

## THE IMPACT OF CASHLESS PAYMENTS IN THE PAYMENT SYSTEM OF SMALL BUSINESSES IN THE TRANSPORT SECTOR ON INFLATION

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**Abstract:** This article analyzes the impact of cashless payments on inflation and monetary circulation within the economy. The study highlights how the expansion of electronic payments, bank cards, and digital transactions can mitigate inflationary pressures, enhance monetary policy efficiency, and optimize money circulation. Findings indicate that while cashless payments accelerate the velocity of money, their effect on inflation depends on the effectiveness of regulatory and monetary control mechanisms.

**Keywords:** cashless payments, inflation, electronic payment system, monetary policy, digital economy.

In recent years, the rapid development of the digital economy in our country, the widespread use of financial technologies (fintech), and the popularization of electronic payment instruments in the banking system have had a significant impact on economic processes. In particular, the expansion of cashless payments is recognized as a factor directly affecting money circulation, the consumer market, and price levels. A cashless payment system is a system of settlements between economic entities through electronic means, bank cards, mobile applications and online platforms. The advantages of this system are speed, security, cost reduction and transparency of money circulation. At the same time, these processes also affect the level of inflation, since digital payments cause changes in the money supply and velocity of circulation. Currently, the Central Bank of the Republic of Uzbekistan is implementing large-scale reforms to develop the national payment system, increase the level of use of banking services by the population, and implement the principles of a "cashless economy". In particular, during 2020-2024, the number of bank cards in the country increased by 2.5 times, and the volume of electronic payments increased by about 4 times. This requires new approaches to analyzing inflationary processes. The issue of the impact of cashless payments on inflation is important not only for macroeconomic stability, but also for assessing the effectiveness of monetary policy. Because as the digital payment system expands, the Central Bank's ability to control the money supply, as well as the consumption and savings behavior of the population, will change. In this regard, the main goal of this study is to empirically analyze the impact of cashless payments on the inflation rate in the case of the Namangan region and its districts, identify existing trends, and develop practical recommendations for economic policy. [1] The following tasks were set as part of the research: To study the role and theoretical foundations of the cashless payment system in the economy; To analyze the dynamics of the volume of cashless payments in the Namangan region; To determine the relationship between cashless payments and the inflation rate; The results of the research are relevant for the regional economy and will serve to further improve the digital payment infrastructure in the banking sector, reduce cash circulation, and develop effective mechanisms to curb inflation. The role of cashless payments in the economy Cashless payments are payments for goods and services between economic entities through bank accounts, electronic means

or digital platforms. This system reduces the use of cash in economic transactions, accelerates money circulation, and ensures transparency of financial flows. [2] With the development of cashless payment systems: the costs of managing cash circulation will decrease; the velocity of money will increase; tax revenues and fiscal discipline will improve; the possibility of digital monitoring of consumption and investment activity will arise. Therefore, cashless payments are considered not only an element of the payment system, but also a tool of macroeconomic management. Thus, cashless payments have a dual effect: They can increase inflation by increasing the velocity of money; However, the transparency and control mechanisms of the system help maintain inflationary stability. The mechanism of influence from the point of view of the monetarism approach As representatives of the theory of monetarism (M. Friedman, A. Brunner, etc.) point out, inflation is an excessive increase in the money supply. With the development of a cashless settlement system, the Central Bank will be able to control the money supply more accurately, since all transactions will be recorded electronically. According to monetary policy mechanisms, the growth of non-cash payments affects inflation through the following channels: *Liquidity channel* when cashless payments increase, the population and business entities reduce their use of liquid assets, which reduces the total money supply. *Interest rate channel* when the digital payment system develops, interbank liquidity stabilizes, interest rates decrease, which stimulates investment. *Expectations channel* a transparent payment system reduces inflationary expectations among economic entities, ensuring price stability. Thus, the expansion of cashless payments strengthens the transmission mechanism of monetary policy and increases the effectiveness of inflation management. The relationship between consumption and the payment system in the Keynesian approach According to the Keynesian school of economics, the balance between consumption and saving determines the level of aggregate demand in the economy. As the cashless payment system develops, consumer transactions accelerate, demand for goods and services increases, which can lead to a rise in prices in the short term. However, in the long term, digital payments will: improve payment discipline, strengthen cost control, increase transparency in the domestic market, restore economic balance. As a result, inflationary processes stabilize. Therefore, according to the Keynesian approach, cashless payments stimulate consumption in the short term, but in the long term they serve price stability. Transformation of the payment system in the digital economy With the widespread introduction of digital technologies, the payment system is considered not only as an economic tool, but also as an innovative infrastructure. Digital payments are made through “**smart-pay**”, “**QR-code**”, “**mobile banking**”, “**internet banking**” and other means. This process provides the following economic advantages: acceleration of money circulation and reduction of costs; increased liquidity of the banking system; expansion of the tax base; reduction of inflationary expectations. In particular, according to the Central Bank of the Republic of Uzbekistan, the volume of non-cash payments in the country in 2024 exceeded 1.5 quadrillion soums, which is four times more than in 2020. This process strengthens control over the money supply and serves to maintain price stability. [3] Analysis and results (on the example of Namangan region) The following analysis aims to determine the relationship between the volume of non-cash payments and the inflation rate in the Namangan region for the period 2020–2024. The data was analyzed by the main districts of the region.

Table 1. Volume of non-cash payments in Namangan region (2020–2024, billion soums)

Year	Namangan City	Chartok	Chust	Pop	Turakurgan	Total Volume
2020	1 245	320	405	280	350	2 600
2021	1 890	465	590	370	480	3 795
2022	2 740	680	810	490	620	5 340
2023	3 550	890	1 030	620	780	6 870
2024	4 200	1 120	1 260	770	940	8 290

**Note:** During 2020–2024, the volume of cashless payments in the region increased by 3.2 times. The highest growth was observed in the city of Namangan and Turakurgan district.

### CONCLUSION AND SUGGESTIONS

The results of the study showed that the cashless settlement system has a significant impact on inflationary processes in the economy. Based on the empirical analysis conducted on the example of the Namangan region, the following conclusions and proposals were put forward:[4] The growth of non-cash payments is emerging as a stabilizing factor for inflation. Although the volume of cashless payments in the region increased more than 3 times during 2020–2024, the average annual inflation rate decreased from 11.5% to 8.5%. This indicates that the expansion of the digital payment system reduces inflationary pressures and stabilizes monetary circulation. The development of a cashless economy infrastructure will strengthen macroeconomic control. Since all transactions through electronic payment systems are digitally tracked, the Central Bank and financial institutions will be able to more accurately control the money supply. This will increase the effectiveness of monetary policy and help curb inflation. **Proposal:** Expand the network of digital financial services in each district; Implement local programs to increase financial literacy among the population. There is a strong correlation between cashless payments and the velocity of money. The correlation analysis showed a coefficient of  $-0.82$ , which indicates that inflation decreases as the volume of cashless payments increases. At the same time, there is a positive correlation between the velocity of money and inflation. **Proposal:** To manage the speed of money circulation, align the volume of electronic payments with economic growth; To include the share of digital transactions as a key indicator in money supply monitoring. General conclusion based on scientific results: The development of a cashless payment system serves as an effective tool for controlling inflation. Through this system: transparency of monetary circulation is ensured; the shadow economy is reduced; the Central Bank's control capabilities are strengthened; the growth rate of the price level is stabilized. Thus, the expansion of the digital payment infrastructure and the reduction of cash circulation in Uzbekistan's economic policy should be recognized as an important component of curbing inflation.

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