Abstract

For policymakers seeking to stimulate the usage of efficient, safe and sustainable payment instruments, it is key to know the drivers of consumers’ payment instrument choice. Extant research has shown that payment behaviour depends on personal, transaction and payment instrument characteristics. However, much less is known about how the social environment influences payment behaviour. Do people copy payment behaviour they observe in their environment? This research aims to fill this gap by researching the relevance of peer effects for payment behaviour. To do so we use detailed payment diary data with the numerical part of the postal code to relate the payment instrument choice of Dutch consumers to the choices people in their geographical environment make. Moreover, we test whether the presence and strength of the relationship depends on the region’s degree of social cohesion. Our findings show that payment behaviour is strongly influenced by the environment people live in, especially when the environment is characterized by strong social cohesion. Thereby our study offers new insights pertaining to the diffusion of (payment) behaviour that are useful for the developers of payment tools and policymakers alike.