Accepted Manuscript

Title: The Effect of Reducing Information Asymmetry on Loan Price and Quantity in the African Banking Industry

Author: Simplice A. Asongu

PII: S0275-5319(16)30122-2
DOI: http://dx.doi.org/doi:10.1016/j.ribaf.2017.04.020
Reference: RIBAF 636

To appear in: *Research in International Business and Finance*

Received date: 27-6-2016
Accepted date: 11-4-2017

The Effect of Reducing Information Asymmetry on Loan Price and Quantity in the African Banking Industry

Simplice A. Asongu
African Governance and Development Institute,
P.O. Box 8413 Yaoundé, Cameroon.
E-mail: asongusimplice@yahoo.com

Abstract

The purpose of this study is to assess how information sharing offices affect loan price and quantity in the African banking industry. The empirical evidence is based on a panel of 162 banks in 42 countries for the period 2001-2011. From the Generalised Method of Moments, public credit registries decrease loan price. With instrumental Quantile Regressions, two main findings are established. Public credit registries consistently decrease the price of loans whereas private credit bureaus consistently have the opposite effect. Public credit registries increase loan quantity in bottom quintiles (or banks associated with lower loan quantities) while private credit bureaus increase loan quantity in top quintiles (or banks associated with higher loan quantities).

JEL Classification: G20, G29, O16, O55
Keywords: Information Asymmetry; Financial Access; Africa

1. Introduction

Access to finance remains a fundamental problem in African development because less than 20% of households on the continent have access to financial services in the formal banking sector (IFAD, 2011; Asongu et al., 2016a). Consistent with the narrative, some of the documented factors restricting financial access include: limited communication infrastructure, low population densities and poor transport facilities. Even in regions that are