



## GOVERNANCE QUALITY AND ECONOMIC GROWTH: EVIDENCE FROM SELECTED COUNTRIES IN SUB-SAHARAN AFRICA

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### Abstract

Despite copious natural resources and economic potential, some sub-Saharan African countries continue to experience unstable and low economic growth due to weak governance institutions. This study examines the effects of the quality of governance on the economic growth of countries in the chosen sub-Saharan Africa region. The study employs the secondary data that are in the World Bank databases and the Worldwide Governance Indicators that apply to six states, including Nigeria, Ghana, Kenya, Tanzania, South Africa, and Zimbabwe, between the years 1996 and 2023. The empirical analysis is done with panel least squares regression procedures. The findings indicate that the quality of regulatory aspects ( $\beta = 2.1996$ ,  $p = 0.029$ ) positively and significantly influences the growth of GDP in the sampled countries. However, other governance indicators, including control of corruption, political stability, and rule of law, show weak or statistically non-material relationships with economic growth. The study concludes that the key to sustainable economic growth in the region is a regulatory framework and proper implementation of the policy. Government is thus urged to focus on proper regulation, open governance, and institutional reinforcement to draw investment, enhance productivity, and sustain the growth of the economy.

**Keywords:** Economic growth, governance quality, regulatory quality; rule of law, sub-saharan africa.

**JEL Classification:** O43, O44, O47, O55, M48

### 1. Introduction

Economic growth is a delicate indicator of the growth and the prosperity of any country, the potential to produce goods and services, create jobs, and improve the quality of life. Nevertheless, the majority of the countries in sub-Saharan Africa are yet to overcome the issue of achieving long-term economic growth due to their ineffective institutions, policy mismatch, corruption, political instability, and the lack of effective regulatory mechanisms (Appiah et al. 2025). Good governance and well-established institutions have been largely embraced as determinants of economic growth since they define the environment for investment and equitable allocation of resources and observing laws and contracts. Governance and the associated effect on economic performance are increasingly popular in the literature and policy discussion (Billi et al., 2021; Nathanael & Ngollo, 2025). In the event that countries have institutions of high quality that are transparent, have a rule of law, have a high rating of regulatory efficiency, and have a high level of corruption control, they would have a higher growth rate, draw investors, and be politically and socially stable (Awa, 2025).

In contrast, weak governance, in light of inefficient government policies, corruption, and ineffective legal frameworks and political instability, can impede economic growth in terms

of increased transaction costs, impaired investment, and reduced resource utilization efficiency (Shinwari et al., 2024; Yisau et al., 2025). A poor business climate is created by corruption, poor government policy, political inability, poor law enforcement, and poor regulatory processes that discourage investment and reduce productivity and sustainable development (Tanjung & Shimada, 2025; Adeyemi et al., 2025). Sub-Saharan Africa is a separate area where one can look to the correlation between governance and economic growth since the area is typified by an excessive amount of institutional settings, disparities in political stability, and control capacities. It is possible to observe certain differences in the institutionalization and economic performance in sub-Saharan Africa, and this offers a chance to research the effect of the indicators of governance on the economic growth in the region. Whereas sub-Saharan Africa has been blessed with natural resources and economic potential, few countries in the world are recording low and irregular economic growth in the region (Nutassey et al., 2024; Thakkar, 2025). The question that has grown among scholars and policymakers is that bad governance and poor institutional quality are one of the major limitations to economic performance. While there is increasing consensus that the quality of governance is one of the major factors influencing economic growth, sub-Saharan Africa still suffers from chronic institutional shortcomings, such as corruption, poorly functioning regulatory frameworks, political instability, poor government policy implementation, and inadequate enforcement of the rule of law. Such governance issues have led to a negative business climate, lower productivity, and the inability to sustain economic development in the area.

Moreover, studies on governance quality and economic growth, particularly in Africa, continues to face various gaps that require more empirical results to assist policymakers in making effective decisions. The studies by Grabowski & Self (2021) and Beyene (2024) emphasized the positive impact of the degree of regulatory quality and the existence of the rule of law, and some studies (Wandeda et al., 2021; Asante et al., 2023) show that the effectiveness of the government, along with the degree of corruption control, does not always correspond to growth returns. In addition, previous studies (Adegboye et al., 2020; Djouadi et al., 2024) have investigated the link between governance and growth, but the empirical literature has not been conclusive or extensive in terms of what impact governance has on growth in specific sub-Saharan countries based on recent data spanning the period 1996-2023, especially on the specific dimensions of governance. Therefore, there is a need for a thorough empirical study on the effect of governance quality on economic growth in the selected sub-Saharan African economies to generate policy-relevant evidence for institutional and economic reforms. Hence, a rigorous study that measures the effect of various measures of governance on the growth of GDP is required in order to offer practical information to the policymakers who are concerned about empowering institutions and triggering sustainable economic development. The primary purpose of the current research is to establish the connection between governance quality and economic development of sampled sub-Saharan African nations (Nigeria, Ghana, Kenya, Tanzania, South Africa, and Zimbabwe) between the years 1996 and 2023.

