A discrete choice approach to model credit card fraud

Manuela Pulina and Antonello Paba

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April 2010

Online at http://mpra.ub.uni-muenchen.de/20019/
MPRA Paper No. 20019, posted 15. January 2010 15:20 UTC
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Manuela Pulina *, Antonello Paba °

Abstract: This paper analyses the demographic, socio-economics and banking specific determinants that influence the risk of fraud in a portfolio of credit cards. The data are from recent account archives for cards issued throughout Italy. A logit framework is employed that incorporates cards at a risk of fraud as the dependent variable and a set of explanatory variables (e.g. gender, location, credit line, number of transactions in euros and in non euros currency). The empirical results provide useful indicators on the factors that are responsible for potential risk of fraud.

Keywords: credit card, fraud, demographic and socio-economics factors, logit modelling.

JEL Codes: D12, G21, C35.

1 Acknowledgements. The authors thank the financial support provided by Fondazione Banco di Sardegna, Prot. 1110/2009.0120.

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Introduction

The current global recession is highlighting the fragility of the global banking and finance system that is subject to greater risk and acts of fraud. There are new challenges in tackling fraud stemming from a fast changing information technology environment, where the internet has become one of the most important channels for the retail sector. Kageyama (2009) reports that in the past three years more than 900 companies surveyed at a worldwide level have lost an average of 8.2 billion dollars a year, a 22% increase with respect to the previously published research. Moreover, the percentage of firms that registered at least one fraud in 2008 has reached 85% that is an 80% increase on the previous year. While these figures hide the motivation for fraud, the rates of growth are significant and in a time of recession this rate is more likely to increase as higher numbers of individuals commit fraud (Abbey, 2009).

In 2005 the world’s two largest credit card circuits, Visa and MasterCard, reported 1.14 billion dollars of fraud losses that represented a 62.9% increase with respect to 1995. In the United Kingdom for example credit card fraud is one of the fastest growing crimes and in 2008 total card fraud losses amounted to more than 609 million pounds, of which 52.5 million was attributed specifically to online banking fraud (Association for Payment Clearing Services, 2009). Arguably, these high amounts can be partially be explained by the high volume of transactions and remarkable growth in credit cards ownership over the past three decades. Visa (2003) calculates a 10% year on year compound growth since cards were first issued. The USA for instance denotes the highest number of issued cards (more than 1.5 billion) and each inhabitant owns on average more than 5 payment instruments. In Europe however, the average card holder owns 1.3 cards and the UK confirms its predominance with 22.3% of all EU cards and 2.4 cards per capita (Assofin-Crif-Eurisko, 2008). Such important
fraud losses are driving increasing efforts in both the detection and prevention of fraud and the implementation of robust risk management practices in the credit card industry.

In this paper credit card fraud is defined as “the misuse of a card – without authorisation or unapproved purchases – or the counterfeiting of cards” (Wells, 2007). The motivation and opportunity behind credit card fraud are many and varied. Traditional types of fraudulent behaviour such as identity theft relate to family members or people that can easily access individual’s mail and personal information and committing fraud either by applying for a card or taking over the existing account. Dumpster diving or trashing, where criminals raid rubbish bins to search for credit card details and other sensitive information is becoming more widespread. Lost or stolen credit cards may also be used fraudulently. Skimming of the magnetic stripe is also still practiced either using highly sophisticated devices embedded in ATM’s or POS or using simple hand held skimmers capable of storing magnetic stripe data.

Internet enabled fraud is also growing; phishing attacks continue to harvest credit card users’ details and compromised computer with key loggers provide organised criminals with the card details. As the vast majority of all credit card transactions are now authorised and cleared on-line, hacking into the e-payment chain to intercept data can harvest many millions of card details. The e-fraud market has grown. Criminals are now provided with various internet resources to counterfeit credit cards, examples are tipping, custom embossing, decoding machines as well as software such as Creditmaster. A common practise is also that of phishing where fraudulent emails hijacking brand name of banks, credit cards companies, (etc.) are sent aimed at acquiring trickily financial data, account usernames and passwords. Organised crime are normally composed by professional criminals that are setting “carding forums” where it is possible to buy wide-scale global stolen personal and financial information. This practise that leads to the unauthorised use of sensitive information to
purchase goods and services often involves thousands and even millions of victims (Peretti, 2008). Indeed credit card fraud is subject to technological enhancement and it is in a continuous evolution.

