The Impact of Payday Lending on Crimes
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Introduction

Police departments located in states allowing payday lending report 14.34% more property crimes than the police departments located in states not allowing payday lending. I also find that the police departments located in counties bordering with states allowing payday lending report more property crimes. Those results are driven by the financial pressure induced by payday loans. Furthermore, the impact of payday lending concentrates in areas with a higher proportion of the minority population.

What I did?
• I study the effect of payday lending on crimes
• I find that payday lending affects crimes because of the financial pressure

Hypothesis
Financial stain theory (Kubrin et al., 2011): Financial distressed borrowers become the offenders

McIntyre and Lacombe (2012)-Personal indebtedness
Garmaise and Moskowitz (2006)-High interest rate motives crimes

Identification

State level Probit regression:

\[
\text{Prob(Allowed}_t) = \alpha_t + \beta_t X_t + \varepsilon_t
\]

Difference in Differences (DID) Model

\[
\text{Property crime}_{it} = \alpha_{it} + \beta_1 \text{Treat}_i \times X_{it} + \beta_2 \text{Post}_t + \gamma X_{it} + \delta Z_{ct} + \epsilon_{it}
\]

Data

State laws:
(1) Statutes,
(2) Superseded statutes
(3) Session laws
• Uniform Crime Reporting (UCR) program

• 1983 to 2014

• Dependent variable: Natural logarithm of property crimes

Results

Dynamic Analysis

\[
\text{Property crime}_{it} = \alpha_{it} + \beta_1 \text{Access}_i X_{it} + \gamma X_{it} + \delta Z_{ct} + \epsilon_{it}
\]