## **2. Literature Review**

### ***Conceptual Review***

#### ***Governance Quality***

The quality of governance that reduces uncertainty and guarantees property rights and productive economic activity is known as a critical element of sustainable growth and operates well (Faundez, 2016). Governance quality is reflected on (CC, GE, PS, RL, and RQ), which measure the performance of governance against economic practices (Odionye et al., 2025). Institutions that offer predictable environments, property rights, reduced transaction

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costs, and accountability, transparency, and mechanisms of policy enforcement are considered to be good (Agu et al., 2024; Andabayeva et al., 2025). On the other hand, moderate institutions, which are highly corruptive, inefficient bureaucracies, political instability, ineffective regulatory frameworks, and poor implementation of the rule of law, undermine investor confidence and resource allocation as well as their overall performance (Slamkov, 2024).

### ***Economic Growth***

Economic growth can be measured by the overall rate of variation of Gross Domestic Product Growth (GDPG) in terms of annual changes, which provides an insight into the possibility of the economy to produce more goods and services (Adewale et al., 2025). The relationship between good governance and economic development is not one-dimensional. Regulatory quality is one of such areas that ensure that rules and policies are clear and followed throughout, which offers a facilitative business environment and investment (Jindra & Vaz, 2019). Corruption control reduces the rent-seeking activities and increases the use of resources. Whether the government can execute the policies or not is measured by how effective the government is (Akinsola et al., 2025). Violence and political stability provide a secure environment to conduct business, and the RL ensures the contracts, property rights, and legal systems are enforced (Munzhelele, 2025). This study is conceptualized by the fact that good governance quality results in good economic performance and weak governance structures result in poor development. This is also a critical relationship to the policymakers in sub-Saharan Africa so that they can learn that detailed institutional reforms together with enhancing regulations are very essential in promoting sustainable and inclusive economic development in the region.

### ***Theoretical Review***

The theoretical foundations of the current research are based on institutional, public choice and Agency theories.

### ***Institutional Theory***

Institutional theory holds that the emergence of an economy is more in a country that has good institutions, as organizations can be confident of property rights, contracting, and efficient distribution of resources (Shittu et al., 2025). On the contrary, ineffective institutions, corruption, and political instabilities hinder the development of nations. In its application to this study, the theory assumes that the factors of governance, including CC, GE, PS, RL, and RQ, may have a direct impact on economic growth. Such quality of regulatory rules is consistent with the argument that North presented, which asserts that transparent and compatible rules reduce the levels of uncertainty and facilitate the conduct of business and spur growth (Assidi et al., 2025). Similarly, the quality of government and the RL are also indicators of the capability of these institutions to implement the policies and enforce the legal systems, which is significant in the process of sustainable economic development (Čučković et al., 2025). This theory supports the quality of the institutions playing off with other economic factors, such as investment, financial development, and policy implementation, to produce growth results.

### ***Public Choice Theory***

This is an economic theory that describes the way in which political actors, the public officials, and the government institutions make decisions in their own interests and not necessarily for the well-being of the public. The theory is that corruption, weak governance, lack of efficiency in the bureaucracy, and weak policy implementation can occur when public officials act in their own interests, or politically, and seek to advance the country's interests at the expense of

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their own (Afolabi et al., 2024). With respect to the current research, public choice theory hypothesises that low levels of governance as measured by factors like corruption, ineffective government policies, and political instability may have adverse impacts on economic growth by deterring investment, decreasing accountability, and diverting public resources. In sub-Saharan Africa, improved governance in terms of transparent institutions and effective regulations are crucial to sustainable economic growth.

### *Agency Theory*

Agency theory helps to understand the relationship between the citizens or principals and their agents (government officials and public institutions) who are supposed to work for the best interest of the principals. But it can happen that conflicts do occur if government officials' interests are not aligned with public interest and lead to corruption, lack of accountability, and poor governance (Shittu et al., 2023). The theory highlights the role of monitoring devices, transparency, rule of law, and institutional accountability in diminishing agency problems and enhancing governance quality. As far as the study is concerned, agency theory proposes that good governance, quality of regulations, and efficient public institutions will boost economic growth by improving the coordination between government action and national development goals as well as ensuring the public interest.

