

Working Papers on Economics - Digital Payments Adoption and the Demand for Cash: New International Evidence

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AUTHORS AND/OR EDITORS Arango-Arango, Carlos Alberto Suárez-Ariza, Nicolás F. Publication Date: Wednesday, 5 of June 2019 ABSTRACT

Even though the levels and growth rates of adoption of digital payments have reached significant figures in the recent past, the demand for cash continues to grow in both developed and developing economies across the world. This puzzle has found only partial explanations in the previous empirical literature. We bring further and more conclusive evidence that the adoption of digital payments indeed reduces the demand for cash. Yet, economic growth and lower interest rates as well as positive trends in the demand for large denomination banknotes, not explained by traditional factors, still dominate the overall growth in the demand for cash.