

Contract Enforcement, Remittance and Economic Growth in Ghana



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ABSTRACT: This paper provides evidence that contract enforcement and remittances positively affect economic growth. Secondary data on Ghana was obtained from World Development Indicator spanning from the period 1980 to 2017. The variables used for the study include economic growth as the dependent variable and contract enforcement and remittances as independent variables. Foreign Direct Investment, export and financial development were used as control variables. The study investigates the significant relationship between remittances and economic growth in the presence of contract enforcement. Hence, one will like to examine the effect of contract enforcement to ensure that the remittance received is used. Cointegration, unit root estimations and regression estimations were conducted on time series data in examining the link between remittances and economic growth. The study shows a significant positive relationship between contract enforcement and economic growth in Ghana. The study also shows an important positive link between the interaction of remittances and contract enforcement on Ghana's economic growth in the long run. It was recommended in the study that Ghana should have strong contract enforcement so remittance and other factors can help promote economic growth.

KEYWORDS: Contract Enforcement; Remittances; Economic Growth; Cointegration; Unit root

1.0 INTRODUCTION

Remittance inflows have become the primary source of foreign exchange for many countries over time. According to the World Bank's 2018 Migration and Development Report, global migration remittances recorded a value of \$613 billion in 2017 despite the global crises. Remittances received from international migrants to their home countries are the most important source of external funds for many developing countries, after foreign direct investments. According to Bhattacharya, Inekwe and Paramati (2018), Remittances from employees are currently the second-largest source of external income after foreign direct investment, accounting for roughly double the amount of government aid to developing countries. Therefore, remittances have become recognised as a significant and stable source of funds for many developing countries (Nikas & King, 2005; Vargas-Silva & Huang, 2006; Kireyev, 2006).

Economic growth is an increase of a country outputs such as real national income, GDP, or per capita income. Gani and Bahari (2020) defined economic growth as an increase in the production of goods and services over time. Research is undertaken in remittance, and economic growth has yielded conflicting results. According to Sobiech (2019), remittance impacts economic growth when financial development. Issahaku, Abor and Amidu (2018) also argue that remittance promotes growth in the presence of good institutions. In this paper, we will assess how remittance contributes to economic growth in the presence of law contract enforcement.

Contracts have significance because of a society's ability to enforce them or its option not to implement some of them under questionable conditions. When a contract partner fails to deliver on a promise, there are various ways to seek enforcement; the differences are due to the specifics of the contract, the laws of the state or country where the agreement was made, and how the contract was breached. If markets are to function correctly, the ability to create and enforce contracts is critical (Durusu-Ciftci, Ispir, & Yetkiner, 2017). Good contract enforcement increases predictability and reduces uncertainty in commercial relationships by assuring investors that local courts will promptly uphold their contractual rights, resulting in economic growth (Kova, 2016; Alagidede & Mensah, 2018; Guerra 2021).

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1.2 Problem Statement

Studies on the significance of remittances on economic growth have produced contradictory results. Meyer and Shera (2017) contend that remittances positively affect economic growth, whereas Cazachevici, Havranek, and Horvath (2020) claim that remittances boost growth in Asia but not in Africa. These results did not consider how remittance will impact economic growth in the presence of strong law enforcement. Research from Ghana has been restricted to remittances and economic growth. Little literature has been done on contract enforcement, remittances and economic growth. According to Ohnesorge (2019), economic growth cannot be achieved unless respected and human rights are adequately protected unless the rule of law is respected. This is due to a well-functioning judiciary that resolves matters in a reasonable amount of time and is open to the public. This will build trust between parties and encourage business transactions. Therefore, this study will seek to bridge the gap by combining these variables, thus, the role of remittances on economic growth in the presence of contract enforcement and Ghana.

1.3 Research Hypotheses

The following research hypotheses are proposed;

H_0 : There is no significant relationship between contract enforcement and economic growth.

H_0 : There is no significant relationship between remittances and economic growth.

