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Disparities in FinTech use, EIP, and Spending among American households during the COVID-19 pandemic

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Introduction

- The COVID-19 pandemic has sparked a rise in consumers adopting various contactless payment methods
- This study builds upon previous research investigating the disparities of minority groups and low-income households in relation to banking products, EIP, financial instability, and mobile payment capabilities
- 2 probit regressions are modeled using data from the Coronavirus Tracking Survey of the Understanding America Study



Previous Research

- Low-income consumers were less likely to adopt checks, debit cards, and credit cards. Low income consumers used cash more intensively than high income consumers (Stavins, 2016)
- Most respondents report that they primarily saved or paid down debts with their transfers (EIP), with only about 15 percent reporting that they mostly spent it (Coibion, Olivier et al., 2020)



Hypotheses

- Low-income minorities are less likely to have access to mobile payment capabilities or banking products
- Low income households spend less than their counterparts relative to income

[illegible]

Data: Food Insecure

		All	Food Insecure=YES		Food Insecure=NO		
		(n=12509)	(n=923)		(n=11586)		
Variable	Min	Max	Mean	Std. Dev.	Mean2	Std. Dev.2	Significant Difference
Inc1	0	1	0.521	0.500	0.196	0.397	***
Inc2	0	1	0.261	0.439	0.225	0.418	***
Inc3	0	1	0.121	0.327	0.193	0.394	***
Inc4	0	1	0.079	0.270	0.276	0.447	***
Inc5	0	1	0.017	0.128	0.109	0.311	***
Stimulus	0	1	0.287	0.453	0.250	0.433	***
Delay housing	0	1	0.168	0.374	0.081	0.273	***
Avoid cash	0	1	0.294	0.456	0.203	0.402	***
Contactless	0	1	0.440	0.497	0.330	0.470	***
Used cash	0	1	0.137	0.344	0.215	0.411	***
Used credit	0	1	0.057	0.232	0.196	0.397	***
Used debit	0	1	0.150	0.357	0.194	0.396	***
Used prepaid	0	1	0.051	0.220	0.073	0.261	***
Pay in-person	0	1	0.328	0.470	0.456	0.498	***
Cash in-person	0	1	0.099	0.299	0.090	0.286	***
Credit in full	0	1	0.133	0.339	0.434	0.496	***
Credit overtime	0	1	0.199	0.399	0.258	0.437	***
Bank loan	0	1	0.065	0.247	0.071	0.257	***
Borrow	0	1	0.278	0.448	0.157	0.364	***
Could not pay	0	1	0.420	0.494	0.098	0.297	***
Mental condition	0	1	0.111	0.314	0.061	0.239	***
Obesity	0	1	0.074	0.261	0.083	0.276	***
Age1	0	1	0.193	0.395	0.118	0.322	***
Age2	0	1	0.301	0.459	0.251	0.434	***
Age3	0	1	0.198	0.399	0.155	0.361	***
Age4	0	1	0.187	0.390	0.164	0.370	***
Age5	0	1	0.098	0.298	0.183	0.387	***
Age6	0	1	0.022	0.146	0.130	0.336	***
White	0	1	0.698	0.459	0.772	0.420	***
Black	0	1	0.181	0.385	0.121	0.327	***
Asian	0	1	0.051	0.220	0.054	0.226	***
Other	0	1	0.060	0.237	0.047	0.211	***
Male	0	1	0.395	0.489	0.491	0.500	***
Female	0	1	0.605	0.489	0.509	0.500	***
Married	0	1	0.180	0.385	0.330	0.470	***
Wave 3	0	1	0.632	0.482	0.491	0.500	***
Wave 11	0	1	0.368	0.482	0.509	0.500	***
*** p<0.01, ** p<0.05, * p<0.1							

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Regression: Food Insecurity

Variable	Dy/Dx	Significance
Inc1	0.104	***
Inc2	0.070	***
Inc3	0.045	***
Inc4	0.014	
Stimulus	-0.003	
Avoid cash	0.031	***
Contactless	0.028	***
Used cash	-0.001	
Used credit	-0.026	***
Used debit	0.002	
Used prepaid	-0.002	
Credit in full	-0.044	***
Credit overtime	-0.007	
Bank loan	-0.003	
Borrow	0.018	***
Couldn't pay	0.079	***
Mental condition	0.029	***
Obesity	0.001	
Black	0.002	
Asian	0.031	***
Other	0.014	**
Hisplatino	0.035	***
Female	-0.003	
Married	0.004	
Wave3	0.038	***
Observations	12,509	
*** p<0.01, ** p<0.05, * p<0.1		



Regression: Delayed Housing

Variable	Dy/Dx	Significance
Inc1	-0.059	***
Inc2	-0.037	***
Inc3	-0.010	
Inc4	0.000	
Stimulus	0.008	
Avoid cash	0.007	
Contactless	0.030	***
Used cash	-0.032	***
Used credit	-0.018	**
Used debit	0.041	***
Used prepaid	0.001	
Certain	-0.038	**
Probably	0.031	*
Probably not	0.062	***
Certain not	0.075	***
Don't know	0.033	*
Mental condition	0.037	***
Obesity	0.008	
Black	0.051	***
Asian	-0.013	
Other	0.035	***
Hisplatino	0.024	***
Female	0.017	***
Married	-0.006	
Wave3	-0.007	
Observations	12,390	

*** p<0.01, ** p<0.05, * p<0.1



Conclusion

- Lower income quintiles are more likely to be food insecure
- Respondents who are Asian, Black, or Other have a higher probability of suffering from food insecurity and delayed housing
- EIP had no significant impact on spending



Future Research

Future research should investigate the distribution methods of the Economic Impact Payment (EIP), specifically to low-income quintiles. Identifying which distribution method maximizes consumer well being can be crucial in understanding how to prevent low-income households from undergoing financial instability during economic hardships.



Thank you!

Any questions?

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