### *Empirical Review*

Previous researchers have carried out studies on governance quality and GGDP in developed and developing countries. For instance, Appiah et al. (2025) reveal that CC and GE can play a major role in enhancing green economic growth, but the role of RL and RQ is negligible. Moreover, Karagiannis and Paleologou (2025) confirmed that the Ibrahim Index of African Governance (IIAG) has a positive and significant effect on Africa's economic growth. It is research on IIAG and not the governance indicators. Likewise, Cooray and Nam (2025) observed that education and expenditure positively correlated with economic growth. The study focuses on education and expenditure. Also, the governance approach was found to be significant in economic growth in a study conducted by Ozbek et al. (2025). However, the study employed bibliometric analysis. Besides, Ikpe et al. (2025) have recorded an affirmative, significant role of RL and RQ in economic growth. The study focuses on health expenditure. Similarly, the study by Khan et al. (2025) concluded that the government indicators improve the development of the stock market. The study focuses on the stock market.

Moreover, Nguyen (2025) revealed that GDPG positively and significantly affects the performance of the banks, but not GE and RL. The study focused on financial institutions, and a study period of less than ten years was considered. Karabou (2024) found that institution quality has a positive impact on economic growth, and the study was carried out among WAEMU countries. Furthermore, Wandeda et al. (2021) use a GMM estimator and less than fifteen years. Also, Grabowski and Self (2021) was based on determinants, while Asante et al. (2023) focuses on financial development. Hence, following a literature search on the governance indicators, authors observed a research gap in the quality of institutions and economic growth, particularly in sub-Saharan Africa. Therefore, an up-to-date study that covers a long period is required to determine the impacts of governance quality (macroeconomic factors) on the economic growth in sub-Saharan Africa, where political instability exists. Thus the study hypothesis is as follows:

H<sub>01</sub>: Governance quality has no significant influence on economic growth in sub-Saharan Africa

### 3. Methodology

The study employs quantitative research design to examine the impact of the quality of governance on the economic growth of 6 African economies, i.e. Ghana, Nigeria, Kenya, Tanzania, South Africa and Zimbabwe, between 1996 and 2023. Secondary data were sourced from Bank of World Development Indicators (WDI) and Worldwide Governance Indicators (WGI) database. The analysis of descriptive statistics was employed to summarise the data, correlation analysis to determine the linear relation, and panel least squares regression was used to determine the impact of the study variables.

#### Model Specification

To assess the influence of independent variables (governance indicators) on the dependent variable (GDPG). The study model was adapted from the work of Thakkar (2025) with a little modification as presented below. The model provides consistent and unbiased estimates of the impact of governance quality on economic growth.

$$GDPG_{it} = \beta_0 + \beta_1 CC_{it} + \beta_2 GE_{it} + \beta_3 PS_{it} + \beta_4 RL_{it} + \beta_5 RQ_{it} + \epsilon_{it}$$

**Table 1: Definition of Variables**

Variables	Name	Acronym	Measurement	Reference
Dependent	Gross domestic product growth	GDPG	GDP in current period - GDP in previous period / GDP in previous period × 100%	Appiah et al. (2025)
Independent	Control of corruption	CC	The prevalence of bribery in public services	Djouadi et al. (2024)
	Government effectiveness	GE	Efficiency of government policies	Asante et al. (2023)
	Political stability and absent of violence	PS	Stability of political institutions	Beyene (2024)
	Rule of law	RL	Fairness in legal proceedings	Djouadi et al. (2024)
	Regulatory quality	RQ	Data on business regulation and their enforcement	Appiah et al. (2025)
	$\beta_0$	Intercept term		
	$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$	Coefficient of respective independent variables		
	$\epsilon$	Error term capturing unobserved factors.		
	$it$	Time t (1996 to 2023)		

Source: Authors' computation (2026)

### 4. Results and Discussion

#### Descriptive Statistics

**Table 2: Descriptive Statistics of GDP Growth and Governance Indicators**

	GDPG	CC	GE	PS	RL	RQ
Mean	3.996851	-0.66072	-0.53762	25.7815	-0.62297	34.82027
Median	4.567343	-0.76777	-0.54756	24.22123	-0.47874	36.81675
Maximum	19.67541	0.732927	1.020496	52.83019	0.18131	72.54902
Minimum	-17.669	-1.50207	-1.55316	2.415459	-1.87002	0.980392

Std. Dev.	4.840791	0.544109	0.537224	15.22541	0.58422	19.68356
Skewness	-1.10013	0.389326	0.291806	0.163588	-0.39464	-0.07871
Kurtosis	8.183988	2.088993	2.616624	1.659624	2.00011	2.159947
Jarque-Bera	198.2179	8.976461	3.047375	11.89782	10.14215	4.565422
Probability	9.07E-44	0.011241	0.217907	0.002609	0.006276	0.102007
Sum	599.5276	-99.1085	-80.6433	3867.225	-93.4455	5223.04
Sum Sq. Dev.	3491.555	44.11207	43.00287	34540.17	50.85559	57728.95
Obs.	150	150	150	150	150	150

