Pakistan Journal of Life and Social Sciences
www.pjlss.edu.pk

https://doi.org/10.57239/PJLSS-2024-22.2.001018

RESEARCH ARTICLE

Impact Of Globalization on Financial Development in Africa

Damilola Lotsi[1], Taiwo Adewale Muritala[2*], Abbas Ibrahim Umar[3], Hauwa Abubakar Lamino[4]

[1,2,3,4] Business Administration Department, Nile University of Nigeria

ARTICLE INFO

Received: Sep 22, 2024

Accepted: Nov 4, 2024

Keywords

Globalization,

Financial Development

Africa

***Corresponding Author:**

muritaiwo237@gmail.com

ABSTRACT

This study examines the impact of globalization on financial development in selected African countries over the period of 2004 to 2023. Specifically, the study examined the short run and long run impact of the components of globalization (trade openness and foreign direct investment) on financial development proxied by financial depth. The study used secondary quantitative data in panel data structure (time series and cross sections) and used both descriptive and Autoregressive Distributed Lag (ARDL)/Bound testing to co-integration. The study revealed a high speed of adjustment in the short run for financial stability and financial depth (56% and 39%) for the models respectively. Similarly, the long run co-integration bound testing results reveal that the impact of trade openness and foreign direct investment on both the financial stability and financial depth established are positive and significant respectively in selected African countries at 5% significance level. The study therefore, recommends that the government in the selected African countries should open up the countries to trade, in order to enable its financial sector opened to foreign competition which will in turn compels domestic financial institutions to improve their services, lower costs, and adopt innovative practices to stay competitive. Also, the Central Bank authorities in the selected countries should initial policies that will foster foreign direct investment in enhancing financial depth through stimulating domestic financial markets, increasing competition, improving financial intermediation, developing financial infrastructure, and facilitating knowledge transfer.

INTRODUCTION

Globalization plays an important role in financial development of countries across the world. There is an upsurge among countries to boost their financial development by taken advantage expansion economic, social and technological advancement that globalization offers. The global scene in this twenty-first century has experienced a resurgence of international and a holistic integration of business transaction with little or no restriction (Shahbaz, Mateev, Abosedra, Nasir & Jiao, 2021). Globalization in the past has chosen to take up most mechanism in dealing with financial development, improving the social welfare of states and strengthening political ties between countries. The literature has generally emphasized that the link between financial development and globalization has become stronger over the past three decades as globalization stimulated institutional reforms that promote financial development and economic growth (Balcilar, Gungor and Olasehinde-Williams 2019). Exploring the impact of globalization on the Nigerian financial development is in fact an issue of substantial importance for governments and regulatory authorities. This is because financial development through domestic reforms can intensify trade and capital flows, and thereby can lead to higher economic growth.

Globalization and its impacts on financial development have been one of the main concern of the scholarly researchers over the last three decades. Vast amount of research shed light on the various aspects of globalization and its impact on various sectors and the overall performance of the economies. The literature has generally emphasized that the link between financial development and the globalization has become stronger over the three decades as globalization stimulated institutional reforms that promote financial development economic growth. Thus, in additional to its growth enhancing effect through trade, globalization might further enhance economic growth indirectly via its effect on financial development. This has made the policy makers to reconsider their policies in order to use advantages and increase the economic gains from the benefits of the globalization with the ultimate goal of sustainable growth.

Given these positions, the consequences poor globalization policies include low foreign direct investment, impediments to trade openness, and corruption (Akinola 2020). It is clear that African countries are the most disadvantaged countries that engaged in globalization (John & Kyalo, 2022). It is therefore important that African countries to develop an understanding of whether globalization has translated into having a substantial effect on the financial development of their emerging economies. It is against this premise that the issue of this study is built to understand whether the exchange rate and interest rate have influenced the relationship between globalization and financial development among African countries.

LITERATURE REVIEW

Conceptual Review

Concept of Globalization

Globalization is a mechanism in dealing with financial development, improving the social welfare and strengthening the political ties among countries (Shahbaz, et al., 2021). The literatures have generally emphasized that the links between financial development and financial globalization have become stronger in the past three decades as globalization generally stimulates institutional reforms that encourage economic growth and financial development (Balcilar, Gungor & Olasehinde-Williams 2019). Globalization as an economic concept accentuates two changes: (1) improvements in transport and communication systems, and (2) high mobility of financial resources and trade. It also implies a situation in which countries continually depend on the global system for transactions. Three main perspectives shed light on how these affect countries. These are the countries' external position (systemic approach), the domestic or internal conditions within the nation (sub-systemic), and a combination of the systemic and sub-systemic approaches. In essence, the structure of the international ecosystem, its evolution and the roles that individual countries play in trade, labour and capital supplies influence development outcomes in diverse ways (Nasreem, et al., 2020).

Foreign Direct Investment

The concept of foreign direct investment (FDI) is an important means of non-debt inflow, and is increasing being desired as an instrumental flow and as a means of achieving comparative and competitive efficiency by creating meaningful global inter-connections. FDI consists of external resources that include technology, capital and managerial and marketing expertise. All these generate considerable effects on host economy's productive capabilities (Azcan & Olcay 2021). The goodness of governments' policies of stimulating the productive bases of the economy depend squarely on its ability to control and attract adequate FDI comprising of managerial, capital and technological resources to improve the existing production capabilities.

Trade Openness

This is the measure of the extent to which a nation or country is engaging in the system of global trading. Operationally, trade openness is measured by the relationship between the sum of exports

and imports to the economic growth of the country. Furthermore, it can be seen as the orientation of country's economy in the context of international trade. According to trade openness is the sum of country's imports and exports as a share of the country's GDP, represents the involvement of the state in the international flows of goods and capital (Beri, Mhonyera & Nubong 2022).

Openness is usually measured by the ratio of exports to GDP. There is a substantial and growing empirical literature investigating the relationship between openness and growth (Lawrence & Ashenafi, 2021). On the one hand, a large part of the literature has found that economies that are more open to trade and capital flows have higher GDP per capita and grew faster. On the other hand, several scholars have criticized the robustness of these findings especially on methodological and measurement grounds (Keita, Baorang & Nthabelang, 2022). Trade openness depicts the extent of actual exposure to trade interactions and accounts for the effective level of integration (Oloyede, Osabuohien & Ejemeyovwi, 2021).

Concept of Financial Development

The concept of financial development refers to better mobilization of savings in the form of accumulated liquid assets, acquiring information about investments and allocation of resources, exercising corporate control by monitoring the managers, facilitation of risk management and facilitation of trade and contracts (Islam, Khan, Popp, Sroka & Oláh, 2020). Financial development means the development of financial intermediaries and the financial market. According to the World Bank definition of financial development is "about overcoming "costs" incurred in the financial system. This process of reducing the costs of acquiring information, enforcing contracts, and making transactions resulted in the emergence of financial contracts, markets, and intermediaries". Financial development may successfully relate to the effective functioning of the financial system that facilitates the trading of goods and services, assemble the saving, encourage the exchanging, manage investment and risk and effectively allocate the resource and capital.

