

Survey Evidence on Payday Loan Borrowing

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StatCan Surveys of PL Borrowing

- **Canadian Financial Capabilities Surveys**

- surveys knowledge of financial matters and instruments and ability to apply this knowledge in decision making
- CFCS 2009: Simpson/Bazarkulova (2013)
- CFCS 2014

- **Survey of Financial Security**

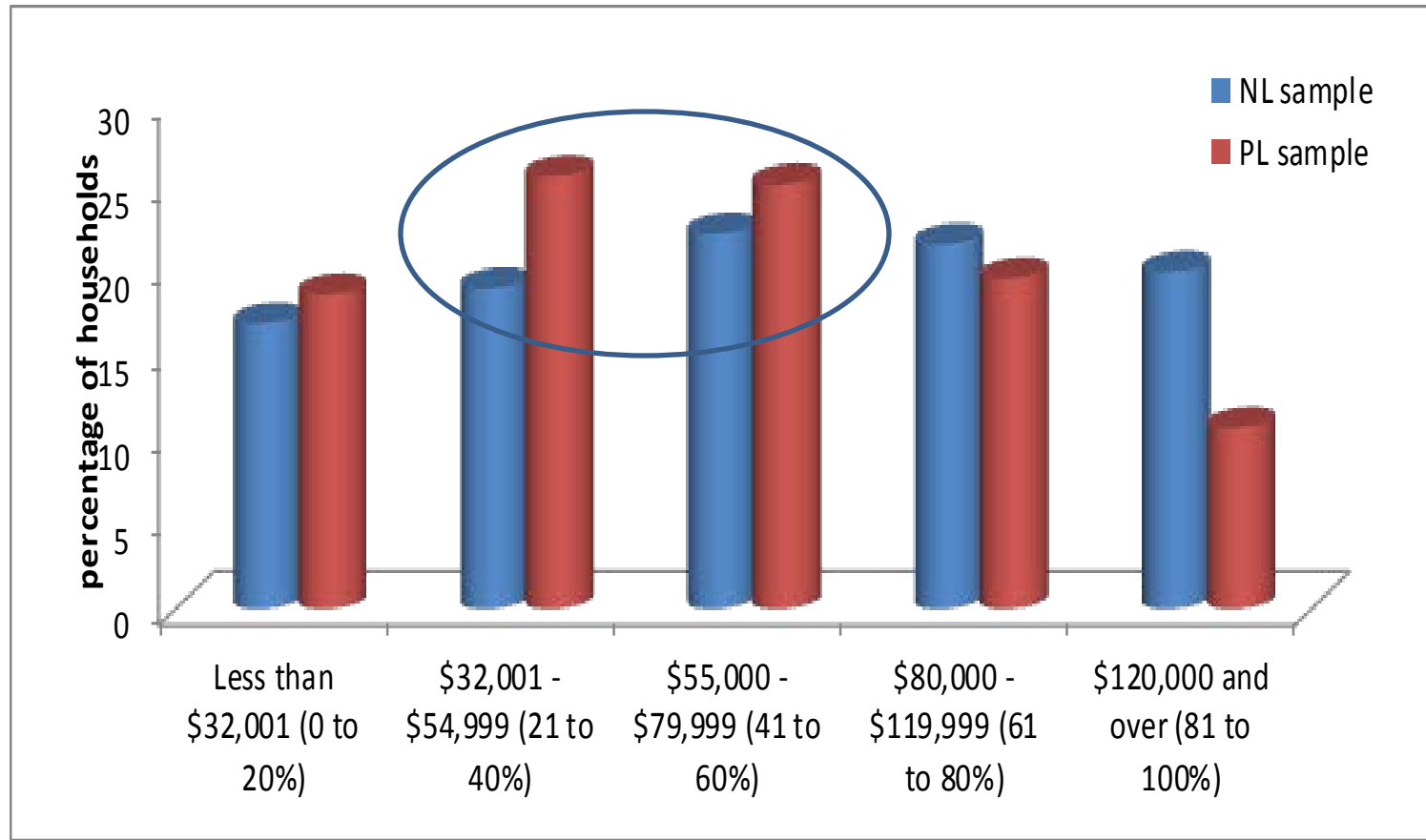
- surveys assets, debts, employment, income and education to understand how family finances change because of economic pressures
- SFS 2005: Simpson (2007)
- SFS 2012

Survey	Payday Loan Question	Payday Borrower Proportion
CFCS 2014	Did respondent or other household members take a payday loan in previous 12 months?	214/6528 (4.2%)
SFS 2012	In past 3 years, has anyone in your family borrowed money through a pay day loan?	340/12003 (2.8%) MB: 33/740 (4.5%)

