

The Influence of Financial Well-Being on the Use of Alternative Financial Services

Brenda J. Cude, University of Georgia¹
Gianni Nicolini, University of Rome 'Tor Vergata'²

This paper investigates the influence of financial well-being on use of a range of alternative financial services (AFS). It uses data from the Consumer Financial Protection Bureau about two sets of AFS – 1) payday, cash advance, pawnshop, and auto title loans, and 2) reloadable cards not linked to bank accounts, nonbank services for international money transfers, check cashing, and purchases using money orders. While financial well-being reduced the odds of use of both sets of AFS, the effect was minimal. Material hardship and belonging to an ethnic minority significantly increased the odds of the use of both sets of AFS, but especially payday, cash advance, pawnshop, and auto title loans.

This research provides support for the argument that consumers do not necessarily view AFS providers as lenders of last resort as the variable that assessed whether individuals had a checking or savings account was not significant in the regression of AFS1. Instead, today some consumers may view at least some AFS as one of several options to achieve goals. However, a limitation of this conclusion is that while the data included a variable to ask respondents if they had a checking or savings account, we do not know if that account was in good standing.

¹ Brenda J. Cude, (bcude@uga.edu), Georgia Athletic Association Professor in Family and Consumer Sciences, College of Family and Consumer Sciences

² Gianni Nicolini (gianni.nicolini@uniroma2.it), Associate Professor of Finance, Department of Management and Law