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Financial liberalization and economic growth in the ECOWAS Sub-Region

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ABSTRACT

Purpose — *The study examines the nexus between financial liberalization and the economic growth of ECOWAS member states.*

Method — *The longitudinal and latitudinal survey research design (expo-facto) is used in this study. Data are sourced from the World Bank and IMF Data Set for 2012-2020 and employed panel co-integration and system GMM for analyses.*

Result — *We found that financial liberalization significantly impacts the economic growth of selected ECOWAS member countries. Similarly, the domestic economy's openness significantly impacts economic growth. While financial development exerts a positive impact, exchange rate and inflation negatively impact economic growth, the impact of interest rate is positive but insignificant.*

Contribution — *The study provides cross-country evidence on the empirical nexus between financial liberalization and the economic growth from ECOWAS member states. To the best of authors' knowledge, the study is one of the few studies on cross-country financial liberalization and the economic growth and used the panel data regression analysis. By this, the study covers a methodological gap, using a technique that can account for endogeneity and omitted variable problem.*

Keywords: *AfCFTA, liberalization, macro-economic, GDP, ECOWAS*

INTRODUCTION

Achieving sustainable economic growth and development remains a core economic goal in different parts of the world. One way to achieving this is through financial liberalization. It refers to a situation where restrictions and stringent regulations on financial institutions and financial markets are either minimal or eliminated. It is usually beneficial to an economy in the long run due to the presence of a more efficient financial market that encourages lending and growth (Bhaduri, 2005; Arturo, et al., 2002).

Increased cross-border capital flows brought by liberalization can stimulate growth in the economy by augmenting the domestic investment rather than crowd it out. The neoclassical growth models of open economy argue that capital flows from relatively developed economies to less developed economies where the marginal product of capital is higher, thereby leading to improvement in capital accumulation and growth. They argue that domestic residents who own physical capital stock may obtain part or all of the financing for the stock by issuing bonds to foreigners which in turn increases the country's speed of convergence to its steady state level of output (Barro, et al., 1995). Besides, the benefits that accrue from the liberalization of capital account could also be engendered by improved use of domestic savings and not just from net inflows of foreign savings, indicating gross capital flows associated with foreign direct investment. It also leads to transfers of technology/skills which is assumed to be transferred through international capital movements from the more developed economies to the less developed ones (Wang, 1990).

As a result of the general belief of several positive economic and financial benefits accruable from adoption of financial markets liberalization, many developing countries gradually adopted financial market liberalization (Sulaiman, et al., 2012). According to Nair (2004), the state-dominated development paradigm has shifted towards a more market-oriented development strategy in recent years. This was as a result of the relatively low growth rate of incomes, industrial output and recurring balance of payments crises in the hitherto state-dominated paradigm, coupled with the general influence of Japan and the East Asian Tigers miracle which brought about rapid socio-economic growth and development through the market-oriented liberalization strategy of development.

Given the important place of financial liberalization in the growth process of countries, particularly in ECOWAS region where liberalization of the financial system is a core element in the new structural policy framework, this study empirically seeks to investigate the impact of liberalization on economic growth in selected ECOWAS countries.

In the theoretical literature, there is a strong argument for the possibility of financial liberalization to positively affect a country's economic performance. But experience from several empirical studies across the globe, suggest that international financial liberalization can be a mixed blessing (Bhaduri, 2005). While it is true that liberalization could help countries smoothen consumption and finance productive investment, facilitate technological and managerial transfer, and deepen the domestic financial market through portfolio investment and foreign bank lending. DeLong (1998), however, argue that financial liberalization involves several risks. For example, excessive capital inflows could force domestic currency to appreciate and adversely affect the trade balance. For underdeveloped financial systems, it could make them more crisis-prone. For instance, a rapid expansion in bank lending, fuelled by capital inflows, can deteriorate bank financial statement, making them more vulnerable to foreign generated financial crises (Calvo et al. 1993). Critics of financial liberalization also argue that it may increase the likelihood of financial crises by encouraging financial institutions to take risks in their lending practices to earn higher returns (Kaufmann, 2000).