Several studies provide that measurement of financial development is not an easy task (Salahuddin et al., 2020). Based on the World Bank and the study of Ahmed and Aghar (2021), financial development measures use some proxy variables which include financial institutions depth index, financial institutions access index, financial institutions efficiency index, financial institutions stability index and capital accumulation. First, depth (measured by private sector credit to GDP; money supply; financial Institutions' asset to GDP; gross value added of the financial sector to GDP and; debt securities to GDP. Second, access (used trade; percentage of firms with the line of credit (all firms), and; ratio of domestic to total debt securities. Third, efficiency (used net interest margin; lending-deposits spread; the turnover ratio for the stock market and employment rate as sub-variables and Fourth, stability and capital accumulation (measured by price indicators, market capitalization and capital formation variables).

Financial Stability

Macroeconomic stabilization policy aims to maintain low and stable rates of unemployment and inflation. But policymakers often act when either stray from their long-term goals. If they consider inflation to be too low or unemployment to be too high, the normal response is to lessen policy rates. The hope is that improving bank, company, and household balance sheets through loosening financial conditions will stimulate lending and borrowing. However, this invariably leads to increased debt, which carries the risk of financial instability (Cecchetti et al., 2020). According to Tobal & Menna(2020) before the advent of the Great Financial Crisis (GFC), financial stability was observed mainly from a microeconomic viewpoint. That is to say, the total risk assumed by all financial institutions was considered to be the risk that the financial system as a whole faced. Nonetheless, the GFC exposed that these institutions interrelate in ways that can trigger negative externalities that magnify the risk faced by the system as a whole (i.e., systemic risk), even though they do not increase

individual risk-taking. These negative externalities are seen, for instance, in a financial cycle along which systemic risk is amplified, and the sudden successes in credit and asset prices subsequently lead to a bust (Dakila, 2020).

Financial Depth

According to Saberi et. al., (2022), financial depth refers to the increase of financial resources in the financial sector by "enhancing the financial services tailored to all the levels in the society, thus increasing the availability and accessibility of financial services in an economy." Likewise, it is also the increase in the proportion of the money supply to the price index, which indicates a high level of liquidity and additional money into the economy, invariably, there will be more investment opportunities, higher growth rate, economic stability and more prospects ahead of that economy. Similarly, improved financial depth in financial institutions increases the mobilization, aggregation, and directing of savings in a collection of productive capital that increases economic growth. At first, the financial sector facing financial repression will significantly challenge the country's economic growth (Dufour & Guevara, 2023), this suppression of financial institutions leads to a decrease in the level of investment. As a result, it causes a lower investment level, leading to a slowdown in the economy's growth rate. (Saberi et. al., 2022).

Conceptual Framework

A conceptual framework functions as an integrating ecosystem that assists researchers in purposefully bringing all components of a study together, providing guidance and support for their work through a process that explicates their connections, overlaps, disjuncture, and context shaping a research setting (Kovács-Kószó, 2020). In this study, the dimensions for financial globalization are FDI and trade openness (TO) while other dimensions influence (control) financial globalizations considered in this study are financial depth and financial stability.

Levine's study for the World Bank (2005) is the most conclusive about the selection of the indicators for financial development, although they recognize that the suggested variables may not completely capture all the features of the financial system. The measurement is done at the level of financial institutions and the financial market. For each of these elements, there are two dimensions: depth and stability; these features are depictions of the services provided by the financial system (Nastu & Dumitrache, 2020). Similarly, Cihak et.all, (2012) developed several measures for financial development variables and categorized them as access (the degree to which individuals can and do use financial markets and institutions), depth (size of financial markets and institutions), and stability (steadiness of the financial markets and institutions).

The Conceptual Framework

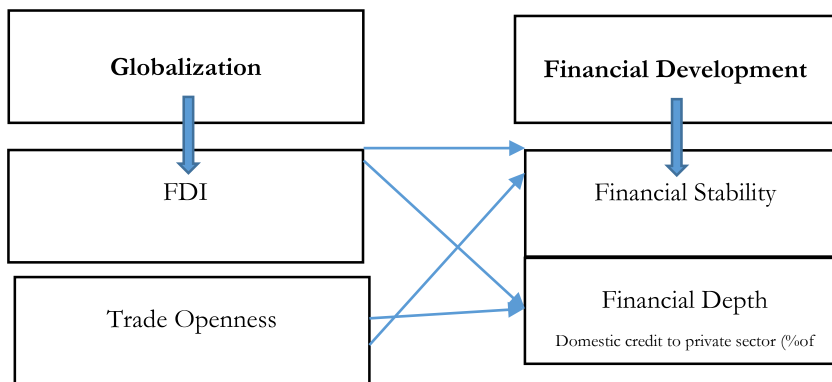

Figure 1: Shows the Inter-connectivity between Globalization and Financial Development.

Theoretical Framework

This study is underpinned by Transformationalist theory. The proponents of Transformationalist theory of globalization are (Held, McGrew, Goldblatt & Perraton, 1999). They tend to hold an inherently capitalist view on the idea of globalisation. They viewed globalization from a different perspective and therefore argue that globalization should be understood as a complex set of interconnecting relationships through which power is mostly exercised indirectly (Kassim, 2012). It further emphasizes that the flow of capacity, resources or culture is not one way, from the west to the developing world; it is a two-way exchange in which Western capacity, resources or culture is also influenced, changed and enriched by those in the developing world (Brinkman & Brinkman, 2008).

The transformationalist theory has the following assumptions: Firstly, transformationalists see the power of national governments as being "reconstituted and restructured", not waned or increased, as believed by Globalists and Sceptics. Traditionally politics have been the responsibility of the nation state and the tasks of maintaining country specific issues such as economic welfare, security, protection of human rights and the environment lay with the government of the country. However, it has been suggested that the global economy is accelerating faster than global governance. This can lead to the nation state relinquishing power to other entities as a result of globalization. Secondly, transformationalists argue against the linear fashion of globalist ideals, stating that it is a much more complex process and many different factors influence the outcome of globalization. In examination of some of the failings of the liberalization of markets in recent times the empirical evidence in favour of the Transformationalist views mounts up. Transformationalists believe that focusing solely on the economic aspect of globalization, can negatively impact social integration.

Thirdly, transformationalist view on globalization, an understanding of the social aspects is required.. With this level of information sharing, interconnectedness and intercultural knowledge, social integration is deepening. The internet is a platform for knowledge and idea sharing, and as Stiglitz mentions in his definition of globalization, are fundamental to its success, specifically in the view of a transformationalist (Brinkman & Brinkman, 2008). Lastly, transformationalists also believe that globalization can be reversed, especially where it is negative or, at the very least, that it can be controlled. Ulrich Beck (1992) argues that a fundamental feature of financial globalization is the development of a global risk consciousness, such as international crises, the threat of global pandemics, the rise of organized crime which emerges due to shared global problems which threaten people in multiple countries.

Justification for Transformationalist theory

There is reason to believe that each view point on globalization has factors to be considered. In examination of Globalist, Sceptics and Transformationalists views it is difficult to state one final correct definition of globalization (Edward, 2008). The argument against Sceptics, that the idea of globalization is not an entirely new one seems plausible. However it has become evident that the execution of globalization in recent times, is very different to that of the 1850's and the industrial revolution. Also one cannot contest the globalists that globalization has had profound economic benefits in some economies.

