

Determinants of the knowledge of the total cost of consumer loans

Determinantes del conocimiento del costo total que se paga en los préstamos de consumo

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© 2018, Emerald Publishing Limited. Purpose: The purpose of this paper is to examine the influence of consumer-related and bank-related characteristics on the knowledge of the total cost of consumer loans paid by consumers and test the hypothesized relationships between them.

Design/methodology/approach: In order to identify the proportion of consumers who do not know the total cost of consumer loans and reasons for it in the Chilean consumer loans industry, an empirical study using a survey administered through personal in-home interviews was carried out. Findings: Results show that knowledge of a consumer loans total cost is positively associated with product satisfaction as well as recent and infrequent purchases. This study also shows that a big market segment, comprising 37.2 percent of the probability sample, represents vulnerable consumers with high self-reported knowledge but low actual knowledge of the total costs of consumer loans. This study shows that this market segment has