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RESEARCH ARTICLE

Globalization and its Impact on Financial Development: Evidence from Selected African Countries Using ARDL Technique

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ABSTRACT

This study examines the impact globalization has had on financial development in some selected African countries over the period of 2004 to 2023 using trade openness (TO) and foreign direct investment (FDI) on financial access and financial efficiency. Secondary quantitative data used were analyzed using Autoregressive Distributed Lag (ARDL)/Bound testing to co-integration. The study reveals a high speed of adjustment in the short run for financial access and financial efficiency (15% and 79%) for the models respectively. Similarly, the long run co-integration bound testing results reveal that the impact of TO and FDI on both the financial stability and financial depth established are positive and significant respectively at 5% significance level. Therefore, the study recommends that the government should open the countries to trade, in order to compel domestic financial institutions to stay competitive. Also, the Central Bank authorities should initial policies that will foster FDI in enhancing financial depth through stimulating domestic financial markets, increasing competition, improving financial intermediation, developing financial infrastructure, and facilitating knowledge transfer. This study revealed both 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.

INTRODUCTION

Globalization plays an important role in the financial development of countries across the world. There is an upsurge among countries to boost their financial development by taking 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). In the past, globalization took up most mechanisms in dealing with financial development, strengthening political ties among nations and improving the social welfare of states. 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 & Olasehinde-Williams, 2019). Exploring globalization and its impact on the financial development in Nigeria is an issue of crucial importance regulatory authorities and governments. This is because domestic reforms can enhance capital flows and trade, thereby promoting financial development.

Globalization and its impact on financial development is a major concern for researchers over the years. Several researches shed light on the different aspects of globalization and its effect economies. A direct positive link between globalization and financial development has generally been established. Globalization enhances economic growth indirectly financial development in addition to enhancing trade. This has made the stakeholders to reconsider policies so as to take advantage and increase economic gains from globalization with the view to attaining sustainable growth.

Given these positions, the consequences of 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). Consequently, it is important that African countries as emerging economies to understand whether globalization has resulted in a substantial growth on their financial development. It is based on this 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

Concept of Globalization

Globalization is a mechanism in dealing with financial development, improving social welfare and strengthening political ties among countries (Shahbaz, Shafiullah & Mahalik, 2021). The literature has 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, 2021).

Foreign Direct Investment

The concept of foreign direct investment (FDI) indicates an important means of non-debt inflow. It is increasingly being desired not just as an instrumental flow but a way of achieving competitive and comparative efficiency through the creation of useful connections globally. FDI comprises external resources such as technology, capital, marketing expertise and managerial skills. These components generate significant effect on the productive capabilities of host nations (Azcan & Olcay, 2021).

Trade Openness

It is measure of extent to which nations engage in global trading. Operationally, the term trade (TO) openness is seen as the net relationship between the aggregate of imports and exports to economic growth. It can also be seen as the orientation of nation's economy in relation to international trade. Trade openness is the sum of the country's imports and exports as a share of the country's gross domestic product (GDP), represents the involvement of the state in the international flows of goods and capital (Beri, Mhonyera & Nubong, 2022). Trade openness is usually measured by the ratio of exports to GDP.

Financial Development

The concept of financial development (FD) 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). FD means the development of financial market as well as financial intermediaries. World Bank define FD as "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". Based on the World Bank and the study of Ahmed and Osman (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.

Financial Access

According to the World Bank annual report (2013), equitable access to simple, cost-effective financial products and services to suit individual and corporate needs is made possible by an inclusive financial system, i.e., saving transactions, credit and payments. It is has transforming impacts initially such as spreading awareness, improving financial knowledge, providing investment opportunities, assisting the populace to smoothen their consumption against shocks, and empowering others. All these initial impacts lead to an efficient financial system and higher economic outcomes, i.e., escaping poverty, reducing income inequality, and setting the economy on the path of development (Asamoah, Alagidede & Adu, 2022).

