Cash, Check, or Bank Card? Discussion

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Three questions and three answers

- Questions
  - Why do people still prefer to use cash?
  - Why are checks sometimes preferred to bank cards to settle transactions?
  - What are the factors that influence the use of a payment instrument?
- Answers
  - Value of sale
  - Type of good and establishment
  - Availability

Discussion outline

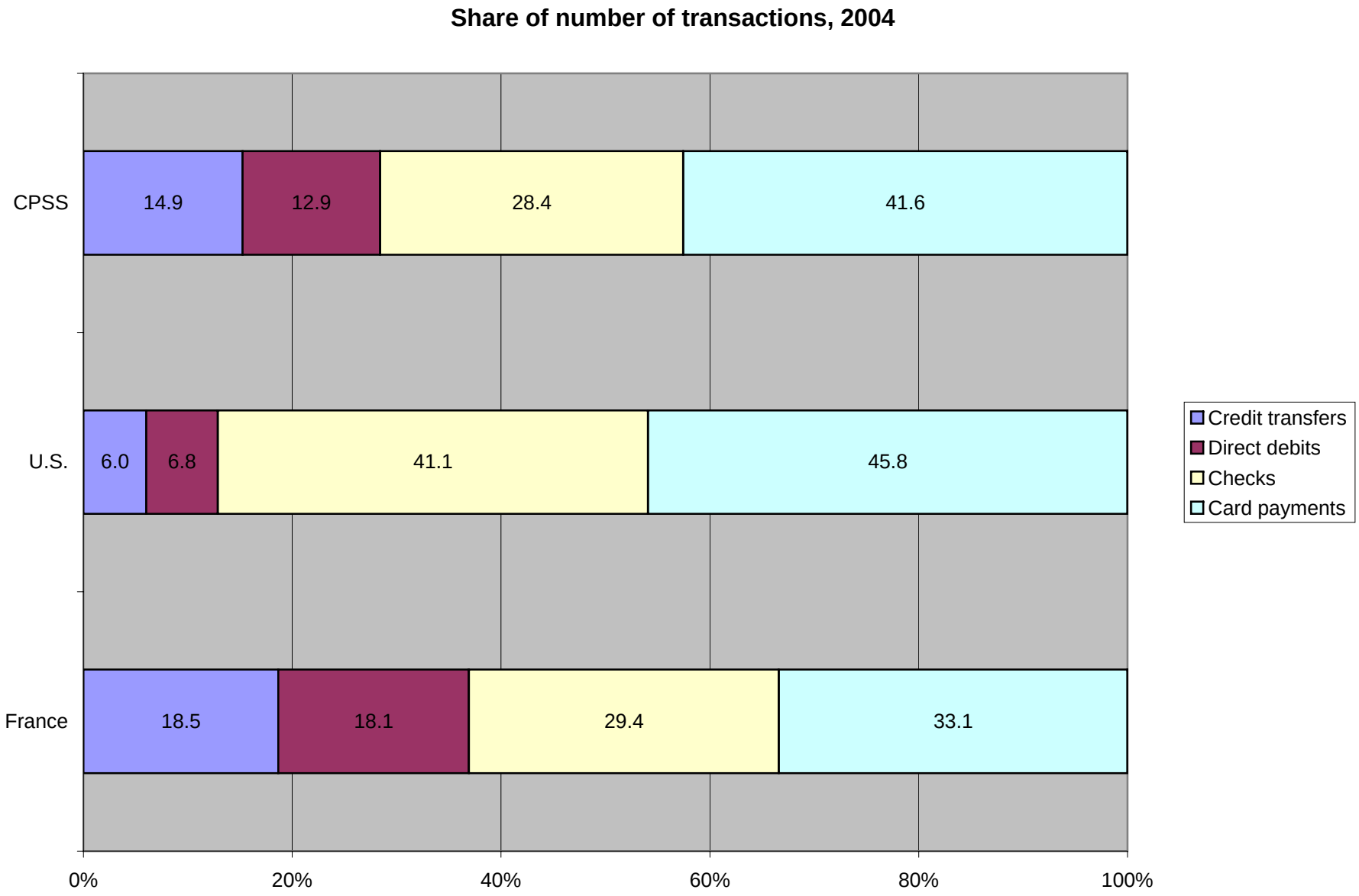
Overall, this paper is a nice step forward. In my role as discussant, I'll go over

- A little background
- Some issues with the paper
- Other things to consider

The French payment system in context

Number of payments

- Relative to the U.S., France has a larger share of ACH transactions.
- However, the ratio of card transactions to check transactions is similar.



