Relationship between Non-Cash Payments and Economic Growth of Sri Lanka

Mithila, G.[1] and Lingesiya, K.[2]

gmithila@univ.jfn.ac.lk[1] and lingesiya@univ.jfn.ac.lk[2]

ABSTRACT

The increasing adoption of cashless payments globally reflects the challenges associated with physical currency. Numerous Research highlight the positive impact of cashless payments on economic growth which shows the importance of cashless payments in an economy. This research focuses on identifying the relationship between cashless payments and the economic growth of Sri Lanka. The study measures the economic growth of the country using the real Gross Domestic Product (GDP) and the non-cash payments are measured by Real Time Gross Settlement System (RTGS), Cheque (CHE), Sri Lanka Interbank Payment Systems (SLIPS), Internet Banking (IB), Mobile Banking (MB), Credit Card (CC), Debit Card (DC) transactions. Data from 1st quarter of 2025 to the third quarter of 2022 are considered for the analysis and diagnostic tests of serial correlation, heteroskedasticity, and cumsum tests are carried out. Further, ADF and PP tests are carried out for unit root analysis. Finally, the Auto Regressive Distributed Lag (ARDL) model is used for the hypothesis testing. The test revealed that in the long run, RTGS and SLIPS have a significant positive relationship with economic growth. On the other hand, IB has a negative relationship with the growth of the economy. However, CHE, DC, CC, and MB do not have any significant relationship with the economic growth of the country. The short-term results indicate that RTGS, CHE, IB, and MB have a positive association with growth while SLIPS and DC have a negative relationship. Results further revealed that CC does not show any impact on economic growth. Overall, these relationships highlight the complex relationship between noncash payment systems and the economic growth of Sri Lanka and the importance of targeting policy interventions and infrastructure investments to maximize the benefits of digital financial services for inclusive and sustainable economic growth.

***Keywords**: Cashless Payments, Economic Growth, Auto Regressive Distributed Lag (ARDL), Unit root Test, Cointegration, Error Correction Models*