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
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
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.
Share of number of transactions, 2004

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

- **CPSS**: 84.0% Credit transfers, 4.0% Direct debits, 11.1% Checks, 0.9% Card payments

- **U.S.**: 20.7% Credit transfers, 18.1% Direct debits, 57.0% Checks, 4.2% Card payments

- **France**: 97.2% Credit transfers, 0.7% Direct debits, 0.7% Checks, 0.9% Card payments

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
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

Summary Statistics

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<tr>
<td>N</td>
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<td>Mean</td>
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<td>Skewness</td>
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Summary Statistics

- N: 127
- Mean: 49.43
- Std Dev: 34.02
- Skewness: 1.122

Value of sale

Distribution tests: Check
Summary Statistics

N       168  
Mean    43.36
Std Dev 33.88
Skewness 1.355