

Relationship between Food Inflation and Agriculture Lending Rate in Ghana: A Vector Autoregressive Approach

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Abstract : Lending rate of agriculture loan has persistently been high and attributed to risk in the sector. This study examined how food inflation and agriculture lending rate react to each other in Ghana using vector autoregressive approach. Quarterly data from 2006 to 2018 was obtained from the Bank of Ghana quarterly bulletin and the Ghana Statistical Service reports. The study found that a positive standard deviation shock to food inflation causes lending rate of agriculture loan to react negatively in the short run, but positively and steadily in the long run. This suggests the need to direct appropriate policy measures to reduce food inflation and consequently, the cost of credit to the agricultural sector for its growth.

Keywords : food inflation, agriculture, lending rate, vector autoregressive, Ghana

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