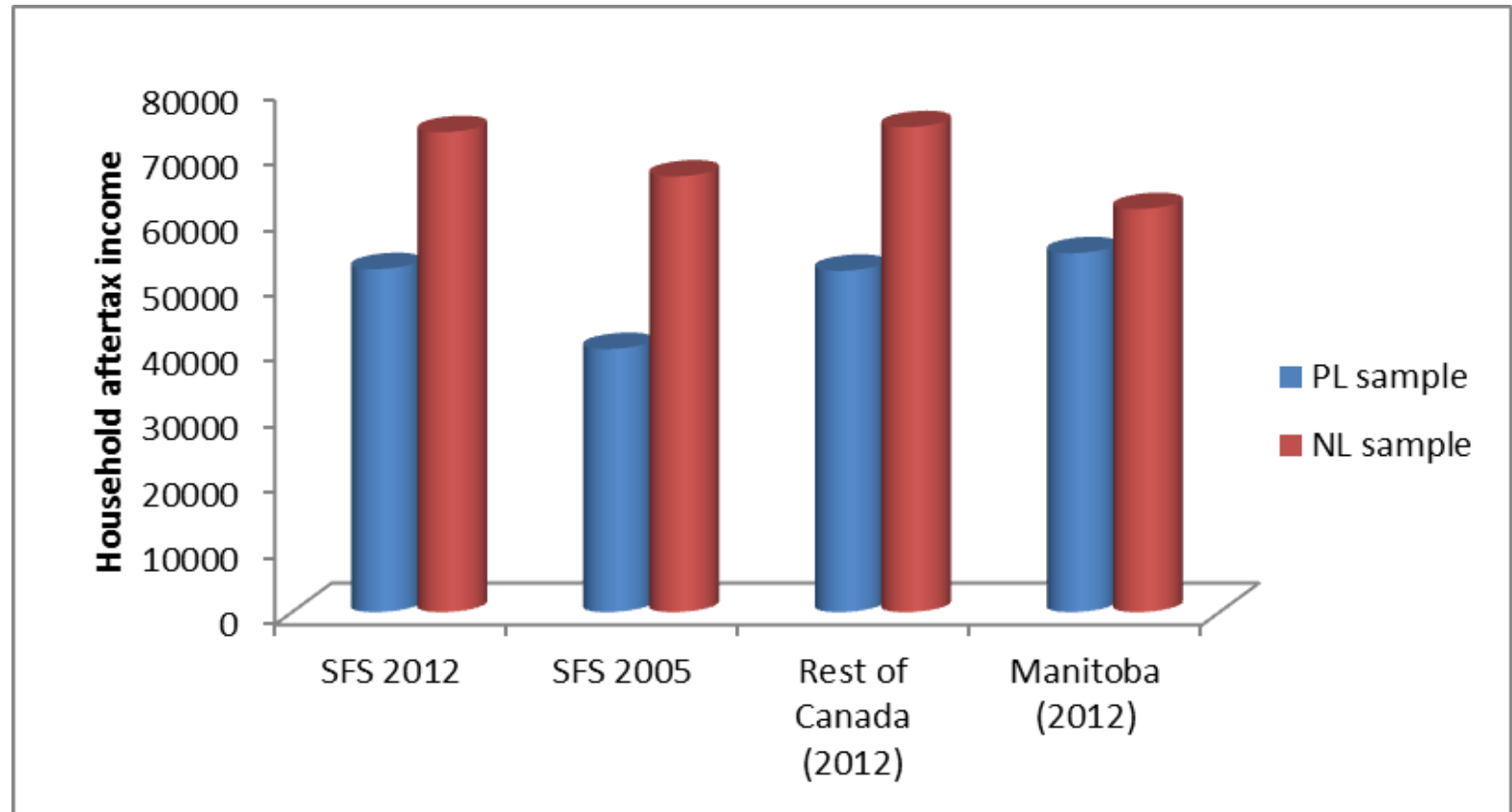
Summary Evidence on Payday Loan Borrowing and Trends

- 1) Income
- 2) Assets and Access to Credit
- 3) Characteristics of Borrowers
- 4) Repeat Borrowing
- 5) Major Source of Income
- 6) Regression Analysis

