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NETWORK EFFECTS AT RETAIL PAYMENTS MARKET: EVIDENCE FROM RUSSIAN INDIVIDUALS

Abstract:

This research empirically evaluates the effect of network externalities for individuals behavior at Russian retail payments market. Specifically, the effects of direct and indirect network externalities for cardholding and usage probabilities are examined. Using the representative sample of 1500 individuals from all Russian regions this study finds significant robust evidence of positive association between the degree of both types of network externalities and individuals' activity at the Russian retail payments market. Results are economically significant: a standard deviation increase in network effects leads to 2.5-4 percentage points increase in probability of cardholding and usage. Findings imply that one needs to account for network effects which play an important role for the payment behavior before implementing payment stimulating programs in Russia aimed at cardholders or users.

Keywords:

Retail payments; payment cards; network effects; cardholders' behavior; financial services

JEL Classification: G21, D53, E42