Abstract

This paper argues that the study of the demand for financial services in developing countries leaves out part of the story if it looks at only one of the three elements of the so-called finance trinity—that is, savings products, loans and insurance—as is largely done in the literature. In contrast to previous research, this study assumes that households' choices for any of these services are strongly interconnected. Therefore, the paper simultaneously estimates the determinants of household demand for savings, loans and insurance by applying a multivariate probit model to household survey data from rural Ghana. On the one hand, the estimation results confirm the common finding that poorer households are less likely to participate in the formal financial sector than better-off households. On the other hand, there is empirical evidence that the use of savings products, loans and insurance depends not only on the socioeconomic status of households, but also on various other factors, such as households' risk assessment and past exposure to shocks. In addition, trust in the providing institution and its products appear to play a key role.

Keywords: Rural financial markets, Financial services, Sub-Saharan Africa, Ghana

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