It can be said that globalization is not linear, and the outcomes are complex and unpredictable. Neoliberal theories are difficult to apply to the imperfect situations occurring in today's economy. Idea and knowledge sharing is an essential factor of deep integration and so global institutions must encourage it. Finally governments of nation-states must manage globalization, tailoring it to benefit their citizens. The Transformationalist's rational approach to tailoring globalization to the specific needs of a country, without losing the power of the nation state are relevant to the issues occurring in the world today (Brinkman & Brinkman, 2008).

Consequently, in a current study of globalization and financial development, transformational theory is appropriate to explain the relationship because it sees globalization as a positive phenomenon that has created a new class of global consumers, in both the developed and the developing world, with a greater range of choice from which they can construct a hybridized global identity (Kassim, 2012). Eventhough, this range of choice are influence by various social, economic and financial policies of various nations, it still determine global economic and financial growth.

Empirical Review

Considering the empirical studies in globalization and financial development, several literatures have considered the inter-relationship using different control and/or moderating variables as the case maybe.

In relation to objective one of this study that seek to determine the causal relationship between globalization and financial development among African countries, the review on the relationship between globalization are as presented below.

Globalization and Financial Development

According to Ajayi and Musyimi (2022) in the examination of the impact of globalization on Nigerian financial development with particular reference to foreign direct investment, trade openness, exchange rate, government expenditure, interest rate and inflation. The study used autoregressive distributed lag (ARDL) model. Study revealed that globalization has a positive impact on Nigerian financial development. The study recommended that Nigeria must face the challenges of globalization.

Similarly, Tesega (2022) examine the relationship between financial globalization and financial development. Study used Regressions with Driscoll-Kraay and panel-corrected standard errors, which account for cross-sectional dependence, were employed to analyze the link. The study finds the existence of a U-shaped relationship between financial globalization and financial development in Africa, suggesting that a lower level of financial globalization appears to have a negative influence on financial development. The study recommended African countries to consider the appropriate timing prior to fully opening their capital accounts to international players in order to enjoy the benefits of financial globalization.

Furthermore Arumona, Lambe and Dauda (2022) investigates the effect of stock market capitalization on economic globalization. Gross domestic product was used as proxy for economic globalization and was expressed as a function of stock market capitalization (MCAP). This study employed quantitative research design through the use of time series data. This includes a descriptive analysis and econometric analysis of secondary data covering the period of 22 years from 1998 to 2019. Augmented Dickey Fuller (ADF) unit root test, Co-integration test and Vector Error Correction Model (VECM) were employed in the analysis. From the ADF unit root test conducted, it was revealed that GDP and MCAP were non-stationary in levels but at first differencing; both variables became stationary at 5% level of significance. The results of the VECM model indicated that MCAP has a positive and significant effect on GDP and it is estimated on the average that 1% increase in stock market capitalization will lead GDP to increase by 84%. It was thus concluded that stock market capitalization has a significant effect on economic growth measured by GDP.

In a similar vein, Balcilar, Gungor and Godwin (2021) examine whether globalization effects financial development by generating incentives for institutional reforms, and therefore, enhance economic growth due to increased financial development in addition other channels. The study used panel data estimation methods and revealed that all measures of globalization strongly enhances financial institutional development and its sub-dimensions except the efficiency for which the evidence is weaker. The study recommended that political globalization often precedes economic and social

globalization. Similarly, Majeed, Ahmad, Asif Khan & Olah (2021) studied the impact of FDI on FD in the sample of 102 Belt and Road Initiative countries, and found that FDI enhances FD in Asia, Europe, and Latin America, while it has a negative effect in Africa due to weak financial structure.

In addition, Nasreen, Mahalik, Shahbaz and Abbas (2020) examined the role of financial globalization, institutions and economic growth on the development of the financial sector using panel data of European countries for the period 1989-2016. The empirical results indicate financial development and institutional quality are positively associated with financial development, but apart from this, financial globalization blocks the development performance of the financial sector.

Appreciating the growth effect of globalization in 16 highly developed countries (Western Europe, USA, Canada, Japan, Australia and New Zealand) in 1980-2018, Swadzba (2020) pointed out that impact of globalization on growth was not observed in this group of the most globalized countries. Also, attesting the impact of globalization (overall, economic, social, and political) on economic growth of South Asian countries over the period 1971-2014. Similarly, Hasan (2019) specified that overall globalization, economic globalization, and political globalization accelerate growth in the long-run; however, the dimensions of globalization have no significant effect in the short-run. Concentrating on the particular country, he found the amalgam results, as the characteristics, elasticity, and strength of political, social, and economic institutions are distinct in the sorted countries.

Furthermore, Shahbaz, Shafiullah and Mahalik, (2019) examine the nonlinear relationships between globalization, financial development, economic growth and life expectancy in Sub-Saharan African countries. The study used dynamics of financial development, globalization, economic growth and life. The finding indicates that financial development, globalization and economic growth appear to have a positive impact upon life expectancy in Sub-Saharan African economies. The study recommends that governments should incorporate globalization, financial development and economic growth as key economic instruments in formulating sustainable developmental policy to promote life expectancy for the people in Sub-Saharan African countries.

Ascertaining the effect of globalization on economic growth in ASEAN in 2012-2017, the results of Sardiyo and Dhasman (2019) describe that globalization had a significant positive association with growth. All indicators of globalization manifest the positive association between globalization index, economic globalization, social globalization, and politic globalization to real GDP and GDP per capita. Similarly, in developing the relationship between economic globalization and economic growth in Central African Economic and Monetary Community (CEMAC) countries, Nguea (2019) indicated that the impact of economic globalization on growth in CEMAC is positive and significant based on the data in the period 1970-2015. Also, Henri, Luc, & Larissa (2019) used the sample of 49 African countries in the 1990-2016 period and Pooled Mean Group approach found that in the long term, FDI has a positive and significant influence on FD, but in the short run the effect of FDI on FD is negative.

Examining the impact of universalization on development in Turkey in the period 1980 – 2015, Kılıçarslan and Dumrul (2018) found that political globalization negatively affected economic growth, and economic and social universalization had a positive impact on growth. Similarly, verifying the impact of globalization on economic growth for the emerging economies during 1970-2014. Also, Ulucak (2018) detected that overall the KOF globalization index, economic, and social dimensions of globalization have positive influence on growth while the effect of political dimension on growth is negative. In contrast, Bayar & Gavriletea (2018) in their research using panel data analysis Central and Eastern European Union countries between 1996 and 2015 found that there is no long-run relationship between FD, FDI and foreign portfolio investment inflows, no causality from FDI inflows to FD, and foreign portfolio inflows have no significant impact on FD and, therefore, FDI does not significantly affect FD in both short-term and long-term.

Additionally, Araoye, Ajayi and Aruwaji (2018) examined the impact of the Nigerian Stock market development on the nation's economic growth from 1985 to 2014. The economic growth was proxy by the GDP while the stock market variables considered included; market capitalization and market turnover ratio as proxy for stock market development in terms of size and liquidity. The study utilizes the Johansson's co integration test in establishing if a long run relationship does exist between stock market development and economic growth in Nigeria. The empirical results suggest that the stock market is significant in determining economic growth in Nigeria using the error correlation model and it was concluded that the stock market has impacted insignificantly on the economic growth. The study recommended that Small and medium entrepreneurs should be encouraged to access the market for investible funds given their close affinity with the grass root funds mobilization ability.

