effect of financial innovation on demand for cash in Indonesia.



