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The decline of cash: Perspectives and challenges

Susana Bujalance-Rey

susanabujalance2@gmail.com  0009-0008-6670-7785

Facultad de Derecho y Ciencias Económicas y Empresariales. Universidad de Córdoba.

Plaza de Puerta Nueva, s/n. 14002 Córdoba (España).

María Amalia Trillo-Holgado

td1trhom@uco.es  0000-0002-1626-8066

Área de Organización de Empresas. Universidad de Córdoba.

Ctra. Madrid-Cádiz, km. 396. 14071 Córdoba (España).

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INTRODUCTION

This paper analyses the possible extinction of cash from the economy and its impact. Cash competes with other means of payment so far: transfers, credit, debit and pre-paid card, diverse mobile payment systems, Bizum, Venmo and systems such as PayPal which allow to make transfers in various ways. Other options that aim, in some way, to replace money, such as cryptocurrencies, especially Bitcoin and Ethereum (Khando *et al.*, 2023).

The crisis generated by the COVID-19 pandemic has had a considerable influence on society's use of physical money, since the idea spread that cash was one of the main catalysts of propagation, generating greater speculation about its possible disappearance. New consumer habits and the fear of many people touching money and becoming infected accelerated the changes (Srouji & Torre, 2022; Jonker *et al.*, 2022; Guttman *et al.*, 2021).

It seems that cash is destined to disappear at some point. Considering that, it presents several advantages, such as alleviating tax fraud and the underground economy, this is not quite clear. That is because alternative routes could be used, like transactions with cryptocurrencies, which are made from one user to another without any kind of security controls (Tao & Wu, 2009). As well, there are other significant hurdles to overcome to do away with bills and coins, as that restriction may result in the loss of freedom and control of money. Furthermore, the idiosyncrasy of each country suggests specific difficulties about in this regard.

THEORETICAL PERSPECTIVE

From the theoretical perspective, the study tries to link the historical occurrences that had ended to the recent situation of cash use. The evolution of cash has played a quite an important role in history, struggling



with major changes in both its form and utility. From barter, the gold standard, the emergence of fiduciary money, to the arrival of cryptocurrencies currently (García-Corral, 2022).

It addresses in a pioneering way, from the perspective of Spanish SMEs, the process of their adaptation to the digital environment, and the influence that the total disappearance of physical money would have. In particular, it focuses on the role of cash in the current environment of the means of payment in the buying and selling that these companies do and in the relationships they have with banking institutions. A matrix of weaknesses, strengths, threats and opportunities (SWOT) is established to show in detail the implications of the demonetisation process for organisations when establishing relationships with their customers, banking institutions or other agents in their environment. Then, different scenarios that could occur in the future are established in order to facilitate their management in a sustainably manner (Horne & Collins, 2023; Lohana & Roy, 2023; Krishna *et al.*, 2023).

METHODOLOGY

Methodologically, an analytical, contemporary and multiple case study with generic scope is developed based on SMEs whose activity is performed in representative sectors of the economy. The information was obtained through different sources, including a semi-structured interview based on the previous analyses: theoretical body, SWOTs and scenarios. In this way, the validity of the ideas presented is analysed and the specific issues related to the subject under study are discussed.

RESULTS

The results indicate that no clear and concise answer can be given as to whether cash is destined to disappear.

Many countries that are close to a cashless economy. The most extreme case is Sweden, where coins have been completely displaced (Armeliu *et al.*, 2020). Other countries, such as China, have adopted their own digital currency based on blockchain technology, thanks to the rapid adoption of new technologies (Hwang & Wen, 2024).

Nevertheless, the situation in which Spanish society faces is not the ideal one. The country's social and economic barriers lie in the underground economy and in the privacy of transactions. Therefore, the citizen would lose the freedom to choose the method of payment, with all transactions being recorded and traceable. To this end, the financial sector needs to build its business model on a technologically advanced infrastructure that generates trust and security for society. Furthermore, the government should implement policies that increase competition in the banking system and protect the consumer of financial products and services, for example, by reducing the costs of financial transactions and services; in many cases it is the merchants who pay the cost of using POS terminals.

Moreover, it is essential to tackle financial exclusion. This means getting rid of coins and banknotes could lead to a payment gap between those who have the most difficult access to digital payments and those who do not, such as the most precarious and impoverished sectors (IMCO, 2016).

CONCLUSION

In conclusion, several arguments emerge in favor of the extinction of physical money as a method of payment; and, on the other hand, in support of maintenance in the financial market.

One of the main reasons for the withdrawal of banknotes from circulation is that they underpin a large part of the underground economy, tax evasion and all kinds of illegal activities. However, this problem is not only observed concerning cash, since there are other alternatives, or even other methods to hide these types of transactions.



The strongest points for keeping physical cash afloat are related to the freedom of choice it offers to consumers, as well as the protection of the most vulnerable groups. In the face of any catastrophe, cash is the only means of payment that guarantees the continuity of economic activity.

Despite the greater proliferation of digital media, it would only lead to a significant reduction in the use of paper, but not to its total exclusion. This is according to the studied companies affirm it, who believe in a future where cash will continue to remain in force in the financial economy. Digital payments have positively helped the efficiency and performance of business activity; however, they do not perceive the demonetisation of the economy as efficient. They defend the continued existence of cash as an act of resistance by citizens and SMEs against the banking authorities.

In the coming years, it will be worth watching whether the decline in the share of cash payments slows, continues or accelerates, and how countries continue to allow the cashless economy to grow while ensuring universal access to the economy. Spain still has a long way to go economically, politically and socially, due to cash continues to play a crucial role in its economy.