Furthermore, in order to assess the effect of economic globalization, social globalization, and political globalization on economic growth of Asia-Pacific countries in 2000-2014, Titalessy (2018) elicited that economic globalization and political globalization have a significantly positive influence on growth. Meanwhile, social globalization showed a negative and significant influence. To shed some light on the effect of globalization on development in Romania for 24 years from 1990 to 2013.

Furthermore according to the objective two of this study on the evaluation of the effect of foreign direct investment on the financial development among African countries, the following empirical review were conducted.

Financial Development and Foreign Direct Investment

According to Georgeta et al, (2023) in the examination of an empirical analysis of the impact of foreign direct investment on economic growth. The study used panel data with fixed effects and Granger causality testing method. The study finds that there was a significant and positive impact of foreign direct investment on financial development and economic growth generally during the analyzed period in the case of the selected group of countries.

Similarly, Francois et al., (2022) examine the long-term and causal relationship between foreign direct investment, official development assistance and economic growth for 20 selected African countries. The study used autoregressive distributed lags and the error correction model method. Economic growth was found to promote official development assistance, while foreign direct investment was found to encourage economic growth and official development assistance was found to promote economic growth in the long run. The study recommends that African countries should put in place policies that attract foreign direct investment and official development assistance.

In addition, the study of John and Kyalos (2022) examine the impact of globalization on Nigerian financial development with particular reference to foreign direct investment, trade openness, exchange rate, government expenditure, interest rate and inflation. The study used the autoregressive distributed lag (ARDL) model method. The study find that foreign direct investment, trade openness and government expenditure have a positive and significant impact on financial development in Nigeria while exchange rate, interest rate and inflation rate have a negative significant impact on Nigerian financial development. The study recommended that Nigeria must face the challenges of globalization.

In a similar vein, My-L (2022) examines the role of financial development in the impact of foreign direct investment on economic growth. The study used threshold effects and system GMM to estimate research models. The study found a positive impact of foreign direct investment on economic growth in the regions before and after these threshold values. The study recommends the review to determine the level of financial development to maximize the spillover effects of foreign direct investment on economic growth.

Furthermore, Tran and Huynh (2022) examine the impact of foreign direct investment (FDI) on financial development from 37 Asian nations. The study used a panel data set. Findings show that FDI has a positive impact on financial development, implying the spill-over effect of FDI in Asian financial markets. Furthermore, this study discovers that trade openness and population growth have a positive impact on financial development, while inflation affects financial development negatively. The study recommends that governments in Asia should pay attention to the disadvantages of their consumption in financial markets because government consumption still has no impact on financial development in Asian countries.

Pablo et al, (2022) on the other hand, examine that the bidirectional causality between environmental degradation and the private financial system at the global level in high-The study used Panel data method. The study finds that the private financial system and environmental degradation have a long-term equilibrium relationship, and the incidence is positive, but not significant at the level of the 100 countries. The study recommends viewers to examine how private financial development, urbanization and foreign direct investment and economic growth affects the environment using the ecological footprint as an indicator.

Lin et al. (2022) in their own perspective examine the influence of the fundamental exchange rate mis-alignment and Least Developed Countries (LDCs) in Asia and Africa's financial development on emissions in Asian countries. The study used panel data method. The results reveal that the long-run real exchange rates for least developed countries (LDCs) are expected to rise in emissions in Asian and African countries with improved trade and net foreign asset positions. The relative productivity and trade openness also increase the exchange rate, which also plays a vital role in the growth of emissions. The study recommends that the poor economic performance is due to misalignment, which occurs when exchange rate policies are improper and causes a rise in CO2 emissions in many developing countries.

In different perspective, Mollah et al., (2021), examine the theoretical logic and empirical evidence so far available in the literature. The study used literature method. The study finds that the development of a country's financial sector is one of the most important attractors of FDIs. The study recommends that the researcher should find how financial development attracts foreign direct investments for a sustainable real sector development of a country.

In contrast, Majeed et al. (2021) investigate the effect of FDI on financial development for the selected 102 Belt and Road Initiative countries on four continents: Asia, Europe, Africa, and Latin America. The study used quantitative techniques, including feasible generalized least squares, and augmented mean group techniques. The findings indicated that FDI has a statistically significant relationship with financial development. FDI, trade openness, and government consumption increased financial development in Asia, Europe, and Latin America but decreased in Africa. Inflation shows a negative influence on financial development in all continents. This study recommends new insights for policymakers, presenting several policy implications for financial development competitiveness in the reference regions.

Ahmed et al (2021), on the other hand, examine the effects of trade openness, foreign direct investment, and exchange rate on non-oil GDP in Nigeria. The study used Autoregressive Distributed Lag (ARDL) method and Vector Error Correction Mechanism. The study found that FDI has no significant impact on non-oil GDP in Nigeria. The study recommends that increasing the efficiency of the country's external sector, particularly the export sector would enable Nigeria to reap full benefits of trade openness.

From a different perspective, Thu-H et al, (2020) examine the effect of foreign direct investment on economic growth contingent on the development level of the local financial system in emerging and developing Asia. The study used the panel smooth transition regression (PSTR) model, method. The

results shows that new findings of two distinct thresholds of financial development in the FDI–growth nexus. The study recommends the important implications to the region in setting the long-run policies to boost the effect of FDI on economic growth.

Mohsen et al (2020) examine the effects of financial development indicators in two groups (the financial markets index and the financial institution index) on the FDI absorption rate. The study used a panel data model method. The findings from this study show that when the financial institutional index including, financial market index including and GDP increase the FDI increases, and when financial institutional index including, financial market index increase, the FDI decreases. This study recommends that expanding the capital market will increase FDI attraction in selected countries, and for countries with weak capital markets, the financial market access index and the financial institution efficiency index has a significant negative effect on FDI absorption and vice versa.

Furthermore, Md et al. (2022) examine the effects of foreign direct investment (FDI) on economic growth through financial development channel. The study used a panel data method. The study finds how FDI and economic growth are related to each other given financial development and considering other institutional and macroeconomic factors. The study recommends the policy makers to underline the importance of both FDI inflows and financial system development which strongly affects economic growth.

Furthermore, Ibrahim et al. (2020) analyze the effect of economic growth as well as the interacting role of foreign direct investment and economic growth on the Nigerian Financial sector. The econometrics techniques of co-integration, Non-linear ARDL as the elasticity estimator, and for the causality were deployed. The findings indicate the existence of unidirectional non-linear causality between economic growth and financial development and also a one-way causality between foreign direct investments running to financial development. Therefore, the economic growth and foreign direct investment have an overall positive and significant effect on financial development. The study recommends that there should be an improvement in the real sector and device means to attract more external investors as it will lead to a positive spillover effect on financial sector development.

Financial Development and Trade Openness

According to Dauda and Alhaji (2023) examine the effects of financial development and trade on economic growth in Nigeria. The study used Auto-Regressive Distributed Lags (ARDL) Bound test approach method. The study confirmed the existence of a long-run co-integration between financial development (FD), trade openness and economic growth. The study recommends that there is need to formulate sound policies that would promote FD and trade openness for sustainable economic growth.