However, due the lack of statistical information on fraud - MasterCard for example is the only international circuit that provides statistical information on credit card fraud - few microeconomics studies are available in this field. The purpose of this paper is to analyse the demographic, socio-economics and banking-specific determinants that influence the risk of a credit card fraud. The empirical investigation is based on a unique dataset containing approximately 320,000 observations from a recent credit card portfolio issued in Italy. In 2004, MasterCard reported that the percentage of fraud in all European countries was approximately 0.07% of card holder expenditure while in Italy this figure was 0.05% (Affari & Finanza, 2009). The Association for Payment Clearing Services (APACS, 2009) reports that at a worldwide level Italy is one of the top five countries to have seen an increase in the use of fraudulent UK credit cards. Fraud on UK-issued cards being used in Italy has increased by 72.9% since 2005, to £8.3 million in 2008.

For the portfolio of cards under study, the empirical analysis is performed on the risk of fraud across three product categories that are classic, gold and revolving. The econometric approach is based on a logit framework, where the probability that a given credit card experiences a fraud is estimated. The dichotomous dependent variable is regressed on a set of explanatory variables (e.g. gender, location, outstanding balance, number of transactions in euros and non euros). The empirical results provide useful indicators on the factors that are likely to influence fraud events based on the available sample. Hence, this framework offers not only a microeconomics perspective to analyse the risk of a fraudulent behaviour but most importantly an approach to help risk managers in fraud prevention by providing insight into which factors may lead to fraudulent events.
The paper is organised as follows. In the next section, a literature review on credit cards fraud is provided. In the third section the methodology employed is highlighted. In the fourth section, main empirical results are provided and concluding remarks are given in the last section.

*A literature review in credit card fraud*

Fraud literature, that first appeared in the 1980s, treated a wide range of economic activities such as insurance fraud (Dionne, 1984; Clarke, 1989; Artís, Ayuso and Gillén, 1999; Caudill, Ayuso and Gullén, 2005; Boyer, 2007), medical fraud (Pontell, Jesilow and Geis, 1982; Feldman, 2001; Rai, 2001) and accounting fraud (Beasley, 1996; Gerety and Lehn, 1997; Sadka, 2006; Crutchley, Jensen and Marshall, 2007). Though fraudulent behaviour has been analysed in financial markets (particularly for securities, bankruptcy and money laundering), very few studies exist on credit card fraud.

One of the first papers that appeared in the law and criminology literature on credit card fraud (Caminer, 1985) emphasised the need to allow authorities greater access to issuer records and to the USA federal government to devote greater resources to the investigation of credit card fraud. Hence, since the 80’s there has been the belief that credit card fraud was increasing at an astounding rate and losses were borne by customers themselves. It is interesting to note that in Italy over 20 years after the Caminer’s appeal, all card issuers are obliged to report all credit card fraud into a central database (Decreto, 2007).

As Bolton and Hand (2002) point out, it is important to distinguish between fraud prevention (that is measures to stop fraud occurring in the first place) and fraud detection (that is measures to identify as quickly as possible fraud once it has been perpetrated). Very few studies analyse how to prevent fraud occurring in the first place. Masuda (1993) for example reports a successful retail strategy in credit card fraud prevention. There is evidence
that program initiatives and an industry-wide action with the exchange of fraud-related intelligence data amongst regional and national authorities seem to be the key to reduce credit card fraud. Williams (2007) presents a case study of credit card fraud in Tobago and Trinidad, new entry countries into the credit card market, in which a prevention activity can be improved by issuing specific laws, educating and informing the public of the various fraudulent typologies and enhancing the critical role of the banking associations in formulating *ad hoc* principles and policies to control this type of crime. Barker, D’Amato and Sheridon (2008) describe numerous schemes and techniques and give additional

