

# Remittances and Financial Inclusion in Ghana

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## Introduction

- Access to financial services are limited in Ghana: only, 35.4% of households have savings accounts or are contributing to a savings scheme (GLSS, 2014)
- Also, only 11.4% of households applied for loan in Ghana.
- Remittances forms important part of household income: the share of remittances on household consumption ranges from 10.11% for the first quintile to 2.6% for the fourth and last quintiles.
- Thus, remittance is very important for the poor relative to the affluent families in terms of household consumption.

## Key Question

- What role does remittances play in financial inclusion (access and use of various financial services) ?
- We study the impact of remittances of financial inclusion (access and use of various financial services) in Ghana.
- Financial inclusion in this study is measured as the use of bank account and access to loans from formal financial institutions

## Data and Methodology

We use GLSS 6, the latest nationally representative household data by Ghana Statistical Service (GLSS).

Figure 1: Distribution of households by presence of migrants and receipt of remittances

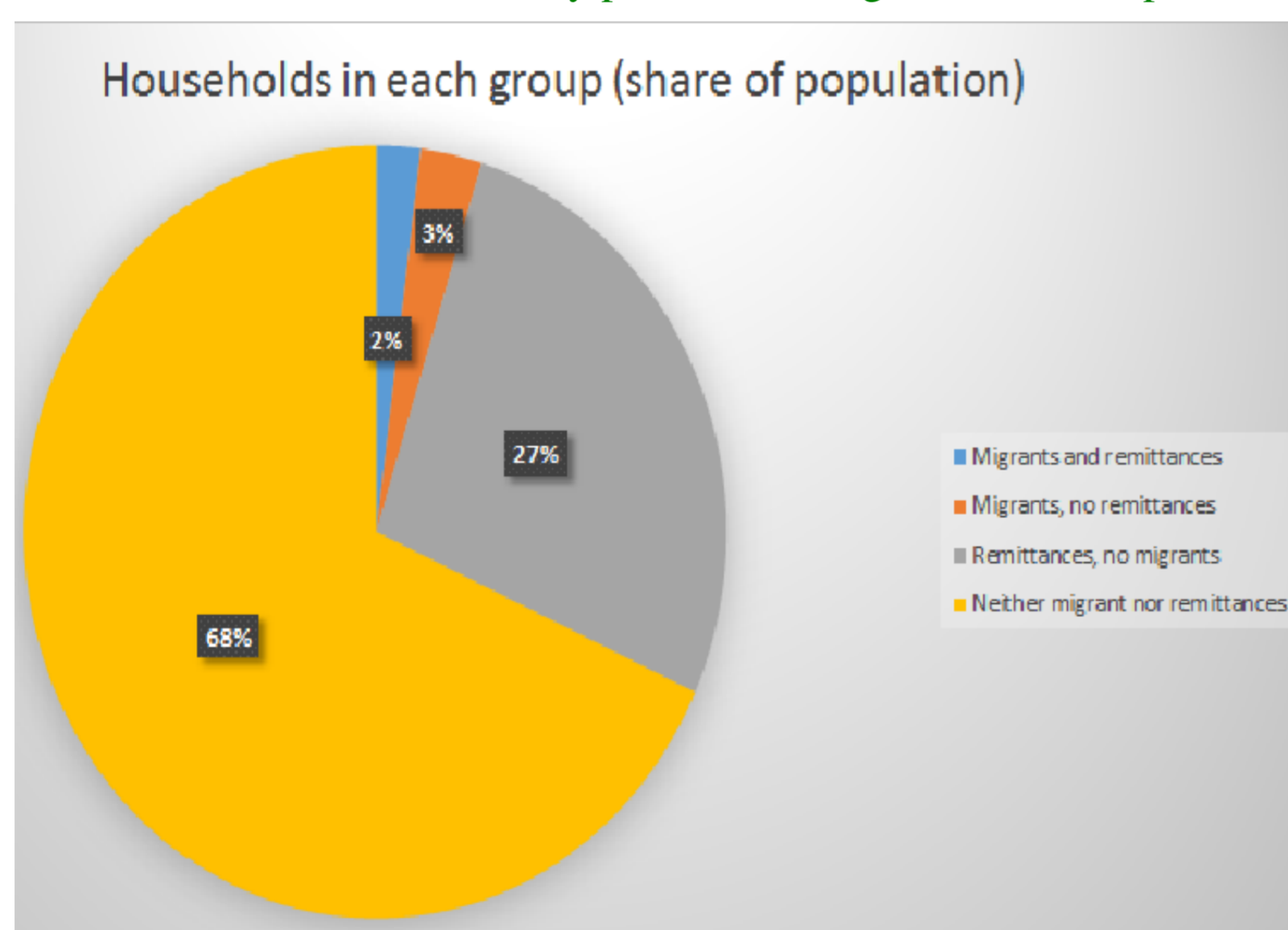


Figure 2: Summary statistics

Variable	Description	Obs	Mean	Std. Dev.
Bank account	1 if the household has a bank account or saves with susu	16,648	0.48	0.50
Loan application	1 if the household received a loan from a formal financial institution	16,648	0.12	0.32
Loan received	1 if the household requested a loan from a formal financial institution	16,648	0.11	0.31
Remittance	1 if the household received remittances (both internal & international)	16,648	0.29	0.45
Migrantmember	1 if the household has a current or past migrant	16,648	0.05	0.22
Female head	1 if the household head is female	16,648	0.28	0.45
Urban	1 if the household lived in urban center	16,648	0.44	0.50
Head_high education	1 if the household has secondary or tertiary education	16,648	0.19	0.39
Formal employment	1 if the household is formal sector worker/retired	16,648	0.22	0.42
Migrant & remittance	1 if the household has migrants and received remittances	16,648	0.02	0.14
Migrant & no remittance	1 if the household has migrants but does not receive remittances	16,648	0.03	0.17
No migrant but remittance	1 if the household has no migrant but received remittances	16,648	0.27	0.44