Source: Authors' computation, (2026)

The descriptive statistics of variables in the studies are described in Table 2 above. The GDPG rate stands at 3.99% and this implies that the countries chosen have had an average growth rate of moderate levels. The mean is a bit less than the median value of 4.57% and this indicates that the data is skewed slightly to the left. High growth rate of 19.68% may have been attributed to the fact that, peak growth rates may have been recorded in only a few countries such as Tanzania or Ghana, and the lowest growth rate of -17.67 may have been attributed to low growth rates which may have been caused as a result of political unrest, bad government policies or even external shock. The standard deviation of 4.841 implies that there is high volatility in the economic growth of the countries and across time and the performance of the growth is uneven and possibly to do with institutional quality. The skewness of -1.10 is negative and this confirms the fact that the growth rates are left skewed with extreme negative values of growth surpassing the extreme positive ones. The value of kurtosis is 8.18 indicating that the distribution is leptokurtic, i.e. the values tend to cluster around the mean and the tails tend to be heavy, and hence there are the outliers. The non-normality is accepted with the Jarque-Bra probability that is close to zero and the fact that it is not insignificant that extreme variations of the growth rates exist and need to be included in the analysis.

The mean of -0.661 shows that the level of corruption is not highly regulated in the chosen countries, and it shows that there are still some issues that are persistent in providing transparency and accountability. The -0.768 values is comparatively lower than the mean and it is also another indication that the values of corruption control as lower are dominant in the dataset. This suggests that there exist good countries whose highest value of 0.733 was attained at one time or another to show a higher control over corruption. Conversely, the minimum of -1.502 is a sign of the degree of corruption. The standard deviation is 0.544, indicating the moderate dispersion and this means that there is variability among countries and time. The skewness of 0.389 shows that it is skewed towards high values, and the value of kurtosis is 2.09 which shows that the value is close to normal distribution. However, Jarque Bera = 0.011 indicates that the variable is not normally distributed. This emphasises that the management levels of corruption are low as a rule though some positive changes are observed in some of the countries.

Moreover, the GE of average value, -0.538, indicates that the quality of the offered services of the government, the policy execution, and bureaucratic effectiveness are below the world level. The average of the data of -0.548 is close to the median which is a sign of the symmetric distribution. The highest value of 1.020 represents the number of the countries or years with a comparatively more good performance of the institutions. Conversely, the minimum of -1.553 shows highly poor performance of the government in certain instances. The standard deviation is 0.537 and the skewness is 0.292 that represents moderate variability and slight skewness to the right, respectively. The kurtosis of 2.62 and Jarque-Bra 0.218 shows the data is normally distributed and hence such data would be suitable in the parametric analysis.

Typically, the performance of the government is imbalanced and not much more than the undesirable levels which, again, can adversely impact on the economic growth. The median value of 25.78 (0 to 100) is a poor PS in the selected countries. The huge value of standard deviation of 15.23 means that there are few countries which are more stable than the rest are highly unstable, like in South Africa, or Zimbabwe, or Nigeria. The median of 24.22 that is not significantly higher than the mean reveals that there are less stable countries. It has a skewness of 0.164 which means that it is a distribution that is relatively symmetric, and a low kurtosis of 1.66 which means that it is a fat tailed distribution. The Jarque-Bra statistic is 0.0026 and it is the probability of the non-normality of the average. Such volatile political situation and violence can disrupt economic activities, deter investments and adversely affect growth.

Furthermore, the average of the mean of -0.623 is a portrayal of low degree of obedience to laws of the land, and laws of property and contracts. The median of -0.479 has a higher value compared to the mean and this implies that the very low values pull the mean towards the negative. The maximum value of 0.181 is the best and it means that there are those countries where the legal institutions are stronger, but the worst value of -1.870 depicts the presence of the worst weaknesses. The standard deviation of 0.584 implies mediocre variability between countries. The value of the skew (-0.395) indicates that there is slight skew to the left and the kurtosis (2.00) shows that it is a mesokurtic distribution. Jarque-Bra 0.0063 approved non-normality. The inefficient rule of law can even reduce the economic performance by reducing investor confidence and rendering the contractual and regulation environment uneven.

The mean of 34.82 represents that, on the average, the quality of regulation is quite poor in the sense of providing a business friendly environment and promoting the growth of the private sector. The median 36.82 is slightly larger than the mean, which is evidence of left skew. The upper and lower boundaries of 72.55 and 0.98 respectively indicate that there were still countries with quite good regulatory standards, and low end of 0.98. Having a standard deviation of 19.68, one can deduce that there is great discrepancy in terms of country and time. Skewness of the data -0.079 and Kurtosis of 2.16 indicates that there are near-symmetry and near-middle tails and Jarque-Bra is 0.102 that implies that it is nearly normal too. This variability allows making a significant analysis of the impact of quality of regulations on the economic growth. The potential cause of variation in the economic performance in these nations is the weak governance indicators, especially the CC, GE and RL, as they are consistent with the research objective that is, investigating whether poor governance is stalling the growth in sub-Saharan Africa.

