Restoring Property Rights: The Effects of Land Restitution on Credit Access

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Resumen:

Victims of forced displacement and land dispossession are eligible for land restitution under a law approved in Colombia in 2011. These households are materially deprived and have limited access to the formal labor market, often resorting to informal entrepreneurship to improve their living conditions. For this, they need access to credit. We estimate the causal effect of the law on credit access, using the timing of the restitution as the source of identification in an event study approach. We analyze administrative data from the program and data from the census of credit transactions. Our findings reveal, on the extensive margin, a substantial increase in beneficiaries' likelihood of obtaining a loan and, on the intensive margin, an increase in loan size. These effects are most pronounced two years after land restitution when individuals obtain the full property right. Although complementary policies partly drive this effect, the data suggest that demand for credit also increases, signaling restored trust.

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