No migrant no remittance	1 if the household has no migrant nor received remittances	16,648	0.68	0.47
Adultsize	Number of adults in the household	16,648	2.57	1.57
Age of head	Age of head of household	16,648	45.89	15.88

we estimate the following model:

$$Finc_i = \beta_0 + \beta_1 remit_i + X\alpha + \epsilon_i$$

where  $i$  is an index of a particular household.

$Finc$  represents financial inclusion which is a dummy variable (bank account, loan application and loan application approval). Vector  $X$  includes determinants of households demand for financial services such as household size, gender of the head of household, education and age.

The variable  $remit$  is a dummy for remittances recipient household.

## RESULTS

Figure 3: Results  
PROBIT ESTIMATES

VARIABLES	Account	Loan Application	Loan Approval
remittance	0.123*** (0.0296)	0.212*** (0.0349)	0.182** (0.0885)
Migrant member	0.272*** (0.0576)	0.169*** (0.0580)	-0.0993 (0.150)
Adult size	0.134*** (0.00921)	0.0799*** (0.00896)	-0.0480 (0.0299)
Age of head	-0.00575*** (0.000770)	-0.00406*** (0.000928)	0.00742** (0.00327)
Female head	-0.123*** (0.0270)	0.0103 (0.0340)	-0.0988 (0.104)
urban	0.596*** (0.0385)	-0.0606 (0.0448)	-0.153 (0.0988)
formal	0.628*** (0.0356)	0.138*** (0.0368)	0.314*** (0.120)
Head high education	0.913*** (0.0353)	0.193*** (0.0355)	0.223* (0.123)
Constant	-0.689*** (0.0463)	-1.343*** (0.0576)	1.075*** (0.158)
Observations	16,648	16,648	1,948
(Pseudo)R-squared	0.1745	0.0222	0.026

Robust standard errors in parentheses  
\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

- Households that receive remittances are more likely to open bank account, apply for loan from formal financial institution, and get loan application approved.
- Older headed households are less likely have bank account and apply for loan but when they apply, are more likely to get approval.
- Households with migrant members are more likely to have bank account and apply for loan. However, loan approval is not affected by having a migrant in the household.

## Conclusions

- In this paper, we analyzed the effect of remittances on the households likelihood of using financial services including bank account, applying for loans and being offered loan by formal financial service provider.
- The results of the study suggest that remittances impact positively on financial inclusion in Ghana.