



**INSTITUTIONS AND INCLUSIVE GROWTH NEXUS IN SUB-SAHARAN AFRICA:
AN EMPIRICAL INVESTIGATION**

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Abstract

Despite abundant natural resources and a growing youthful population, Sub-Saharan Africa continues to experience sluggish economic growth due to the persistent weakness of institutional structures often manifested through limited regulatory capacity, political instability, and governance deficits—which undermine policy effectiveness, investment climates, and long-term development outcomes. This study investigates the direct and interactive influence of economic institutions and governance in promoting inclusive growth in Sub-Saharan Africa (SSA). A panel data of forty-one SSA countries over a period 2007 to 2022 is analysed using system GMM technique. Country selection is based on the availability of consistent and relevant data where the use of lagged variables as instruments are valid. The key findings are: economic institutions matter for stimulating inclusive growth in SSA; the influence of economic institutions is strengthened with good governance; governance has weak direct effect; and good governance have greater impact if complimented with improved economic institutions. This study concludes that while good governance alone has a limited direct impact on inclusive growth in Sub-Saharan Africa, it plays a critical enabling role by amplifying the effectiveness of economic institutions. Hence, sustainable and inclusive development in the region is most achievable through synergistic reforms that concurrently strengthen economic institutions and enhance governance quality. Therefore, it is recommended that policymakers in SSA should undertake institutional reforms that will ensure security of private properties including intellectual property, integrity of government, open and competitive labour market, equal and fair access to finance, conducive business environment, stable prices and reliable currency. While governance should be made more participatory, effective, accountable to the people, and uphold the principles of rule of law.

Keywords: inclusive growth, economic institutions, governance, system GMM, Sub-Saharan Africa

JEL Classification: O43, C23

INTRODUCTION

Recently, the focus of policymakers and development scholars has shifted from how to achieve economic growth to how to make growth inclusive. This shift is due to the experiences around the world particularly in Africa where some countries recorded rapid income (GDP) growth with

poverty, unemployment, and inequality situations remaining the same or in some cases becoming worse. Africa's economy is projected to grow by 3.8% in 2025, rising to 4.1% in 2026, driven by increased private consumption and improved trade performance. In contrast, the global economy is expected to grow at a slower pace of 2.8% in 2025, reflecting stagnation from the previous year and remaining below the pre-pandemic average of 3.2%. (UN0, 2025). Thus, while Africa's growth is modest, it's outpacing the global average, signaling resilience and potential—especially with the momentum from the African Continental Free Trade Area (AfCFTA) and structural reforms (ECA, 2025). Prior to now, and according to the Economic Commission for Africa (2017), Africa was the second fastest-growing region in the world with annual average growth of 4.8% during the period 2000-2015. During this period, ten countries in Africa recorded an average growth of 7%, while about thirty countries experienced an average growth of between 3% to 7%. On the other hand, the level of poverty in the continent is the highest in the world, while income inequality is the second highest, following Latin America. For example, according to the UN World Economic Situation and Prospects (2025), Africa remains the region with the highest levels of poverty and inequality globally, with approximately one-third of its population—over 429 million people—living in extreme poverty, and rural poverty rates reaching 45%, compared to just 7% in urban areas; income inequality continues to widen, with the richest 1% holding more wealth than 95% of the population, despite modest economic growth and structural reforms.

For growth to be inclusive it must create opportunity for all segments of the population and distribute the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across the society OECD, (2014). Thus, two important components of inclusive growth are participation and benefit sharing. Participation means everyone is getting equal opportunity to undertake economic activities that contribute to the growth process Ramos *et al.* (2013). While benefit sharing is when everyone significantly benefits from the proceeds of growth. Therefore, making growth inclusive involves mainly two things, first is to create and expand economic opportunities, and second is to ensure broader access to these opportunities so as to allow the majority including the vulnerable to participate in and benefit from growth McKinley, (2010).

An increase in income (economic growth) is a prerequisite for broader economic development but is not sufficient to solve the problems of unemployment, poverty, and inequalities in income, wealth, education, and political participation. However, if the growth process is inclusive by opening greater access to productive resources to the majority of people in the economy, then the inequality gap will be closed. To achieve this, it is critical to have strong, effective and efficient institutions that do not discriminate against any individual on the basis of ethnicity, religion, gender, socio-economic status, or political connection. These kinds of institutions necessarily feature secure private property rights for the majority of people, an unbiased system of law, and public services that provide economic opportunities not just for the elite but for a broad cross-section of the society. In the same vein, the decisions and activities of government are largely transparent, inclusive and with less corruption.

