

Discussion of Briglevics and Schuh

“U.S. Consumer demand for Cash in the Era of Low Interest Rates and Electronic Payments”

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- **Aim:** Estimate the demand for cash
 - **Idea:**
 - i. Interesting times > financial crisis > low interest > no. of payment products ↑
 - i. Look at impact of credit card debt
 - ii. Control for consumers payment preferences
 - **Empirical strategy:**
 - i. Look how individuals choose between keeping money on an interest earning account and holding cash for those who have Credit Card
 - ii. Two stage heckman selection



1. Interest elasticity of cash depends on the consumers credit card behavior

- Small negative > those who pay-off Credit-card debt
- Zero > those who revolve Credit-card debt

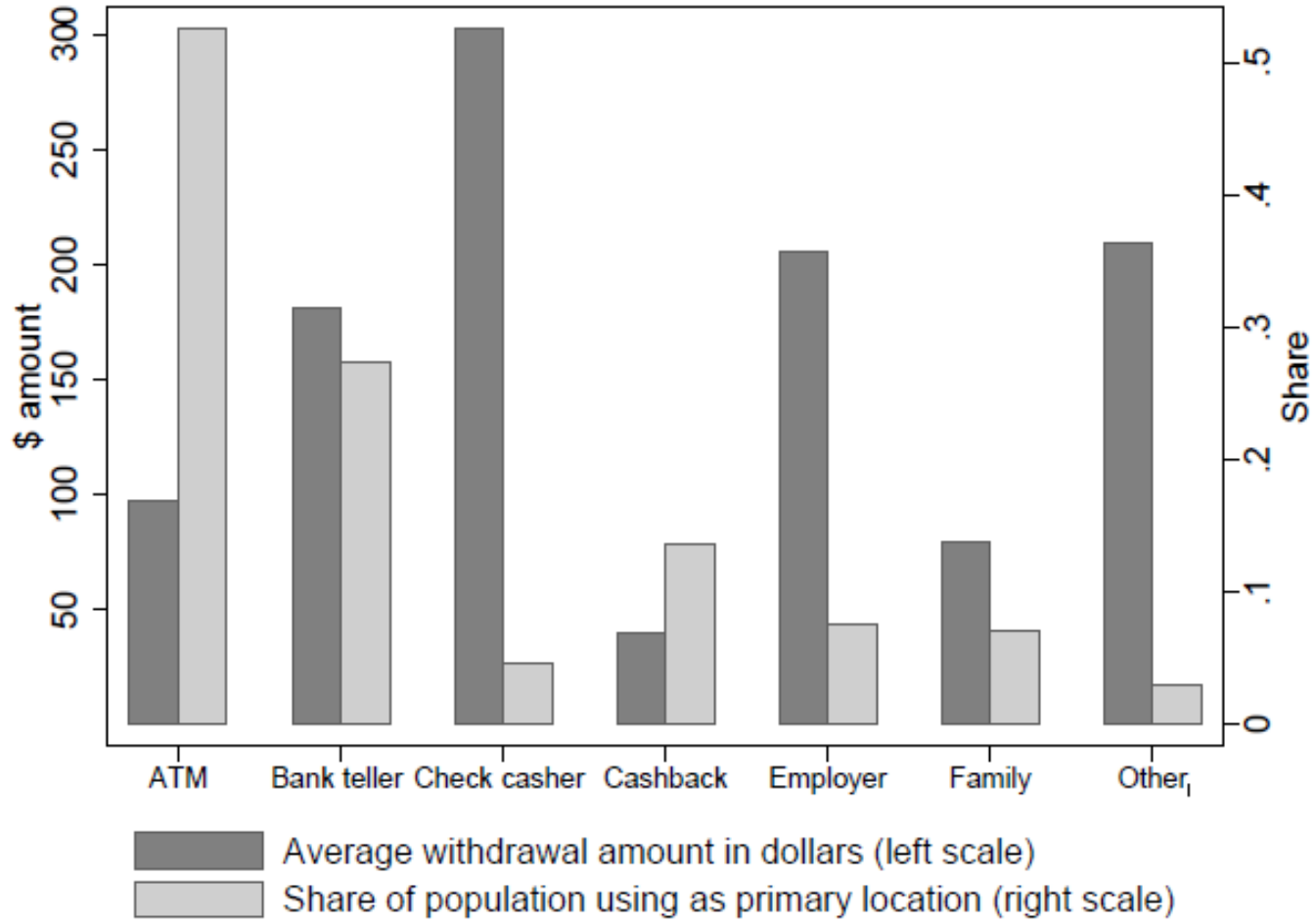
2. Primary withdrawal method impacts cash demand

