

Financial Development and Economic Growth of Sub-Saharan Africa Using System GMM Analysis

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Abstract : The study on financial development and economic growth in Sub-Saharan Africa utilizes System GMM analysis to investigate the relationship between financial development indicators and economic performance in the region. The research findings reveal significant impacts of various financial indicators on economic growth, such as the positive influence of bank liquid reserves to bank assets ratio (R/A), trade openness, and the broad money to total reserves ratio (M/R) on the economic growth of Sub-Saharan Africa. Additionally, the study highlights the negative impact of domestic credit provided to the private sector by banks (D_bank) on economic growth, emphasizing the importance of prudent credit allocation to avoid over-indebtedness and financial crises. These results provide valuable insights for policymakers aiming to foster sustainable economic growth in the region by leveraging financial development effectively.

Keywords : financial development, economic growth, Sub-Saharan Africa, system GMM analysis, financial indicators.

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