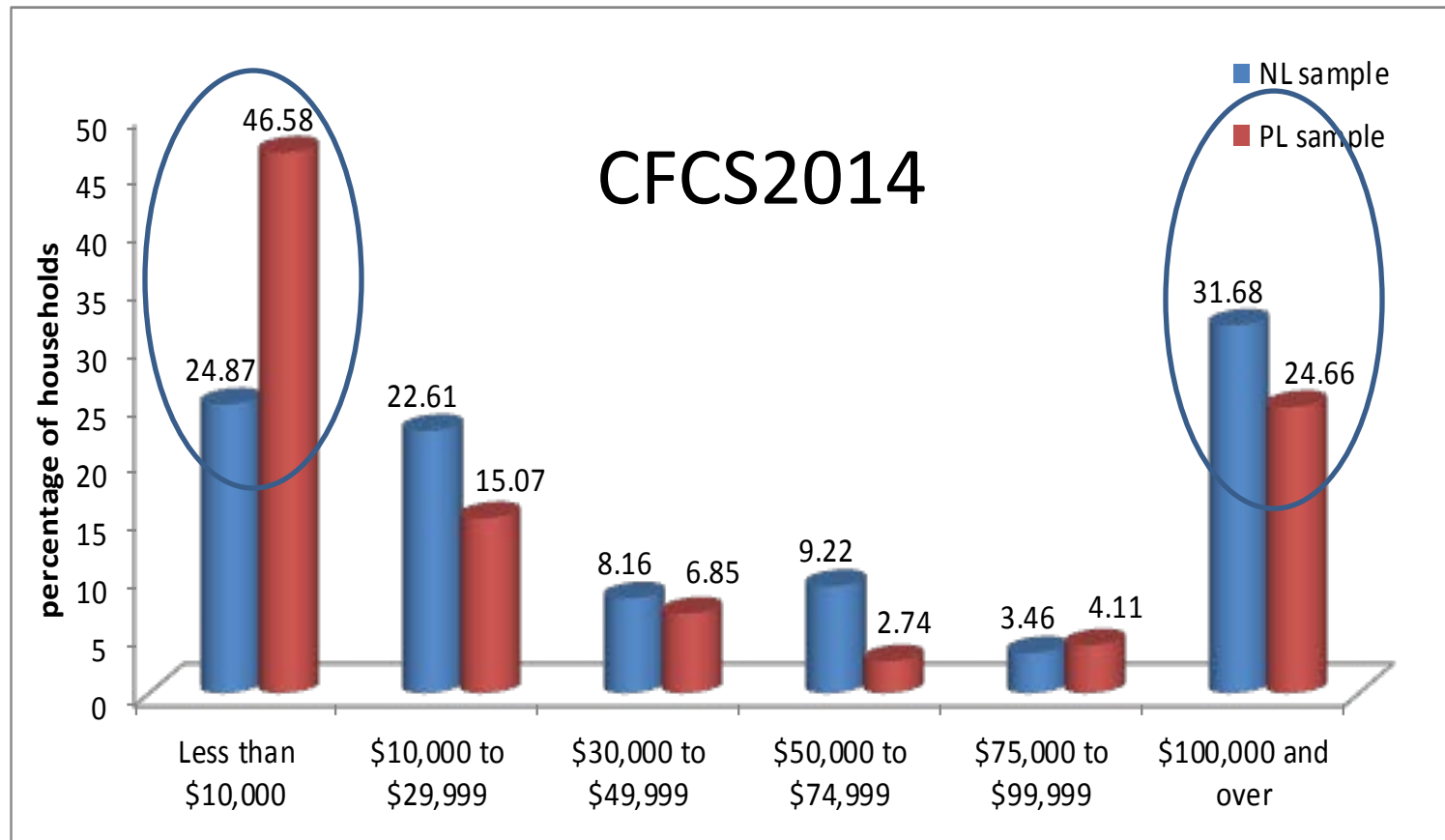
PL Borrowers come from lower income but not poorest households: CFCS2014



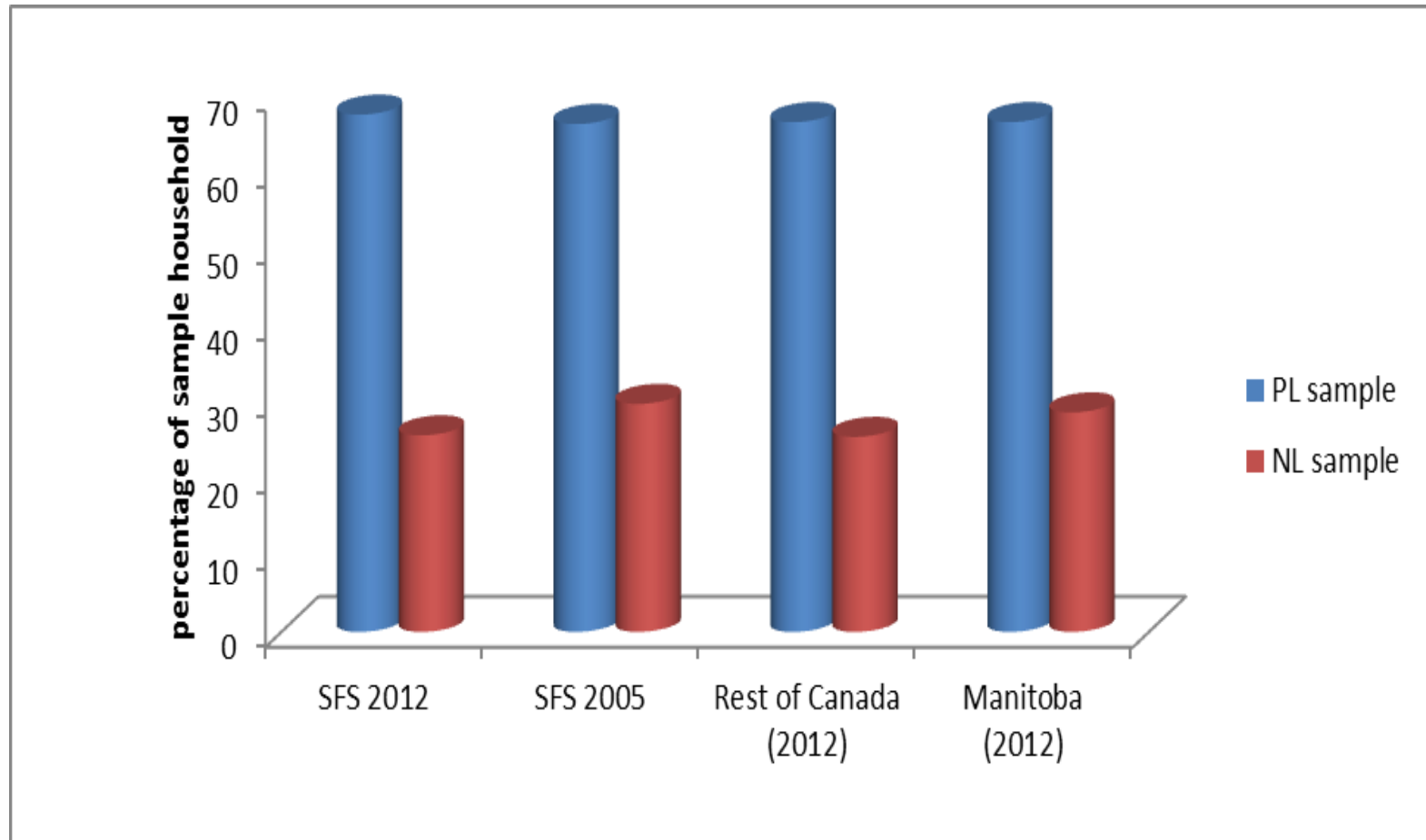
PL Borrower Incomes are Lower but the Gap is Narrower in Manitoba: SFS