H_0 : There is no significant relationship between remittances and economic growth in the present of contract enforcement

1.4 Literature Review

This section delves into the literature on the impact of contract enforcement and remittances on Ghana's economic growth.

1.4.1 Contract Enforcement

Contract enforcement is defined by Giacomelli and Menon (2017) as an oral or written agreement between some parties that can be imposed in a court of law. When a party fails to fulfil a promise made in a valid, enforceable contract, such contract is termed as breached, and legal action may be taken at this point. In most cases, monetary compensation is sought in a contract breach. In some cases, the contract may have specified the maximum amount that can be recovered in the event of a breach. Many types of contracts, including sales of goods, real estate transactions, and employment contracts, are governed by specialised laws.

According to Bodoh-Creed (2019), development does not occur in a vacuum but depends on the prevailing institutional environment. According to Bodoh-Creed (2019), for an economy to mature and develop, economic agents must be confident that the laws of the land will protect property rights and enforce contracts. This lays the groundwork for savers, consumers, and investors to put their faith in the market and make sound decisions for the benefit of the entire economy. When there is strong contract enforcement, borrowing and lending costs fall because moral hazards and information asymmetry are reduced. This will increase investment, paving the way for growth and development.

1.4.2 Growth Theories

Neoclassical Growth Model

The three variables required for economic growth are outlined in the Neoclassical growth theory. They are labour, capital, and technology. Robert Solow and Trevor Swan proposed the neoclassical growth hypothesis in 1956. According to the idea, economic growth necessitates variable proportions of labour and capital, with technological advancement in the production function resulting in short-term equilibrium. The theory also contends that technological change has a significant impact on an economy and that economic growth cannot be manifested without technological advancements.

However, neoclassical growth theory distinguishes between temporary and long-term equilibrium, and neither of these three factors is required. According to this growth hypothesis, the accumulation and utilisation of capital are required for economic growth. Furthermore, the connection between labour and capital determines an economy's output. Finally, it is believed that technology will boost labour productivity and production possibilities. As a result, the neoclassical growth theory's production function measures an economy's growth and equilibrium.

Endogenous growth theory

Endogenous growth theory holds that endogenous variables rather than external influences cause economic growth. Endogenous growth theory arose as an alternate growth theory in the 1980s, alongside neoclassical growth theory. The concept posed how wealth gaps between rich and developing countries could exist if physical capital, such as infrastructure, has falling returns. According to endogenous growth theory, investment in human capital, innovation, and knowledge are significant drivers of economic growth. According to endogenous growth economists, improved productivity is directly related to greater innovation and human capital investment. As a result, they advocate for government and private sector institutions to support innovation and give incentives for individuals and organisations to be more creative, such as research and development funding and intellectual property rights.

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McKinnon Shaw's financial theory

The McKinnon–Shaw hypothesis is a theory proposed by McKinnon and Shaw (1973). When interest rates are liberalised, McKinnon (1973) and Shaw (1973) theorised, it will increase the real interest rate, which will lead to an increase in savings, spur investments, and finally lead to economic growth in developing countries. McKinnon (1973) and Shaw (1973) centred their original framework on financial repression and the need to alleviate it by enabling the market to decide real interest rates and removing credit controls, among other things. According to McKinnon (1973) and Shaw (1973), repression will result in low savings, high consumption, low investments, and slowed economic progress. The McKinnon–Shaw framework focuses on market distortions brought on by financial restrictions (Savanhu et al., 2011).

1.4.3 Remittances and Economic Growth

Economic growth, financial development, and the effects of remittances on poverty reduction are all discussed in the literature on remittances. Most extant research shows that remittances have a beneficial, direct, and indirect growth effect, especially in developing nations. Remittances and economic growth have been linked in several studies. Between 1980 and 2009, Mim and Ali (2012) discovered that remittances positively impacted consumption, investment, and economic development in a panel of 15 Middle Eastern and North African countries. Remittances substantially impact economic growth in these countries when they are utilised to invest in human capital.

