

Accepted Manuscript

Title: Self-Control, Financial Literacy & the Co-Holding Puzzle

Author: John Gathergood Jörg Weber

PII: S0167-2681(14)00123-1

DOI: <http://dx.doi.org/doi:10.1016/j.jebo.2014.04.018>

Reference: JEBO 3357

To appear in: *Journal of Economic Behavior & Organization*

Received date: 26-2-2013

Revised date: 28-3-2014

Accepted date: 10-4-2014

Please cite this article as: John Gathergood, Jörg Weber, Self-Control, Financial Literacy & the Co-Holding Puzzle, *Journal of Economic Behavior and Organization* (2014), <http://dx.doi.org/10.1016/j.jebo.2014.04.018>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.



SELF-CONTROL, FINANCIAL LITERACY & THE CO-HOLDING PUZZLE

John Gathergood*^{1,3}

Jörg Weber†²

University of Nottingham, School of Economics

¹ *Centre for Finance, Credit and Macroeconomics (CFCM)*

² *Centre for Decision Research and Experimental Economics (CeDEx)*

³ *Network for Integrated Behavioural Sciences (NIBS)*

25th March 2014

Abstract

We use UK survey data to analyze the puzzling co-existence of high cost revolving consumer credit alongside low yield liquid savings in household balance sheets, which we name the ‘co-holding puzzle’. Approximately 12% of households in our sample co-hold, on average, £3,800 of revolving consumer credit on which they incur interest charges, even though they could immediately pay down all this debt using their liquid assets. Co-holders are typically more financially literate, with above average income and education. In most estimates co-holding is also associated with impulsive spending behavior on the part of the household. Our results provide empirical support to theoretical models in which households co-hold as a means of managing self-control problems.

Keywords: Consumer credit, Self-control, Financial literacy

JEL Classification: D03 D10 D12 E21

* Corresponding author. *Email address:* john.gathergood@nottingham.ac.uk. Gathergood would like to thank the ESRC for supporting this research through grant: RES-061-25-0478.

† *Email address:* joerg.weber@nottingham.ac.uk. Weber would like to thank the ESRC for supporting this research through grant: ES/I022821/1.

Both authors would like to thank YouGov for incorporating questions into their household survey and making the data available for the purposes of this research project. Furthermore, we thank Robin Cubitt, Michael Haliassos, Tabea Bucher-Koenen, Chris Starmer, Robert Sugden, two anonymous referees and the guest editors for useful comments and suggestions.

Download English Version:

<https://daneshyari.com/en/article/10437648>

Download Persian Version:

<https://daneshyari.com/article/10437648>

[Daneshyari.com](https://daneshyari.com)