

The Impacts of Improvements in the Delivery of Credit from Formal and Semi-formal Financial Institutions: Evidence from Ghana

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This study examines the impacts of improvements in delivery of credit from formal and semi-formal financial institutions to households in Ghana. Our main interest is to exploit plausibly variations in access to credit from these institutions, due to the fact that before the passage of the new financial institution bills such as the Borrowers and Lenders Act (Act 773) and the Non-Bank Financial Institutions (Act 774) in 2008, households in the country could hardly borrow from the formal financial institutions. Particular attention is paid to a number of socioeconomic outcomes, including agriculture, nonfarm businesses, and expenditure. We document evidence of a decline in the share of households who have some informal borrowing, reduction in agricultural activities, and increases in nonfarm business activities as well as increases in the number of nonfarm business employees. We also find improvements in consumption, profits (both farm and nonfarm activities) and loan repayments.

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