

# Paying by cash cuts amount spent

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If you want to spend less, use cash, research confirms on Monday.

Psychologists carried out four separate studies of how much people spend on their credit cards and in vouchers compared with cash. The results, published in the *Journal of Experimental Psychology: Applied*, showed that participants spent cash much more carefully than other forms of payment.

The authors, Priya Raghubir of New York University and Joydeep Srivastava of the University of Maryland, ranked payment methods from more transparent (cash) to less (credit cards and vouchers). The authors wanted to test whether “less transparent payment forms tend to be treated like play money and are hence more easily spent”.

One study was disguised as a market research exercise. Those questioned were given a description and a menu for a fictional restaurant. Half of the respondents were told the restaurant would accept credit cards, the other half were told it would accept cash only. Respondents were prepared to spend significantly more on their meal when they knew they could pay by card.

In another study volunteers were asked to plan the shopping for a celebratory meal. The participants were given a list of things to be bought and asked to estimate the total cost. Those who planned to pay by credit card thought the meal would cost on average \$175 (€123, £99). Those who planned to pay cash set the limit at a more conservative \$145.

There may be a way to combat this credit-card induced profligacy. The researchers asked other volunteers to go about the same task differently. They had to estimate the price for each individual item and then add them up. This time, credit card users made lower estimates of about \$135.

The authors summarised their findings, saying that “the more transparent the payment type, the greater the ‘pain of paying’”.

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