In the ECOWAS case, several empirical studies have been carried out in this regard, but also with mixed findings. For instance, the studies of Sulaiman, et al. (2012); Nwadiubu, et al. (2014) concluded that financial liberalization has a growth stimulating effect on the economy. Those of Busari (2007) and Uchendu (1993) submitted that the effect has been largely marginal. However, those of Akpan (2004) and Okpara (2010) concluded that there is no positive relationship between financial liberalization and economic growth in the country

A crucial question that deserves urgent attention is whether liberalization has actually contributed to growth and through which channels? Theoretical and empirical literature has not clearly answered this question. Some empirical studies such as Shaw (1973), Mckinnon (1973), Ozdemir and Erbril (2008), and Fowowe (2013) have laid credence to the fact that lifting financial restrictions can exert a positive effect on a country's growth rates as interest rates rise toward their competitive market equilibrium and resources are allocated efficiently, capital account liberalization enables domestic firms access cheaper foreign funds and hence, improves performance efficiency of the domestic financial system. Other studies like Bashar and Khan (2007) and Faria, et al. (2009) argued otherwise. According to them, efficient-markets paradigm shows a different result when applied to the financial sector. They generally rejected the assertion that financial liberalization triggers enhanced economic growth.

Given these mixed and inconclusive findings on the effects of financial liberalization on growth, there is a gap to be filled by this study. This study thus, seeks to investigate the financial liberalization-growth nexus, using a sample of ten ECOWAS countries. Added to this is the fact that most studies employed regression techniques that could not account for country specificities and heterogeneity. To the best of authors' knowledge, only few studies have used the panel data analysis. By this, the study covers a methodological gap as it uses a technique that is able to account for endogeneity and omitted variable problem. This method was used by Rajan and Zingales' (1998) which allows us to effectively identify the effect of financial liberalization on growth while at the same time controlling for most of the other reforms implemented during the period. Again, most of these studies were country-specific studies, but the present study is a cross-country study of ECOWAS. In addition, the findings from this study will help to validate these previous conclusions on financial liberalization-growth nexus and to ascertain the current position and the extent of the effect of financial liberalization on economic growth of selected West African Countries.

Therefore, the study aims to empirically investigate the effect of financial liberalization on economic growth of selected ECOWAS Countries. The rest of the paper is divided into section two: on the techniques and methods employed in data collection and analyses. Section three is on Data analyses, linking our findings to the objectives of the study. Section four entails the study's conclusion, discussion, policy implications and recommendations.

METHOD

The study is anchored on the endogenous growth model which can explicitly model financial development- growth nexus. The financial system may affect economic growth through two main channels: accumulation and technological innovation (Levine, 1997). Others posit that the financial system through the rate of technological innovation may change the steady state growth path in line with the level of financial development (Grossman & Helpman, 1991).

The longitudinal and latitudinal research design (expo-facto) is used in this study. The population of the study is the entire sixteen West African countries for 9 years (2012 to 2020). Ten ECOWAS member countries are randomly selected as sample. Data are sourced from the World Bank and IMF dataset.

The study is a cross-country study of ten selected ECOWAS countries (Nigeria, Ghana, Sierra-Leone, Gambia, Guinea, Guinea-Bissau, Republic of Benin, Burkina Faso, Cape Verde and Cote D'Ivoire). The selection was based on data availability

and evidence of significant financial opening from 2012 to 2020. The selected countries have undertaken key elements of the structural measures aimed at facilitating greater monetary and economic integration through the liberalization of financial market and capital account. They also represent some of the most active economies in the region.

Model specification

The study presents a financial liberalization-growth function.

$$y_{it} = f(FL, X) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \ldots\ldots (1)$$

Where y_{it} is economic growth. FL is financial liberalization, and X captures other macroeconomic variables from literature that affects the financial liberalization-growth nexus. These variables include:

OPN = Trade openness of ECOWAS countries
FD= Financial development
INT= Interest rate
EXR = Exchange rate
INF= Inflation
The model is specified as:

$$y_{it} = \alpha_0 + \alpha_1 InFL_{i,t} + \alpha_2 InOPN_{i,t} + \alpha_3 InFD_{i,t} + \alpha_4 InINT_{i,t} + \alpha_5 InEXR_{i,t} + \alpha_6 InINF_{i,t} + \varepsilon_{i,t} \ \ldots . (3)$$

Where i represent the ten sampled countries (Nigeria, Ghana, Sierra-Leone, Gambia, Guinea, Guinea-Bissau, Republic of Benin, Burkina Faso, Cape Verde and Cote D'Ivoire) and t represents the period (2012-2020).