### Correlation Matrix

**Table 3: Correlation Matrix of GDP Growth and Governance Indicators**

Variable	GDPG	CC	GE	PS	RL	RQ
GDPG	1					
CC	0.067006	1				
GE	0.917035	0.0397	1			
PS	0.786614	0.113839	0.66253	1		
RL	0.897202	0.127762	0.880431	0.729418	1	
RQ	0.849014	0.123771	0.922043	0.614735	0.869843	1

Source: Authors' computation (2026)

Correlation coefficients, t-statistics and probability values of the relationships between variables in the study are indicated in table 3 above. These results show that the GDPG rate is negatively correlated with all the governance indicators with very low positive relationships. The correlation between CC and economic growth is 0.067, t-statistic of 0.817, and probability

of 0.415 which indicates that the relationship between these two variables is not significant. The economic growth also has a poor positive correlation of 0.0397 with GE, which is also not significant. All PS, RL, and RQ are weakly positively correlated with the growth, values of which are insignificant: 0.114, 0.128, and 0.124, respectively. These results may be generalized by concluding that the indication of governance, as a single concept, does not have a very high linear relationship with the economic performance of the selected countries. Conversely, the governance indicators are maximally interrelated amongst themselves.

**Table 4: Fixed Effects (FE) Regression Results of GDPG on Governance**

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.16377	3.982103	-1.29675	0.196867
CC	-0.41964	2.934247	-0.14301	0.886486
GE	-1.52705	2.780817	-0.54914	0.583793
PS	0.06082	0.065929	0.922501	0.357866
RL	-0.16609	2.217356	-0.0749	0.9404
RQ	0.183539	0.083442	2.199611	0.029487
Effects specification				
Cross-section fixed (dummy variables)				
R <sup>2</sup>	0.162987	Mean DV		3.996851
Adj. R <sup>2</sup>	0.10277	S.D. DV		4.840791
S.E. of regression	4.585305	Akaike information criterion		5.954096
Sum squared resid	2922.478	Schwarz criterion		6.174876
Log likelihood	-435.557	Hannan-Quinn criter		6.043792
F-statistic	2.706663	Durbin-Watson stat		1.239566
Prob. (F-statistic)	0.004593			

**Source:** Authors' computation (2026). **Note:** DV represent dependent variable

**Table 5: Random Effects (RE) Regression Results of GDP Growth on Governance**

Variable	Coefficient	Std. Error	t-statistic	Probability
C	-3.36865	3.441716	-0.97877	0.329335
CC	-0.79502	2.288411	-0.34741	0.72879
GE	-5.59285	2.435751	-2.29615	0.02311
PS	0.037132	0.041929	0.885594	0.377313
RL	2.049718	1.674308	1.224217	0.222869
RQ	0.119269	0.05271	2.262731	0.025148
Effect specification				
		S.D.	Rho	
Cross-section random			0	0
Idiosyncratic random			4.585305	1
Weighted statistics				
R <sup>2</sup>	0.074296	Mean DV		3.996851
Adj. R <sup>2</sup>	0.042154	S.D. DV		4.840791
S.E. of regression	4.737663	Sum squared resid		3232.145
F-statistic	2.311468	Durbin Watson stat		1.127231
Prob (F-statistics)	0.046977			
Unweighted statistics				

R <sup>2</sup>	0.074296	Mean dependent var	3.996851
Sum squared resid	3232.145	Durbin-Watson stat	1.127231

**Source:** Authors' computation (2026). **Note:** DV represent dependent variable

**Table 6: Hausman Test for FE vs RE**

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Probability
Cross-section random	14.72849	5	0.011588

Source: Authors' computation (2026)

### *Effect of Governance Indicators on Economic Growth*

As shown in Table 6 above, the Hausman test is applied in determining the most suitable model to choose between Fixed Effect (FE) and Random Effect (RE) models. The Chi-Square statistic of the test is 14.728, and the Chi-Square statistic has 5 degrees of freedom with a probability value of 0.0116. Hence, the Hausman test value proves that FE is more preferable since it eliminates unobserved heterogeneity between countries and prevents biased estimates of the coefficients with probability value of less than 0.05. Moreover, Table 7 presents the FE coefficient of the CC to be -0.420, the coefficient of RE to be -0.795 and the difference variance as 3.373 and probability of 0.838. The difference between the two estimates is not significant because the probability is very high which means that the two models will only give similar estimates of this variable. In order to be effective, FE coefficient of government is equal to -1.527 and coefficient of RE is equal to -5.593. The significance which is 0.0024 is not negligible and estimates of RE on this variable are not regular, FE should be utilized. The FE coefficient of PS is 0.061 and the RE coefficient is 0.037 with the probability of 0.642. The t -test is not significant and it implies that the two models produce comparable estimates of political stability. The RL coefficient FE = -0.166, and the coefficient of RE = 2.050 with probability of = 0.127.