- Density of bank/ATM > does not matter
- Nonbank cash withdrawal > do matter



NON BANK CASH WITHDRAWAL

Figure 2: Cash withdrawals by location



LIKE THE PAPER:

- Important topic > both for micro and macro perspective
- Utilize great data methods > consumers adoption payments
- Interesting important findings
- Address a lot of the potential pitfalls/alternative explanations
- Well structured and written.



REPRESENTATIVE SAMPLE

	FDIC 2011	SCPC 2010	SCF 2010
no savings account	29%	30%	
no checking	10%	6.5%	9.6%
unbanked	8.2%	??	9.6%
revolvers	SCPC	35.9 (2008), 29.1 (2009), 29.5 (2010)	

Agarwal et al. (2013) 0.5 % pt ↓ '09 >> '10



DEBIT CARDS

DEBIT - CASH

- i. post-pone payments > reduce forgone interest
- ii. Insurance > reduce risk of theft, loss
- iii. no travel to the ATM > reduce transaction cost
- iv. earn other benefits, bonus points travel points etc
- v. Less accepted for payment
- vi. Need a bank relationship

DEBIT - CREDIT CARD

- i. No revolving debt
- ii. Less risk of over spending /overdraft fees

- Argue why Credit Cards > show frequencies payment methods trade-off
- Separate ATM from Debit Cards



- Share of cash transactions in total transaction > endogenous > to cash withdrawals or cash holdings

➤ You test the exogeneity of the cash share variables

Instrument >> respondents *self-reported* assessment of security and cost of cash relative to credit and debit cards

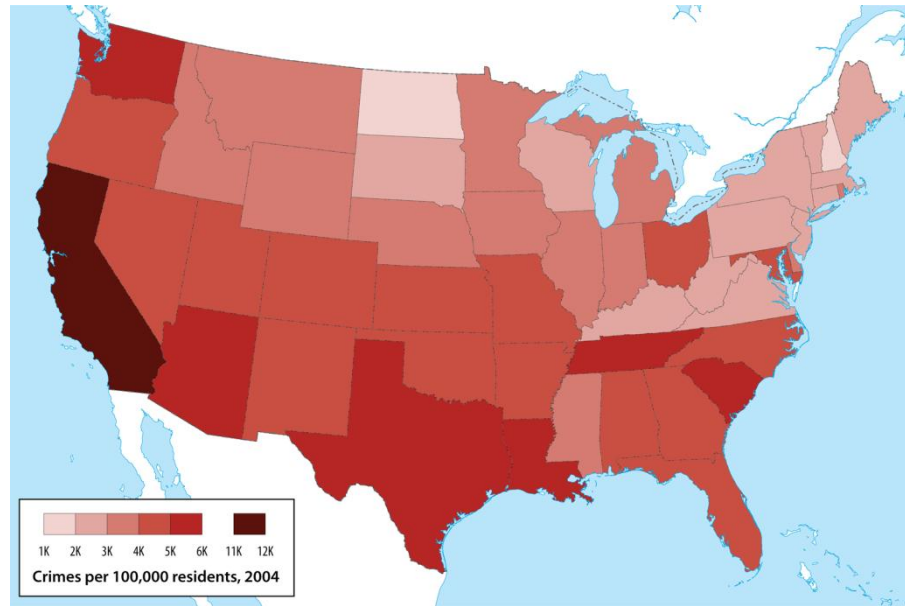
- Argue why you think this is a valid instrument