However, detection and prevention cannot be always regarded as distinct actions. To a certain extent it is possible to learn from the past fraud patterns in order to prevent similar cases occurring in the future. To this aim, several statistical techniques are available such as linear regression, classification trees, naïve Bayes, neural networks and self-organising maps (SOM) that builds on the clustering capabilities of neural networks (Thomas, Oliver and Hand, 2005). These techniques are aimed at discriminating if a new credit card transaction belongs to the genuine set or to the fraudulent set. More recently, Quah and Sriganesh (2008) propose a real-time fraud detection and present a new approach to analyse card owners’ behaviour for detection of fraud.

In the literature, a commonly used technique to detect credit fraud is logistic regression. Such an econometric tool, together with the above mentioned techniques, is mostly employed within the credit scoring process to help institutions and organisations decide whether to issue credit to consumers who apply for it (Desai, Crook and Overstreet, 1996; Greene, 1998; Thomas, 2000; Crook and Banasik, 2004).

From the present literature review, it emerges that empirical studies are mainly concentrated on a priori understanding of whether or not to provide consumers with a given bank product
(such as a credit card or loan). However, very few papers employ microeconomics bank data to analyse the factors that influence the risk of fraud in a portfolio of credit cards. In a recent study, Hartmann-Wendels, Mählmann and Versen (2009) make use of a sample of approximately 200 thousand observations, on successful applicants from a German internet-only bank, to analyse what factors do affect fraud. The main finding is that fraud risk is highly influenced by determinants such as gender, civil status, age, occupation and urbanisation. Above all, nationality matters as foreign customers are 22.25 times more likely to perpetrate a fraud than nationals. Hence, the present paper aims at expanding this strand of research, providing new evidence on the main factors affecting the risk of fraud within the Italian credit card market, through the analysis of an extensive credit card data set at a microeconomics level.

Methodology

Definitions and data

The empirical model presented in this study makes use of banking microeconomics data on the risk of fraud occurring on three types of credit cards Classic, Gold and Revolving. A credit card can be defined as a payment instrument that may be employed to purchase goods and services and, where offered by the issuer, to borrow money on credit. Credit cards can be divided into their respective target segments that are mass market, premium, business and revolving. Mass market credit cards, sometimes referred to as “classic cards”, are well-spread worldwide and usually have a set of basic characteristics; a relatively limited availability to spend, point-of-sale (POS) and automated teller machines (ATM) functionality, low or no annual fees and limited add on services as insurance and loyalty programmes. Premium credit cards, marketed under brands such as “gold”, “premium” and “diamond” are generally held by customers that are more likely to have higher incomes and spending propensity and
can be thought of as a more sophisticated classic card. Premium cards are characterised by higher joining and annual fees, higher spending and daily cash withdrawal limits as well as extra services such as travel insurance, roadside assistance, hotel and car-rental advantages. A minimum set of services is mandatory by the international circuit although the issuer is free to customise the product. The business segment is a vast generic segment of customers that includes sole traders and international corporations but, independently of company size, the business card must be used exclusively for business transactions as mandated in the card contract.

Cards issued in the mass market, premium and business segments typically require that the balance be paid off in full at the end of the billing cycle. The revolving card is often similar to the classic card but allows the card owner to spread the payment over a series of billing cycles usually paying interest. Unlike the other segments, the revolving segment contains customers who have a need to borrow or are happy to control the way the debt is repaid in exchange for an interest payment.

In the present study gold, classic and revolving segments are analysed. The data are collected from recent account archives (January 2007-December 2008) for bankcards issued throughout Italy. The cards were issued on both the Visa and MasterCard circuits. Overall, 317,231 thousand card positions are analysed.