Also, John and Kyalos (2022) examine the impact of globalization on Nigerian financial development with particular reference to foreign direct investment, trade openness, exchange rate, government expenditure, interest rate and inflation. The study used the autoregressive distributed lag (ARDL) model method. The study find that foreign direct investment, trade openness and government expenditure have a positive and significant impact on financial development in Nigeria while exchange rate, interest rate and inflation rate have a negative significant impact on Nigerian financial development. The study recommended that Nigeria must face the challenges of globalization.

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The study of John and Kyalos (2022) also examine the impact of globalization on Nigerian financial development with particular reference to foreign direct investment, trade openness, exchange rate, government expenditure, interest rate and inflation. The study used the autoregressive distributed lag (ARDL) model method. The study find that foreign direct investment, trade openness and government expenditure have a positive and significant impact on financial development in Nigeria while exchange rate, interest rate and inflation rate have a negative significant impact on Nigerian financial development. The study recommended that Nigeria must face the challenges of globalization.

Also, Joshua (2022) examine the impact of financial liberalization and trade openness as well as their interactive effects on the growth of the Nigerian economy using annual time-series data. The study used Augmented Dickey-Fuller (ADF) method. The study revealed that financial development, exchange rate, and interest rate spread have a significant influence on real GDP in Nigeria while trade openness, as well as its interaction with financial development, do not exert any significant impact on economic growth in Nigeria. This study recommends the design and implementation of a policy framework geared towards enhancing the intermediation efforts and deposit mobilization of the financial sector that would instigate the integration of the sector with the various productive sectors of the Nigerian economy and that trade performance in the country to be improved through economic diversification so as to boost exports, raise the country competitiveness and increase her national output.

Diem et al. (2021) in their study examine the influence of trade and financial openness on financial development. The study used Bayesian model averaging approach. The study finds that the contribution of trade openness to financial development is important in developing economies with better institutions. However, Majeed et al., (2021) investigate the effect of FDI on financial development for the selected 102 Belt and Road Initiative countries on four continents: Asia, Europe, Africa, and Latin America. The study used quantitative techniques, including feasible generalized least squares, and augmented mean group techniques. The findings indicated that trade openness has a statistically significant relationship with financial development. Trade openness increased financial development in Asia, Europe, and Latin America but decreased in Africa. This study recommends new insights for policymakers, presenting several policy implications for financial development competitiveness in the reference regions.

Furthermore, Kalideen and Abdul (2021) examine the long-run relationship between financial development and economic growth. The study used Augmented Dickey-Fuller test statistic (ADF) to check the stationary. Bounds test for cointegration and Auto-Regressive Distributed Lag Models (ARDL) are used to check cointegrating relationship amongst the variables and causality between financial development and economic growth. Findings of this study show that that the labor force and trade hold a significantly negative relationship with economic growth. Nevertheless, inflation, Credit to The Private Sector, and Ratio of the Gross Fixed Capital Formation to GDP show a

significantly positive relationship with economic growth. This study recommends that there is a statistically significant relationship between Financial Development and Economic growth in Sri Lanka and the Sri Lankan government should reform its trade policies.

Similarly, Ahmed et al (2021) examine the effects of trade openness on non-oil GDP in Nigeria. The study used Autoregressive Distributed Lag (ARDL) method and Vector Error Correction Mechanism. The study found that trade openness has no significant impact on non-oil GDP in Nigeria. The study recommends that increasing the efficiency of the country's external sector, particularly the export sector would enable Nigeria to reap full benefits of trade openness. In contrast, Lawrence and Ashenafi (2021) examine whether opened trade policy has a causal relationship economic growth. The study used vector Error Correction Model and Granger causality method. The study finds short-run and long-run causality from economic growth to trade openness, not vice versa. The study recommends that trade openness is not the reason behind economic growth in Mozambique.

Similarly, Farah (2020) examines the dimension of economic globalization using World Bank approach. The study finds out that economic globalization is one of the dimensions which involves the increased independence of different economics of the world that comes from the enhanced trade across the borders, transfer of the world that comes from the countries and through the increase exchange of technologies. On the other hand, Joshua (2020) examine the impact of financial liberalization and trade openness as well as their interactive effects on the growth of the Nigerian economy using annual time-series data for the period. The study used the dynamic ordinary least square (DOLS) estimation technique. Findings in the study shows that financial development, exchange rate, and interest rate spread have a significant influence on real GDP in Nigeria while trade openness shows no such relationship. This study recommends the design and implementation of a policy framework geared towards enhancing the intermediation efforts and deposit mobilization of the financial sector that would instigate the integration of the sector with the various productive sectors of the Nigerian economy and that trade performance in the country to be improved through economic diversification so as to boost exports, raise the country competitiveness and increase her national output.

Also, Ahmed et al (2021) examine the effects of trade openness, foreign direct investment (FDI), and exchange rate on non-oil GDP in Nigeria. The study used Autoregressive Distributed Lag (ARDL) method and Vector Error Correction Mechanism. The study found that exchange rate has no significant impact on non-oil GDP in Nigeria. The study recommends that increasing the efficiency of the country's external sector, particularly the export sector would enable Nigeria to reap full benefits of trade openness.

In the study of Chinmaya (2021) which examines the nexus between economic globalization, financial development and institutional reform in India and Sri Lanka. The study used panel study which was analysed using ARDL method. The study finds out that there is a long-run relationship between financial development, economic globalization and institutional reforms. However, from the short-run equation, the study reveals a negative and statistically significant impact of economic globalization on financial development in India whereas Sri Lanka has a positive impact of institutional quality on financial development. The study therefore recommends that the policymakers in India and Sri Lanka should focus on institutional reforms so that it can reap the benefit of economic globalization. In turn, the quality of institutional reforms can thereby lead to financial development.

Furthermore, the study of Akintola et al. (2020) investigate the impact of the financial sector development on economic growth in Nigeria, by looking at the independent contributions of the money, capital and foreign exchange markets to the growth of the economy. The study used quarterly data between 2000Q1 and 2019Q4. The study finds that while financial deepening, banking system liquidity and all share index had positive and significant impact on the growth of real output in the

long-run, the behavior of exchange rate spread was consistent with falling levels of real output growth. The study therefore recommends that the growth of the money and capital markets be prioritized by macroeconomic managers in Nigeria to improve the level of economic growth.

On the other hand, Joshua (2020) examine the impact of financial liberalization and trade openness as well as their interactive effects on the growth of the Nigerian economy using annual time-series data for the period. The study used the dynamic ordinary least square (DOLS) estimation technique. Findings in the study shows that financial development, exchange rate, and interest rate spread have a significant influence on real GDP in Nigeria while trade openness. This study recommends the design and implementation of a policy framework geared towards enhancing the intermediation efforts and deposit mobilization of the financial sector that would instigate the integration of the sector with the various productive sectors of the Nigerian economy and that trade performance in the country to be improved through economic diversification so as to boost exports, raise the country competitiveness and increase her national output.

Liu et al. (2020) find that firms with substantial foreign ownership through FDI are better able to withstand economic shocks, thereby enhancing financial stability at both the firm and macroeconomic levels. Moreover, Bennouri and Rachdi (2021) find that FDI is associated with improvements in corporate governance practices in host countries, leading to increased firm stability and reduced financial risk.