It is imperative therefore to study the link between institutions and inclusive growth, because even as Africa is growing modestly compared to the global average, this growth seem to be unequal and non inclusive despite abundant evidence that institutions are critical for economic performance generally and particularly in promoting growth in Africa (see for example, Kilishi, *et al.* 2013; Ebaidalla, 2014; Yildirim and Gokalp, 2016; Mullings, 2018; Uddin, *et al.* 2021; Wandeda, *et al.*

2021; Chomen, 2022;), research on the link between institutions and inclusive growth is still limited. The few available studies such as (Dolumbia, 2019; Olanrewaju, *et al.* 2019; Sabir & Qamar, 2019; Oyinlola, *et al.* 2020; Ghandor, 2020; Botchuin, 2021; Ofori and Asongu, 2021; Agyei and Idan, 2022; Nketia *et al.* 2022; Betila, 2023; Kumeka, *et al.* 2024;) among others considered only one or few indicators of political institutions while ignoring the effect of economic institutions. Therefore, this current study fills this gap by empirically investigating the impact of ten indicators of economic institutions and six indicators of political institutions on inclusive growth in Sub-Saharan Africa. The specific objectives are threefold: (i) examine the relative impact of different indicators of economic institutions on inclusive growth; (ii) investigate the direct effect of governance indicators on inclusive growth; and (iii) examine the interactive effect of governance and economic institutions on inclusive growth. This analysis reveals which of the institutional variables is most influential in stimulating inclusive growth in SSA. Thus, policy priority areas are identified for policymakers to know where to direct the reform focus of government.

LITERATURE REVIEW

Inclusive Growth refers to economic expansion that is *broad-based, sustainable, and equitable*, ensuring that all segments of society—especially the poor and marginalized—benefit from increased prosperity. Institutions on the other hand, is defined as the the "rules of the game"—formal and informal mechanisms that shape economic, political, and social interactions. These include property rights, legal systems, regulatory quality, and governance structures (North, 1990). Several economic theories underpin the relationship between institutions and inclusive growth. New Institutional Economics (NIE) suggests that strong institutions reduce transaction costs, enforce contracts, and protect property rights, thereby fostering investment and equitable resource distribution. Endogenous Growth Theory emphasizes that institutions influence long-term growth by shaping incentives for innovation, education, and capital accumulation—key drivers of inclusive development. Furthermore, the Utilitarian Social Welfare Theory argues that inclusive growth is achieved when institutional frameworks ensure fair distribution of income and opportunities, aligning with social welfare maximization.

Studies show that Institutions affect inclusive growth in Sub-Saharan Africa through: Governance Quality via transparent and accountable governance enhances public service delivery and reduces inequality; Legal and Regulatory Frameworks through secure property rights and efficient legal systems encourage entrepreneurship and access to finance; Political Stability which helps to reduces uncertainty and fosters long-term investment in human capital and infrastructure, and finally, through corruption control, which helps to minimizes resource leakage and ensures equitable allocation of public goods. (Mohammed, Kassem, and Ali, M 2024).

Literature on the impact of institutions on inclusive growth in Africa is almost non-existent, however, there are a handful of studies on inclusive growth which show that institutions are important in enhancing inclusive growth in the African continent. Afolabi & Oyeleke (2024), using a Panel ARDL approach, showed that institutional quality indices (e.g., political stability, government effectiveness) have a positive long-run impact on inclusive growth across 29 SSA countries.

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Agyei & Idan (2022) found that institutions significantly moderate the relationship between trade openness and inclusive growth, using System GMM on 39 SSA countries from 1996–2017. Their results suggest that strong institutions amplify the positive effects of trade on inclusive development.

Economic Commission for Africa (2017) carried out a study on the drivers of inclusive growth in Africa. Findings of the study suggested among others that institutions are important drivers of inclusive growth. This finding was consistent through both the cross-sectional and panel data analysis where the indicators of institutions show significant positive influence on inclusive growth. Ofori and Asongu (2021) studied the impact of foreign direct investment (FDI) and governance on inclusive growth in Sub-Saharan Africa. Their findings show that all governance indicators are significant determinants of inclusive growth in SSA. Also, their findings suggested that governance effectiveness, political stability, and voice and accountability influence the effect of FDI on inclusive growth. Nketia, Kong, Korankye, and Ampon-Wireko (2022) also showed that all governance indicators except government effectiveness have significant positive impact on inclusive growth in Africa. Bétila (2023) in his study on the nexus between business environment and inclusive growth in Africa, found that regulatory qualities which make the business environment conducive to start and operate enterprises are important in attaining inclusive growth in Africa.

Oyinlola, Adedeji, Bolarinwa, and Olabisi (2020) empirically investigated the relationship among governance, resource mobilization and inclusive growth in Sub-Saharan Africa. In this study, they examined the impact of four measures of governance viz index of general governance, index of political governance, index of economic governance and index of institutional governance. Their results showed that all the four dimensions of governance had positive and significant impact on inclusive growth. Agyei and Idan (2022) also showed that institutions support inclusive growth in SSA, and that institutions complement the effect of trade on inclusive growth. Similarly, Kumeka, Raifu, and Adeniyi (2023) showed that institutions enhance the effect of globalization on inclusive growth in Africa.