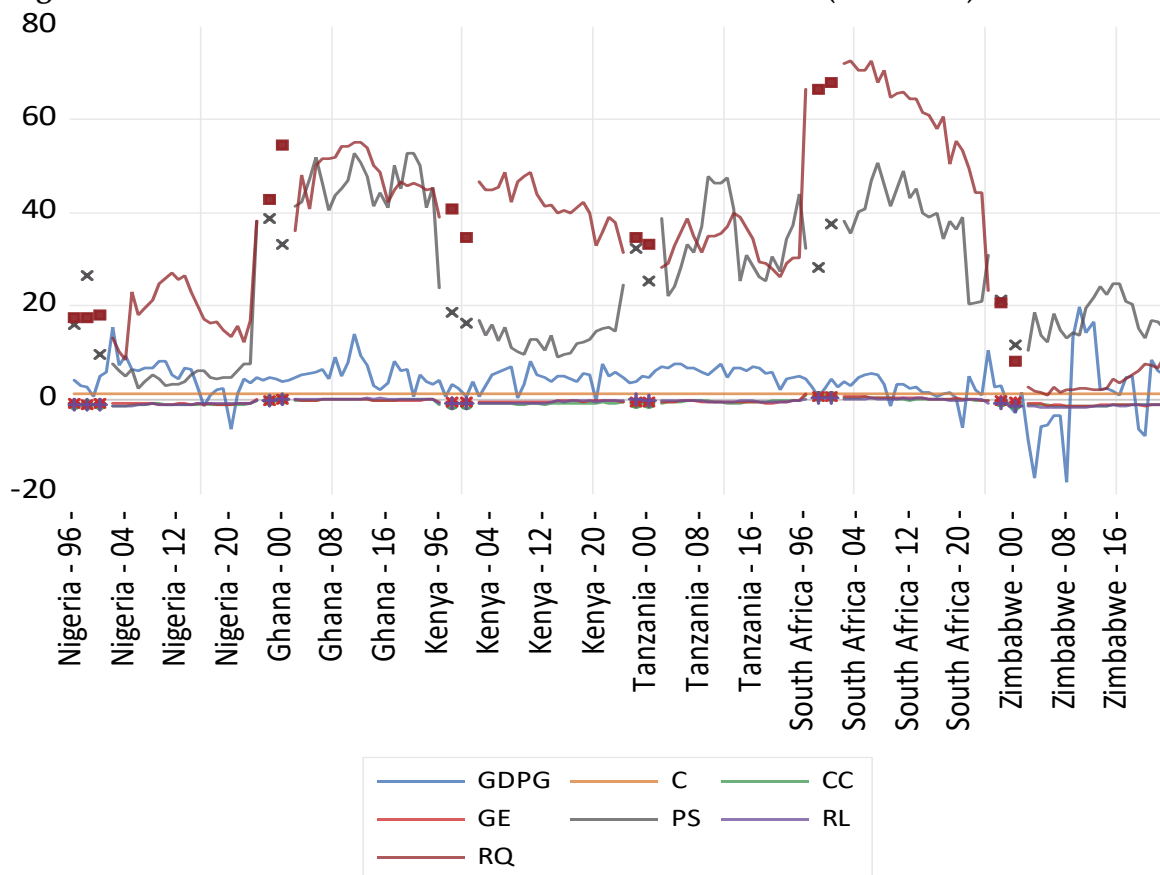
The difference at 5% is not significant and hence means that there are minor model-based differences in this variable. FE coefficient of RQ is 0.184, RE coefficient of regulatory quality is 0.119 and probability is 0.320. The difference is not insignificant in the least, which implies that the positive impact of the quality of regulations on the GDP growth is high in both models. Overall, this comparison demonstrates the result of the Hausman test which has revealed that a fixed effects model is more efficient in the context of estimating the effect of the governance indicators on the economic growth. Particularly, the difference between the two models in terms of government effectiveness is extremely high, and that is why the application of fixed effects estimates should be justified.