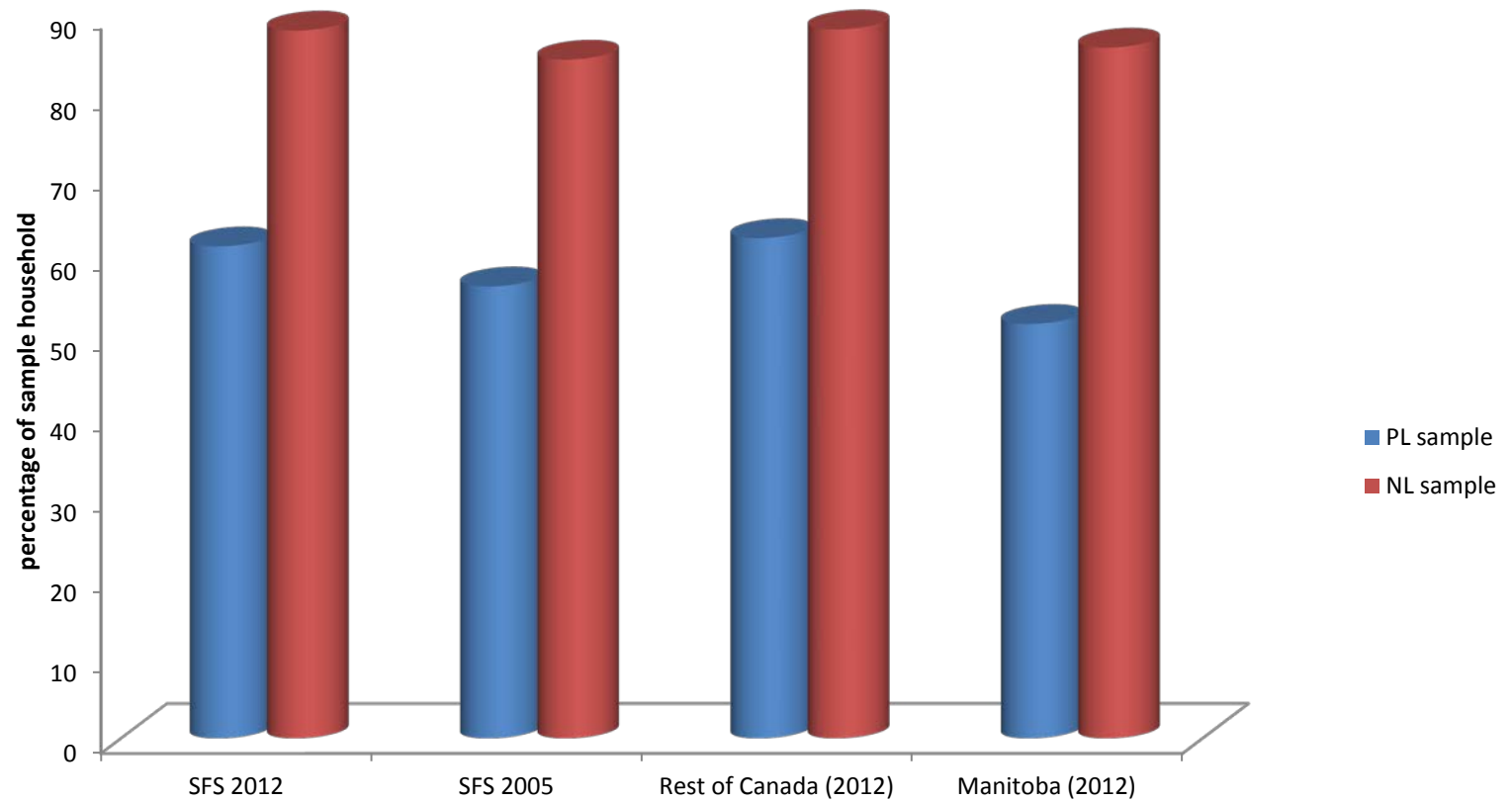
PL Borrowers have fewer financial assets . . .