In a time series analysis, Olanrewaju, Tella, and Adesoye (2019) studied the link among institutions, financial inclusion and inclusive growth in Nigeria. Their findings showed that the quality of institutions that have the capacity of creating socio-economic opportunities for the mass of people had significant causal effect on both financial inclusion and inclusive growth. Similarly, Botchuin, (2021) examined the impact of four institutional indicators: government stability; control of corruption; bureaucratic quality; and internal conflict on inclusive growth in Cote d'Ivoire. His findings suggested that only government stability has significant effect on inclusive growth in the short and long run.

Using a sample of 112 countries over 1975–2012, Doumbia, (2019) examined the role of good governance in promoting pro-poor and inclusive growth. His findings suggested that all features of good governance, particularly control of corruption enhance income growth and reduction in poverty. However, only government effectiveness and rule of law are found to have significant positive effects on inclusive growth. Ghandour (2020) examined the role of institutions and policies in promoting inclusive growth using a sample of 16 countries in the Economic and Social Commission of Western Asia (ESCWA) region. His findings showed that government

effectiveness and financial deepening among other factors are critical in enhancing inclusive growth in the ESCWA region. Sabir, and Qamar, (2019) examined the impact of fiscal policy and institutional quality on inclusive growth using a sample of selected developing countries in Asia. Their empirical results showed that both fiscal policy and institutions have positive effects on inclusive growth. And that fiscal policy can work more efficiently in the presence of strong and effective institutions.

METHODOLOGY

This section comprises three sub-sections. The first sub-section presents the theoretical basis of the study and the empirical model. The second provides a discussion of the data issues, and the third presents a description of the estimation technique.

Model Specification

There is not yet a theoretical model for inclusive growth, hence empirical studies on inclusive growth rely on standard growth theories. Thus, the theoretical framework for this study is rooted in the augmented Solow growth model as advanced by Mankiw, *et al.* (1992). The baseline model is given as:

$$\ln\left(\frac{Y_t}{L_t}\right) = \ln A(0) + \lambda_t - \frac{\alpha + \beta}{1 - \alpha - \beta} \ln(n + g + \delta) + \frac{\alpha}{1 - \alpha - \beta} \ln(S_k) + \frac{\beta}{1 - \alpha - \beta} \ln(S_h) \quad (i)$$

Where Y is output, S_k is physical capital, S_h is human capital, n is population growth, g reflects the advancement in knowledge, δ is depreciation. Meanwhile g and δ are assumed to be constant across countries. Though, the term $A(0)$ is referred to as technology, it represents all other variables that can affect economic growth such as institutions. In this paper therefore, $A(0)$ is defined as:

$$A(0) = \alpha + \theta Inst + \varepsilon \quad (ii)$$

Where α is the constant, $Inst$ is vector of institutional variables, and ε is error term. Therefore, the empirical model is specified as:

$$IG_{it} = \alpha + \beta_1 PC_{it} + \beta_2 HC_{it} + \beta_3 Popg_{it} + \theta Inst_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (iii)$$

The final estimable model is specified as a dynamic panel data model with lag of inclusive growth as one of the regressors. This specification is based on the fact that previous levels of income do influence current level. Thus the model is given as:

$$IG_{it} = \alpha + \gamma IG_{it-1} + \beta_1 PC_{it} + \beta_2 HC_{it} + \beta_3 Popg_{it} + \theta Inst_{it} + \mu_i + \lambda_t + \varepsilon_{it} \quad (iv)$$

Equation (4) is the estimable model where IG is inclusive growth which is computed using Principal Component Analysis (PCA), PC is physical capital, HC is human capital, $Popg$ is population growth, $Inst$ is vector of institutional variable including indicators of both economic and political institutions, μ_i is individual country specific effect, λ_t is time effect, ε_{it} is Gauss Morkov disturbances, i stands for individual country and t denotes time. The a priori expectations are that: $\beta_1, \beta_2 \& \theta > 0$; while $\beta_3 < 0$.

Data issues

The dependent variable, inclusive growth index is constructed using the Principal Component Analysis (PCA). The index consists of four dimensions and nineteen indicators as presented in Table 1. The chosen dimensions and indicators are in line with McKinley (2010). However, unlike McKinley (2010) the PCA is used to compress the variables into a single index instead of attaching weights to indicators subjectively. The key independent variable which is institutions is divided into two: economic and political institutions. The Heritage Foundation's economic freedom is used to measure economic institutions. The data consist of ten different indicators of economic institutions which are property right protection (PRP), government integrity (GINT), business

freedom (BF), investment freedom (IF), financial freedom (FF), government size (GS), monetary freedom (MF), fiscal health (FH), labour freedom (LF) and trade freedom (TF). Each of the indicators is measured on a scale of 0 to 100, as an economy is becoming freer the score increases towards 100. On the other hand, the six World Bank governance indicators are used as measures for political institutions. The governance indicators are voice and accountability (VA), political stability and absence of violence (PSAV), government effectiveness, regulatory quality (RQ), rule of law (RL), and control of corruption (CC). The indicators are measured on a scale of –2.5 to +2.5.