Thus, Table 4 indicates results of a panel least squares regression which was performed to test the impact of governance indicators on GDPG in sub-Saharan Africa. It possesses a cross-section fixed-effect model of explaining country specific variation and has 150 observations. By the regression, the constant is -5.164, and that is the overall level of economic growth in case all the institutional indicators assume the value of zero. The t-statistic of this is -1.297 and the probability of 0.197, however, shows that this constant is not statistically significant. The coefficient of regulatory quality is also positive at 0.184 indicating that a one unit increase in regulatory quality will raise GDPG by 0.184 percentage points with other things held constant. This coefficient is statistically significant at the level of 5 per cent ( $p = 0.029$ ) and the decision can be made to say that the quality of the regulation plays a significant role in the economic growth in such nations. The other governance indicators are negative with the coefficients or very small and are not significant. The correlation to growth is a very weak negative and non-significant association between the coefficient of control of corruption and its p-value = -0.420

= 0.886. The coefficients of the government effectiveness are negative and low but they are not statistically significant (-1.527,  $p = 0.584$ ) but the coefficient of political stability is small and positive but also not statistically significant (0.061,  $p = 0.358$ ). The coefficient of the rule of law is also negative and thus, small (-0.166,  $p = .940$ ); it is also not statistically significant.

The model possesses the  $R^2$  value of 0.163, meaning that the total figure of 16.3 percent of the variation in the GDP expansion is ascribed to the indicators of governance applied and nation-specific impacts. The adjusted  $R^2$  of 0.103 indicates that because of the impact of the number of explanatory variables, an approximation of 10.3 percent of variation is being explained. The F-test of 2.707 and p-value of 0.0046 shows that the whole model is significant hence the whole combination of the governance variables determine economic growth. The value of 1.240 reveals that Durbin Watson might evidence the presence of the possible positive autocorrelation of the residuals and it should be considered in case of the interpretation. Overall, the results of the regression suggest that the quality of regulation may be regarded as the sole important statistically positive element of the economic growth in sub-Saharan Africa. The negligible and low coefficients on the control of corruption, government effectiveness, political stability, and the rule of law may be caused by such factors as these dimensions of governance have indirect effects, or the effects require more time, or a combination of improvements to be reflected in the performance of the economy. The positive impact of the quality of regulations is aligned with the idea that the favourable regulatory environment, as well as the facilitation of the development of the private sector and the implementation of optimal policies, can also facilitate growth in the cases when other institutional factors are weak.

**Figure 1: Trends of GDP Growth and Governance Indicators (1996–2023)**

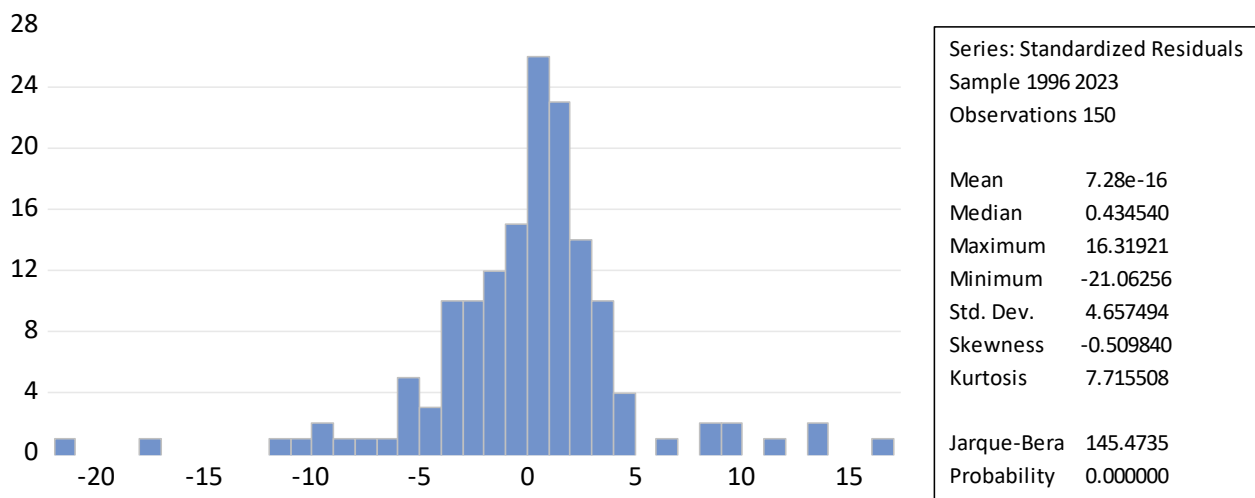


Source: Authors' computation (2026)

Figure 1 indicates the trends of the time series of the economic growth (GDPG) and the governance indicators (CC, GE, PS, RL, and RQ) in six countries in sub-Saharan Africa. The blue line (GDPG) shows that the growth of the economy is very diverse with countries and time. Also, one should remember that South Africa experienced its highest points at the beginning of the 2000s and the 2010s, and Zimbabwe experienced negative growth spikes, which are signs of economic crises. Nigeria and Ghana have periods of volatility through average growth, which is similar to political and economic shocks. Most of the countries, particularly of South Africa and Ghana, are always on its upward trend in terms of RQ, red line compared to other governance indicators, which implies that they possess stronger regulatory frameworks that will probably help in investing and economic activity.

