

## Abstract

The present study aims to deliberate over a wider perspective on the topic of physical currency, assuming the global conversion to digital payment instruments affecting stakeholders at different scales alters number of aspects. The theoretical section discusses the process of transition to cashless society by identifying transformation stages and the barriers faced to undertake the shift. Subsequently, the links between factors as business environment, globalization, and shadow economy in relation to physical currency in circulation are examined by static and dynamic panel data analyses applying annual panel data for 70 countries for the period from 2013 to 2017. The conclusive inference is formulated based on outputs from the Blundell-Bond (1998) system GMM estimator. The empirical results provide significant evidence on negative relationship between business environment and physical currency in circulation and contrary positive link for shadow economy. Further, the greater impact of business environment on physical money among variables included, implies the promotion of electronic money solutions solely to be not sufficient to transit to cashless economy. We also construct transformation score ranking for the last five years to snap the transit stage among countries included in the study with Singapore and Nordic countries maintaining leading positions.

**JEL Classification**

C33, E41, E26, F65, G23, G28

**Keywords**

cashless economy, electronic money,  
dynamic panel analysis, system GMM  
estimator

**Author's e-mail**

[aliya.rgs@gmail.com](mailto:aliya.rgs@gmail.com)

**Supervisor's e-mail**

[lubos.komarek@cnb.cz](mailto:lubos.komarek@cnb.cz)