

# Discussion of “Falling Use of Cash and Demand for Retail CBDC”

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# Overview

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Contributing to two streams of literature:

- ❑ Decline in cash usage and cash-substitution by cashless payment instruments
- ❑ CBDC design → demand side perspective

# Overview

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- Novel proxy of cash usage: share of cash over cash + cashless retail payments transactions (card and e-money payments).
  - Between 2012 and 2019 cash share reduction in 24 of 25 countries.
- Drivers of cash reduction: younger generations' love for cashless.
  - Change in population's age structure proxied by cumulative sum of the individual annual changes in the age structure (birth rates + death rates)
    - negative statistically significant impact on cash share.
- Incentives for CBDC adoption in such competing landscape: CBDC may have to offer more than the benefits for using/accepting cards, e.g. immediate availability of funds, lack of fees.
  - Card issuers may react competitively to such retail CBDCs.

# First reaction and some questions

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- Policy-relevant topic (demand drivers for CBDC adoption) often not sufficiently considered in the (supply side focused) CBDC debate.
- Questions: on the link between the empirical part and the discussion of retail CBDC demand side drivers

Unclear:

- ✓ Why focus on drivers for cash reduction and not on drivers for card payments increases to infer potential drivers for CBDC adoption? Any lessons learnt from different card payment features (or available overlay services) to incentivize CBDC adoption?
- ✓ Why results from a cross-jurisdictional panel should provide insights for a decision on CBDC design, purely issued in the national domain?

# Some suggestions

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- Data sources? Could be more clearly indicated.
- Cash demand estimate:
  - any other proxy for the intergenerational age change of population?
    - new births not necessarily indicative of distribution of young adults with spending capacity versus older adults → 14 / 18 years lagged birth rate?
  - information on reduced average card interchange fees or permission to surcharge users in certain jurisdictions?

# Some suggestions

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➤ Elephant in the room: COVID-19.

For future extensions:

Has COVID-19 made it easier for any retail CBDC because of an expected further reduction in cash usage? Or harder to overcome the expected new cashless habits of users that have abandoned cash because of the pandemic?

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Thank you