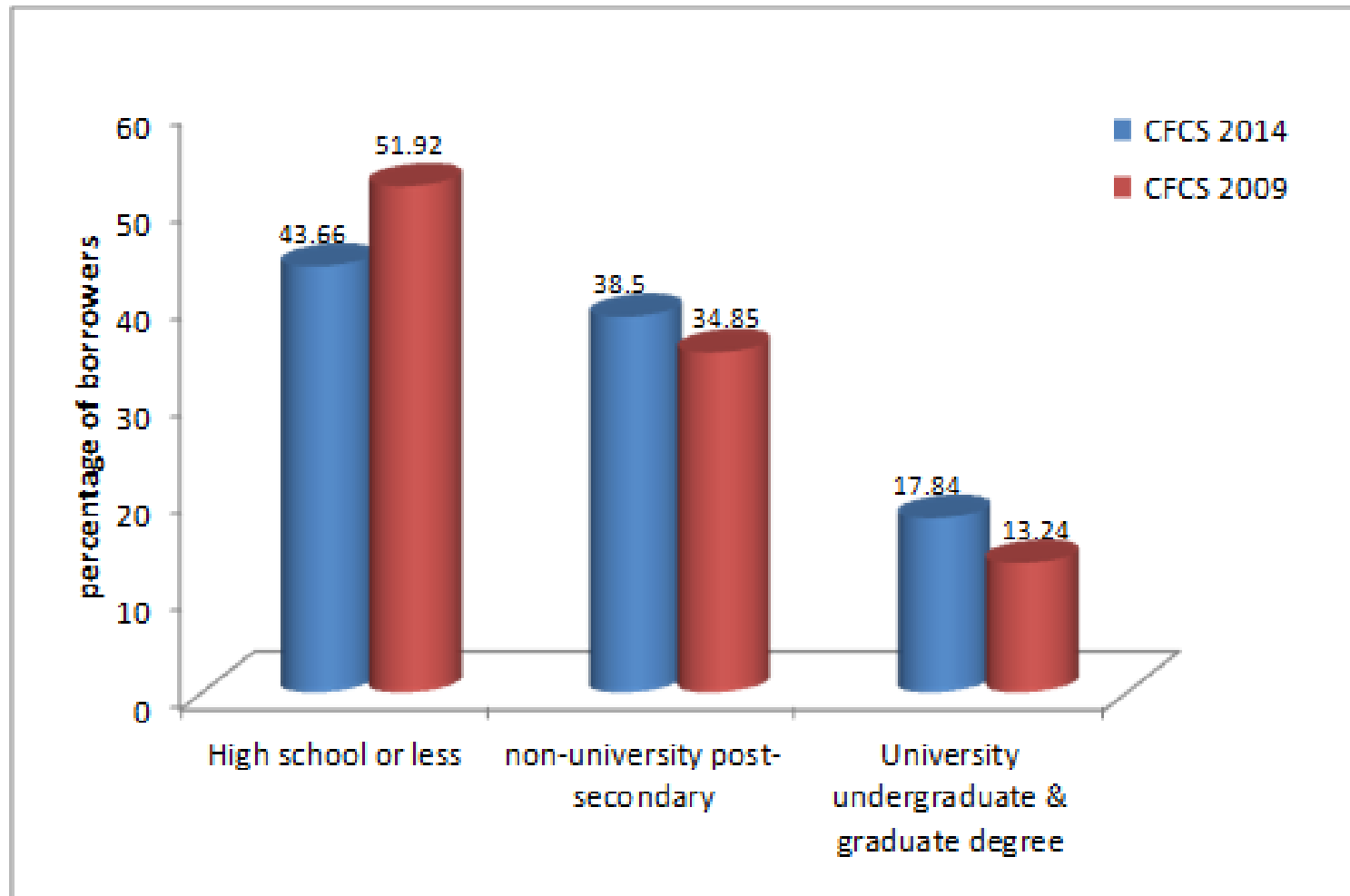
and a different structure of debt,
including more who do not own a
home and mortgage