It is important to note that this paper employs data on every individual whose application for the card was accepted. Clients with a poor credit history are not accepted. This is particularly true for the revolving credit cards that are subject to stricter credit acceptance rules applied by the bank. Hence, in this circumstance, it is possible that the use of ex post selected data leads to biased estimates of the probability to acquire a given payment instrument. This issue is not uncommon in the literature as seen in other academic studies. For example, Hartmann-Wendels, Mählmann and Versen (2009), given the data availability,
make use of a sample of successful applicants from a German internet-only bank, to analyse which factors affect fraud. Hence, even factors that do not explicitly enter into the acceptance scoring process, but are at the same time correlated with the variables in the fraud equation may cause biased predictions. Nevertheless, the findings emerging from actual data on successful applications can shed light on understanding potential fraudulent behaviour in credit markets. Besides, from the bank’s perspective understanding determinants of fraud risk for the existing customer portfolio is important to risk managers who have to detect, control and prevent credit card fraud.

The dependent variable used in the binomial logit model is risk of fraud where risk of fraud is defined as a situation where there is risk of or actual evidence of unauthorised use of a credit card or its details. These include also cards that are reported as stolen that are at risk of fraud.

Following the empirical study cited in the previous section, a set of explanatory variables are also included in the model, as follows:

- **Gender (gen)** - This dichotomous variable takes the value one if female, zero if male.

- **Location (loc)**- These dummy variables take into account the residence of the card holder by macro geographical zone in Italy as defined in Table 1.

- **Circuit (cr)**– This dummy variable takes one as a value if the card has been issued by the first circuit and zero by the second circuit.

- **Ownership or “holder” (hl)**– This dummy variable takes the value one if the credit card has been issued for a secondary owner and zero otherwise.

- **Outstanding balance (ob)** – The outstanding balance is the sum of all expenditure and charges on the card less the amounts paid. For revolving cards this translates into what the customer still needs to pay off at the end of the billing cycle while for classic and gold
cards it is what the customer actually pays at the end of the month. Within the sample, the maximum value is 20,062 euros, while the minimum value is zero euros.

- **Number of transactions in euros (nteu)** – The number of transactions in euros. Within the sample, the minimum value is zero, while the maximum value is 87 transactions.

- **Number of transactions in non-euros (ntneu)** – The number of transactions in a foreign currency rather than euro. Within the sample, the minimum value is zero, while the maximum value is 58 transactions.

- **Credit line (cl)** – This is a continuous variable that accounts for the amount of the spending limit of the card. Within the sample, the minimum value is 1,000 euros, while the maximum value is 50,000 euros.

Table 2 provides a statistical description of the dichotomous variables under investigation. The Pearson $\chi^2$ statistics tests for the null hypothesis that the distribution of fraud case does not differ across the categories of the variable. Hence, the result is that all the variables are highly dependent with the risk of fraud.

**The model specification**

The aim of the empirical analysis is to estimate the probability that a given type of credit card experiences a risk of fraud. This framework is made operational by using a particular distribution for the disturbances, that is a logit model within a discrete choice structure (Greene, 2003). Formally, a vector of dependent variables is observed $Y_i = (Y_{i1}, Y_{i2})$. Specifically, if a customer is characterised at risk of fraud (either where the customer is the fraudster or is a victim of fraud), and hence a given credit card is at a fraud risk, $Y_i$ takes the value one; likewise, if customer $i$ belongs to the genuine set, and hence a given credit card is not subject to risk of fraud, then $Y_2$ takes the value zero. Because coefficients change from
one regime to another, probabilities \((P)\) change leading to a new index \((I)\). In analytical terms:

\[
I_i = \beta_0 + \beta_1 X_i + \varepsilon_i
\]  

(3)

\[
Y_i = 1 \quad \text{if} \quad I_i > 0
\]  

(4)

\[
P(Y_i = 1) = P(I_i > 0) = P(\beta_0 + \beta_1 X_i + \varepsilon_i) > 0 = P(\varepsilon_i > -\beta_0 - \beta_1 X_i) =
\]

\[
P(Y_i = 1 | X) = \frac{e^{\beta_0 + \beta_1 X_i}}{1 + e^{\beta_0 + \beta_1 X_i}} = \Lambda (\beta_0 + \beta_1 X_i)
\]  

(6)

that is the probability of a fraudulent action is assumed to be a function of customers’ behaviour and a set of determinants (age, location, credit line, etc.) defined as \(X_i\); \(\beta_0\) and \(\beta_1\) are the parameters to be estimated; \(e\) is the logistic functional form that allows one to ensure that the estimated choice probabilities lie between zero and one; \(\Lambda\) is the cumulative logistic distribution function. The logistic regression is estimated using maximum likelihood.