Furthermore, economic specifications based on endogenous growth models generate conclusive results. For example, Cooray (2012) indicates that from 1970 to 2008, remittances had a beneficial impact on economic growth in South Asian economies through education and banking sector expansion. According to Rao and Hassan (2012), A rise in transfers directly influences economic activity and has an indirect positive effect via investment, real exchange rate depreciation, and financial sector expansion. Between 1980 and 2004, Fayissa and Nsiah (2010) discovered that a 10% increase in remittances translates into a 0.4 per cent increase in GDP per capita growth rate for 36 African nations. Baldé (2011) discovers that transfers can influence economic development indirectly through savings and investment in a sample of 34 SSA economies from 1980 to 2004. Singh et al. (2010) discovered that transfers are counter-cyclical and act as shock stabilisers in a sample of 36 SSA countries from 1990 to 2008. Nsiah and Fayissa (2013) found a positive relationship between economic growth and remittances using a panel of 64 African, Asian, Latin American, and Caribbean nations from 1987 to 2007.

Remittance inflows can assist finance human capital investment, stabilise consumption, and provide multiplier effects by increasing household expenditure (Gupta et al., 2009). Remittances can also contribute to economic progress by alleviating financial limitations in developing countries. Remittances transferred via this technique may influence nations with less established financial systems. Remittances may stimulate investment by reducing consumption volatility, resulting in a more stable macroeconomic environment that supports investment (Singh et al., 2010). Remittances are less likely to promote investment by relieving credit limits. According to Barajas et al. (2009), the more integrated an economy is with global financial markets, the more sophisticated the domestic financial system is. Receiving countries might benefit from remittances by reducing income instability and inflationary pressures (Chami et al., 2009). As a result, they display counter-cyclical behaviour by shielding the remitter's home country from macroeconomic shocks. According to Berulava (2019), remittances act as a macroeconomic agent to ameliorate the negative repercussions of financial crises and are counter-cyclical. In contrast, the majority of other flows are procyclical (they decline or even come to a cease during financial problems). As a result, remittances assist in maintaining consumption and output in the face of price fluctuations.

On the other hand, remittances may have a negative impact on economic growth by reducing labour supply and participation. They boost the wealth of recipients while lowering their motivation to work, resulting in slower economic growth. Filipino homes with temporary abroad migrants have reduced labour engagement and hours (Berulava, 2019). According to Ikpesu Akinola and Ikpesu Akinola (2020) remittances may damage economic growth due to asymmetric information and moral hazard. Perez-Saiz et al. (2019) discover that remittances and Mexico's labour supply have elasticity negatively. Asiedu and Chimbar (2020) find a negative association between remittances and labour supply in a subset of the population using data from Ghana. Chami et al. (2018) uses an extensive cross-country database to show that remittances lower labour force participation and increase labour market informality.

Other research has revealed that increasing remittances can hurt recipient nations' long-term growth by raising the real exchange rate. These flows can raise real exchange rates in recipient countries, causing a shift in resource allocation from tradable to non-tradable sectors hence economic development will suffer (Chami et al., 2010).

1.4.4 Contract enforcement and Economic Growth

Contracts must be made and enforced for markets to work efficiently. Good enforcement processes promote predictability and reduce uncertainty in business interactions by guaranteeing investors that local courts would promptly uphold their contractual

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rights. When business transaction enforcement procedures are time-consuming and bureaucratic, or when contractual disputes cannot be settled quickly and cheaply, economies turn to less efficient commercial practices. Traders rely more heavily on personal and family ties; banks restrict lending because they are dubious about their ability to recover debts or reclaim custody of property used as collateral for loans, and the majority of transactions are conducted in cash alone. This reduces the amount of money available for company expansion, resulting in stagnation in trade, investment, economic growth, and development. Giacomelli and Menon analyse the relationship between contract enforcement risks and average business size in Italian towns (2017). They discovered that poor contract enforcement has a significant impact on firms' motivation to grow, resulting in distorted economic growth.

