

Associated factors to consumption credit evolution and its regulatory framework

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Abstract

The consumer credit has experienced a growth with rates above 10% since 2004, increasing its participation in the loan portfolio and its relationship with the gross domestic product. Basle III, emphasizes the need to analyze the excessive growth of credit and to propose regulations with a macro-prudential approach. In this line, since 2010, the regulatory framework related to the consumer credit in Bolivia, generated measures to maintain this asset in prudential limits and to avoid over-indebtedness of households. The present work focuses on analyzing the consumer credit growth, the evolution of its regulations, and the relationship of the consumer credit with variables related to the demand of this type of credit: variations of short term income, interest rate, and macroeconomic risk. The evidence of the evolution of the consumer credit points out the need of its tracing due to its increased participation in the loan portfolio. Similarly, the analysis of the regulation shows that even though there were made changes intended to keep the consumer credit granted out of technology -adequately collateralized- at levels less than 5%, and to avoid over-indebtedness of households, it is important to follow the guidelines of Basle recommendations regarding to control of the concentration of the loan portfolio. Finally, results of error correction model show that consumer credit in the short term has a positive relationship with economic growth and a negative relationship with the interest rate and macroeconomic risk.

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