Literature Gap

Several studies have been conducted in relation to globalization and financial development across the globe. However, while extensive studies have been conducted showing causal relationship between the variables of globalization and financial development, it is observed that none of the studies reviewed considered financial globalization indices such as money supply and market capitalization. Hence, this study is considering coving this gap in literature. In terms of domain, the empirical review indicates that the nexus of globalization and financial development have been considered in several individual developing and developed countries however, Africa as a continent, has not be considered considering its peculiarity and its contribution to the global financial development. Hence, this study will cover this gap by considering the entire Africa continents with a total of 52 countries.

As far as the review of this study is concerned, no prior studies have used composite econometrics techniques of threshold autoregressive non-linear co-integration, and frequency domain causality methods for the analysis. Besides, the choice of the globalization variables (i.e. foreign direct investment and trade openness) and financial development distinguishes this study from the past literature, therefore we intend to fill this gap. Finally, in terms of period, this study provides updated relationship between globalization and financial development in Africa by covering the most recent period which was 2023 by the time the study was conducted.

METHODOLOGY

The positivist philosophy was used in this study, which was inspired by the description of the specific problem and the specific objective because, according to the epistemological assumption, the researcher is not involved during data collection in the sense that the researcher only uses published information, i.e. secondary data that the banks have published, and solely relies on statistical inference in analyzing this information, Data was gathered from secondary sources to give information on independent and dependent variables for the period under consideration. The research adopted a science methodology on observable and measurable data with a causal explanatory nature. This study used ex-post facto research because the purpose is to see the composite and relative influence of BSC dimensions on predicting bank performance in Palestine. As ex-post research is a type of research that tries to predict causes based on actions that already

occurred, researchers cannot change or manipulate the already occurred actions. (Abueid et al, 2023).

The research design is preferred because the study uses time-series quantitative data from 2004–2023 to make inferences and describe the impact of monetary policy on the financial development of selected African countries. For the assessment of the financial development of the selected countries, which is the dependent variable, the proxies were financial stability and financial depth, while foreign direct investment and trade openness were proxies for the independent variable. To estimate the model, panel autoregressive distributed lags was used for the years 2004–2022, which covers 20 countries in Africa. Consistent data availability during the sample period was taken into consideration, along with the need to analyze, rely on, and eliminate sampling errors. (Cheung et al, 2023).

Sources and Methods of Data Collection

This study employed secondary data from a collection of development indicators compiled from officially recognized international sources. This study extracted historical data of yearly from the World Development Indicator (WDI) for the data set of trade openness, foreign direct investment, while, the data for financial stability, and depth were obtained from the Global Financial Development, which are Bank Z-Score, and Domestic credit to the private sector respectively. The research covering 20 African countries covered a full sample period of 20 years from 2004 to 2023, culminating in a panel data frame (cross-sectional and time series) that gives four hundred (400) data points.

Model Specification

In reiterating the objective of this study, the verification of the variables above is estimated to examine its impact on the financial development of the selected countries. Bank Z-Score, and Domestic credit to the private sector are measured for the dependent variables while trade openness and foreign direct investment are used as explanatory variables. Following the strategy of Hossin, (2023), this study investigates the factors explaining financial development by setting up a model where financial development is dependent on a countries' globalization factors. Therefore, the model proposed for the realization of the goals of the study is as follows:

Financial Development = ƒ (Globalization) ……………………………..… (1)

Globalization = ƒ (trade openness and foreign direct investment) ……………….……. (2)

Financial Development = ƒ (Bank Z-Score, Domestic credit to the private sector)……. (3)

BZS_{it} = ƒ ($TRAOP_{i,t}$ $FDI_{i,t}$) ……………………………………………….……… (4)

$DCPGDP_{it}$ = ƒ ($TRAOP_{i,t}$ $FDI_{i,t}$)…………………………………..…..……. (5)

Where i=1,2...N for countries and t=1,2...T for time. With β_0 denoting an unobserved time-invariant, discrete impact; β_1, and β_2 correspondingly, describe the influence of BZS, DCGDP, on TRAOP and FDI. ε denotes the error term.

This hypothesis will be achieved through the ARDL/Bound test to determine the short and long run dynamics. The ARDL model specification is:

Model 1

$BZS_{it} = \beta_0 + \beta_1 TRAOP_{it}, + \beta_2 FDI_{it} + \varepsilon$ ………………………………………………..(6)

Model 2

$DCPGDP_{it} = \beta_0 + \beta_1 TRAOP_{it}, + \beta_2 FDI_{it} + \varepsilon$ ………………………………………..(7)

METHOD OF DATA ANALYSIS

The secondary data was examined quantitatively through descriptive and inferential statistics. Descriptive statistics describe the characteristics of the data that has been collected and examined. Maximum, minimum, mean and standard deviation will be employed as descriptive statistics. At a 5% significance level, inferential statistical techniques will be applied to assess the hypotheses. The link between the variables was investigated using the ARDL.

Data Analysis

Descriptive Statistics

Descriptive statistics of Bank Z-score, trade openness and foreign direct investment of selected 20 African countries for the period of 2004 –2023 is presented in Table 2.

Table 2: Descriptive Statistics for Financial Stability - Bank Z-score (BZ) Model 1

CHARACTERISTICS	BZ	TRAOPE	FDI
Mean	15.76481	60.79386	1.732309
Std. Dev.	9.020285	21.82707	3.078909
Skewness	1.831374	0.680948	5.553122
Kurtosis	7.578796	3.152840	67.49613
Jarque-Bera	573.0184	31.30197	71384.99
Probability	0.000000	0.000000	0.000000
Observations	400	400	400

Source: Authors' computation (2024)

As observed from the table 2 above, trade openness has the highest mean value of 60.79 while the foreign direct investment has the lowest mean value of 1.73 whereas the mean value of Bank Z-score is 15.76. The standard deviation measures how concentrated the data are around the mean, hence it can be observed from the study presented in table 1 that trade openness has the highest mean value of 21.82 while the foreign direct investment has the lowest mean value of 3.07 whereas the mean value of Bank Z-score is 9.02 giving the implication that the values for the operational data are further from the mean on averages. The measure of how asymmetric a distribution can be called skewness. All the variables were positively skewed meaning that the mass of the distribution is concentrated on the right (that is, it is said to be left-skewed. The implication of this is that the skewness tends to say more on the mean value of the distribution being higher or lower than the median. Hence, positively skewed value indicates a higher mean value over the median value. On the part of Kurtosis, all the variables used present positive kurtosis value which means that the distribution is leptokurtic (too tall).

Table 3: Descriptive Statistics for Financial Depth - Domestic Credit to Private Sector as Ratio to GDP (DCPGDP) Model 2

CHARACTERISTICS	DCPGDP	TRAOPE	FDI
Mean	25.85220	60.79386	1.739409
Std. Dev.	28.67335	21.82707	3.074509
Skewness	2.496944	0.680948	5.553122
Kurtosis	8.245639	3.152840	67.49613
Jarque-Bera	874.2609	31.30197	71384.99
Probability	0.000000	0.000000	0.000000
Observations	400	400	400

Source: Authors' computation (2024)

As observed from the table, trade openness has the highest mean value of 60.79 while the foreign direct investment has the lowest mean value of 1.73 whereas the mean value of Domestic credit to Private Sector is 25.85. The standard deviation measures how concentrated the data are around the mean, hence it can be observed from the study presented in table 3 that trade openness has the highest mean value of 21.82 while the foreign direct investment has the lowest mean value of 3.07 whereas the mean value of Domestic credit to Private Sector is 28.67 giving the implication that the values for the operational data are further from the mean on averages. The measure of how asymmetric a distribution can be called skewness. All the variables were positively skewed meaning that the mass of the distribution is concentrated on the right (that is, it is said to be left-skewed. The implication of this is that the skewness tends to say more on the mean value of the distribution being higher or lower than the median. Hence, positively skewed value indicates a higher mean value over the median value. On the part of Kurtosis, all the variables used present positive kurtosis value which means that the distribution is leptokurtic (too tall).