This research adds to the literature by tackling this problem directly and investigating the influence of remittances on economic growth in Ghana when contract enforcement is prevalent.

2.0 METHOD

This chapter deals with the methods and procedures used in carrying out the study

2.1 Variable description

Dependent Variable

Economic growth: It is the increase in the output of goods and services over a given time period. It is quantifiable in both real and nominal terms. When something is measured in real terms, it has been adjusted for inflation. To be most accurate, the measurement must be free of inflation adjustments. Economic growth can be measured in a variety of ways. Many researchers use GDP to measure economic growth, whereas others use Human Development to measure economic growth.

GDP per capita will be used to measure economic growth in this study. The Gross Domestic Product (GDP) is the monetary value of all finished goods and services produced in a specific country during a given time period. GDP is used to calculate the size and rate of growth of an economy and provides an economic snapshot of a country.

Independent Variables

Remittances: The entire amount of money sent back to a migrant's home country from their migration host nation is known as remittances. The World Bank's recent compilation of personal remittances data will be used in this study. More recent years are probably used because remittance data have improved over time.

Export: It is a proxy for current and capital account openness in developing countries. Current and capital account openness has also aided financial development (Chinn and Ito, 2002). It is measured as the proportion of total exports to GDP.

Financial development (FD): is defined as the expansion and stability of an economy's financial sector and intermediate services. It may imply having a sufficient and competitive private sector, thriving stock markets, and awareness of various economic sectors and intermediary services to develop enormous wealth. Prior research has used the ratio of loans to the private sector reported as a percentage of GDP to assess economic development (GDP). Rather than financial markets, most countries rely heavily on their private sector (Demetriades et al., 2008). This study's primary focus is on indices of private-sector development.

Foreign Direct Investment (FDI): is a capital inflow ratio calculation statistic based on openness. Previous research on the levels of economic growth in various developing countries predicts that this will boost recipient countries' banking sectors (Aggarwal et al., 2006). This study, like Aggarwal (2005) and Gupta et al. (2006), uses total foreign direct investment as a major determinant of capital.

2.2 Source of Data

All independent variables, such as the exchange rate, inflation rate, money supply, and income, were gathered quarterly. The data comes from World Development Indicators (WDI) and spans 19 years, from 2000 to 2019.

2.3 Model specification

The study adopted the model of Meyer and Shera (2017) and include contract enforcement.

The model is given as

$$LNGDPPC_t = \beta_0 + \beta_1 REM_t + \beta_2 CE_t + \beta_3 FD_{it} + \beta_4 FDI_t + \beta_5 EXP_t + \varepsilon_t \quad (1)$$

where,

LNGDPPC, is the log of GDP per capita.

REM, is personal remittance per capita.

CE, is the Contract enforcement.

FD, is the Final development measured as Private sector Credit to GDP.

FDI, is foreign direct investment as a percentage of GDP.

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EXP, is export as a percentage of GDP.

2.4 Analysis Strategy

The paper adopted a time series estimation technique. The paper first assessed the stationarity properties for the variables and subsequently test for co-integration. Then the required model Error Correction Model (ECM) was used to achieved the stated objectives.

2.4.1 Stationarity test

The paper employed both Augmented Dickey-Fuller (ADF) and Philips- Perron test to test for the existence of a unit root in the model.

Augmented Dickey-Fuller (ADF)

The generalized form of the ADF is stated as :

$$\Delta Y_t = \alpha V_t + \phi y_{t-1} + \sum_{i=1}^p \psi_i \Delta y_{t-i} + \varepsilon_t \quad (2)$$

where y_{t-1} is the differenced past values of the process, α is the estimated parameter, Δ is the first difference operator, ε_t is sequentially independent and homoscedastic (white noise error term), and V_t contains deterministic terms.

