



## A PRELIMINARY SD APPROACH TO THE CREDIT CARD PROBLEM IN MEXICO, INCORPORATING SOFT VARIABLES

Área de investigación: Finanzas

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### Abstract



A large body of research, especially in the US and the UK, has disclosed the exploitation of consumer behavioral biases by credit card issuers, which explain a large increase in bankruptcy filings, by charging average interest rates of 13.68 percent. In the case of Mexico there is little research about said issue, even though there are over 16.3 million of active credit cards in circulation, and the rates of interest charged are over twice as high. In absence of satisfactory conceptual models and adequate data, a system dynamics model is proposed in this paper, which for the first time includes hard and soft variables, based on theory and empirical studies, on related census statistics, and on a local survey. As in the US, in Mexico prevails the policy of viewing consumers as fully rational in decision making, while a growing literature questions those theories. The model simulation results reflect the problem of a growing number of families becoming financially insolvent, while the issuing banks maintain income levels from declining by issuing new credit cards, a practice that is not sustainable for the society and for the economy. Suggestions for improvement of the model and a research agenda are included.

**Search words:** system dynamics, credit cards, sustainable services, consumer behavior bias, family well-being.