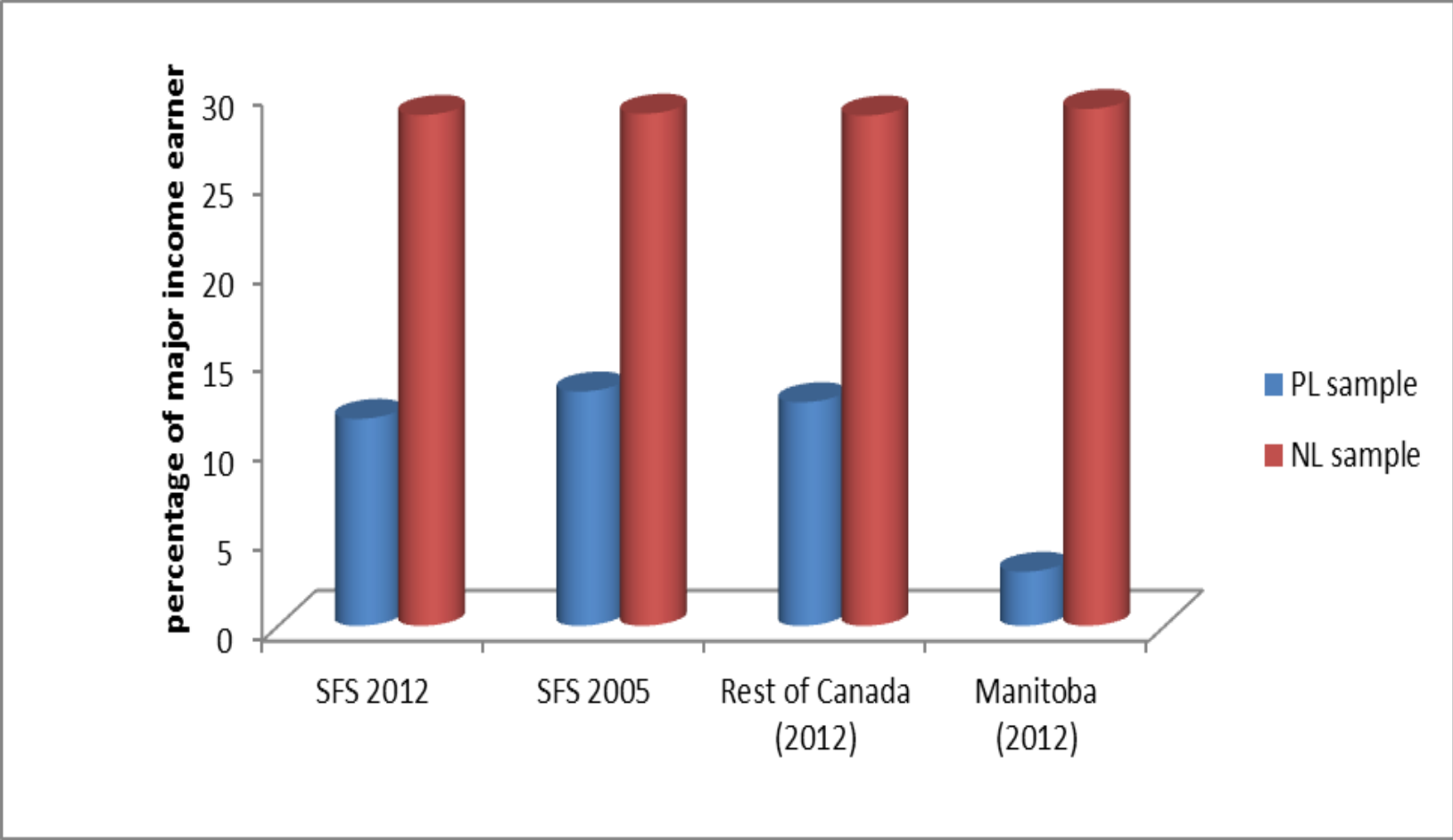
and less use of credit cards



Payday Loan Borrowers Concentrated in Lower Education Categories



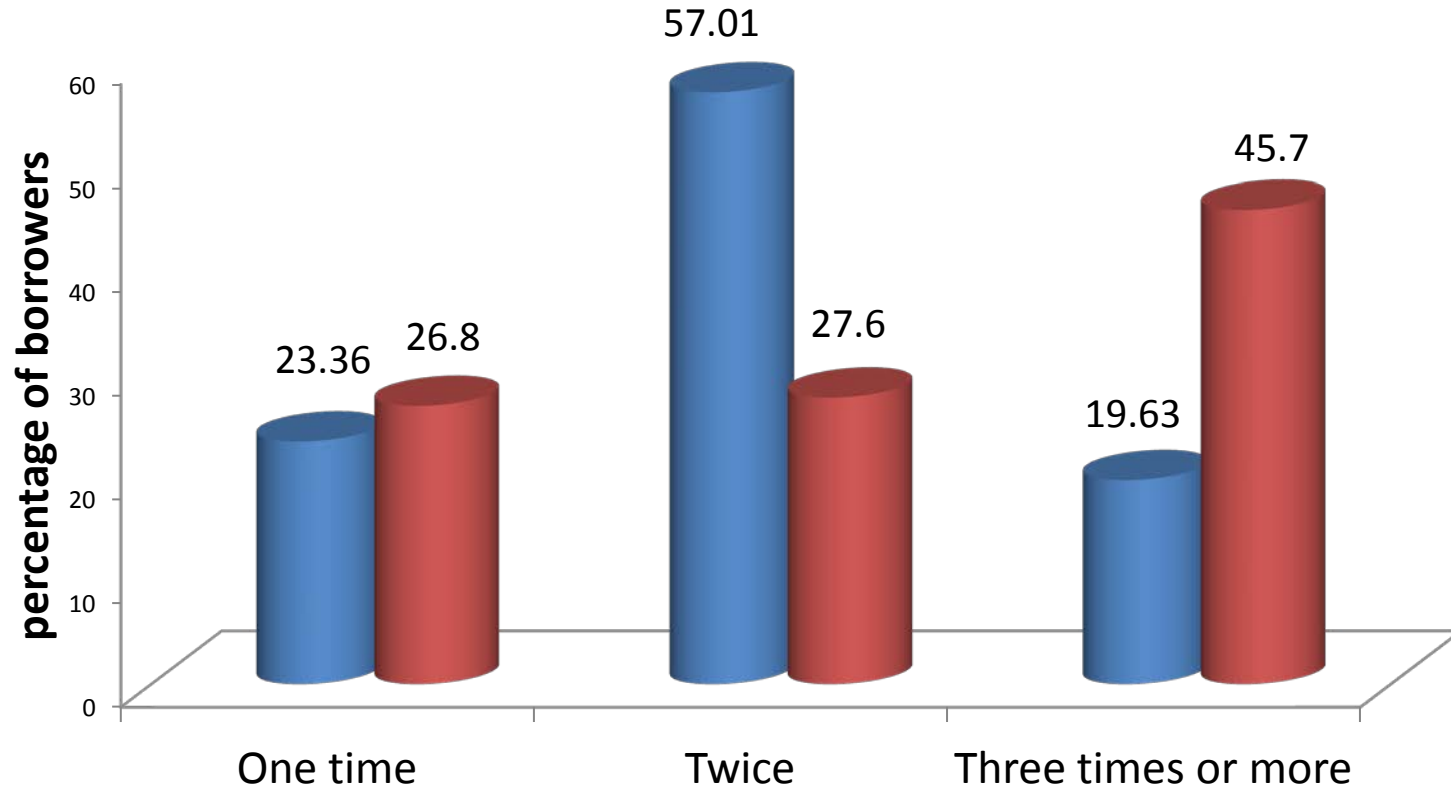
and most do not have a university degree, especially in MB



Other Demographic Characteristics

- Payday loan borrowers more likely to be 25 years and older, married, from larger families, with responsibility