Hypothesis

$H_0: \phi = 1$: {there exists unit root or no n-stationary}

$H_1: \phi < 1$: {there exists no unit root or stationarity}

Test statistic

The test statistic is given as:

$$ADF_t = \tau_{\phi=1} = \frac{\hat{\phi}-1}{SE(\phi)} \quad (3)$$

The Phillips-Perron (PP) Test

The Phillips-Perron (PP) unit root test controls series with stronger correlation when looking for a unit root. The PP test is based on the following statistic:

$$t_\alpha = t_\alpha \left(\frac{\gamma_0}{f_0} \right)^{1/2} - \frac{T(f_0 - \gamma_0)(se(\hat{\alpha}))}{2f_0^{1/2}s} \quad (4)$$

Where $se(\hat{\alpha})$ is coefficient standard error, t_α the t -ratio of α and δ is the standard error of the test regression. In addition, γ_0 is a consistent estimate of the error variance calculated as $(T - k)s^2/T$, where k is the number of regressors. The remaining term, f_0 , is an estimator of the residual spectrum at frequency zero.

2.5 The Johansen Cointegration Test

The Johansen cointegration test is a Vector Auto-Regression (VAR)-based cointegration tests which was developed by Johansen (1991, 1995). Consider a VAR of order p :

$$y_t = A_1 y_{t-1} + \dots + A_p y_{t-p} + Bx_t + \varepsilon_t \quad (5)$$

where y_t is a k -vector of non-stationary I (1) variables (political stability, remittance, foreign direct investment, inflation), x_t is a d -vector of deterministic variables, B being the coefficient of the deterministic and ε_t is a vector of innovations. We may rewrite this VAR as,

$$\Delta y_t = \Pi y_{t-1} + \sum_{i=1}^{p-1} \Gamma_i \Delta y_{t-i} + Bx_t + \varepsilon_t \quad (6)$$

where:

$$\Pi = \sum_{i=1}^p A_i - I, \quad \Gamma_i = -\sum_{j=i+1}^p A_j \quad (7)$$

where Π is the coefficient matrix.

2.6 Vector Error Correction Model (VECM)

VECM is used when the series are cointegrated and integrated at order one. The VEC definition incorporates cointegration and long-run linkages, and short-run adjustment dynamics. The error correction term corrects the departure from long-run equilibrium through a sequence of partial short-run modifications. The cointegrating equation is:

$$y_{1,t} = \beta y_{2,t} \quad (8)$$

The corresponding VEC model is:

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$$\Delta y_{1t} = \alpha_1(y_{2t-1} - \beta y_{1t-1}) + \varepsilon_{1,t} \quad (9)$$

$$\Delta y_{2t} = \alpha_2(y_{2t-1} - \beta y_{1t-1}) + \varepsilon_{2,t}$$

Where α_i measures the speed of adjustment of the i^{th} endogenous variable y towards the equilibrium.

3.0 RESULTS

This section presents the results of the study, this includes the descriptive statistics of the study variables used, correlation analysis, Johansen cointegration and vector error correction term.

3.1 Descriptive Statistics

Table 1 represents the descriptive of the study variables. The average mean of Log(GDPPC) is 6.9310 and ranges from 6.553 to 7.4855. The mean of personal remittance is 1.2926 with a high standard deviation of 2.2581. Thus, signifying that the remittances received in Ghana are low but Ghana has the ability to increase remittances received. The minimum and maximum values of remittance are 0.0104 and 10.13 respectively. Contract enforcement ranges from 1 to 3 with the average of 2.2063. This implies that on average Ghana judicial system is good. The mean of financial development FDI and export are 9.1570, 2.9164 and 25.6445 respectively.