Financial Efficiency

Monetary policy is fundamentally implemented in order to stabilize the prices and support economic growth. Central banks use multiple monetary instruments to achieve certain transmission targets via banking system. However, sequel to the incidents of the global financial crisis and its consequences, monetary policy became a critical constituent in stabilizing whole financial sector. In this regard, monetary policy could induce numerous adverse consequences on bank risk, forming the bank risk-taking channel, mainly due to changing banks' risk tolerance and perception originated by interest rate fluctuations (Dauda & Alhaji, 2023). In practice however, banks use monetary policy rate that are set by the central banks' monetary policy authorities to gauge the pricing financial products.

Conceptual Framework

In this study, financial globalization has FDI and TO as their dimensions, while financial access and financial efficiency as dimensions for financial development as shown in figure 1.

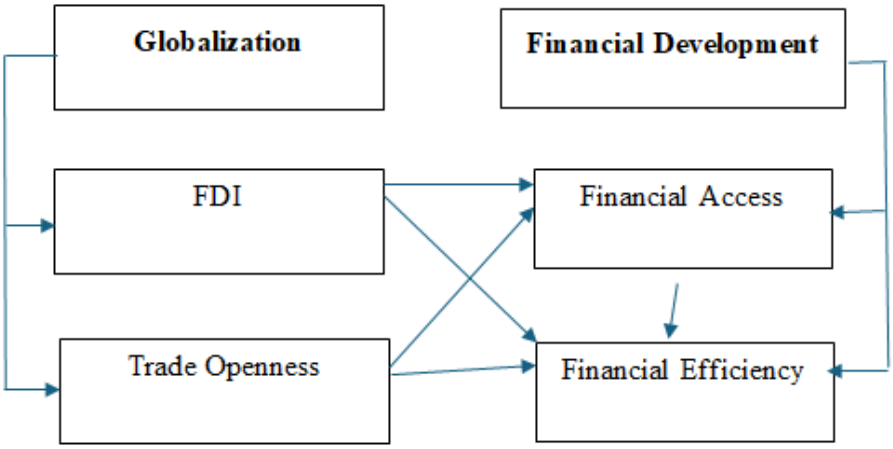

Figure 1. Shows the Inter-connectivity between Globalization and Financial Development

Theoretical Framework

This study is underpinned by transformation list theory. The proponents of transformation list theory of globalization are (Held, McGrew, Gold blatt & Perraton, 1999 as cited in Caves, 2020). The authors hold an inherent capitalist position on globalization. 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 (Karim & Bouchra, 2022). 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 transformation list theory has the following assumptions: Firstly, the theory sees power of national governments as being "reconstituted and restructured", not increased, as it is believed by the Globalists and Skeptics. Secondly, the theory argues against the linearity of globalist ideals, opining that it is more complex of a process, and hence different factors determine the outcome of globalization. Thirdly, the theory believes that understanding of globalization and social aspects of nations are required. Social integration is deepening based on the level of interconnectedness, information sharing and intercultural knowledge. Lastly, the theory believes that globalization may be reversed and/or controlled especially if it is negative.

It is believed that each viewpoint on globalization has some considerable factors. In examination of Globalist, Skeptics and Transformation lists views it is difficult to state one final correct definition of globalization (Edward, 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 as cited in Karim & Bouchra 2022). Even though this range of choices is influenced by various social, economic and financial policies of various nations, it still determines global economic and financial growth.

Empirical Review

Globalization and Financial Development

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

According to Ajayi and Musyimi (2022) in the examination of the impact of globalization on Nigerian financial development with particular reference to FDI, TO, exchange rate, government expenditure, interest rate and inflation. The study used the autoregressive distributed lag (ARDL) model. Study revealed that globalization has a positive impact on FD in Nigeria and recommended that the country needs to face the negative challenges of globalization.

Similarly, Tesega (2022) examines the relationship between financial globalization and financial development. Study used regressions with Driscoll-Kraay and panel-corrected standard errors to analyze the link. The study reveals the existence of a U-shaped association between financial globalization and FD in Africa and suggesting that a lower level of the globalization appears to have a negative effect on FD. The study recommended African countries need to make appropriate timing before opening their capital accounts to the international market in order to benefit from financial globalization.

