

Discussion:
“The Role of Non-Banks as Payment Providers”
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Summary of the Paper (1/2): Motivation

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 - 1st stage Choose a bundle of payment methods, b_i
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- In order to address the importance of Non-Banks, the paper divide credit cards into three types:
 - Bank issued credit card
 - Widely accepted retailer issued credit card
 - Retailer specific credit card

Summary of the Paper (2/2): Empirical Findings

- Network effect has a positive impact on
 - Adoption: Bank issued CC and Debit
 - Usage: Cash (?) and Retailer specific CC
- Credit limit is unimportant for usage
- Financial stress has
 - a positive impact on adoption of Bank issued CC
 - a negative impact on adoption of retailer CC

I like the paper

- I found the paper is very interesting, in particular, the paper
 - uses a sophisticated structural model
 - introduces a couple of interesting variables
 - ① network proximity
 - ② financial stress
- I have a couple of questions, comments, and suggestions.

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- Shouldn't we use exclusion restrictions to achieve identification in adoption and usage equations?
 - KRSS uses the following variables as exclusion restrictions:
 - the rating of ease of use: affect usage, but not adoption
 - the rating of set-up cost: affect adoption, but not usage
 - This paper does not have a formal identification argument.
 - If yes, explain what are exclusion restrictions here.
 - If not, need to check the estimation results.

2. Comment: Identification – Multiple-Discrete Choices

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 - complementarity among two payment methods, or
 - correlation in the utility of elements
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 - On the other hand, this paper's choice set is $\{\text{Debit, **Bank CC, WA Retailer CC, Retailer S CC, } \dots \}**$, some of them are seemed to be substitutes/complements!
 - Need to use a similar approach to Gentzkow (2007, AER)?

3. Question and Suggestion: Estimation Results

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How do you create this variable?
- Here you can relate the paper to the existing literature!
- Compared with the previous Canadian studies, including Arango, Sabetti, and Huynh (2012) or Wakamori and Welte (2012).
 - Any differences in the usage results?
 - If yes, it might be due to
 - controlling consumers' adoption behavior, or
 - aggregated level v.s. transaction level (Diary) data

4. Comment: Directions and Policy Relevance

- ① From Macroeconomics point of view...
 - Why do we need to care about non-banks?
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② From Microeconomics point of view...

- Deregulation in the Canadian credit card market
 - Originally, each credit card issuer can offer only one network - Visa or Master.
 - Since 2011(?), they could be able offer both.
 - Did this deregulation lead to more market power for CC issuers?
- Marketing-like question: To promote the adoption of a particular method of payments, what should we do?

5. Random (Minor) Comments

- Who are main user of Non-Bank credit cards? I would appreciate more descriptive statistics or reduced form analysis.
- What kind of patterns can we observe between adoption of payment methods and demographics. Some tables would be more meaningful when conditioning on demographics.
- Need to come up with interesting counterfactual experiments which should be consistent with your results.
 - Current one is about credit limit
 - But, the author mention that credit limit is unimportant in the results section...