Table 1: Descriptive statistics of study v

Variable	Obs	Mean	Std. Dev.	Min	Max
Log(GDPPC)	38	6.9310	0.2714	6.5533	7.4855
Remittances	38	1.2926	2.2581	0.0104	10.1300
C enforcement	38	2.2063	0.7393	1.0000	3.0000
Fin. Dev.	38	9.1570	5.3013	1.5423	15.8820
FDI	38	2.9164	2.9798	0.0453	9.5170
Exports	38	25.6445	11.8648	3.3383	48.8000

3.2 Correlation Analysis

The Pearson's correlation among the variables were computed and presented in Table 2. This exhibit how the variables are related especially the independent variables, so that independent variables that are highly correlated (0.8) will be dropped. From the table it is seen that the variables do not exhibit multicollinearity among one another since the independent variables have correlation coefficient less than 0.8. The study also finds positive correlation among the variables.

Table 2: Correlation Analysis

		1	2	3	4	5	6
1	Log(GDPPC)	1					
2	Remittances	0.8083***	1				
3	Law & Order	0.3884**	0.2055	1			
4	Fin. Dev.	0.8455***	0.5619***	0.4313***	1		
5	FDI	0.8291***	0.5736***	0.4037**	0.7996***	1	
6	Exports	0.5632***	0.3868**	0.446***	0.8007***	0.4416***	1

3.3 Unit root test

The variables' stationarity status was determined using a two-unit root test, namely the Augmented Dickey-Fuller (ADF) test and Phillips-Perron (PP). All variables were not stationary (contained a unit root) at level but were stationary at the first difference, estimated at a 5% critical value. Therefore, all the variables are integrated in order one ($I(1)$).

Table 3: Unit root test

Variable		Augmented Dickey-Fuller		Philips- Perron	
		Stat	P value	Stat	P value
GDPPC	Level	-1.1587	0.6817	-1.042	0.7278
	First difference	-7.236	0.000	-7.759	0.000

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CONTRACT ENFORCEMENT	Level	-2.1157	0.240	-1.845	0.3536
	First difference	-4.485	0.0010	-4.469	0.001
REMITTANCES	Level	-0.9882	0.7471	-1.343	0.599
	First difference	-7.876	0.0000	-10.49	0.000
FD	Level	-2.9247	0.052	-2.572	0.1076
	First difference	-6.6367	0.000	-8.904	0.000
EXPORTS	Level	-1.599	0.473	-1.581	0.482
	First difference	-5.978	0.000	-5.983	0.000
FDI	Level	-2.3287	0.409	-1.364	0.5887
	First difference	-5.0155	0.000	-4.92	0.000

3.4 Cointegration Test

The cointegration test is used to determine whether the study variables have a long-term relationship. The output of the cointegration test in Table 4 yields two statistics: Trace Statistic and Max-Eigen Statistic. A significance level of 0.05 is used as a rejection criterion. If there was no cointegration, we rejected the null hypothesis and accepted that the variables were cointegrated for at least one cointegrating equation with a 0.05 Trace and Max-Eigen statistic. As a result, it is concluded that the variables have a long-term relationship.

Table 4: Johansen Cointegration Test

Hypothesized No. of CE(s)	Trace statistics	Critical value (5%)	Max value	Eigen	Critical value(5%)
None*	134.7313	95.75366	73.33429	40.07757	
At most 1	61.39698	69.81889	26.04939	33.87687	
At most 2	35.34759	47.85613	17.63077	27.58434	
At most 3	17.71682	29.79707	10.42712	21.13162	
At most 4	7.289697	15.49471	6.198762	14.26460	
At most 5	1.090935	3.841466	1.090935	3.841466	

Source: Author's estimation (STATA 15 output)

3.5 Short run and long run relationship

To study the presence of a long-run link among variables, various new econometric methodologies have been introduced. The study examines the long and short run relationships between contract enforcement, remittances, and economic growth using a vector error correction model. The tests of time series properties showed that the variables are integrated of order one, cointegrated which enables the use of the VECM. The VECM results revealed a significant positive long run relationship between contract enforcement and economic growth ($\beta = 0.04648$; $p = 0.000$). However, Remittance was exhibiting significant negative relationship with economic growth ($\beta = -0.3910$; $p = 0.000$). But when remittance interact with contact enforcement the results yield a significant positive relationship with economic growth. This implies that remittance alone do not positively impact economic growth but only does so when it interacts with high contract enforcement, then there is a positive relationship. The error correlation term was negative and less than one ($\beta = -0.13268$; $p = 0.000$). This implies that the speed of adjustment is 13.268%.