Furthermore Arumona, Lambe and Dauda (2022) investigate the effect of stock market capitalization (MCAP) on economic globalization. GDP was used as proxy for economic globalization and was expressed as a function of MCAP. The study employed quantitative research design using a time series data. Descriptive and econometric analysis of the data covering the period of 22 years (1998 – 2019) using Co-integration test, Augmented Dickey Fuller (ADF) unit root test and Vector Error Correction Model (VECM). The results of the VECM indicated that MCAP has significant positive effect on GDP and it is estimated that 1% increase in MCAP will increase GDP by 84%. The study concluded that MCAP has significant positive effect on economic growth.

Hence the hypothesis one of this study is stated as:

H_{01}: There is no causal relationship between globalization and financial development among African countries

Financial Development and Foreign Direct Investment

According to the objective two of this study on the evaluation of the effect of FDI on the financial development among African countries, the following empirical review were conducted.

According to Georgeta e*t al,* (2023) in the examination of an empirical analysis of the impact of FDI 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 FDI on financial development and economic growth generally during the period analyzed in the case of the selected group of countries. Similarly, Francois *et al*., (2022) examine the long-term and causal relationship between FDI, official development assistance and economic growth for 20 selected African countries. The study used ARDL and the ECM methods. The study realized FDI encourages economic growth in the long-run. The study recommends that nations should put in place FDI friendly policies.

In addition, the study of John and Kyalos (2022) examine the impact of globalization on Nigerian FD with particular reference to FDI, TO, exchange rate, interest rate and inflation. The study used ARDL model method. The study find that FDI and TO have a positive and significant impact on FD in Nigeria. Similarly, My-L (2022) examines the role of FD in the impact of FDI on economic growth using threshold effects and system GMM to estimate research models. The study showed that FDI has a positive impact on economic growth before and after these threshold values. The study recommends for determination and review of the level of FD to maximize the spillover effects of FDI on the growth of the nations.

Furthermore, Tran and Huynh (2022) examine the impact of FDI (FDI) on financial development from 37 Asian nations. The study used a panel dataset and showed that FDI has a positive impact on FD, which implies a spill-over effect of FDI in the Asian financial markets. Furthermore, the study discovers that TO has a positive impact on FD. Also, Majeed, Jiang, Ahmad, Khan and Olah (2021) investigate the effect of FDI on FD for the selected 102 Belt and Road Initiative countries from four continents viz: Latin America, Europe, Asia and Africa. The study used quantitative techniques, which include feasible generalized least squares and augmented mean group. The finding showed that FDI has a statistically significant relationship with FD. FDI and TO increase FD in Latin America, Asia and Europe but not in Africa.

Furthermore, Ibrahim *et al*. (2020) analyze the effect of economic growth as well as the interacting role of FDI and economic growth on the Nigerian Financial sector. The econometrics techniques of co-integration and Non-linear ARDL and for the causality were deployed. The findings indicate the existence of unidirectional non-linear causality between economic growth and FD, and also a one-way causality between FDI running to FD. Hence, the study concludes that economic growth and FDI have positive effect on FD.

Hence, hypotheses two of this study is stated as:

H02: There is no significant effect of FDI on the financial development among African countries

Financial Development and Trade Openness

According to Dauda and Alhaji (2023) examine the effects of FD and trade on economic growth in Nigeria. The study used ARDL Bound test approach method. The study confirmed the existence of a long run co-integration between FD, TO and economic growth. The study recommends that there is need to develop policies that can promote FD and TO for economic sustainability. In addition, Lin, *et al.* (2022) examines the influence of the fundamental exchange rate misalignment and Least Developed Countries (LDCs) in Asia and Africa's financial development on emissions in Asian countries. The study used panel data method. The finding shows that relative productivity and TO increase FD. Also, 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 and show that the contribution of TO to FD is possible and important to developing economies.

Furthermore, Kalideen and Abdul (2021) examine the long-run relationship between FD and economic growth. The study used bounds test for co integration and ARDL to check the counteracting relationship between the variables. Findings of the study show that that trade hold have a significantly negative relationship with economic growth the however ratio of the gross fixed capital formation to GDP show a significantly positive relationship with economic growth.

