

The Gallup Organization
Government and Education Division
Rockville, MD

Attitudes and Prospective Behavior of Banking Consumers Concerning Y2K

Monthly Report: November through December, 1999

On behalf of the Federal Reserve Board (FRB) and the Federal Deposit Insurance Corporation (FDIC), the Gallup Organization is conducting a continuous survey¹ to track bank customers' attitudes and beliefs over time concerning their banks' readiness for the Y2K transition. The questionnaire focuses on account holders' expectations and concerns about potential disruptions to banking services, the information about Y2K readiness they receive from their banks, their level of confidence in their banks' preparations, and their plans for ensuring that they have access to cash during the early days of January 2000.²

Public Awareness of the Y2K Computing Issue

In March 1999 and throughout the fall 1999 surveys, respondents were asked:

How much have you seen or heard about the Y2K computer issue? Would you say

A great deal,
Some,
Not much, or
Nothing at all

By the end of the second week of December 1999, over two thirds (67 percent) of respondents reported seeing or hearing "a great deal" about the Y2K issue and an additional 21 percent reported "some" exposure. Only 11 percent reported hearing "not much" or "nothing at all." These figures are virtually unchanged since the November report. As noted in November, the results indicate a substantial increase in public awareness since March 1999, when only 52 percent reported "a great deal" of exposure, 32 percent reported having "some" awareness, and 16 percent said they'd heard "not much" or "nothing at all."

¹ The Y2K Banking Attitude Tracking Survey is being conducted using Computer Assisted Telephone Interviewing with a national probability sample of adults (age 18 or older) using Random Digit Dialing sampling methods.

² This report covers survey results for the period November 13 through December 12, 1999. The sample for this report includes 1,855 screened individuals and 1,748 eligible cases. Sample sizes for some survey items are smaller because responses were obtained only from persons who answered a prior question using specified categories (e.g., only respondents who indicated an intention to withdraw "some extra cash" prior to December 31, 1999 were asked how much cash they expected to withdraw, and when they expected to withdraw it).

Levels of Public Concern about the Y2K Computing Issue

In March and throughout the fall 1999 survey, respondents³ were asked

Overall, how concerned are you about the Y2K computer issue? Would you say you are

Very concerned,
Somewhat concerned,
Not too concerned, or
Not at all concerned.

By mid-November, only five percent of respondents indicated they were “very concerned” about the Y2K issue, and an additional 30 percent reported being “somewhat concerned.” Fully 40 percent said they were “not too concerned, and 24 percent responded that they were “not at all concerned.” As of mid-December, the observed percentages have changed in the direction of lower concern, with 5 percent reporting they are “very concerned,” 26 percent “somewhat concerned,” 42 percent “not too concerned,” and 26 percent “not at all concerned.” These figures suggest that banking customer attitudes had reached a stable position by about two months before the end of the year and that no major events or announcements have led to further evolution of those views.

It should be noted that the reduction in levels of concern have been sustained compared to March 1999, when 11 percent reported being “very concerned,” 42 percent were “somewhat concerned,” 33 percent were “not too concerned,” and only 14 percent were “not at all concerned.” Given the substantial increase in self-reported exposure to the Y2K issue, the mid-November and mid-December results support the notion that *more exposure to and information about the Y2K issue leads to reduced concern that the century date change will cause significant disruptions.*

Changes in Level of Concern about Y2K Over the Past Month

In the fall 1999 survey,⁴ respondents were asked

Compared to a month ago, would you say you are now

More concerned,
Just as concerned, or
Less concerned

About the Y2K computer issue?

Response patterns were virtually identical in November and December. Close to two-thirds of respondents (64 and 63 percent, respectively) reported that they were “just as concerned” as they were one month ago. Among the remainder, more than one quarter (27 and 26 percent, respectively) indicated that they were “less concerned,” and only 8 percent (November) and 9 percent (December) reported they had become “more concerned.”

³ Respondents who reported that [a] they had seen or heard “**nothing at all**” about the Y2K computer issue, or [b] they **did not have any accounts** at banks, savings and loan institutions, or credit unions were not asked any further questions.