Gross capital formation as a percentage of GDP is used to measure physical capital, secondary education is used as a measure of human capital, and the growth rate of the total labour force is used in place of population growth. The reason for using labour force instead of the growth of the total population is that not everyone in the population is productive since the total population consists of children and the elderly. Total trade to ratio of GDP is used to measure trade openness which is added as a control variable. Data for these variables are collected from World Development Indicators (WDI). The data covered forty-one (41) Sub-Saharan African countries over the period 2007 to 2022. The countries included are Angola, Burundi, Benin, Botswana, Burkina Faso, Cameroon, Cape Verde, Cote D'Ivoire, Central Africa Republic, Chad, D. R. Congo, Congo Republic, Ethiopia, Eswatini, Gambia, Gabon, Ghana, Guinea, Guinea Bissau, Kenya, Liberia, Lesotho, Madagascar, Mali, Malawi, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Seychelles, South Africa, Togo, Tanzania, Uganda, Zambia, and Zimbabwe.

Table 1: Inclusive Growth Dimensions and Indicators

Dimension	Indicators used for this study	Numbers of variables
Economic Growth and structural change (D1)	i. Rate of growth of GDP per capita ii. Share of manufacturing value added in the total GDP iii. Services value added in the total GDP iv. Share of agriculture value added in the total GDP	Four variables
Generation of Productive Employment (D2)	i. GDP per capita of the employed (at 1991 constant US dollars) ii. Total employment to population ratio	Two variables
Possession of human capabilities necessary to take advantage of opportunities created by the growth process (D3)	i. Children (under <) survival rate per 1000 ii. Life expectancy iii. Proportion of population with safe drinking water	Seven variables

	<ul style="list-style-type: none"> iv. Proportion of population with improved sanitation facilities v. Secondary school enrolment vi. Electricity consumption per capital vii. Number of telephone subscribers per 100 people 	
Reduction in absolute poverty and income inequality (vertical and horizontal) (D4)	<ul style="list-style-type: none"> i. Proportion of population living above \$1.25 dollars per day. ii. Proportion of population living above \$ 2.00 per day iii. Gini index iv. Income share of the poorest 60 percent of the population 	Four variables
Success of government in mobilising domestic revenue of finance and political inclusion (D5)	<ul style="list-style-type: none"> i. Percentage share of non-oil revenue collected by the federal government in total revenue ii. Polity II 	Two variables

Source: prepared by authors

Technique for analysis

The major issue with the estimable model in equation (4) above is the presence of lag of the dependent variable (IG_{it-1}) on the right hand side of the equation. There is a possibility for this variable to correlate with the error term (ε_{it}), consequently leading to an endogeneity problem. To deal with this, the model is estimated using the system Generalized Method of Moment (system GMM) estimator developed by Arellano-Bover (1995) and Blundell-Bond (1998). The system GMM is capable of controlling for the endogeneity that may result from an econometric model with a lag of dependent variable as one of the regressors Roodman (2009). The two-step system GMM procedure is used in this study because it is said to be asymptotically more efficient than one-step estimators Blundell and Bond (1998).

The Sargan test which is a test for over-identifying restrictions and the Arellano-Bond test for the absence of second-order serial correlation in the error term are computed to confirm the validity of the estimates.

RESULTS AND DISCUSSIONS

This section presents and discusses the empirical results which comprises the descriptive statistics, and System Generalized Method of Moment results.

Preliminary analysis

The descriptive statistics of all the variables used in the empirical analysis are presented in Table 2. The statistics as presented are the mean, standard deviation, minimum and maximum values respectively. The average value of inclusive growth in SSA is 0.07 which implies that growth is not generally inclusive in SSA countries. The standard deviation for inclusive growth is 2.69 indicating that there is not much variation across the continent in terms of how inclusive growth

is across countries. Population growth is similar across the continent with an average growth of 2.45 and a standard deviation of 0.89. The average gross capital formation as the ratio of GDP is 24.56 with a standard deviation of 10.66 indicating a wide gap across countries. While capital formation in some countries is as low as 5.13 a ratio of GDP, it is as high as 79.4 in some other countries. The average of total trade as the ratio of GDP is 71.19 with a standard deviation of 34.59 indicating wide variation across countries which is evident in the wide gap between the minimum (16.35) and the maximum (235.82). Particularly trade balance is higher in southern African countries while it is lowest in central African countries. Secondary educational attainment is similar across the continent. The mean values of the indicators of economic institutions are highest in monetary freedom 74.2, followed by trade freedom (67.03), fiscal health (60.85), labour freedom (56.05) and business freedom (52.7). While mean values for the remaining indicators are less than the average value of 50. Government integrity has the lowest mean value of 30.72, followed by property rights of 35.27. The performance of SSA countries in governance indicators is generally poor, the average values of all six indicators are negative and the highest maximum value is 1.63. The standard deviations are generally low indicating that the quality of governance is similar across SSA.

