Credit cards in middle and low income people in Colombia. What do determine their use?

Download Other Working Papers Keep in mind
The series Working Papers on Economics is published by the Office for Economic Studies at the *Banco de la República* (Central Bank of *Colombia*). It contributes to the dissemination and promotion of the work by researchers from the institution. This series is indexed at Research Papers in Economics (RePEc).

On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. The works published are provisional, and their authors are fully responsible for the opinions expressed in them, as well as for possible mistakes. The opinions expressed herein are those of the authors and do not necessarily reflect the views of Banco de la República or its Board of Directors.

AUTHOR OR EDITOR Luis E. Arango / Lina Cardona-Sosa AUTHORS AND/OR EDITORS Luis E. Arango
The series Borradores de Economía (Working Papers on Economics) contributes to the dissemination and promotion of the work by researchers from the institution. On multiple occasions, these works have been the result of collaborative work with individuals from other national or international institutions. This series is indexed at Research Papers in Economics (RePEc).

Publication Date: Wednesday, 21 of August 2019

The opinions contained in this document are the sole responsibility of the authors and do not commit Banco de la República or its Board of Directors.

ABSTRACT

The determinants of the Crédito Fácil Codensa card usage are investigated, using the demographic characteristics of cardholders. This financing mechanism, widely used in Bogotá by people (more than 1.000.000 at the end of the sample period) whose income is in the lower part of the distribution, is used to finance the consumption of semi-durable goods (furniture, household appliances, computers, etc.) and non-durable goods (food, clothing, etc.). We analyze the determinants of the credit quota, the probability of using the card and the value of purchases for the period 2010-2015.

Income, education, age, gender stratum and own housing are determinants of the credit limit along with variables indicating the phase of the cycle, the labor market performance, and the liquidity of the economy represented by the policy rate (proxied by the Interbank Rate, TIB). The probability of purchase is determined not only by the macroeconomic environment, but also by individual variables. Permanent income reduces the likelihood of buying. The amount of monthly purchases is determined by the current interest rate in the month of purchases or usury rate and by individual characteristics such as income, age, education, gender of the individual. There is evidence of liquidity restrictions for people who have a high use of the card limit. However, the decisions of most agents are not that far from the permanent income-life cycle hypothesis.

Fuente: https://www.banrep.gov.co/en/credit-cards-middle-and-low-income-people-colombia-what-do-determine-their-use