

---

[Working Paper No. 912](#)

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*). 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

AUTHORS AND/OR EDITORS

[Luis E. Arango](#)

---

---

Determinants of consumer credit are estimated by using information from a Credit Union located in Medellín-Colombia. To the best of our knowledge, this is the first investigation using this kind of data in Colombia. We find that life cycle-permanent income hypothesis (LC-PIH) related variables are the main determinants of demand for consumer debt. The current income elasticity is about 0.5% while the real interest rate semi-elasticity is around -2%. Being a homeowner and having college education (undergraduate and postgraduate) increases the demand for debt. Once we consider the credit limits and other credit supply related variables, such as the score assigned to each credit application, the determinants of the consumer credit are also estimated. In this case, the statistical significance of the determinants remains with the exception of house ownership. Thus, LC-PIH variables are determinants of credit demand and the consumer credit regardless of credit restrictions. Nevertheless, in the latter case the semi-elasticity of the interest rate and the current income elasticities turn to -0.56% and 0.37%, respectively. Sample selection and endogeneity issues are also addressed.

The series Borradores de Economía is published by the Economic Studies Department at the Banco de la República (Central Bank of Colombia). 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.