In discrete choice models, estimated coefficients cannot be interpreted in terms of elasticity. Hence, marginal effects, that represent the impact of a one-unit change in the explanatory variable on the dependent variable, \textit{ceteris paribus}, can be also computed. In analytical terms given the index \(I\) and the probability \(P\):

\[
I_i = \beta_0 + \beta_1 X_i + \varepsilon_i
\]  

(7)

\[
P_i = \int_{-\infty}^{\infty} f(t) dt = F(\beta_0 + \beta_1 X_i)
\]  

(8)

then the marginal effect of changes in \(X\) on this probability is given by:

\[
\frac{\partial}{\partial X_i} P_i = f(\beta_0 + \beta_1 X_i) \beta_1
\]  

(9)

The marginal effect (ME) for dummy variables is computed by employing the means of all the other variables. This gives an accurate measure of elasticity as if the dichotomy variable were a continuous one (Greene, 2003). Regression results are reported in the second column of Table 3.
In the empirical literature, more often, the Relative Risk Ratio (RRR) is reported (see for example Ardiç and Yüzereroğlu, 2006). This ratio is given by the exponential function of the estimated coefficient \( b \) and it is reported in absolute terms:

\[
RRR = \exp(b) \quad (10)
\]

RRR also expresses the ratio of the probability of choosing one category over the probability of choosing the reference category. In other words, for one unit change in one of the explanatory variables, it computes how many percent the relative risk of choosing a given category is with respect to the reference category change. Values above one indicate that higher values of the explanatory variable increase the predicted probability of a given category compared to the reference category. Coefficients less than one indicate the opposite.

**Empirical findings**

The main findings from the logit regression are reported in Table 3. With only one exception, all of the coefficients are statistically significant at the 1% level. The overall statistics indicate a well-specified model: the likelihood ratio test (LR(11)) show that the coefficients of the explanatory variables are jointly statistically significant; the Hosmer-Lemeshow goodness-of-fit test (that is Pearson \( \chi^2 \)) fails to reject the null hypothesis that the distribution fits the data.

Considering the first dichotomous variable \( gen \) (gender), the probability ratio indicates women are 1.36 times riskier than men. This outcome can be interpreted in a number of ways: women may be more likely to discover and report a fraudulent event than men; their behaviour and spending patterns puts the card at a greater risk; women may commit more fraud than men. As pointed out by Epaynews (2009), women are more likely to commit fraud in mail order, communications and loans, whereas men fraudster in areas such as asset finance and insurance.
Location turns to be an important factor in explaining risk fraud in credit cards. Customers who are resident in the Centre of Italy are the riskiest category in comparison to the reference one but also to the other geographical areas. The customers who are resident in the South tend to show a relative lower risk.

The second circuit is affected only 36% by fraud risk and, hence, the first circuit has 2.75 times more probability to incur in a fraud. This finding is of a particular interest for banking institutions that should closely consider banking specific features such as the security standards for a given circuit. Besides, this result may also be explained by the risk propensity of the pool of customers inherent to each of the circuits.

As an additional outcome, secondary card owners are significantly more likely to be at risk of fraud (Table 3). In general, secondary card owners are close relatives of the primary owner (e.g. partners, children); these individuals may be less aware of the various fraudulent typologies and are more likely to be at risk.

Overall, the coefficients of the continuous variables \(ob, nteu, ntneu, cl\) are statistically significant at the 1% level, with the only exception for \(ntneu\). However, the effects on the risk of fraud is very small, as highlighted by the marginal effects results. According to the RRR for \(nteu\) and \(ntneu\), the transaction in euros are slightly more risky than the non-euros transactions.

