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Millennials who engage in mobile payment transactions are at a higher risk of financial mismanagement

Individuals who use mobile payments for point-of-sale transactions are more likely to overspend, incur credit card fees, and tap high-interest loan services

WASHINGTON (April 30, 2018)—Millennials who use mobile payment services for point-of-sale transactions are more likely to overdraw their checking accounts, pay steep credit card fees, rely on costly borrowing services, and generally engage in poorer financial management practices than millennials who do not use mobile payments, according to research from the Global Financial Literacy Excellence Center (GFLEC) at the George Washington University School of Business.

GFLEC researchers Annamaria Lusardi, Carlo de Bassa Scheresberg, and Melissa Avery examined untapped data from the 2015 National Financial Capability Study and the 2016 GFLEC Mobile Payment Survey on the use of mobile payments in the context of spending, saving, and borrowing habits.

The financial technology, or fintech, sector is revolutionizing financial practices. “We can make payments with the touch of a button, but the impact of this rapid innovation is not being examined,” said Lusardi, Denit Trust Chair of Economics & Accountancy and Academic Director of GFLEC. “Using data from two surveys, we find striking differences in the financial capability of mobile payment users versus individuals who do not use mobile payments.”

The study analyzed data from a sample of over 4,000 Americans age 18 to 34 who reported to use their mobile phone to pay for products or services at a store, gas station, or restaurant (e.g., by waving/tapping their mobile phone over a sensor at checkout or using some other mobile app at checkout).

According to the GFLEC analysis, millennials who use mobile payment apps for point-of-sale transactions are more likely to have bank accounts, credit cards and retirement accounts. However, they also show lower levels of financial literacy and worse financial management practices than non-users of mobile platforms.

"Innovation is spreading from payments to other areas of consumer finance," added Lusardi. "Our research shows that there are opportunities for people developing new fintech products to target several unmet needs." The findings suggest that mobile payment services are attracting segments of consumers who have a much broader range of needs than just the convenience of mobile payment services. These needs—for example, help in dealing with short-term debt or minimizing fees—are opportunities for innovation that can be targeted by fintech developers.

Compared to non-users, millennials who reported using mobile payments were more likely to

- hold nearly all forms of debt listed in the survey questionnaires, including auto loans (34% vs. 29%) and student loans (53% vs. 45%)
- overdraw their checking account occasionally (33% vs. 19%)
- be charged credit cards fees in the past year (58% vs. 45%)
- make some form of withdrawal from their retirement account in the past year (37% vs. 9%)
- use alternative financial services such as pawnshops or payday loans in the past five years (50% vs. 23%)

The 2015 National Financial Capability Study is a triennial survey that assesses and benchmarks financial knowledge among thousands of American adults.

The GFLEC Mobile Payment Survey expanded on that study to focus on mobile payments.

The full report and infographics can be found **here**.

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About GFLEC

Founded in 2011 at the George Washington University School of Business, the Global Financial Literacy Excellence Center (GFLEC) has positioned itself to be the world's leading center for financial literacy research and policy. Through rigorous scholarship and research, wide-reaching education, and global policy services, the Center works with partners in Washington, DC, throughout the United States, and across the globe to raise the level of financial knowledge. More information on GFLEC can be found at **gflec.org**.