Determinants and Predictors of Credit Constraints:

Empirical Evidence from Nigeria

Eun Jin Ryu[†]

Abstract

We investigate the determinants and predictors of different forms of non-pricing credit constraints using a nationally representative large dataset from Nigeria. This paper finds that the probability of being risk rationed decreases if a household head engages in waged labor, while the probability of being transaction-cost rationed decreases when a household owns their non-farm enterprises. For lower income households, the probability of being risk rationed increases if a household engages in agriculture. This paper further finds that households in the south of Nigeria are more likely to face quantity rationing. Loss averse is found to be positively related with each credit rationing except transaction-cost rationing. For identifying the best predictors of credit constraints status, using Least Absolute Shrinkage and Selection Operator (LASSO) and Random Forest, this paper finds that credit constraints status of household can be predicted by not only households' credit market participation and but also community level data such as climatology, terrain, and crop season parameters. These selected predictors might be applicable to other datasets which lack information on household's credit constraints status to improve the accuracy in targeting of microcredit programs.

[†] Korea Information Society Development Institute, Email: ejryu@kisdi.re.kr