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E-Payments, COVID-19 Restrictions, and Currency in Circulation: Thailand and Turkey

Authors : Zeliha Sayar

Abstract : Central banks all over the world appear to be focusing first and foremost on retail central bank digital currency CBDC), i.e., digital cash/money. This approach is predicated on the belief that the use of cash has decreased, owing primarily to technological advancements and pandemic restrictions, and that a suitable foundation for the transition to a cashless society has been revealed. This study aims to contribute to the debate over whether digital money/CBDC can be a substitute or supplement to physical cash by examining the potential effects on cash demand. For this reason, this paper compares two emerging countries, Turkey, and Thailand, to demystify the impact of e-payment and COVID-19 restrictions on cash demand by employing fully modified ordinary least squares (FMOLS), dynamic ordinary least squares (DOLS), and the canonical cointegrating regression (CCR). The currency in circulation in two emerging countries, Turkey and Thailand, was examined in order to estimate the elasticity of different types of retail payments. The results demonstrate that real internet and mobile, cart, contactless payment, and e-money are long-term determinants of real cash demand in these two developing countries. Furthermore, with the exception of contactless payments in Turkey, there is a positive relationship between the currency in circulation and the various types of retail payments. According to findings, COVID-19 restrictions encourage the demand for cash, resulting in cash hoarding.

Keywords : CCR, DOLS, e-money, FMOLS, real cash
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