Literature Gap

Studies have been carried out in the context of globalization and FD across the globe. Extensive studies showed causal relationship between the dimensions 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 54 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. FDI and TO) 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.

METHODS

This study used positivist philosophy approach, because of the description of the specific objective. In epistemological study of this nature, a researcher does not interfere with the data but only depend on published information, i.e. secondary data sources. This research adopted a science methodology on measurable data with a causal explanatory nature. Ex-post research design is used because the study uses time-series quantitative data from a period of 20 years (i.e. 2004–2023) to make inferences and describe the impact of globalization on the FD of selected African countries. To estimate the model, panel autoregressive distributed lags was used and 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 indicators compiled from international sources. This study extracted historical data of yearly from the World Development Indicator (WDI) for the data set of TO, FDI, while, the data for financial access and financial efficiency 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 African countries. Bank branches per 100,000 adults (BBA) and Bank net interest margin (BNIM) are measured for the dependent variables while Trade openness (TRAOP) and FDI are used as explanatory variables. Following the strategy of Hosing, (2023), this study investigates the factors explaining financial development by setting up a model where financial development is dependent on a country's globalization factors. Therefore, the model proposed for the realization of the goals of the study is as follows:

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

Globalization = ∫ (TRAOP and FDI) ……..,,,,…… (2)

Financial Development = ∫ (Bank branches per 100,000 adults, Bank net interest margin %) .. (3)

BBA_{it} = ∫ ($TRAOP_{i,t}$ $FDI_{i,t}$) ……..…… (4)

$BNIM_{it}$ = ∫ ($TRAOP_{i,t}$ $FDI_{i,t}$)……..……..…… (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 BBA, BNIM, 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

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

Model 2

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

Method of Data Analysis

The data used in this study was examined quantitatively through descriptive and inferential statistics. In descriptive statistics, the characteristics of the data were examined: the maximum, minimum, standard deviation (SD) and mean (x). In inferential statistical, at a 5% significance level, the hypotheses and the link between the variables were investigated using the ARDL.

RESULTS

Descriptive Statistics

Descriptive statistics of BBA, trade openness and FDI of selected 20 African countries for the period of 2004 –2023 is presented in Table 1 and 2.

As observed from table 1 above, TRAOP has the highest mean score of 60.79 while FDI show the lowest mean score of 1.73 whereas the mean value of BBA is 15.76. The SD indicates how concentrated is the data around the mean. Hence TRAOP has the highest mean score of 21.82 while the FDI shows the lowest mean score of 3.07, whereas the mean score of BBA is 9.02, which implies that the values for the data are averagely further from the mean. Skewers which shows the measure asymmetric distribution indicates that all the variables were positively skewed which indicates that the mass distribution is concentrated on the right. The implication of this skewers a higher mean value over the median value. However, on the part of Kurtosis, all the variables used indicate positive values which mean that the distribution is leptokurtic (i.e. too tall).

Table 1: Descriptive Statistics for Financial Access - Bank Branches for Adults (BBA)

Model 1

Characteristics	BBA	TRAOP	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)

In Table 2, TRAOP has the highest mean score of 60.79 while the FDI has the lowest mean score of 1.73 whereas the mean score of BNIM is 15.76%. Based on the SD, The TRAOP has the highest mean score of 21.82 while the FDI has the lowest mean score of 3.07 whereas the mean value of BNIM is 9.02 giving the implication that the values for the data are further from the mean on averages. All the variables were positively skewed which is implies a higher mean value over the median value. Also, on the part of Kurtosis, all the variables used indicate positive values which mean that the distribution is leptokurtic (i.e. too tall).

Table 2: Descriptive Statistics for Financial Efficiency – Bank Net Interest Margin (BNIM) Model 2

Characteristics	BNIM	TRAOP	FDI
Mean	15.76481	60.79386	1.739409
Std. Dev.	9.020285	21.82707	3.074509
Skewers	1.831374	0.680948	5.553122
Kurtosis	7.578796	3.152840	67.49613
Jar que-Bera	573.0184	31.30197	71384.99
Probability	0.000000	0.000000	0.000000
Observations	400	400	400

Source: Authors' computation (2024)

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 behavior of the estimators is influenced by such trend. Hence, before examining the relationship between globalization and the FD of selected African countries, this study proceeds to examine the stochastic properties of the series considered in the model by analyzing their order of integration on the basis of a series of unit root tests.