for children than non-borrowers (CFCS) but also more likely to be from lone parent families, especially in Manitoba (SFS)
- Payday loan borrowers are more likely to be Aboriginal and immigrant, although proportion Aboriginal declined from 2009 to 2014 (CFCS)

Frequency of Payday Loans: CFCS

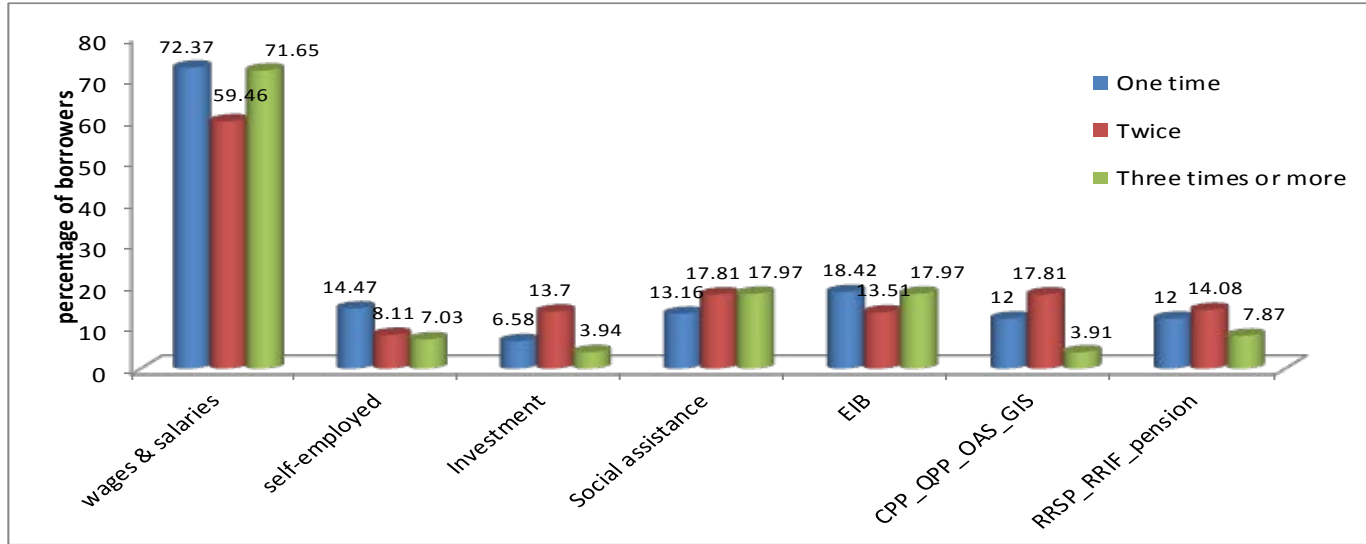


Repeat Borrowers (2 or more loans): 73.3% (2009 ●)

