Digital payments adoption and the demand for cash: New international evidence

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Around the world, the adoption of digital payment systems continues to grow apace. At the same time, however, the demand for cash continues to grow in both developed and developing economies. This puzzle has found only partial explanations in the previous empirical literature. This paper presents further conclusive evidence that the adoption of digital payments reduces the demand for cash. It also discusses how growth in the demand for cash is driven by economic growth and lower interest rates as well as secular positive trends in the demand for large denomination banknotes, related to unobservable factors.