Table 2: Summary Statistics

Variable	Observation	Mean	Standard Deviation	Minimum	Maximum
IG	540	0.07	2.69	-6.43	5.31
POPG	615	2.45	0.89	-2.62	5.08
GCF	578	24.56	10.66	5.13	79.40
TRADE	585	71.19	34.59	16.35	235.82
SEDUC	248	3.13	0.38	2.28	4.38
PPR	615	35.27	14.52	5	78.4
GINT	615	30.72	10.52	10	67.9
BF	615	52.70	12.09	23.3	83.7
IF	615	48.98	15.39	5	90
FF	615	41.96	13.23	10	70
MF	615	74.20	9.13	44.13	92.5
GS	205	38.31	12.61	13.1	83.2
FH	205	60.85	29.21	0.6	99.5
LF	615	56.05	13.61	21.9	91.4
TF	615	67.03	9.93	28.4	89
VA	615	-0.46	0.66	-1.72	0.97
PSAV	615	-0.51	0.84	-2.69	1.20
RQ	615	-0.58	0.54	-2.08	1.19
GE	615	-0.69	0.61	-1.89	1.16
CC	615	-0.57	0.65	-1.58	1.63
RL	615	-0.61	0.61	-1.87	1.02

Source: computed by authors

Regression results

The regression results are presented in Tables 3, 4, 5 and 6 respectively. Results on the impact of indicators of economic institutions on inclusive growth are presented in Table 3, while results of the effects of interaction between economic institutions and governance are presented in Table 4.

The direct effects of governance indicators on inclusive growth are displayed in Table 5 and results of the interaction effects of governance and economic freedom are in Table 6. Each of the indicators of economic institutions as well as the indicators of governance are introduced into the regression sequentially in Tables 3 and 5 respectively. In Table 4 the average value of the six governance indicators is interacted with each of the indicators of economic institutions. Finally, the overall score of economic freedom is interacted with each of the six governance indicators in Table 6.

The role of each of the ten indicators of economic institutions in promoting inclusive growth is examined in Table 3. It is clear from the results that among the ten indicators, seven have significant positive influence on inclusive growth. This means that seven indicators of economic institutions are capable of directly promoting inclusive growth in SSA. These variables are property rights, government integrity, business freedom, financial freedom, monetary freedom, labour freedom and trade freedom, all of these have significant positive influence on inclusive growth. On the other hand, investment freedom, government size, and fiscal health are not statistically significant. The influence of governance on the effectiveness of economic institutions in promoting inclusive growth is presented in Table 4. A slight improvement is observed in the results presented in Table 4 over the results in Table 3. All the seven indicators that are significant in Table 3 are equally significant in Table 4. In addition to these seven indicators, investment freedom became statistically significant. Implying that investment freedom with good governance would create opportunities for the majority of people to participate in economic activities, however, without good governance investment freedom would not influence inclusive growth. The size of the coefficients in Table 4 is slightly bigger than what is presented in Table 3. This implies that with good governance economic institutions will have greater influence in promoting inclusive growth.

The findings in Tables 3 and 4 particularly for the eight significant indicators are consistent with apriori expectation. Both theoretical and empirical literature posit that the security of property rights for everyone in an economy incentivizes people to invest in areas where they expect high returns, hence, improvement in the security of property rights encourages people to participate in the growth process since they are certain of ripening the fruit of their endeavours. Strengthening the security of property rights is expected to promote inclusive through a number of channels: protecting property against expropriation and theft; the ability to use property (particularly land title) as collateral to access finances; and the ability to trade property as factors of production Besley and Ghatak (2010); Henley (2013). All these would lead to more efficient allocation of resources, higher productivity of factors, more investment, and in turn more inclusive growth.

Higher government integrity is a situation where the activities and functions of government are conducted transparently with less corruption so as to promote the interest of the majority and not narrow minority interests. Moreover, a government with a high level of integrity ensures fair and efficient allocation of resources, hence promoting competitive level playing ground, innovation, conducive business environment, and investment. Thus, government integrity is capable of boosting inclusive growth. The implications of improvement in business and investment freedom are similar. In a more free business and investment environment the institutional setting allows individuals to easily start and operate an enterprise freely with little or no burdensome interference

from the government. Therefore improving business and investment freedom would promote inclusive growth in SSA countries.

The finding concerning the significant positive influence of trade freedom on inclusive growth conforms with some previous studies that show that trade openness enhances inclusive growth Anand, *et al.* (2013); Arabiyat, *et al.* (2020). How does trade freedom influence inclusive growth? When the citizens of a country are free to participate as buyers and sellers in the international market space, inclusive growth can be enhanced through technological transfer, improvement in manufacturing firms' productivity, reduction of prices, and increase in total factor productivity Navas and Licandro (2011). Financial freedom on the other hand would promote inclusive growth by ensuring that financial services are not only available but equally and fairly accessible to every individual and business. With access to finances, the majority of people would be able to participate in the growth process, hence growth becomes inclusive.