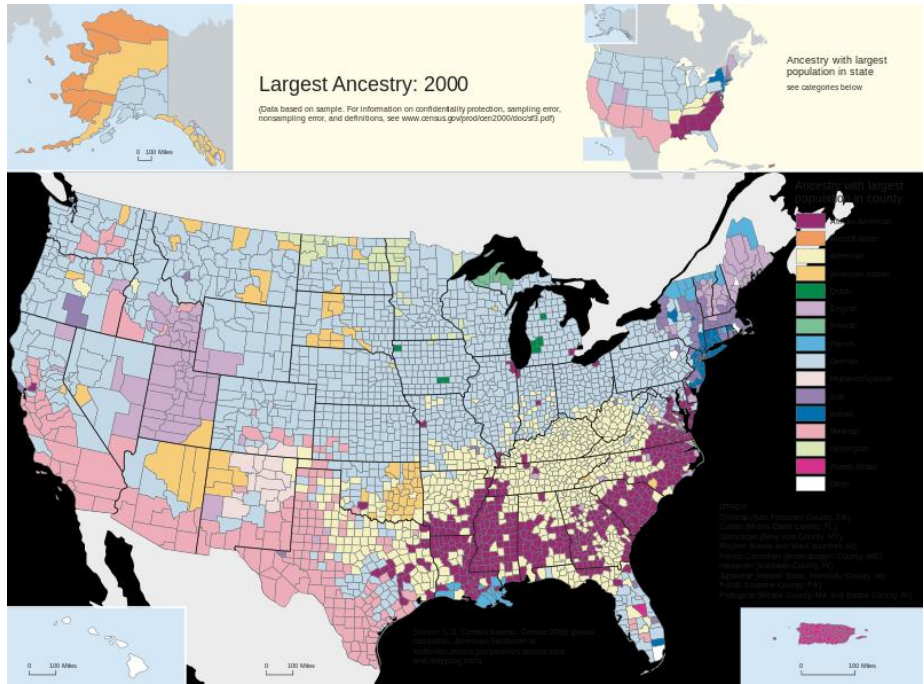
ENDOGENEITY

Can you use variation in change within, between states?

Crime



Culture



Do the self reported interest rates line up with you BRM data?

- (PA004) Your primary checking account is the checking account you use most often.

What **interest rate** do you earn on the balance in your primary checking account?

Please choose "0%" if you do not earn interest.

DROP DOWN BOX WITH ENTRIES

- [initial box] *** Select one ***
- 0%
- 0.01 to 0.50%
- 0.51 to 1.00%
- 1.01 to 1.50%
- 1.51 to 2.00%
- 2.01 to 2.50%
- 2.51 to 3.00%
- 3.01 to 3.50%
- 3.51 to 4.00%
- More than 4.00%
- I don't know



The CARD ACT

- February 2010 - abolished overdraft fees
- Study the impact of reduction in borrowing cost on cash demand
- Agarwal et al. (2013) - borrowing cost for cons. ↓2.8 % (per year)
 - 10 % ↓ for lowest FICO scores
 - no evidence increase interest, limit crdt access
- Use these 3 question from SCPC to identify the borrowers

Does your checking account have **overdraft protection**?

- 1 Yes
- 2 No
- 3 I don't know

- (PH007) During the **past 12 months**, did you overdraw any of your bank accounts?
 - 1 Yes and I paid a late fee
 - 2 Yes but I did not pay a fee
 - 3 No

- (PH006) Please estimate your most recent **credit rating**, as measured by a FICO score?



- Promising paper on an important topic
- Authors need to be more clear about validity of their instrument
- I look forward to read more work with this data set!



Adoption equations

Use their self reported FICO

- (PH006) Please estimate your most recent **credit rating**, as measured by a FICO score?

- **Benchmark category ?**