⁴ This question was not asked in March 1999.

Customers' Perceptions about the Likelihood of Specific Disruptions to Banking Services

Throughout the fall 1999 survey, respondents were asked⁵

Some people say the Y2K computer issue might have an impact on banks. Please tell me how likely you think it is that each of the following banking problems will result from the Y2K computer issue. Tell me whether it definitely will happen, probably will happen, you are uncertain, probably will not happen, or definitely will not happen. How about

- A. ATMs will not work
- B. Direct deposit payments, such as social security checks, pension checks, or payroll checks will not be properly credited to bank accounts
- C. People will temporarily lose access to their money
- D. Credit card systems will not work
- E. Checks will not be accepted or processed properly

ATMs

By mid-December, the overall distribution of responses on this item had not changed appreciably since mid-November. A majority of respondents (56 percent – 13 percent “definitely not” and 43 percent “probably not”) consider it *unlikely* that ATMs will fail. About 21 percent are uncertain, and about 19 percent consider it likely that ATMs will fail (17 percent “probably” and 2 percent “definitely”). All these percentages are within 1 or 2 points of those reported in mid-November. Thus, banking customers continue to express confidence that ATMs will be working by nearly a three to one ratio over those who expect problems. In March 1999, respondents who reported that ATMs would probably or definitely fail slightly outnumbered those who felt they would not fail by 43 percent to 37 percent. The banking industry has thus made and sustained considerable gains in confidence in ATMs over the past 6 months.

Direct Deposit Payments

Concerning whether direct deposits and payments would be properly credited, overall results were again almost identical with those reported in November 1999. A slightly larger majority of respondents (59 percent – 14 percent “definitely not” and 45 percent “probably not”) indicated a belief that direct deposit processing would **not** be a problem. Twenty-three percent were uncertain, and only 15 percent indicated that direct deposits would experience problems (13 percent “probably,” 2 percent “definitely”).

Access to Money

Identical to mid-November results, 61 percent of the November-December sample responded that temporary loss of access to their money was *not* likely to happen (16 percent “definitely not,” 45 percent “probably not”), 19 percent were uncertain, and nearly 19 percent thought that it was likely (17 percent “probably,” 2 percent “definitely”). In March 1999, only about 38 percent of respondents indicated they thought temporary loss of access to their money would definitely or probably *not* happen, 17 percent were uncertain, and 45 percent felt that it was likely. Public confidence in having continuous access to their money during the Y2K transition has risen substantially since the spring of 1999 and has been sustained during the last two months.

⁵ A similar question used in the March 1999 survey asked about ATMs, access to money, and check processing, but did not include the items on direct deposits or credit card systems.

Credit Card Systems

Response patterns for this question followed the same pattern, with about 60 percent overall indicating that credit card systems were “definitely” or “probably” *not* going to fail (14 percent “definitely not,” 46 percent “probably not”), 22 percent “uncertain,” and nearly 17 percent believing that credit card systems were likely to fail (15 percent “probably” and 2 percent “definitely”).

Check Processing

In November-December, 65 percent of respondents felt that problems with check processing were *not* likely to arise (16 percent “definitely not,” 49 percent “probably not”), 18 percent were “uncertain,” and 15 percent believed that problems were at least likely (14 percent “probably,” 1 percent “definitely”). The comparable figures for March 1999 were 42 percent, 21 percent, and 38 percent respectively. The distribution is essentially unchanged since the mid-November report. In general, confidence in check processing systems and procedures also increased significantly between March and October, and has remained high since then.

Customers Interactions with and Attitudes towards their Banking Institutions Concerning Y2K

Throughout the fall 1999 survey, respondents were asked

Have you heard or received any information from your bank about whether it is ready for the year 2000 date change?

By mid-December, 70 percent of the sample indicated that they *had* received information about Y2K readiness from their banks, 28 percent said they *had not* received information from their banks, and about 2 percent could not recall. This distribution is identical to that observed in the October-November time period. A more general question about receiving *any* information about Y2K from their banks was asked of respondents to the March 1999 survey. At that time, only 24 percent of respondents reported receiving any kind of Y2K information from their banks and 76 percent said they had not. Although the survey results indicate a massive change in public acknowledgment of receiving information about Y2K readiness from their own banking institutions, it also suggests that there has been no further growth in this measure during the last four weeks.