Conclusions

In the credit market literature, only a few studies make use of banking data to analyse the risk of fraud for a given set of credit cards (i.e. classic, gold and revolving credit cards). In this paper, a logit analysis has been conducted to assess which factors may lead to the risk of fraud. Fraud has been defined as an unauthorised use of a credit card, including card details, and also stolen cards that are potentially at risk of fraud. To this aim, microeconomic data
have been employed for more than 300 thousand observations. Data were obtained from recent account archives for bankcards issued throughout Italy. The model has focused on socio-demographic as well as banking-specific factors influencing the probability to incur a risk of fraud. Marginal effects and relative risk ratio have been computed. Overall, the coefficients of the explanatory variables included in the model are statistically significant at the 1% level.

The results have shown that the risk of fraud in credit cards is influenced by many determinants: gender, location, type of circuit, card ownership, credit line and number of transactions divided by currency. Women have been found to be riskier than men. Geographic location also matters. The Centre of Italy denotes customers that are likely to lead to a higher risk of fraud for the bank. Overall, the least risky geographical zone is the Islands.

As a banking specific feature, transactions within the second circuit have denoted higher standards of security with respect to the first circuit. Furthermore, risk managers should also increase fraud prevention in transactions made by secondary owners who have been found to be 1.28 times more risky than principal owner.

Though the coefficients of the continuous variables (ob, nteu, cl) are statistically significant, the marginal effects on fraud risk are quite small. Overall, the transaction in euros are slightly riskier than the non-euro transactions. The empirical findings show that an increase in either the credit line or in the amount the client needs to pay at the end of the billing cycle should not imply a higher risk.

This paper is a novel example of consumer finance research on fraud risk. A discrete choice model has helped to systematically analyse the potential fraudulent behaviour within the credit card market, where customers can be considered either as fraudsters or as victims. The empirical findings offer insightful information to risk managers on the characteristics
and behaviour of their pool of clients and on the potential factors that may lead to fraudulent actions. Bankers can employ actual positions to assess fraud risk and to discriminate customers into the genuine set or the at risk set. Risk managers should also closely consider banking specific features such as standards of security for a given circuit.

References


Milano.


### Table 1 Geographical zones

<table>
<thead>
<tr>
<th>dummy variables</th>
<th>nw</th>
<th>ne</th>
<th>cent</th>
<th>sou</th>
<th>is</th>
</tr>
</thead>
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<tr>
<td>nw</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>ne</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>cent</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>sou</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
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</tr>
<tr>
<td>is</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

NOTE. -- Standard definitions of geographical zones are employed (ISTAT, 2009): North West (nw), North East (ne), Centre (cent), South (sou) that is also use as the reference category, Islands (is, Sardinia and Sicily). The locations of the cardholder is given by a mapping of their postal address zip code to geographical zone using tables produced by the Institute Post Office.

