Can Financial Flows Accelerate Macroeconomic Performance and Convergence in Africa?

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ABSTRACT

This study investigates the impacts of financial flows on macroeconomic performance and their roles in accelerating convergence. The Augmented Neoclassical theory formed the theoretical foundation upon which the study is built. It employs the Fully Modified Ordinary Least Square (FMOLS) technique and other non-parametric methods on 37 selected African countries between 1994 and 2022 period. Findings show that absolute and beta-conditional convergences were confirmed in Africa and its 8 RECs, however, only the Common Market for Eastern and Southern Africa (COMESA), Community of Sahel-Saharan States (CEN-SAD), and Intergovernmental Authority on Development (IGAD) witnessed sigma-divergence. More so, financial flows exert mixed effects on performance but individually contribute towards accelerating macroeconomic convergence. For maximized gains from regional integration and macroeconomic convergence, implementing comprehensive structural reforms to enhance financial flows across member countries cannot be overemphasized.

Keywords*:* Financial flows, Convergence, Augmented Neoclassical Theory, African Regional Economic Communities, Panel Data

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