

FINANCIAL INNOVATIONS AND MONEY DEMAND IN SAUDI ARABIA

Ameerah R. AL-Sumluq

Department of Economics, Imam Muhammed Bin Saud University, Riyadh, Saudi Arabia

Abstract

The study aims to explain relationship between financial innovation and development in payments methods, and their influence on money demand in economy of Saudi Arabia during period from 1998 to 2015 depending on quarterly data. In order to measure this relation, an econometric model was designed which consists of many variables, such as interest rate, number of exported plastic cards, Credit Cards, ATM cards and money supply.

The study discusses how can development in payment methods (financial innovation) occurs change in supply of cash money and importance of this for Monetary policy maker. To answer questions of the study, method of Co-integration tests and Granger Test have been used to identify whether there is a causal relation between variables or not.

Keywords: Monetary policy, Financial Innovations , Inflation