The unit root tests (at a 5% level of significance) reveal that BNIM was stationary at level (that is, integrated of order zero or I(0) while Bank Branches per 1000 adults (BBA), TRAOP and FDI were stationary at first difference (that is, I(1) - integrated of order one).

Table 3: 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	
BBA	-7.09**	29.62**	-4.42**	201.3**	1(1)
BNIM	-4.10**	111.9**	-12.6**	1233.9**	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)

Generally, the unit root tests for non-stationarity (i.e. Levin, Lin, and Chu t and PP-Fisher Chi-square tests) reject the null hypothesis at the 5% level for all variables in level terms, as shown in Table 4.

The short run co-integrating form of the models is presented in Table 4, in which the coefficients of the ECM for all the four specifications are presented. The coefficient of Error Correction Mechanism (i.e. speed of adjustment) in the financial access (BBA model), and financial efficiency (BNIM model) respectively are negative (as expected) and significant at 5% level. The coefficients are 15%, and 78% of the short-run disequilibrium is corrected in the long-run equilibrium in each of the respective four specifications.

Table 4: Summary of the Estimation of the Short run (Speed of Adjustment) ARDL Model for BBA, and BNIM

Models	Variable	Coefficient	Std. Error	t-Statistic	Prob.
BBA Model 1	Coint Eq(-1)	-0.150410	0.043703	-3.441644	0.00007
BNIM Model 2	Coint Eq(-1)	-0.785229	0.081218	-9.668206	0.0000

Source: Authors' Computation, (2024)

Table 5 presents the long-run coefficients of the four specifications estimated by ARDL approach. The finding for BBA model specification gives the long-run impact of globalization on FD measures captured using financial stability measures proxy by BBA; financial efficiency measures proxy by BNIM. From the financial access, the study found the coefficient of TRAOP and FDI to be positively and significant with FD while subsequently, from the financial efficiency measures proxy by BNIM, the study found the coefficient of TRAOP and FDI to be positively and significant impacted to the FD.

Table 5: Summary of the Estimation of the Long-run ARDL Model for BBA, and BNIM

Variables	BBA Model 1	BNIM Model 2
TRAOP	0.341*** (0.489)	0.3165*** (0.323)
FDI	0.133*** (2.972)	0.4265** (1.507)
C	0.071*** (1.056)	0.135*** (1.077)

Source: Authors' Computation, (2024)

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. The normality tests are used to determine whether the dataset is well-modeled and to compute how likely it is for random variable underlying the dataset to be normally distributed. Furthermore, the result for the diagnostic test in this study is obtained and presented in the figures 4.2a - 4.2b.

From the Normality test graph for BBA (figure 4.2a), it can be seen that the p-value is less than 0.05, meaning the null hypothesis for a normal distribution will be accepted and therefore reject the alternative hypothesis which says that the data is normally distributed.

From the Normality test graph for BNIM (figure 4.2b), it can be seen that the p-value is less than 0.05, meaning the null hypothesis for a normal distribution will be accepted and therefore reject the alternative hypothesis which says that the data is normally distributed.