The GE, dotted red also prone to fluctuations and it is very much evident that there are declines in Zimbabwe and Tanzania when the political instabilities are apparent. The level of the CC green dashed line and RL, purple line is not very high even at their level, which points to the fact that the issue of governance is not yet resolved in the majority of countries. PS, black dashed line captures the peaks and dips particularly in Tanzania and South Africa which represent the politically unstable or stable periods. Overall, it can be seen on the figure that pattern of economic growth is closely related to the quality of governance; the better the quality of governance regulation would be the stronger the economic growth would be and the worse the quality of governance indicators would be the more unstable the economic dynamic would turn or even the economic growth would decrease. This kind of visual effect confirms the results according to which the quality of regulation is the most significant growth determinant; other governance indicators show weaker or even situation-specific effects.

**Figure 2: Histogram of Standardized Residuals**



**Source:** Authors' computation (2026)

Figure 2 displays a histogram of standardized residuals of panel regression model, which can be used in the analysis of the distribution and normality of the residual. The frequency of the residuals appears on horizontal axis and the number of the residuals on vertical axis is denoted by the histogram. The values of the residuals are heavily concentrated around zero, with the highest number of the residuals around the mean, which means that there are some few errors that are small and randomly distributed. It means that the model does not have colossal systematic deviations of the measured values of GDP growth. The ends of the distribution are however, slightly skewed, and there are some extreme values (outliers) on both tails, namely, negative residuals, which take values as negative as -20, and positive residuals, which take values as large as 15, and which has some variation in model errors. The skewness (-0.509840) suggests that there is not much left-asymmetry i.e. the values of the

residues are slightly skewed towards the negative values. The kurtosis (7.715508) is positive, which means that the distribution is leptokurtic meaning that the residuals are more peaked and fat-tailed in comparison with a normal distribution. The Jarque-Braun statistic (145.4735,  $p = 0.000$ ) shows that the residual is not significantly normally distributed and this may be a result of the misspecification of the model or heteroskewness or the extreme value of the GDP growth in some countries. In general, the fact that most of the residuals are concentrated around the zero value demonstrates that the growth of the GDP has been fairly well-modeled, but the occurrence of the extreme values, as well as the non-normality of the results, indicate that one should be cautious of the interpretation and that there could have been the presence of the extreme values and country-specific shocks.

### ***Discussion of Findings***

The regulatory quality was the sole governance variable that had a positive and significant influence on the growth of GDP in the fixed effects model, and this means that a nation with good regulations, policy transparency, and a friendly business climate has better economic development. This finding is correlated with the works of Adegboye et al. (2020), Wandeda et al. (2021), and Djouadi et al. (2024), who found out that the quality of regulations is always linked with economic growth and good rules and policy frameworks are significant to investment and productive activity. The outcome also contradicts Cooray and Nam (2025). Moreover, there was also general weak corruption, political stability, and rule of law, which had statistically insignificant values in explaining the GDP growth in this study. This conforms to Beyene (2024) and Asante et al. (2023), who have discovered no context effects of corruption control and political stability. The weak effects may be understood to imply that the nature of the benefits of the latter dimensions of governance has an indirect influence, as the benefits will be realized in the long run or as a result of interaction with the regulatory systems and other institutional reforms. It concurs with the findings of the studies conducted by Grabowski and Self (2021) and Appiah et al. (2025), who emphasized the importance of accommodating the country-specific heterogeneity into the research to make unbiased estimates of the effects of the institutions. This study highlights the need for sustainable and inclusive economic development of the sub-Saharan African countries to focus on comprehensive institutional reforms, particularly on the quality of regulations.

### **5. Conclusion and Recommendations**

The study concludes that the key to sustainable economic growth in sub-Saharan Africa is the improvement of the regulatory framework and the proper implementation of the policy. Other indicators of governance, such as government effectiveness, government control of corruption, political stability, and rule of law, had context-dependent effects on economic performance. Therefore, the research study recommends that:

- i. Governments should enhance anti-corruption institutions and bring about transparency to make the business environment just, despite its low growth effects.
- ii. The policymakers should also address policy implementation and bureaucratic effectiveness since the level of effectiveness of the government should be reflected in economic growth, which is measurable.
- iii. Further, nations are encouraged to improve peace, security, and stability so that there may be a favourable economic environment to conduct investment and other economic activities.
- iv. Also, the legal framework and the enforcement system should be strengthened such that the property rights, enforcement of the contracts, and the accountability are defined to enable long-term growth.

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- v. Moreover, it is still recommended that the governments enhance regulatory policies, streamline business processes, and offer clear and consistent regulations since they are the most effective factor of governance in economic growth.

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