Table 5: Short run and long run relationship

Variable	Coef.	Std. Err.	z-test	p-value
Long run				
Contract enforcement	0.04648	0.00827	5.6193	0.000
Remittances	-0.39100	0.10727	-3.6451	0.000
Cont*Remitt	0.13069	0.04267	3.0630	0.002

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Exports	0.00283	0.00085	3.3220	0.001
FDI	-0.03060	0.00385	-7.9448	0.000
fin. Development	-0.01838	0.00320	-5.7426	0.000
Short run				
ECT	-0.13268	0.02864	-4.6321	0.000
L(log_GDPPC)	0.61998	0.12683	4.8881	0.000
D(Contract enforcement)	-0.02273	0.02045	-1.1112	0.266
D(Remittances)	-0.23560	0.14952	-1.5757	0.115
D(Cont*Remitt)	0.09155	0.05957	1.5369	0.124
D(Exports)	0.00083	0.00123	0.6778	0.498
D(FDI)	-0.00656	0.00417	-1.5717	0.116
D(fin. Development)	0.00191	0.00356	0.5359	0.592
constant	0.01093	0.00522	2.0946	0.036

D represent first difference and *L* refers to the lagged; *ECT* is the error correction term; *Cont*Remitt* is the interaction of contract enforcement and remittances.

4.0 DISCUSSION OF RESULTS

The study intended to ascertain whether contract enforcement and remittances aided Ghana's economic progress. Other research has focused on the impact of remittances on economic growth, poverty alleviation, and financial development. However, this study does not only seek to know if remittances promote economic growth but also investigates the interaction effect of contract enforcement and remittances in promoting economic growth. The result revealed that remittance does not promote economic growth over the time frame examined in this study. This result is consistent with Cazachevici, Havranek and Horvath (2020), which negatively affects economic growth in Africa. According to Ernst et al. (2019), remittances can potentially have a detrimental influence on economic growth in recipient nations by diminishing incentives to work and, as a result, decreasing labour supply or labour force participation. This may create a rise in the real exchange rate in recipient economies, resulting in a reallocation of resources from the tradeable to the non-tradable sectors, or it may have a negative impact on long-run economic growth. The contract enforcement coefficient was both positive and substantial. This implies that good contract enforcement promotes economic growth. This finding backed up Haggard and Tiede's (2011) assertion that the rule of law is essential for economic growth. They explained that the rule of law ensures that property rights are protected and that government checks and prevents corruption. This study looked into the interaction effect between contract enforcement and remittances on Ghana's economic growth. The findings revealed a significant long-term positive impact on economic growth. This means that people invest in their remittances for economic growth whenever contract enforcement occurs.

5.0 CONCLUSION

This study confirmed the impact of contract enforcement and remittances on Ghana's economic growth. Though Ghana receives a small share of overall documented remittances to developing nations compared to Latin America, the Caribbean, and Asia, the volume of remittances outweighs other aid flows to Ghana. This paper aimed to analyse to what extent contract enforcement will boost remittance to promote economic growth since research does not have a clear direction on how remittance supports economic growth. The study concluded that remittance promotes economic growth in the presence of contracts or law enforcement. This goes to say that when there is contract enforcement, people turn to invest and work on the little as they are assured that people will be held accountable for any misuse of funds and losses. The study recommends that Ghana must reform its judicial system by emphasising investors' rights and providing more efficient contract enforcement so that people will have the confidence to invest in their remittances for economic growth.

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