Respondents in the fall 1999 survey were then asked:

How confident are you that your bank is ready for the year 2000? Are you

Very confident,
Somewhat confident,
Not too confident, or
Not confident at all

By mid-December, 89 percent of respondents replied that they were either “very confident” (54 percent) or “somewhat confident” (35 percent), about 5 percent were “not too confident,” and 3 percent were “not confident at all.” This distribution is almost identical to that reported in November 1999. Respondents to the March 1999 survey were asked a somewhat different question about their level of confidence that their banks would solve Y2K problems in time. In that case, about 78 percent of respondents voiced some confidence, about 6 percent indicated lack of confidence, and about 16 percent were uncertain. In the fall 1999 survey period, the “uncertain” response was not offered – only 3 percent of November-December respondents volunteered they did not know how confident they were.

Cash Withdrawal Patterns

Despite considerable evidence from surveys that bank customers are very unlikely to engage in large-scale panic withdrawals of cash before year-end, customers' plans concerning cash withdrawals just prior to the Y2K date change remains a matter of considerable interest to the federal financial regulatory agencies. Preparations by banks and federal agencies to date appear more than adequate to ensure the liquidity of banking institutions during this unprecedented time. Nevertheless, the fall 1999 survey attempts to detect significant changes in the intentions of bank customers with regard to whether and how much additional cash they might withdraw from their accounts. The following sections describe the most recent survey data on customers "normal" cash withdrawal behavior and any additional activity they plan to cope with concerns about potential Y2K-related problems.

Normal Cash Withdrawal Patterns

Respondents to the fall 1999 survey were asked

People get cash in different ways – from ATMs, from the bank, or from cashing personal checks or paychecks. How often do you normally get cash? Would you say

- A few times a week
- Once a week
- A few times a month, or
- Less often

[Volunteered responses of "it depends" and "never" were coded separately as 5th and 6th categories]

Mirroring mid-November results, responses in mid-December were fairly evenly divided across the first four categories, with 22 percent indicating "a few times a week," 28 percent reporting "once a week," 26 percent saying "a few times a month," and 16 percent reporting "less often" (than "a few times a month"). About 5 percent of respondents indicated that they "never" withdraw cash, 2 percent said "it depends," and 1 percent refused to answer the question.

Respondents were also asked "On average, how much cash do you get?"⁶ The amounts were classified into five ranges (less than \$100, \$100-\$249, \$250-\$499, \$500-\$1,000, and more than \$1,000).

Comparable to the November report, nearly half the respondents (45 percent) reported they typically withdrew less than \$100. Nearly one-third of respondents (31 percent) indicated they withdrew \$100-249. Only 6 percent reported typically withdrawing \$250-\$499, another 6 percent mentioned \$500-\$1,000, and slightly over 1 percent said over \$1,000. About 7 percent did not know and 4 percent refused to answer the question.

Plans for Cash Withdrawals during the Y2K Transition Period

Will Account Holders Withdraw Extra Cash because of Y2K Issues?

To determine plans for obtaining extra cash, respondents to the fall 1999 survey were asked

⁶ This question was asked in an open-ended format. If respondents did not volunteer a specific amount, they were asked a series of closed-ended questions to determine whether the amount was typically below \$100, \$100-\$249, \$150-\$499, \$500-1,000, or more than \$1,000. All responses were then collapsed into these five categories.

How likely are you to keep some EXTRA cash on hand because of the Y2K computer issue? Would you say

- Definitely
- Probably
- Uncertain
- Probably not, or
- Definitely not

As of mid-December, 19 percent of respondents indicated that they would “definitely” have some extra cash on hand because of Y2K issues, and an additional one-quarter of the respondents (25 percent) indicated they would “probably” keep some extra cash. Fourteen percent of respondents said they were uncertain. However, 25 percent indicated they would “probably not” keep extra cash, and 14 percent said they would “definitely not” do so. One percent of respondents indicated that they did not know and two percent refused to answer.