The findings equally show that labour and monetary freedoms significantly enhance inclusive growth in SSA. Labour freedom entails institutional settings that allow free exchange in the labour market, while individuals have the choice to work where and when they want. Wages in such markets are adjusted according to forces of demand and supply. Monetary freedom mirrors an economy with stable prices and reliable currency as well as monetary policies that endeavours to fight inflation and preserve national wealth. All these are imperative for investment, savings and long-term economic decisions and consequently promote inclusive growth.

The performance of the baseline variables viz physical capital, human capital, population growth and trade are similar in the two tables. Physical and human capital measured by the gross capital formation and secondary education respectively have significant positive influence on inclusive growth as expected. Implying that more investment in physical and human capital is capable of promoting inclusive growth in SSA. Population growth is not statistically significant in most of the regressions, in the few cases where it is significant, the coefficients are positive. Meaning that population growth is likely to promote inclusive growth. The sign of trade is contrary to expectation. Trade shows significant negative effects on inclusive growth through almost all the regressions. This finding may not be unconnected with the absence of appropriate absorbing factors that will allow the countries in SSA to maximize the benefits of trade as shown by a number of studies that the benefit of trade depends on the availability of complementary factors Chang, *et al.* (2009); Mabugu, and Mabugu (2014).

Table 3: Economic Institution and Inclusive growth

VARIABLES	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
L.IG	0.958*** (0.0067)	0.950*** (0.0035)	0.947*** (0.0084)	0.950*** (0.0037)	0.952*** (0.0052)	0.945** * (0.0594)	0.945*** (0.0070)	0.963** * (0.0490)	0.949*** (0.0056)	0.949*** (0.0052)
POPG	0.0311** * (0.0107)	0.0160 (0.0119)	0.00300 (0.0106)	0.0274** (0.0118)	0.0365* (0.0198)	0.0517 (0.0855)	0.0107 (0.0114)	0.352 (0.478)	0.00381 (0.0126)	0.0140 (0.0108)
GCF	0.00945* ** (0.00120)	0.00950* ** (0.00169)	0.00886* ** (0.00121)	0.00754* ** (0.00181)	0.00821* ** (0.00281)	-0.0213 (0.0173)	0.00789* ** (0.00085 3)	-0.0146 (0.0158)	0.00729* ** (0.00230)	0.00721* ** (0.00097 2)
SEDUC	0.186*** (0.0501)	0.180*** (0.0394)	0.198*** (0.0495)	0.168*** (0.0394)	0.208*** (0.0339)	0.445* (0.257)	0.206*** (0.0386)	- 1.146** * (0.232)	0.238*** (0.0916)	0.142*** (0.0451)
TRADE	- 0.0020** * (0.0002)	- 0.0015** * (0.0003)	- 0.0013** * (0.0004)	- 0.0014** * (0.0003)	-0.0008* (0.0005)	0.0066* ** (0.0023)	- 0.0015** * (0.0003)	0.0075* ** (0.0021)	- 0.0011** (0.0005)	- 0.0016** * (0.0003)
PPR	0.0045** * (0.0009)									
GINT		0.0024** (0.0010)								
BF			0.0062** * (0.0009)							
IF				0.0006 (0.0005)						
FF					0.0030** * (0.0005)					

					(0.0006)					
GS						-0.0002				
						(0.0048)				
TB							0.0215**			
							*			
							(0.0027)			
FH								0.0024		
								(0.0019)		
LF									0.005***	
									(0.0008)	
TF										0.0051**
										*
										(0.0018)
Constant	-	-	0.2490**	-	0.0511	-0.350	-	-0.480	0.226***	-
	0.2840**	0.1420**	*	0.0927**			1.613***			0.374***
	*	*								
	(0.0520)	(0.0465)	(0.0792)	(0.0401)	(0.0518)	(0.448)	(0.215)	(0.418)	(0.0735)	(0.0531)
Observations	486	486	486	486	486	171	486	171	486	486
Sargan test	22.29	21.68	19.96	21.85	22.67	21.67	21.29	21.64	21.64	21.30
AR 2 test	2.73	2.74	2.85	2.69	2.74	2.34	2.71	2.66	2.72	2.77

Source: computed by authors, Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

