

BROWNBAG SEMINAR

Date: 19 April 2023 (Wednesday)

Time: 12:30pm - 1:30pm

**Venue: WYL314, 3/F, Dorothy Y. L. Wong Building,
Lingnan University**

Register [HERE](#):



Cash-back Rewards, Spending, and Debt Accumulation

Presenter: **Prof. WANG Yonglin, Laura** (Assistant Professor, Department of Economics)

Abstract:

Using account-level administrative data set from a large U.S. financial institution, we adopt a difference-in-differences design to assess the impact on consumption and debt repayment of a credit card incentive program that offers cash-back rewards for usage. We find that the program leads to an increase of 32% in credit card spending and 8% in debt, with such behavior persisting in the long run. Evidence from credit bureau confirms that the higher spending and debt are not driven by cross-card substitution or similar promotions offered by other card issues. Consumers with a higher level of liquidity constraints and financial literacy experienced more pronounced responses. Finally, the findings suggest a deterioration in consumers' creditworthiness after enrolling in the program.