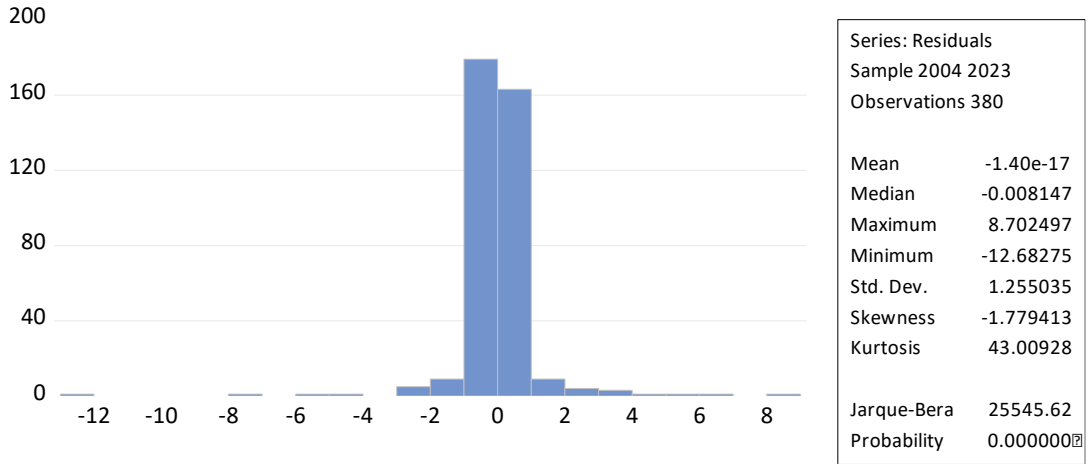

Figure 2a: Residual Diagnostics Test Result – Histogram – Normality Test for BBA

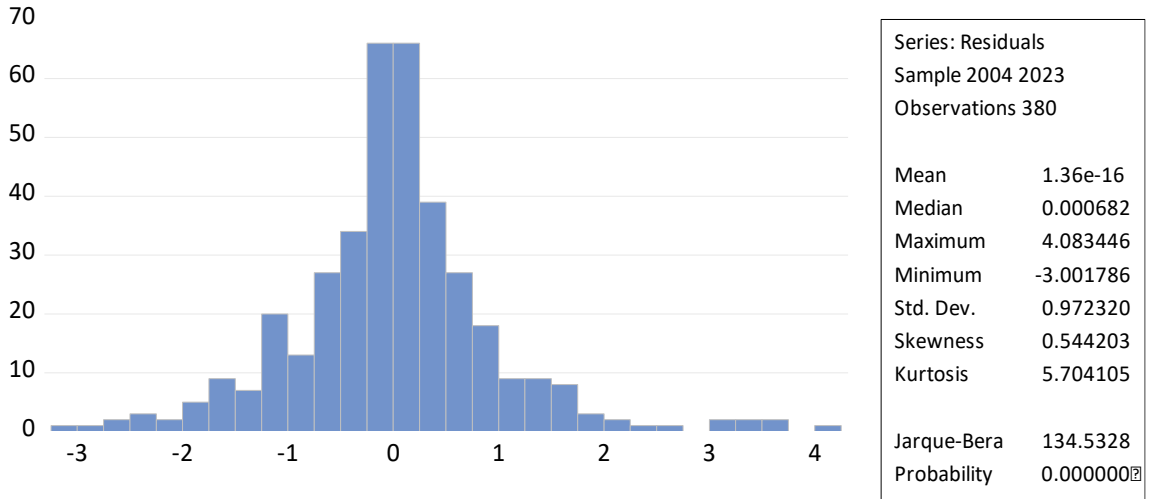

Figure 2b: Residual Diagnostics Test Result – Histogram – Normality Test for BNIM

DISCUSSION

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 TRAOP on the Financial Access 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 access of the selected African countries. The findings of this study reveal that there is a short-term relationship between trade openness on the financial access. It further means that there is a high speed of adjustment in the model and should there be any disable in the system, it only takes an average speed of 15% to return from the short-run to the long-run. Based on the long-term 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 (Dauda & Alhaji, 2023; Forte & Magazzino, 2020; Kumar, Singhal & Kumari, 2020; Ahmed, Cheng & Messinis, 2020). The studies also indicate direct relationship between trade openness and financial development variables. This is so because trade openness allows for financial inflow from other economies in the form direct and indirect investment or portfolio.

Assess the Short-Run and Long-Run Dynamic Impact of Trade Openness on the Financial Efficiency 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 efficiency of the selected African countries. The findings of this study reveal that there is a short run relationship between the financial efficiency and the trade openness. It further means that there is a high speed of adjustment in the model and should there be any disable in the system, it only takes an average speed of 79% to return back from the short-run to the long-run. Based on the long-term 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 (Majeed et al., 2021, Liu, Zhang & Zhang, 2020; Chen & Wang, 2020; Boubakri, & Cosset, 2020; Forte & Magazzino, 2020). The studies also indicate a direct relationship between the financial efficiency and the trade openness. This relationship maybe due to the fact when an economy possesses financial efficiency several other stakeholders from other nations would want to engage in trade and other forms of business.