Table 4: Interaction of Economic Institutions and Governance

VARIABLES	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18	Model 19	Model 20
L.IG	0.902***	0.912***	0.906***	0.912***	0.910***	1.648**	0.930***	0.200	0.931***	0.929***
	(0.0150)	(0.0158)	(0.0118)	(0.0153)	(0.0134)	(0.5930)	(0.0178)	(0.9040)	(0.0208)	(0.0156)
POPG	0.0325**	0.0292**	0.0283	0.0374**	0.0433**	0.3910	0.0223	0.9160	0.0107	0.0255
	*	*			*					
	(0.0108)	(0.0108)	(0.0221)	(0.0150)	(0.0163)	(0.2850)	(0.0165)	(0.576)	(0.0212)	(0.0184)
GCF	0.0092**	0.0104**	0.0120**	0.0092**	0.0112**	-0.0008	0.0105**	-0.0378	0.0120**	0.0105**

	*	*	*	*	*		*		*	*
	(0.0014)	(0.0017)	(0.0021)	(0.0012)	(0.0012)	(0.0079)	(0.0013)	(0.0294)	(0.0015)	(0.0011)
TRADE	- 0.0048** *	- 0.0065** *	- 0.0085** *	- 0.0089** *	- 0.0072** *	0.0206* *	- 0.0071** *	0.0382	- 0.010***	- 0.0063** *
	(0.0008)	(0.0012)	(0.0014)	(0.0009)	(0.0011)	(0.0082)	(0.0011)	(0.0234)	(0.0009)	(0.0005)
SEDUC	0.2750** *	0.2130** *	0.2730** *	0.2300** *	0.2600** *	0.3740	0.1730** *	1.660** *	0.410***	0.1790** *
	(0.0597)	(0.0445)	(0.0392)	(0.0281)	(0.0233)	(0.4520)	(0.0425)	(0.3680)	(0.0328)	(0.0340)
PPRGOV	0.0083** *									
	(0.0028)									
GINTGOV		0.0090** *								
		(0.0022)								
BFGOV			0.0091** *							
			(0.0010)							
IFGOV				0.0095** *						
				(0.0015)						
FFGOV					0.0124** *					
					(0.0011)					
GSGOV						0.0629 (0.0383)				
TBGOV							0.0045** *			
							(0.0007)			
FHGOV								-0.0412 (0.0274)		
LFGOV									0.0126** *	

Adam, L. S., Kilishi, A. A. and Adebisi, M. A. (2025). Institutions and inclusive growth nexus in Sub-Saharan Africa: An empirical investigation. *Malete Journal of Accounting and Finance*, 5 (2), 388 - 406

									(0.0011)	
TFGOV										0.0054** *
										(0.0006)
Constant	0.785***	0.493***	0.434***	0.273**	0.497***	0.351	0.251	0.367	0.619***	0.317***
	(0.139)	(0.165)	(0.160)	(0.122)	(0.112)	(2.136)	(0.161)	(2.343)	(0.144)	(0.0938)
Observations	169	169	169	169	169	24	169	24	169	169
Sargan	22.53	22.11	20.93	21.52	21.45	21.22	21.41	21.81	22.04	21.75
AR 2 test	2.76	2.81	2.88	2.66	2.69	2.68	2.68	2.32	2.58	2.71

Source: computed by authors, Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

The empirical results on the effect of governance on inclusive growth are presented in Tables 5 and 6. The results in Table 5 focus on the direct influence of governance indicators on promoting inclusive growth in the SSA sub-region. Three out of the six governance indicators have significant positive influence on inclusive growth, while the remaining three are not statistically significant. Voice and accountability, political stability and absence of violence, as well as regulatory quality, are the significant indicators. While government effectiveness, control of corruption, and rule of law are not statistically significant. The main finding here is that voice and accountability, political stability and absence of violence, and regulatory quality are capable of creating more opportunities for a greater number of people to participate in the growth process as well as benefit from the growth process in SSA. This finding conforms with theoretical expectations and empirical findings by Oyinlola, *et al.* (2020). Coupled with a stable political regime, improvement in voice and accountability allows the citizens of a country to participate and influence the formation of government, planning and implementation of government programmes and policies. The citizens would also be able to hold the government accountable if it fails to deliver services that are beneficial to the people. Thus, with more voice and accountability, the government is influenced to create an enabling environment and opportunities for the majority of people to participate in the growth process. Improvement in regulatory quality connotes an increase in the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development, thus, making growth more inclusive.

The concern in the results presented in Table 6 is to investigate the complementary role of economic freedom on the influence of governance in promoting inclusive growth. When the indicators of governance are interacted with economic freedom as presented in Table 6, all the governance indicators except control of corruption become statistically significant. This implies that economic freedom enhances the influence of governance in fostering inclusive growth. That is, good governance would promote inclusive growth in SSA if complemented with economic institutional reforms that allow and give the majority of people the opportunities to undertake economic activities of their choice. The insignificance of control of corruption may be due to the ineffectiveness of the corruption fighting mechanism in SSA. This is evident in the fact that corruption is still persistent and prevalent across countries in SSA despite the various efforts of successive governments to eradicate corruption.

