

## **ABSTRACT**

*The development of the payment system in Indonesia has shifted from cash to non-cash transactions, particularly through electronic money. This change reflects public preferences in holding money and has the potential to affect the money creation mechanism as reflected in the M1 money multiplier. This study aims to analyze the determinants affecting the M1 money multiplier, including the role of electronic money and other monetary variables. The study employs the Ordinary Least Squares (OLS) method with a Distributed Lag model using Indonesian time series data obtained from Bank Indonesia. The variables used include the ratio of electronic money to currency in circulation, reserve ratio, excess reserve ratio, and monetary base.*

*The results show that the ratio of electronic money to currency in circulation has a positive but insignificant effect on the M1 money multiplier, indicating that its role remains limited. The reserve ratio and excess reserve ratio have negative effects, where the excess reserve ratio is significant in the current period, while the reserve ratio is not yet significant. Meanwhile, the monetary base shows an unstable effect on the M1 money multiplier.*

**Keywords:** *electronic money, M1 money multiplier, reserve ratio, excess reserve ratio, monetary base, OLS, distributed lag.*