Source: BIS, 2006.

The French payment system in context

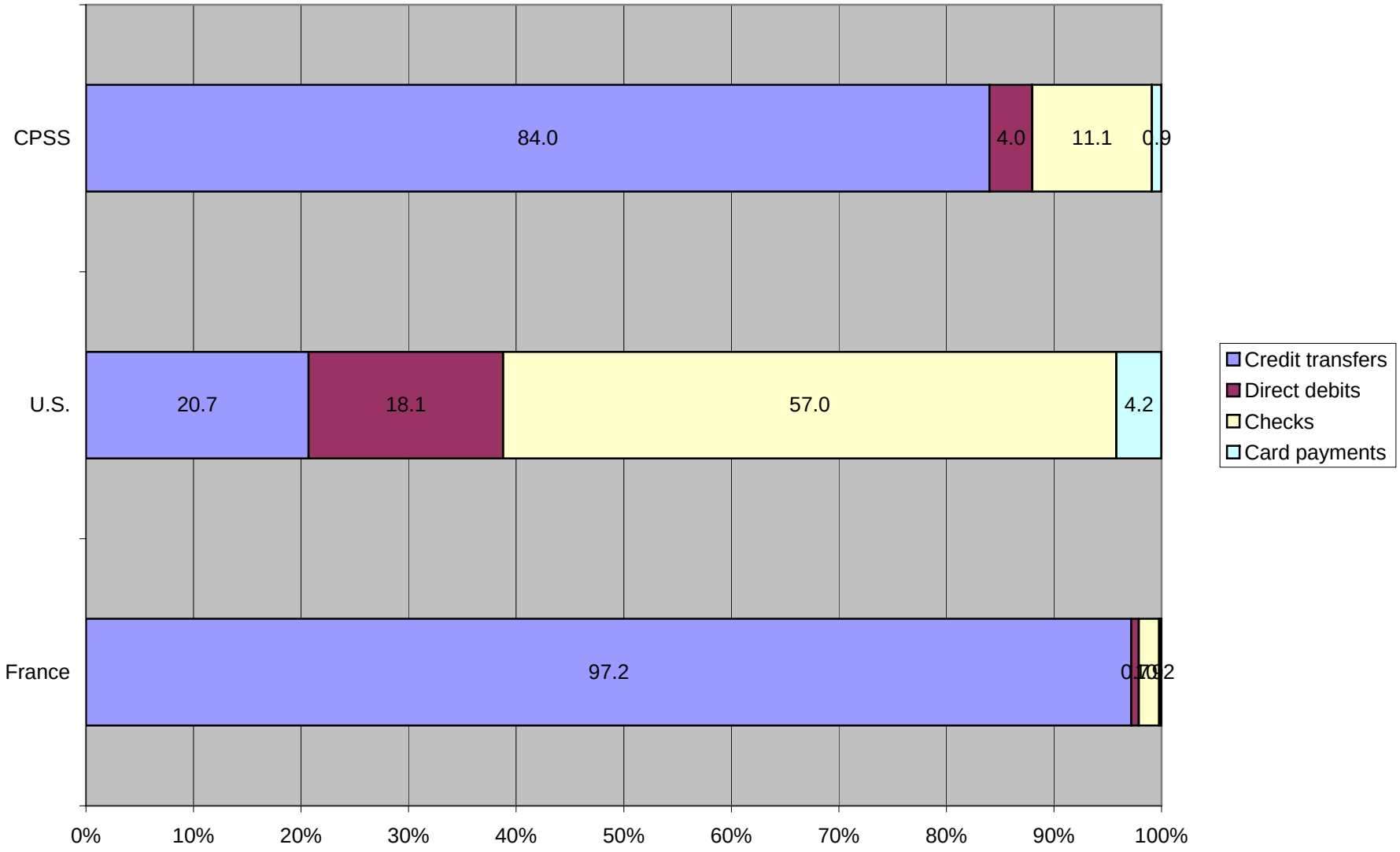
Number of payments

- Relative to the U.S., France has a larger share of ACH transactions.
- However, the ratio of card transactions to check transactions is similar.