In response to a similar question in the March 1999 survey, 26 percent said they would “definitely” withdraw extra cash, 36 percent said they “probably” do so, 6 percent were “uncertain,” 17 percent indicated they would “probably not” withdraw extra money, and 15 percent said they would “definitely not” keep extra cash on hand. Thus, over the last 8 to 9 months, the proportion of bank account holders likely to withdraw extra cash because of Y2K issues has dropped from a total of 62 percent to about 44 percent – a reduction of 18 percentage points from the March 1999 estimate.

How Much Cash Are Account Holders Likely To Withdraw?

The subset of respondents who said they “definitely” or “probably” would hold some extra cash because of the Y2K transition were asked how much extra cash they would withdraw. A mix of open-ended and closed-ended questions was used to classify each of these respondents into one of the following six response categories. The overall percentage distribution as of mid-December is shown below.

Less than \$100	5%
\$100 - \$249	34%
\$250 - \$499	12%
\$500 - \$999	21%
\$1,000 - \$2,499	18%
More than \$2,499	3%

An additional 3 percent replied that they did not know how much cash they would hold, and 4 percent refused to answer. This distribution does not differ significantly from that reported in mid-November.

What Withdrawal Pattern Will Account Holders Follow to Obtain Extra Cash?

The same subgroup of respondents who indicated they “definitely” or “probably” would withdraw extra cash due to Y2K were asked four additional questions about the likely pattern and sequence of their withdrawals. First, they were asked whether they would set aside the extra cash “all at once” or “over a period of time.” About 54 percent of these respondents indicated it would be done “all at once,” and 42 percent indicated “over a period of time” (4 percent did not know or refused). These results are virtually unchanged since mid-November 1999.

To explore planned withdrawal patterns, the subgroup of respondents who planned to withdraw their extra funds “all at once” were then asked⁷

When do you think you will set aside this extra cash, or have you already done so?
Would you say

Before December 15th, or
Between December 15th and December 31st

Respondents who volunteered they had “already done so” were coded into a separate category.

As of mid-December, only 11 percent of the respondents who were asked when they would set aside extra cash indicated they had “already done so.”

On average, 31 percent of this group indicated they would set the funds aside before December 15th.

Fully 55 percent of those who reported they would withdraw extra cash “all at once” said they would do so between December 15th and 31st.

Finally, the subgroup of respondents who indicated they would set extra cash aside “over a period of time” were asked when they thought they would begin and would complete the process, using the same three response categories as in the previous discussion and shown below with the overall percentage distributions.⁸

	<u>% Who will Begin</u>	<u>% Who will End</u>
Before December 15 th	34%	33%
Between December 15 th and December 31 st	19%	54%
Have already begun/completed	43%	7%

As of mid-December, over two in five (43 percent) of those planning to set aside extra cash over time had already begun doing so, and an additional 34 percent said they would begin before December 15th, for a total of **77 percent starting prior to December 15th**. An additional 19 percent expected to start the process during the last two weeks of December.

As of the mid-December survey, only about 7 percent reported that they had completed their set-aside transactions by the date they were interviewed. One-third (33 percent) said they planned to finish setting aside reserves before December 15th. (Recall that some of the interviews reported here were completed approximately one month ago. Some of these respondents may have completed their planned withdrawals of extra cash by now.) Over half of this group of banking customers (54 percent) indicated that they planned to finish their withdrawals during the last two weeks of December 1999.⁹

⁷ Until December 1st, the question asked about three time intervals: “Before December 1st,” “Between December 1st and December 15th,” and “Between December 15th and December 31st.” As of December 1st, the first of the three categories was eliminated. For this report, cases who gave the response “Before December 1st” between November 13 and November 30 were combined with those who reported “Between December 1st and December 15th.” The combined category is described as “before December 15th” in the narrative.

⁸ See the immediately preceding footnote for an explanation of changes in question wording on December 1, 1999.

⁹ Subgroup cell sizes were too small to detect statistically significant and policy relevant differences across demographic subgroups.