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

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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.

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