Value of payments

- Credit ACH transactions swamp all other types of payments for France.
- Ratio of card transactions to check transactions is lower for U.S.

Share of value of transactions, 2004



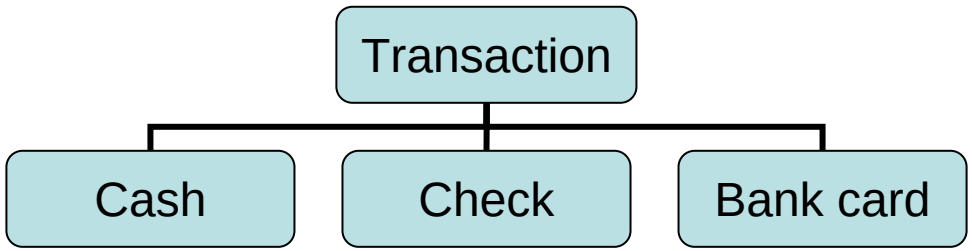
Source: BIS, 2006.

Some data issues

- What is a representative sample?
  - Compare to French census? Some other measure?
- How good is the response rate?
  - 1,447 responses – How many were sampled?
  - 1,035 observations used – How does this ratio compare to other studies?
- Where are the strengths/weaknesses of this survey compared to other surveys?

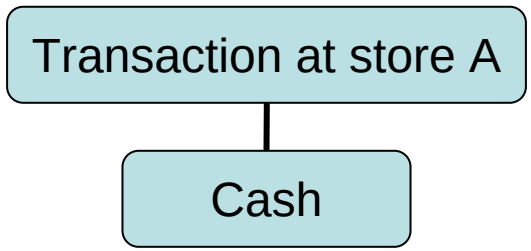
Some methodological issues

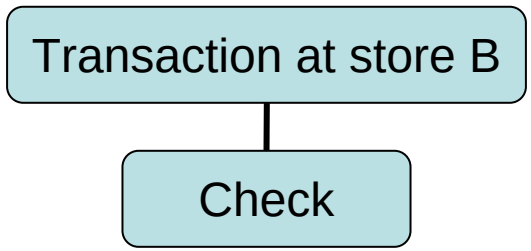
- The paper estimates a multinomial logit model

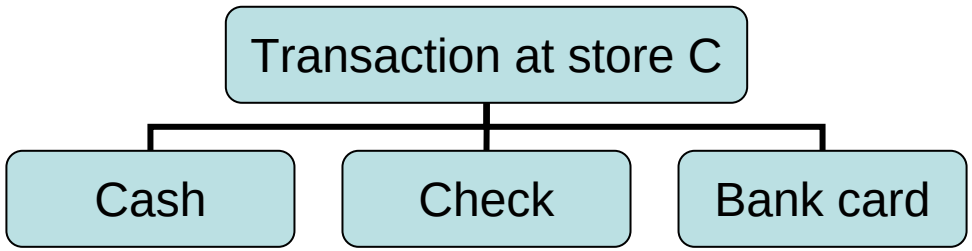

Transaction
Cash
Check
Bank card

Some methodological issues

- The paper estimates a multinomial logit model
- But that's not really the setup

