

## **Can heterogeneous elasticity explain different spreads between credit products? An analysis exploring discontinuities in credit policies**

### **Abstract**

In this paper we try to show that behavior of consumers related to the utilization of the credit card requires especial attention of the Central Banks in the sense that its demand is not sensitive to its price, leading the equilibrium interest rates to very high levels. Besides that, we analyze the existence of some heterogeneity in credit demand, for example the higher elasticity of more educated clients to interest rates. We explore a database of a big financial institution in Brazil, with information of 1 million of clients, including interest rates offered to them and their use of the credit. Our research design explores the discontinuity in the definition of credit policy's. We found evidences that clients are not sensitive to the level of the interest rate in the decision of using this credit line, but they are sensitive to the interest rates in the personal loans, which means that credit card deserves especial attention. Besides that, our estimation shows that more educated clients are significantly more elastic to interest rates, which signalize the importance of the financial education.