Discussion:
“The Role of Non-Banks as Payment Providers”
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The paper studies consumers’ adoption and usage of payment methods with a special emphasis on Non-Bank credit cards.

- Non-Banks have been becoming more important as payment providers.
Summary of the Paper (1/2): Motivation

- The paper studies consumers’ adoption and usage of payment methods with a special emphasis on Non-Bank credit cards.
  - Non-Banks have been becoming more important as payment providers
- The paper estimates the model developed by Koulayev, Rysman, Schuh, and Stavins (2012) (hereinafter KRSS):
  1st stage  Choose a bundle of payment methods, \( b_i \)
  2nd stage  \( \max_{j \in b_i} u_{ijl} = x_{ij} \beta + \nu_{ij} + \varepsilon_{ijl} \)

using the data from Canada.
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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
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.
1. Question: Identification – Exclusion Restrictions?

- The model is a simultaneous equations model.
- 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: affects usage, but not adoption
- the rating of set-up cost: affects 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.
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- complementarity among two payment methods, or
- correlation in the utility of elements

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  \{Cash, Check, Debit, Credit, Prepaid, \cdots\}
2. Comment: Identification – Multiple-Discrete Choices

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2. Comment: Identification – Multiple-Discrete Choices

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  - KRSS rules out the first possibility, because the choice set is `{Cash, Check, Debit, Credit, Prepaid, ...}`
  - On the other hand, this paper’s choice set is `{Debit, Bank CC, WA Retailer CC, Retailer S CC, ...}`, 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

- Financial stress indicator is in adoption equation.
- Adoption might be taken place much before being financial stressed! How do you create this variable?
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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?
   - Do they increase financial instability by offering services provided by traditional-banks?
   - Individual-level (credit card) default was an issue in Canada. Any implications?
   - Any macroeconomic implications for cash (money) demand?
4. Comment: Directions and Policy Relevance

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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?
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...