Pre-Test Analysis

Unit Root Test

It has often been argued that industry specific and financial data are characterized by a stochastic trend, and if untreated, the statistical behaviour of the estimators is influenced by such trend. Hence, before examining the relationship between globalization and the financial development of selected African countries, this study proceeds to examine the stochastic properties of the series considered in the model by analysing their order of integration on the basis of a series of unit root tests. In general, the unit root tests for non-stationarity (that is, the Levin, Lin, and Chu t and PP-Fisher Chi-square tests) reject the null hypothesis of non-stationarity at the 5% level for all variables in level terms, as shown in Table 4.

Table 4: Showing the Unit Root Test

VARIABLES	LEVEL		FIRST DIFFERENCE		ORDER OF INTEGRATION
	Levin, Lin & Chu t*	PP-Fisher Chi-square tests	Levin, Lin & Chu t*	PP-Fisher Chi-square tests	
BZ	-1.79**	62.26**	-7.39**	467.3**	1(0)
DCPGDP	-4.10**	89.62**	-10.97**	251.7**	1(0)
TRAOPE	-2.50**	44.84	-12.27**	356.0**	1(1)
FDI	-1.25	76.7**	-2.88**	359.3**	1(I)

Source: Author's Computation, (2024)

At a 5% level of significance, the unit root tests reveal that Bank Z-score (BZ), Domestic credit to private sector (% of GDP) (DCPGDP), and Bank net interest margin (BNIM) were all stationary at level (that is, integrated of order zero or I(0) while Bank Branches per 1000 adults (BBA), Trade openness and Foreign Direct investment (FDI) were stationary at first difference (that is, integrated of order one or I(1).

ARDL Short run Estimates for Models BZ, and DCPGDP

Table 5: Summary of the Estimation of the Shortrun (Speed of Adjustment) ARDL Model for BZ, and DCPGDP

Models	Variable	Coefficient	Std. Error	t-Statistic	Prob.
BZ Model 1	CointEq(-1)	-0.561333	0.073322	-7.655718	0.0000
DCPGDP Model 2	CointEq(-1)	-0.392189	0.071336	-5.497758	0.0000

Source: Authors' Computation, (2024).

The short run cointegrating form of the models is presented on Table 5, in which the coefficients of the error correction model for all the four specifications is presented. The coefficient of Error Correction Mechanism (speed of adjustment) in the financial stability (BZ model), and financial depth (DCPGDP model) respectively are negative as expected and significant at 5% level. The coefficients are 56%, and 39% of the short run disequilibrium is corrected in the long run equilibrium in each of the four specifications respectively.

ARDL Long run Estimates for Models BZ, and DCPGDP

Table 6: Summary of the Estimation of the Long run ARDL Model for BZ, and DCPGDP

Variables	BZ Model 1	DCPGDP Model 2
TRAOPE	0.7945*** (6.437)	0.208*** (2.088)
FDI	0.9626*** (2.403)	0.187 (4.246)
C	0.443*** (1.604)	0.549*** (2.882)

Source: Authors' Computation, (2024).

Table 6 presents the long run coefficients of the four specifications estimated using ARDL approach. The findings for BZ model specification give the long run impact of globalization on financial development measures captured using financial stability measures proxy by Balance score card (BZ); financial depth measures proxy by domestic credit to private sector (DCPGDP), From the financial stability measures proxy by Balance score card (BZ), the study found the coefficient of trade openness and foreign direct investment to be positively and significant with financial development while subsequently, from the financial depth measures proxy by domestic credit to private sector (DCPGDP), the study found the coefficient of trade openness and foreign direct investment to be positively and significant impacted to the financial development.

Residual Diagnostics Test Result – Histogram – Normality Test For BZ, and DCPGDP

One of the most common assumptions for statistical tests is that the data used are normally distributed. Normality tests are used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. Furthermore, in other to test for the diagnostic test in this study, the result is obtained from the figure 4.2a - 4.2b.

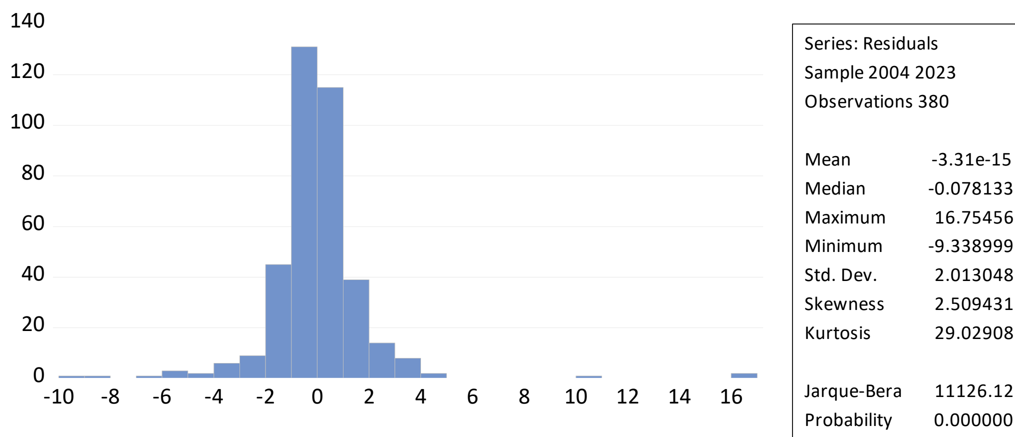

Fig. 2a: Residual Diagnostics Test Result – Histogram – Normality Test For BZ

From the Normality test graph, it can be seen that the p-value is less than 0.05, meaning the null hypothesis that says that the data does not follow a normal distribution will be accepted and therefore reject the alternative hypothesis which says that the data is normally distributed.

