

Dr. Sumit Agarwal
Professor of Finance, McDonough School of Business, Georgetown University
will deliver a talk on
“Thy Neighbor’s Misfortune: Peer Effect on Consumption”
4th November 2016 from 4 pm
Department of Economics, Presidency University

Abstract

We study the credit and debit card spending response of individuals whose neighbors living in the same building experience bankruptcy. We document that the neighbors’ monthly card consumption decreases by 3.4% over the one-year post-bankruptcy period—an annual decrease equivalent to 7% of monthly income. The absence of consumption response among individuals in immediately adjacent buildings provides validation of our identification. Consistent with a learning channel, the consumption response is more pronounced for consumers with greater peer awareness or financial sophistication, and is stronger in the non-conspicuous goods. Credit card debt and delinquency also decrease for the financially sophisticated consumers.

About Dr. Sumit Agarwal

Dr. Agarwal was Vice-Dean of Research and the Low Tuck Kwong Professor at the School of Business and a Professor in the departments of Economics, Finance and Real Estate at the National University of Singapore. He is also a Research Associate at Research Associate, Institute of Real Estate Studies, Center for Quantitative Finance, Center for Behavioural Economics, and Risk Management Institute. Before that he was a senior financial economist in the research department at the Federal Reserve Bank of Chicago and prior to joining the Chicago Fed, he was a senior vice president and credit risk management executive in the Small Business Risk Solutions Group of Bank of America.

Sumit’s research interests include issues relating to financial institutions, household finance, behavioral finance, international finance, real estate markets and capital markets. He has published over fifty research articles in journals like the American Economic Review, Quarterly Journal of Economics, Journal of Political Economy, Journal of Financial Economics, Review of Financial Studies, Review of Economics and Statistics, Management Science, Journal of Financial Intermediation, Journal of Money, Credit, and Banking among others.