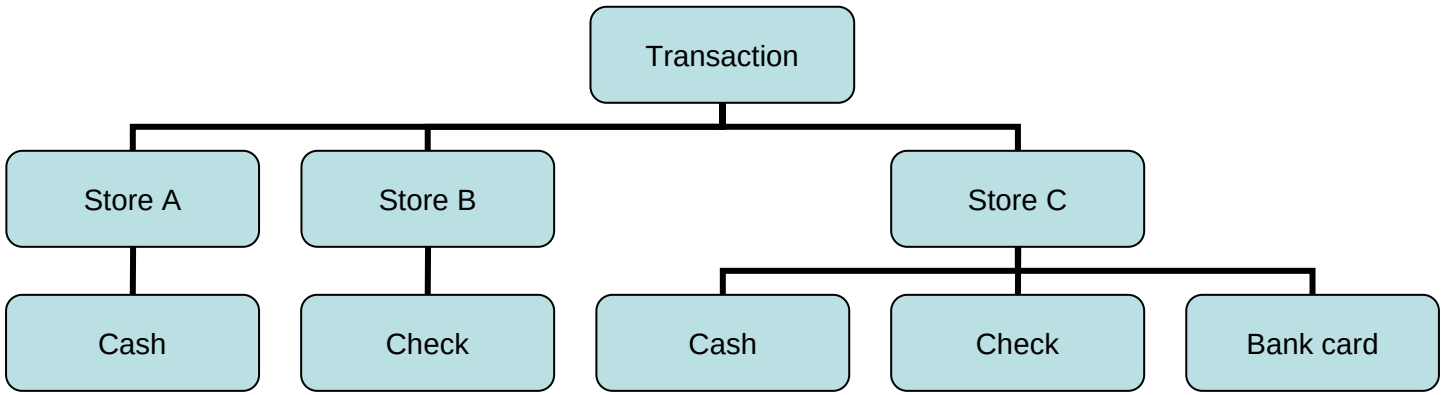

Transaction at store A
Cash


Transaction at store B
Check


Transaction at store C
Cash
Check
Bank card

Some methodological issues

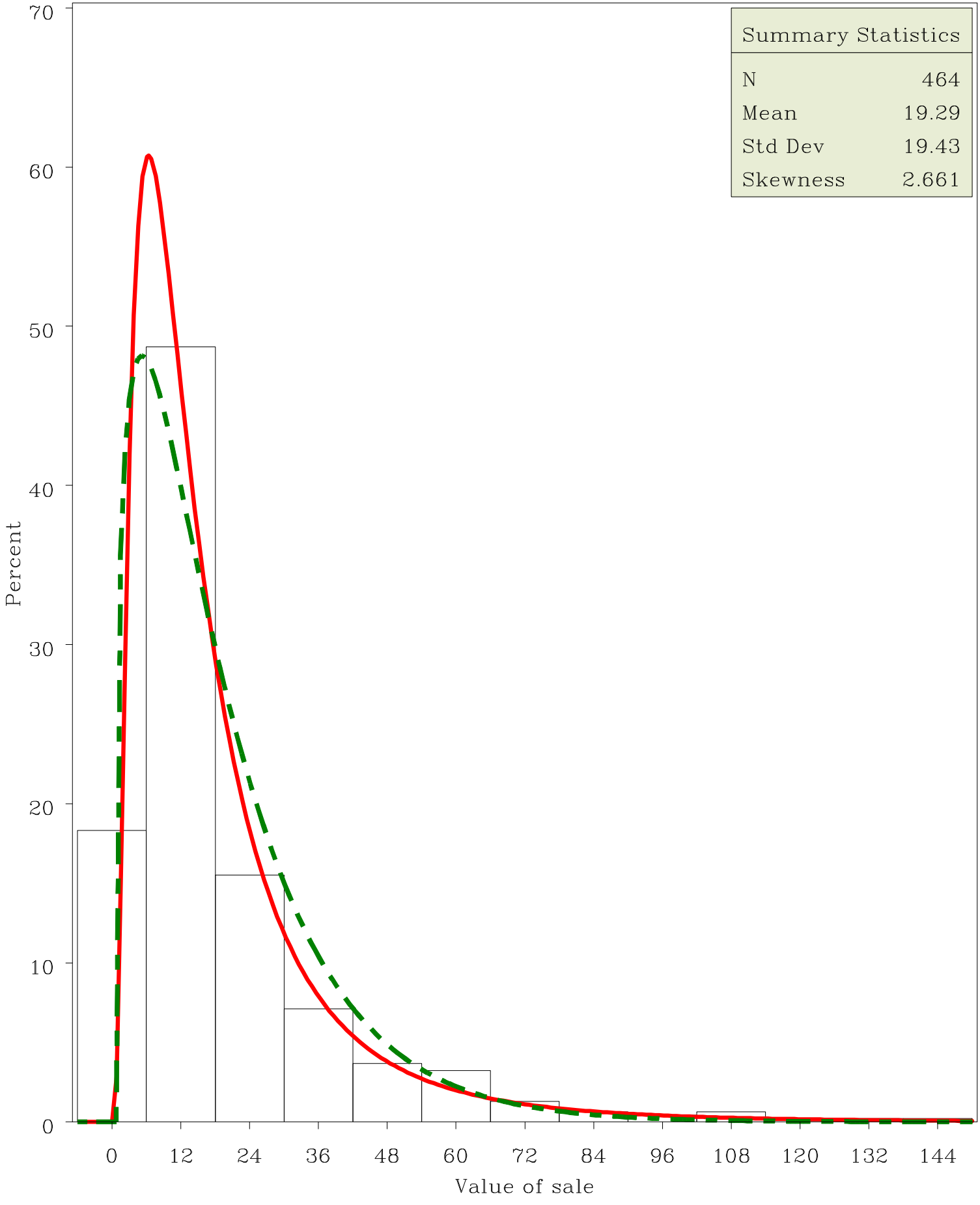
- The paper estimates a multinomial logit model
- But that's not really the setup
- Solution: Nested multinomial logit model