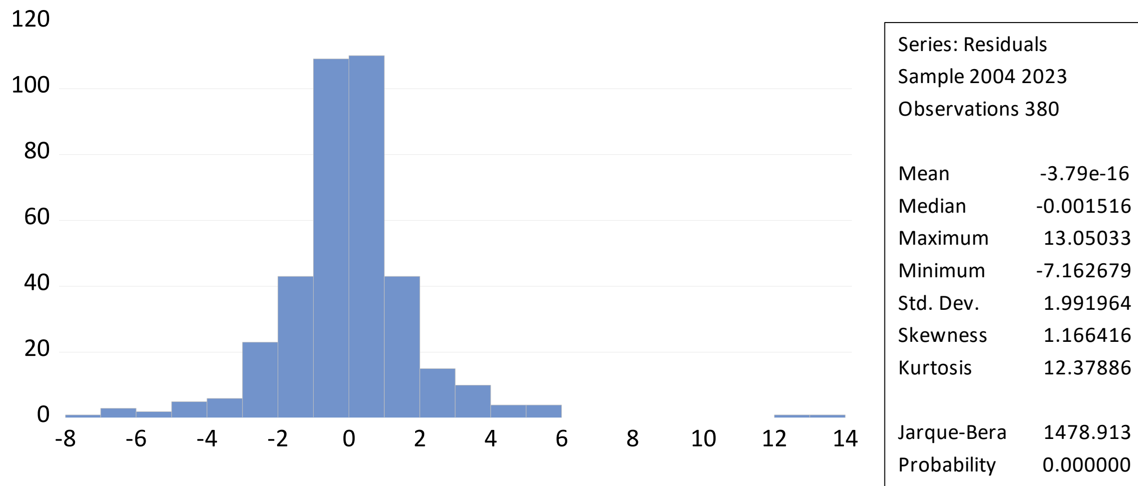

Fig. 2b: Residual Diagnostics Test Result – Histogram – Normality Test For DCPGDP

DISCUSSION AND RECOMMENDATIONS

This section of the study presents the discussion of major findings which are related to the objectives of the study. The discussions are presented based on the research hypotheses for this study.

Examine the short run and long run impact of trade openness on the financial depth of the selected African countries.

The first objective of this research is to investigate how the long run and short-run impact of Trade openness on the financial depth of the selected African countries. The finding of this study reveals that there is a short run relationship between the dependent and the independent variables. It also means that there is a high speed of adjustment in the model and that if there is any disable in this system, it takes an average speed of 39 % to return back from the short run to the long run. Based on the long run co-integration of the independent variables, the coefficient of trade openness is positively significant at 5%. The finding of this study agrees with the finding of (**Do & Levchenko, 2022;** Javorcik & Spatareanu, 2021; Kaur & Singh, 2021; Boubakri, Cosset & Guedhami, 2021).

Assess the short run and long run dynamic impact of trade openness on the financial stability of the selected African countries.

The second objective of this research is to investigate how the long run and short-run dynamic impact of trade openness affect the financial stability of the selected African countries. The finding of this study reveals that there is a short run relationship between the dependent and the independent variables. It also means that there is a high speed of adjustment in the model and that if there is any disable in this system, it takes an average speed of 56 % to return back from the short run to the long run. Based on the long run co-integration of the independent variables, the coefficient of trade openness is positively insignificant at 5%. The finding of this study agrees with the finding of this study agrees with the finding of (Do & Levchenko, 2022; Javorcik & Spatareanu, 2021; Kaur & Singh, 2021; Boubakri, Cosset & Guedhami, 2021).

Determine the short run and long run dynamic impact of foreign direct investment on the financial depth of the selected African countries.

The fifth objective of this research is to determine the long run and short-run dynamic impact of foreign direct investment on the financial depth of the selected African countries. The finding of this study reveals that there is a short run relationship between the dependent and the independent variables. It also means that there is a high speed of adjustment in the model and that if there is any disable in this system, it takes an average speed of 39 % to return back from the short run to the long run. Based on the long run co-integration of the independent variables, the coefficient of foreign direct investment is positively significant at 5%. The finding of this study agrees with the finding of (Mendoza, Quadrini & Ríos-Rull, 2021; Liu, Zhang & Zhang, 2020; Chen & Wang, 2020; Caves, 2020; Boubakri, & Cosset, 2020; Forte & Magazzino, 2020; Kumar, Singhal & Kumari, 2020; Ahmed, Cheng & Messinis, 2020).

Examine the short run and long run dynamic impact of foreign direct investment on the financial stability of the selected African countries.

The sixth objective of this research is to examine the long run and short-run dynamic impact of foreign direct investment on the financial stability of the selected African countries. The finding of this study reveals that there is a short run relationship between the dependent and the independent variables. It also means that there is a high speed of adjustment in the model and that if there is any disable in this system, it takes an average speed of 56% to return back from the short run to the long run. Based on the long run co-integration of the independent variables, the coefficient of foreign direct investment is positively significant at 5%. The finding of this study agrees with the finding of (**Do & Levchenko, 2022;** Javorcik & Spatareanu, 2021; Kaur & Singh, 2021; Boubakri, Cosset & Guedhami, 2021; Mendoza, Quadrini & Ríos-Rull, 2021; Liu, Zhang & Zhang, 2020; Chen & Wang, 2020; Caves, 2020; Boubakri, & Cosset, 2020; Forte & Magazzino, 2020; Kumar, Singhal & Kumari, 2020; Ahmed, Cheng & Messinis, 2020).

RECOMMENDATIONS

There has been a lot of emphasis paid to the link between globalization and financial development in selected African countries and investors' understanding of that relationship. On the one hand, the globalization's components act as a gauge of a financial development. Hence, it is generally believed that countries' globalization determine how a financial development will behave. On the other hand, the financial scandals surrounding the collapse of countries due to manipulations in the financial statements as to obscure the true and fair view of countries' development. The finding of this study reveals that there is a short run relationship between the dependent and the independent variables. The coefficient of Error Correction Mechanism (speed of adjustment) in the financial stability (BZ model), financial depth (DCPGDP model) respectively are negative as expected and significant at 5% level. The coefficients are 56%, and 39% of the short run disequilibrium is corrected in the long run equilibrium in each of the four specifications respectively. Based on the long run co-integration bound testing of the independent variables, the study concluded that the long run dynamic impact of trade openness and foreign direct investment on the financial stability and depth of the financial system of the selected African countries are positive and significant.

In the light of the findings and based on the conclusions, this study evaluates the dynamic short run and long run impact of globalization on the financial development of selected African countries. Therefore, this study recommends that:

i. On the part of the long run impact of trade openness on financial depth, the monetary authority in African countries should diversifying economic risks, improving financial market sophistication, enhancing regulatory frameworks, and generating foreign exchange reserves;

ii. In relevance to the long run impact of trade openness on financial stability, trade openness can positively influence financial stability by fostering economic diversification, enhancing resilience through external capital flows, and promoting institutional reforms.

iii. The Central Bank authorities in the selected countries should initial policies that will foster foreign direct investment in enhancing financial depth through stimulating domestic financial markets, increasing competition, improving financial intermediation, developing financial infrastructure, and facilitating knowledge transfer.

iv. In relevance to the long run impact of foreign direct investment on financial stability, the monetary authority in African countries should exercise the policy instrument through mechanisms such as strengthening the financial sector, fostering better corporate governance, diversifying risk exposure, enhancing financial regulation, and promoting economic growth.

CONTRIBUTION TO KNOWLEDGE

This study has the following contributions to knowledge: Firstly, as against the fact that most studies in the literature utilizes financial depth and financial access to measure financial development, this study proxied financial development with financial access, depth, stability and efficiency thereby making this study a robust empirical investigation. Also, this study contributed in the extension of scope by covering selected African countries as against a decomposed individual country. Furthermore, this study contributed in the area of updated time scope in relevance to the short run and long run impact of globalization on financial development in selected African countries between 2004 and 2023. Subsequently, this study revealed the short run and long run impact of globalization between the trade openness and foreign direct investment as measures for globalization and financial development of selected African countries between 2004 and 2023. Lastly, this study used Autoregressive distributed lag as the technique of methodology as against Generalized Methods of Moment (GMM) and Vector Error Correction Model used by other studies in the literature.

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