Table 5: Governance and Inclusive growth

VARIABLES	Model 21	Model 22	Model 23	Model 24	Model 25	Model 26
L.IG	0.949*** (0.0037)	0.953*** (0.0027)	0.951*** (0.0040)	0.950*** (0.0035)	0.952*** (0.0036)	0.952*** (0.0035)
POPG	0.0517*** (0.0097)	0.0398*** (0.0104)	0.0461*** (0.0098)	0.0551*** (0.0093)	0.0508*** (0.0105)	0.0492*** (0.0096)
GCF	0.0018** (0.0009)	0.0011 (0.0008)	0.0019** (0.0009)	0.0019** (0.0008)	0.0018** (0.0009)	0.0019** (0.0008)
SEDUC	-0.0012 (0.0008)	-0.0009 (0.0009)	-0.0016 (0.0007)	-0.0009 (0.0008)	-0.0009 (0.0009)	-0.0007 (0.0009)
TRADE	- 0.0014*** (0.0003)	- 0.0020*** (0.0003)	- 0.0011*** (0.0004)	- 0.0014*** (0.0003)	- 0.0014*** (0.0004)	- 0.0013*** (0.0003)
VA	0.0243**					

	(0.0101)					
PSAV		0.0386*				
		(0.0204)				
RQ			0.0274***			
			(0.0104)			
GE				0.0164		
				(0.0148)		
CC					0.0124	
					(0.0201)	
RL						-0.0143
						(0.0203)
Constant	-0.0597	-0.0046	-0.0729**	-0.0816	-0.0760	-0.103*
	(0.0460)	(0.0685)	(0.0331)	(0.0507)	(0.0582)	(0.0557)
Observations	486	486	486	486	486	486
Sargan test	21.27	22.16	21.79	20.72	20.70	21.11
AR 2 test	2.75	2.55	2.77	2.70	2.72	2.76

Source: computed by authors, Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1

Table 6: Interaction of Governance Indicators and Economic Freedom

VARIABLES	Model 27	Model 28	Model 29	Model 30	Model 31	Model 32
L.IG	0.949***	0.952***	0.950***	0.947***	0.953***	0.951***
	(0.0043)	(0.0036)	(0.0038)	(0.0042)	(0.0027)	(0.0046)
POPG	0.0431***	0.0491***	0.0523***	0.0490***	0.0368***	0.0463***
	(0.0095)	(0.0101)	(0.0091)	(0.0106)	(0.0102)	(0.0103)
GCF	0.0019**	0.0018**	0.0019***	0.0018**	0.0011	0.0019**
	(0.0008)	(0.0009)	(0.0006)	(0.0009)	(0.0009)	(0.0009)
SECSE	0.0012	0.0012	0.0009	0.0019**	0.0015*	0.0014
	(0.0008)	(0.0008)	(0.0007)	(0.0008)	(0.0009)	(0.0009)
TRADE	-	-	-	-0.0010**	-	-
	0.0013***	0.0013***	0.0013***		0.0021***	0.0011***
	(0.0003)	(0.0004)	(0.0003)	(0.0004)	(0.0003)	(0.0004)
RLEF	0.0011***					
	(0.0003)					
CCEF		-9.43e-05				
		(0.000285)				
GEEF			0.0005**			
			(0.0002)			
RQEF				0.0016***		
				(0.0002)		
PSEF					0.0010**	
					(0.0004)	
VAEF						0.0006**
						(0.0002)
Constant	0.0976**	0.0747	0.110**	0.116***	0.0400	0.0858*
	(0.0439)	(0.0462)	(0.0448)	(0.0385)	(0.0620)	(0.0503)

Observations	486	486	486	486	486	486
Sargan test	35	35	35	35	35	35
AR 2 test						

Source: computed by authors, Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.

CONCLUSION AND RECOMENDATIONS

The key conclusions from the findings are: (i) economic institutions matter for stimulating inclusive growth in SSA; (ii) the influence of economic institutions in promoting inclusive growth is strengthened with good governance; (iii) governance indicators have a weak direct effect on inclusive growth, and (iv) good governance would have a greater impact on inclusive growth if good governance is complimented with improved economic institutions. Generally, economic institutions are important in stimulating inclusive growth, and the complementarity role of good governance is imperative.

Following from the above conclusion, it is recommended that policymakers in SSA should undertake institutional reforms that will ensure a more free and competitive economic environment as well as good governance. Particularly, efforts should be directed toward ensuring the security of private properties including intellectual property. It is also imperative for the government to be transparent with zero tolerance for corruption in carrying out its functions, activities, policies, and programmes at all levels. Equally, the business environment should be made conducive so as to ease the process of starting and operating businesses. The financial system should be restructured to allow easy and fair access to funds by everyone in the economy without discrimination. The monetary authorities should be on their toes to ensure price and currency stability. The labour market should be organized to allow individuals to choose freely where and when to work without intervention or restrictions. While governance should be made more participatory, accountable to the people, effective in carrying out regulatory functions and other programmes, and maintaining the principles of the rule of law.

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