

FINANCIAL DEVELOPMENT, ECONOMIC GROWTH AND POVERTY LEVEL IN FIVE UPPER-MIDDLE INCOME SUB-SAHARAN AFRICAN (SSA) COUNTRIES

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Abstract

The study investigates the interactions among financial development, economic growth and poverty level in five selected upper-middle income sub-Saharan African countries (SSA) using an annual data obtained from World Bank Development Indicators (WDI) for the period 1980 to 2012. Cointegration test was applied to find out the long run relationship among these three key variables while panel vector autoregression model was employed to investigate the dynamic interactions. The result obtained suggests that economic growth is a weak channel connecting financial development and poverty level in the region. Therefore, it is recommended that policymakers should initiate viable financial sector reforms that would promote economic growth which would, in turn, translate into a reduction in poverty level. Allocation of funds by the government to real sectors of the economy should target increasing the economic growth and reducing poverty level so as to induce a corresponding improvement in the welfare of the people.

Keywords: Financial Development, Economic Growth, Poverty, Panel Vector Autoregression, Upper-Middle Income Sub-Saharan African (SSA) countries, dynamic interactions

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