

THE IMPACT OF DIGITAL CURRENCY ON DEMAND FOR MONEY IN INDONESIA

by **Aula Ahmad Hafidh Saiful Fikri, Mustofa, Maimun Sholeh, Supriyanto, Lilia Pasca Riani**

ABSTRACT

In this study, the demand for money in Indonesia has been estimated using ARDL approach to cointegration analysis. The ARDL method does not generally require knowledge of the order of integration of variables. The data is secondary using monthly data from Bank Indonesia from 201301 to 202212.

The results of the longrun regression, reveal that Mobile Banking MB, Exchange rate ER and inflation P are associated with Money Demand M1 with different sign, where only MB has postive impact. The negative effect of inflation rate on M1 supports our theoretical expectation that as the inflation rate rises, the demand for money falls. This indicates that people prefer to substitute physical assets for money balances. The negative effect of exchange rate on M1 indicates that depreciation of domestic money decrease the demand for money, opposing the wealth effect argument. The other independent variable such internet Banking IB, Debit Card DC and interest rate are not have impact on money demand in the long run.

Kata Kunci: *Mobile Banking, Internet Banking, Debit Card, Money Demand*