Determine the Short-Run and Long-Run Dynamic Impact of FDI on the Financial Access of the Selected African Countries.

The third objective of this research is to determine the long run and short-run dynamic impact of FDI on the financial access of the selected African countries. The findings of this study reveal that there is a short run relationship between the financial access and the FDI. It further means that there is a high speed of adjustment in the model and should there be any disable in the system, it only takes an average speed of 15% to return from the short run to the long run. Based on the long-term co-integration of the independent variables, the coefficient of FDI is positively significant at 5%. The finding of this study agrees with the finding of (Do & Levchenko, 2022; Kaur & Singh, 2021; Boubakri, Cosset & Guedhami, 2021; Liu, Chen & Wang, 2020; Forte & Magazzino, 2020; Kumar, Singhal & Kumari, 2020; Ahmed, Cheng & Messinis, 2020). The studies also indicate a direct positive relationship between the financial access and the FDI inflow. This relationship is due to the fact that financial access of any economy is boosted when the nation has the potentials to attract FDI.

Examine the Short-Run and Long-Run Dynamic Impact of FDI on the Financial Efficiency of the Selected African Countries.

The fourth objective of this research is to examine the long run and short-run dynamic impact of FDI on the financial stability of the selected African countries. The findings of this study reveal that there is a short run relationship between the financial efficiency and FDI. It further means that there is a high speed of adjustment in the model and should there be any disable in the system, it only takes an average speed of 79% to return from the short-run to the long-run. Based on the long-term co-integration of the independent variables, the coefficient of FDI is positively significant at 5%. The finding of this study agrees with the finding of (Do & Levchenko, 2022; Liu, Chen & Wang, 2020; Boubakri, & Cosset, 2020; Forte & Magazzino, 2020; Kumar, Singhal & Kumari, 2020; Ahmed, Cheng & Messinis, 2020). The studies also indicate a direct relationship between the financial efficiency and the FDI inflow. This relationship is due to the fact that an economy with financial efficiency attracts potentials FDI.

CONCLUSION

There has been a lot of emphasis paid to the link between globalization and FD in selected African countries and investors' understanding of that relationship. On the one hand, globalization's components act as a gauge of a financial development. Hence, it is generally believed that countries' globalization determines how FD 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 findings of this study reveal 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 access (BBA model), financial efficiency (BNIM model) respectively is 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 FDI 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, the study's implications for theory and practice reveal: First, globalization has a positive and direct relationship with FD, hence globalization will cause a direct shift on FD of countries. Second, the monetary authority in African countries need to diversify economic risks, improve financial market sophistication, enhance regulatory frameworks, and generate foreign exchange reserves. Third, trade openness stimulates financial stability by fostering economic diversification, enhancing resilience through external capital flows, and promoting institutional reforms. Fourth, The Central Bank authorities in the selected countries need to implement 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. Fifth, the monetary authority in African countries need to exercise the policy instrument such as strengthening the financial sector, fostering better corporate governance, diversifying risk exposure, enhancing financial regulation, and promoting economic growth.

In the light of the findings and the implications, this study suggests potential avenues to consider all the countries in sub–Saharan Africa or the entire Africa as the dynamics are not same across all the African countries. This is because this study acknowledged its limitation to some selected African countries as not being representative enough of the dynamics in Africa.

Limitations

The choice of this study to focus on 20 selected African countries is a methodological limitation that affects the possible overt generalizations of the findings to the entire 54 African countries. These because of each of the countries have its unique financial development as they are affected by globalization differently. Based on this limitation there is need for further considerations by taking into account political, economic and social differences of the countries in Africa. Furthermore, with respect to the period, the limitation of this study to 20 years may also affect the generalization based on the long-run. Hence, a consideration for depth in the period will also provide more insight on the long-term impact of globalization on financial development of the selected African countries.

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