The a priori expectations are $(\alpha_1, \alpha_2, \alpha_3) > 0, \alpha_4 \alpha_5$ and $>< 0$, $\alpha_6 < 0$

i.e., Financial Liberalization, Openness and Financial Development are expected to be positives, Interest Rate and Exchange Rate are expected to be positive or negative but Inflation Rate is expected to be negative.

$\alpha_0 - \alpha_6$ are the estimated parameters and ε_t is the unobserved error term. The data are logged:

(i) to obtain reliable, consistent and standardize parameter estimate; (ii) to remove potential heteroscedasticity; (iii) to obtain the coefficient elasticity multiplier.

Table 1. Variables definition

Variable	Description	Source
Economic Growth	Annual real GDP growth rate	World Development Indicators (WDI), World bank
Financial liberalization	Sum of FDI, portfolio equity and debt assets and liabilities as percentage of Nominal GDP	Lane and Milesi-Ferretti (2007)
Trade Openness	An aggregate of national imports and exports of a country, expressed as a percentage of GDP	WDI (World Bank)
Financial development	Total credit by the financial system to domestic economy (i.e GDP) percent	WDI (World Bank)
Interest Rate	Prime lending Rate	WDI (World Bank)
Exchange Rate	Exchange rate of the domestic currency in terms of the US Dollar, as common denominator.	Bloomberg
Inflation rate	Annual consumer price index growth rate (percentage)	IMF, World Economic Outlook

Source: authors' compilation (2023)

Hypotheses development

Financial liberalization

Prior studies (Orji *et al.,* 2015; Haruna & Abu Bakar, 2021; Kudaisi *et al.,* 2021) reported that increased liberalization of an economy tends to accelerate economic growth, particularly through greater resource augmentation and mobilization and higher degree of greater competition. Financial liberalization involves activities that eliminate constraints put on the financial and banking industries (Latib & Mohamad, 2023). These constraints in developing countries tends to result in high consumption, low savings and low investment, leading to distortion in the market and inhibiting economic growth (Adam, 2020). The elimination of these constraints in favour of financial liberalization according to McKinnon (1973) and Shaw (1973) will lead to reliance on the market allocating mechanism which will increase real interest rate that will lead increase in savings, spur investment and ultimately bring about economic growth in developing countries. Stemming from the above, the study hypothesizes that:

Ho1: Financial liberalization does not have significant impact on the economic growth of ECOWAS member countries

Trade openness

The traditional trade theory asserts that higher levels of trade bring about improvement in the economy (Farahane & Heshmati, 2020). A country's import and export activities provide beneficial outcomes in the form of expansion in production, support to the local business, expansion in job opportunities, and increase in national income which directly contribute to the economy (Latib & Mohamad, 2023). Prior studies (Keho, 2017; Oppong-Baah *et al.,* 2022; Hungu, 2023) assert that trade openness positively impacts the financial liberalization and economic growth nexus. Therefore, a positive relationship is expected to exist between trade openness, a conditional variable for financial liberalization and economic growth. Against the above backdrop, the study hypothesizes that:

Ho2: Trade openness does not significantly impact on the economic growth of ECOWAS member countries

RESULT AND DISCUSSION

The analysis is to verify the study's working hypothesis regarding the relationship between financial liberalization and economic growths in ECOWAS countries.

Descriptive statistics

Table 2. Descriptive statistics

	GRGDP	FLIB	OPN	FD	EXR	INT	INF
Mean	4.712	15.243	60.130	19.820	212.211	17.143	11.994
Median	5.110	14.972	60.100	18.814	224.034	16.903	11.400
Maximum	8.201	25.203	72.50	34.697	355.222	28.551	40.100
Minimum	0.7000	1.524	43.40	10.359	23.271	5.342	1.3000
Std. Dev.	4.110	2.108	5.099	2.519	4.112	3.189	4.921
Skewness	1.211	-0.222	2.019	1.979	1.170	-0.931	1.062
Jarque-Bera	49.194	21.771	21.184	92.960	15.303	18.701	490.778

Source: authors' computation (2023)