Transaction
Store A
Store B
Store C
Cash
Check
Cash
Check
Bank card

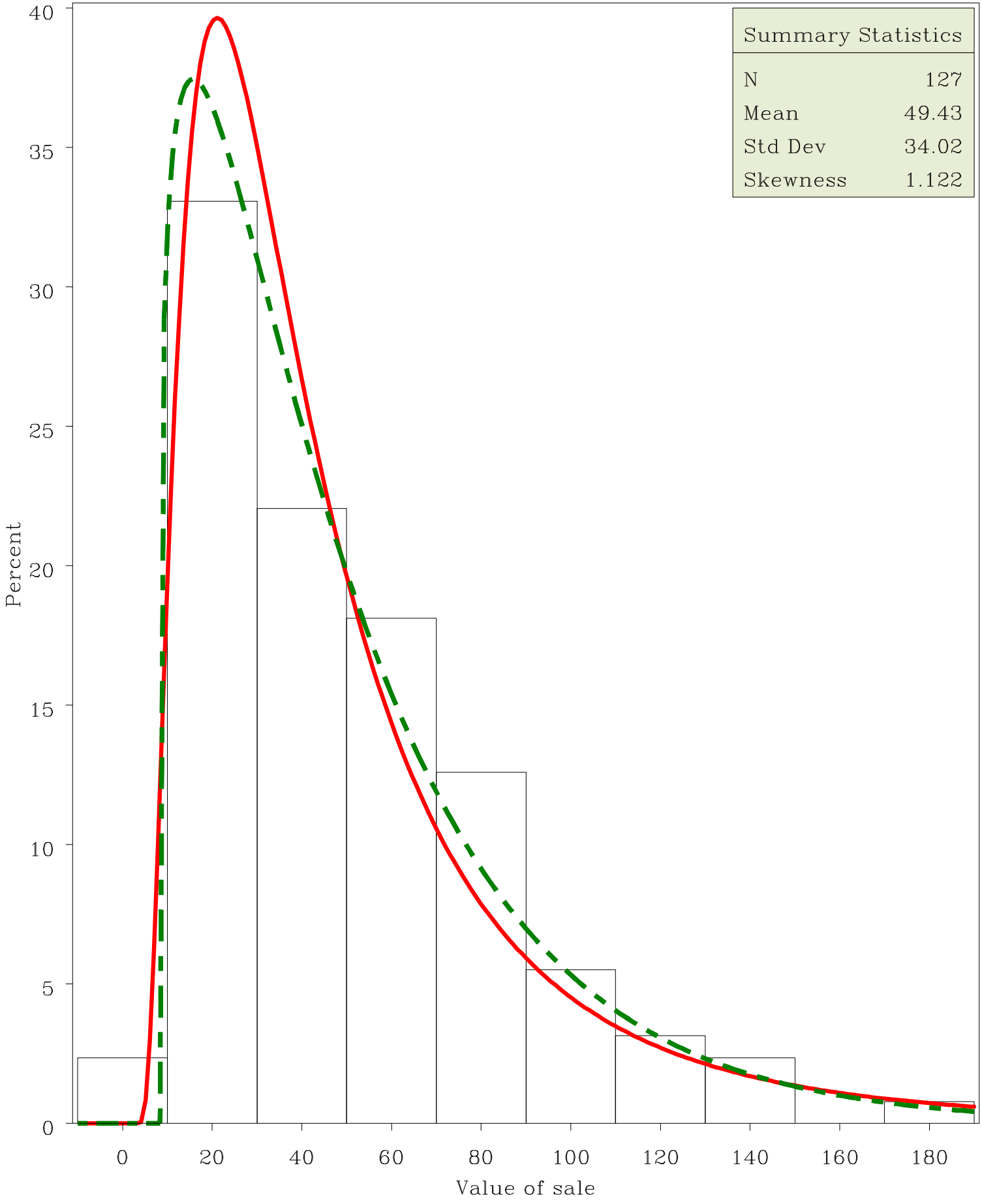
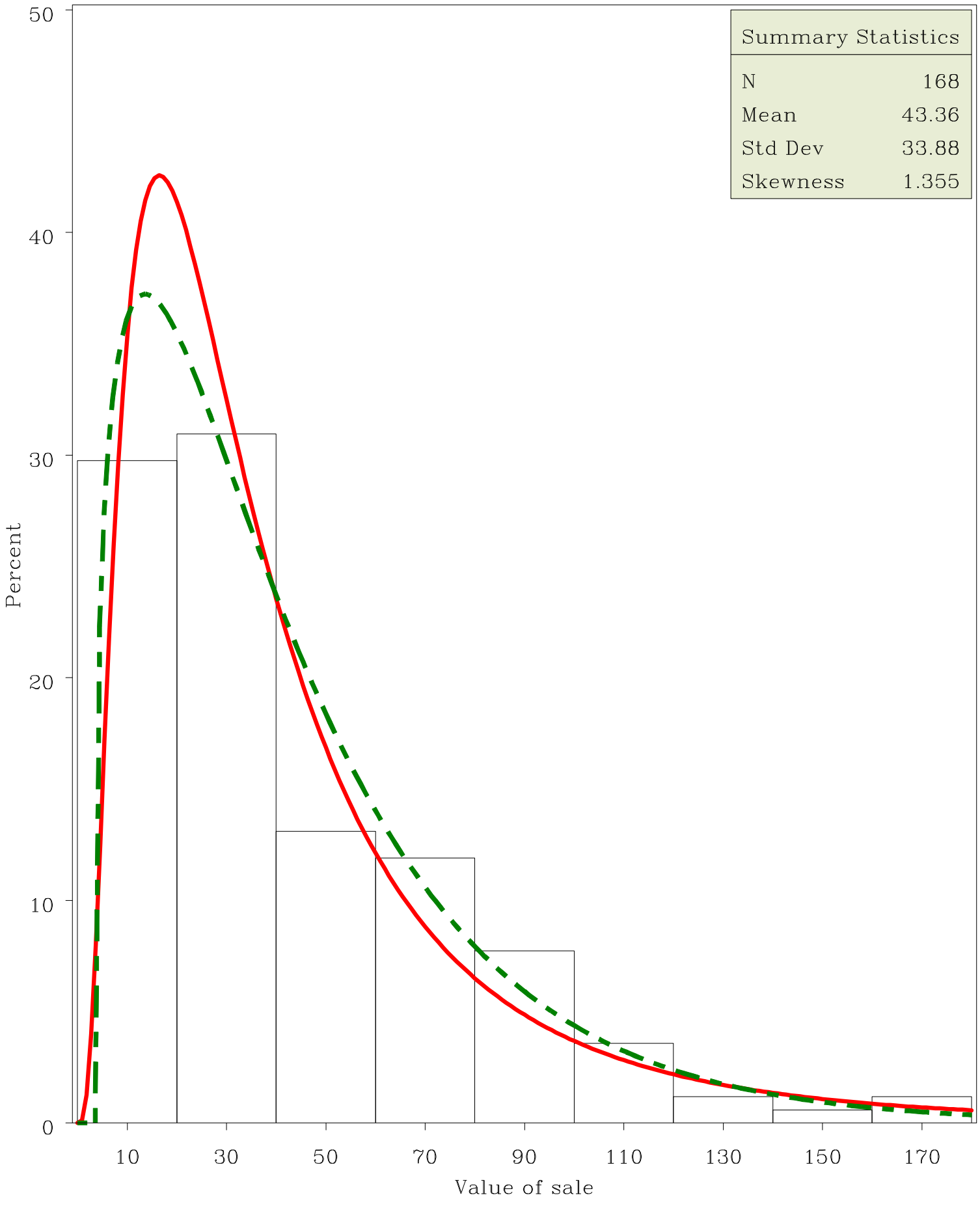
Some results issues

- Value of sale results agree with previous research and intuition
- Location results are implausible in places
  - Bit difficult to believe that people pay on the internet with checks
  - Also a bit difficult to believe that people are more likely to pay with checks at restaurants than with cash
- Results may be more informative once methodological issues are resolved

Distribution tests: Cash



Distribution tests: Check



Distribution tests: Credit