

## **“Cash, credit card, or debit card?” Discounts on transactions according to the instrument of payment**

Payments of economic transactions may involve different costs according to the instrument used – cash, authorization for account debit (debit card), or payment upon the credit card invoice (credit card). Provisional Measure 764, of December 2016, which became Law 13,455 in July 2017, authorized commercial establishments to practice different prices according to the instrument of payment used in the transaction, as well as to the term of payment.

Seeking to gather more information about the awareness of economic agents on the new legislation and related benefits, the Instituto Brasileiro de Economia (IBRE) from the Fundação Getúlio Vargas (FGV) included questionnaires on the subject into its survey about Consumer, Commerce and Services upon request of the Banco Central do Brasil (BCB). In February 2018, up to 1,128 commercial businesses, 1,883 services businesses and 1,607 consumers were surveyed.

Questions addressed mainly the offering of discounts, the average percentage they represented in relation to the original price, the business type and the interviewee's level of awareness with regard to the new law.

This box aims to analyze the results obtained.

### **Customer Survey**

Results indicate that most consumers (63.9 percent) are aware of the possibility of prices differentiation by instrument of payment. However, according to respondents, this practice is not disseminated. In fact, only 32.4 percent declared they were offered a discount for a cash payment or a debit card payment. This measure varied according to the income profile, reaching 42.6 percent in the segment of higher income consumers. Additionally, it is worth noting that more than one third of interviewees observed that more discounts were offered than in the previous year.

## Commerce and Services Survey

Results indicate that the practice of discount offerings is more usual in the commercial businesses, sector where 46.4 percent of interviewees declared to offer this possibility to their customers. Major differences may be observed among the sub-sectors. Whereas this percentage reaches 69.5 percent in the segment of construction materials, only 12.6 percent of respondents declared to offer discounts in the segment of hyper and supermarkets.

In the group of interviewees that offered discounts, 64.4 percent said these were announced within their premises. The average discount reached 8.4 percent for payments in cash and 7.1 percent for payments with debit card, with respective discounts ranging preponderantly from 2.5 to 5.0 percent and from 7.5 to 10 percent. Awareness of the favorable legislation is widespread, as 85.6 percent of interviewees declared to know the law, with minor variations among different commerce segments.

In the segment of services, the survey indicates that the practice of discounts is not widely disseminated. Only 17.4 percent of interviewees declared to make this possibility available to customers, despite the well spread awareness of the law (73.9 percent is aware that price differentiation is allowed by law). Discounts reached higher percentage levels in some segments such as maintenance services and services rendered to households (59.2 percent and 29.2 percent, respectively). The average discount reached 9.4 percent for cash payments and 8.0 percent for debit card payments, with respective discounts more frequently ranging from 2.5 to 5 percent and from 7.5 to 10 percent, similarly to the commerce segment.

The difference between discounts for payments in cash or debit card apparently reflect costs or net benefits perceived by the firms, since there is no significant difference between these two instruments with regard to the term for receiving the payments.

**Table 1 – Answers' summary: cash or debit card payment discount  
(in relation to credit card payment)**

	Was offered or offered discount in the last month (% "Yes")	More frequently than in last year (% "Yes")	The discount possibility/value was announced within the store (% "Yes")	In general, how much was the discount offered?		Aware that this practice became legal by law (% "Yes")
				Cash	Debit card	
Consumer	32.4	38.8	-	-	-	63.9
Commerce <sup>1/</sup>	46.4	27.7	64.4	8.4	7.1	85.8
Services	17.4	31.5	-	9.4	8.0	73.9

Source: IBRE/FGV

1/ Refers to segments classified as broad retail sales at the Monthly Retail Trade Survey (PMC).

In short, the surveys indicate a positive effect of the new legislation, evidenced by the significant percentage of interviewees – whether consumers or establishment's representatives – that confirmed an increase in the amount of discounts offered in accordance with the instrument of payment. The average discount is the same for commercial and services establishments, remaining more often between 5 and 10 percent. Data also demonstrate that a significant share of the commerce and services segments does not offer discounts in accordance with the instrument of payment used. This may indicate that part of economic agents is still unaware of the legality of this practice. Considering this aspect, there is room to expand the benefits offered by the new legislation.