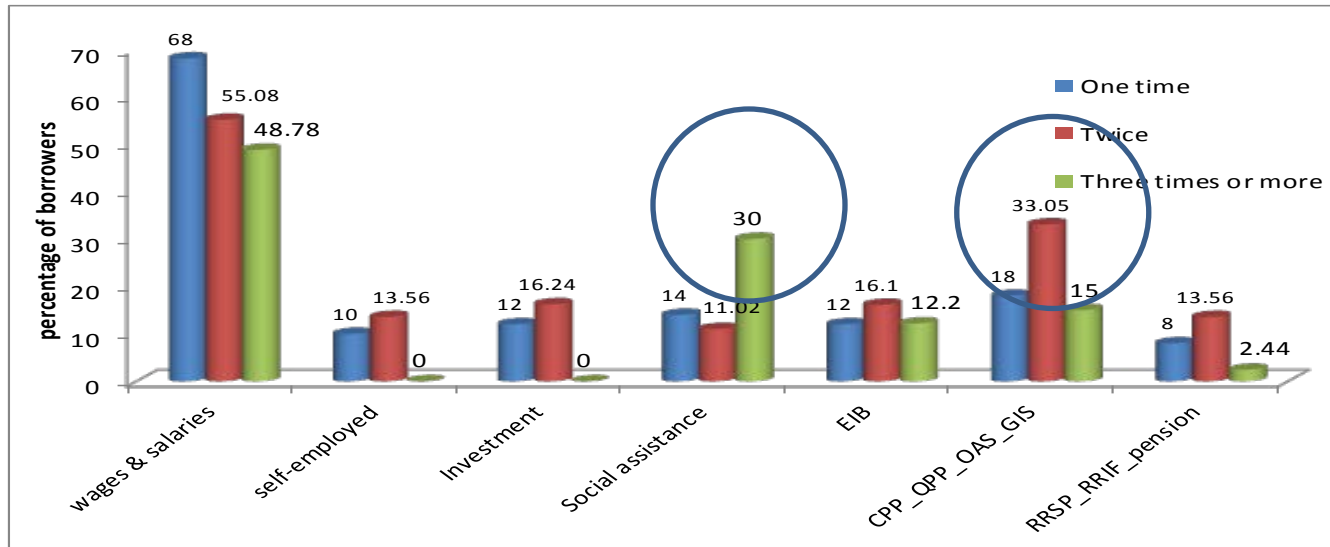
76.64% (2014 ●)

Major Sources of Income are Changing

CFCS
2009



CFCS
2014



Regression Analysis

- determines strength of the relationship between one dependent variable (payday loan borrowing) and a series of independent variables (characteristics of payday loan borrowers)
- provides an estimate of the impact and significance of each independent variable on the likelihood of payday loan borrowing aside from the impact of other independent variables
- probit regression provides appropriate estimates when dependent variable has only two outcomes (borrowing or not borrowing)

Independent Variables (Regressors)

CFCS2014	SFS2012
Age (Intervals)	Age (and square)
Household income (Intervals)	Household income (and square)
Total assets (Intervals)	Household wealth (and square)
	Household debt (and square)
	Home ownership
Employment status	Number of earners (and square)
Education (5 categories)	Education (5 categories)
Sex of respondent	Gender of major income earner
Number of children	Family size (and its square)
Marital status	Use of credit card
Financial responsibility for children	Manitoba vs rest of Canada

Significant Regression Results

- Payday loan use higher for 25-54 year olds and 55-64 year olds (**new in CFCS2014**)
- Assets and wealth reduce PL usage rather than income per se (SFS and CFCS)
- Those married and with responsibility for children are less likely to use PL (CFCS)
- Those with postsecondary education are less likely to use PL (SFS and CFCS)
- Use of credit cards reduces PL usage (SFS)
- **Residence in Manitoba** increases the likelihood of PL usage, all these other factors considered (SFS)

Regression Analysis of Borrowing Frequency

- CFCS2014 collected information on the number of PL loans taken in the last 12 months: 0, 1, 2, or 3 or more
- Ordered probit regression is appropriate to explain this dependent variable in terms of the independent variables (as for probit)
- Frequency of PL use higher for 25-54 year olds and 55-64 year olds (**new in CFCS2014**)
- Assets reduce PL usage rather than income per se
- Those married, with responsibility for children and with postsecondary education are less likely to use PL