### Table 2 Descriptive statistics of dichotomous variables

<table>
<thead>
<tr>
<th></th>
<th>Fraud Risk = 0</th>
<th>%</th>
<th>No Fraud Risk =1</th>
<th>%</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>190,335</td>
<td>98.37</td>
<td>3,157</td>
<td>1.63</td>
<td>193,492</td>
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<tr>
<td>Female</td>
<td>120,962</td>
<td>97.76</td>
<td>2,777</td>
<td>2.24</td>
<td>123,739</td>
</tr>
<tr>
<td>Total</td>
<td>311,297</td>
<td>98.13</td>
<td>5,934</td>
<td>1.87</td>
<td>317,231</td>
</tr>
<tr>
<td><strong>Location</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NW</td>
<td>8,522</td>
<td>97.61</td>
<td>209</td>
<td>2.39</td>
<td>8,731</td>
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<tr>
<td>NE</td>
<td>136,276</td>
<td>97.64</td>
<td>3,294</td>
<td>2.36</td>
<td>139,570</td>
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<tr>
<td>CEN</td>
<td>13,348</td>
<td>97.13</td>
<td>394</td>
<td>2.87</td>
<td>13,742</td>
</tr>
<tr>
<td>SOU</td>
<td>64,748</td>
<td>98.11</td>
<td>1,245</td>
<td>1.89</td>
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<tr>
<td>IS</td>
<td>88,403</td>
<td>99.11</td>
<td>792</td>
<td>0.89</td>
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<td>Total</td>
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<td>5,934</td>
<td>1.87</td>
<td>317,231</td>
</tr>
<tr>
<td><strong>Cardholder</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>301,995</td>
<td>98.15</td>
<td>5,686</td>
<td>1.85</td>
<td>307,681</td>
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<tr>
<td>Secondary</td>
<td>9,302</td>
<td>97.40</td>
<td>248</td>
<td>2.60</td>
<td>9,550</td>
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<tr>
<td>Total</td>
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<td>98.13</td>
<td>5,934</td>
<td>1.87</td>
<td>317,231</td>
</tr>
<tr>
<td><strong>Circuit</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I circuit</td>
<td>204,886</td>
<td>97.55</td>
<td>5,154</td>
<td>2.45</td>
<td>210,040</td>
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<td>II circuit</td>
<td>106,411</td>
<td>99.27</td>
<td>780</td>
<td>0.73</td>
<td>107,191</td>
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<tr>
<td>Total</td>
<td>311,297</td>
<td>98.13</td>
<td>5,934</td>
<td>1.87</td>
<td>317,231</td>
</tr>
</tbody>
</table>

Pearson χ² = 154.328 (0.000)  
Pearson χ² = 738.868 (0.000)  
Pearson χ² = 28.300 (0.000)  
Pearson χ² = 1.20E+03 (0.000)

Notes: p.value in parenthesis
### Table 3 Logit regression results

<table>
<thead>
<tr>
<th></th>
<th>Coefficients</th>
<th>ME</th>
<th>Probability ratio</th>
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<tr>
<td><strong>Gender</strong> (ref. male)</td>
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<tr>
<td>gen</td>
<td>0.320 ***</td>
<td>0.00500 ***</td>
<td>1.36 ***</td>
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<tr>
<td><strong>Location</strong> (ref. Islands)</td>
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<tr>
<td>nw</td>
<td>0.556 ***</td>
<td>0.013 ***</td>
<td>1.87 ***</td>
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<td>ne</td>
<td>0.844 ***</td>
<td>0.010 ***</td>
<td>1.74 ***</td>
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<td>cent</td>
<td>0.333 ***</td>
<td>0.019 ***</td>
<td>2.28 ***</td>
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<td>sou</td>
<td>0.251 ***</td>
<td>0.006 ***</td>
<td>1.39 ***</td>
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<tr>
<td><strong>Circuit</strong> (ref. I circuit)</td>
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<tr>
<td>cr</td>
<td>-1.029 ***</td>
<td>0.014 ***</td>
<td>0.36 ***</td>
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<tr>
<td><strong>Ownership</strong> (ref. principal)</td>
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<tr>
<td>hl</td>
<td>0.251 ***</td>
<td>0.004 ***</td>
<td>1.28 ***</td>
</tr>
<tr>
<td><strong>Outstanding balance</strong></td>
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<tr>
<td>ob ^</td>
<td>0.0002 ***</td>
<td>3.52E-06 ***</td>
<td>1.000 ***</td>
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<td><strong>Type transactions</strong></td>
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<tr>
<td>nteu ^</td>
<td>0.0245 ***</td>
<td>0.0004 ***</td>
<td>1.025 ***</td>
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<td>ntneu ^</td>
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<td>0.000</td>
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<td><strong>Credit line</strong></td>
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<td>cl ^</td>
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<td>6.28E-07 ***</td>
<td>1.000 ***</td>
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<td>Pseudo R^2</td>
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<td>LR (\chi^2)(11)</td>
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<td>Pearson (\chi^2)(11)</td>
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<td>(p-value 0.998)</td>
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<td>Log likelihood</td>
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Notes: *** indicates statistically significance at the 1% level.