Table 2 shows the average real GDP growth for the ECOWAS countries during the period is 4.71 percent. This results confirms that ECOWAS countries have been unable to maintain a sustainable growth trajectory of 5 percent and above over the period. The median value of 5.11 is a clear indication that real GDP growth in the sampled ECOWAS countries far exceeded the minimum average. Real GDP growth rate exhibit differential patterns in the respective countries. The maximum and minimum values are 8.2 and 0.7 respectively. This wide

disparity further buttresses the differential (heterogenous) rates of growth in the sampled countries over the period. The standard deviation value of 4.11 shows growth instability across the countries during the study period. The skewness value is low, suggesting that growth series were centered on the mean value, while the kurtosis value is greater than 3- an indication of the of extreme values which may generate heteroskedastic patterns in the data. The J-B value is significant at 5 percent significance level, indicating that the density function of the series is not symmetrically distributed. The significance of the Jarque Bera statistic at 1 percent level in particular, is a clear indication that the hypothesis of normality in the distribution cannot be accepted.

Correlation analysis

Table 3. Correlation matrix

	GRGDP	**FLIB**	**OPN**	**FD**	**EXR**	**INT**	**INF**
GRGDP	1						
FLIB	0.272	1					
OPN	0.362	0.122	1				
FD	0.331	0.262	0.452	1			
EXR	-0.116	0.221	0.2226	0.403	1		
INT	0.220	0.309	0.290	0.459	0.503	1	
INF	-0.211	0.303	-0.205	0.130	0.235	0.415	1

Source: authors' compilation (2023)

All explanatory variables have a positive nexus with growth (except exchange rate and inflation). This implies that apart from inflation and exchange rate, increase in financial liberalization reflected in large cross border capital flows, trade openness, financial development, and interest rate have the capacity to stimulate economic growth in ECOWAS countries. In particular, the results speak volume of the critical importance of stable macroeconomic environment (captured by inflation and exchange rate) to rapid economic growth, in the ECOWAS sub-region as macroeconomic instability tends to undermine growth. The positive correlation between growth rate of real GDP and financial liberalization and trade openness in particular implies that greater financial integration and domestic openness through the removal of distortionary and impeding factors foster economic growth, permitting greater integration of the universal economy, promoting optimal allocation of resources, and improved competition.

Panel unit root analysis

Table 4. Unit root test in levels

Test	LnGRGDP	LnFLIB	LnOPN	LnFD	LnEXR	LnINT	LnINF
LLC	-1.90	-3.69***	-1.71	-1.19	-3.78***	-3.02***	-33.97***
IPSW	-0.82	-1.48	-3.12	0.44	-1.90**	-0.92	-13.99***
Fisher-ADF	25.50**	28.44*	23.22***	16.12	32.44***	22.79	89.83***
Fisher-PP	42.49	46.43	60.44	24.50	4086**	23.88	56.87**

(; ****) denotes significance at 10% (5% and 1 %) level*

Source: authors' computation (2023)

In the results, the null hypothesis of no unit root could not be rejected for most of the variables, using the four unit root tests, except for the Fisher PP, an indication that the variables are non-stationary at levels, and thus possess unit roots. In other words, the variables are time-dependent and would not guarantee a long run relationship unless tested.

Table: 5. Unit root test in first difference

Test	**D(LnGRGP)**	**D(LFLIB)**	**D(LnOPN)**	**D(LnFD)**	**D(LnEXR**	**D(LnINT)**	**D(LnINF)**
LLC	-6.25***	-4.11***	-5.04***	-2.81****	-6.17***	-2.769***	-33.96***
IPSW-stat	-3.43***	-3.19**	-3.12***	-2.30***	-2.81**	-1.627**	-13.99***
Fisher-ADF	55.29***	-37.83***	39.20***	35.22***	43.91***	71.79***	89.83**
Fisher-PP	107.80***	74.21***	94.76***	112.18***	77.83***	32.59**	56.567***

(; ****) denotes significance at 10% (5% and 1 %) level*

Source: authors' computation (2023)

The results of the panel unit root test on the variables in first differences are reported in table 5. An examination of the four unit root tests show that the variables are now stationary. This implies that the series are difference-stationary. This indicates that the series are difference-stationary; attaining stationarity after first differencing. The variables are thus integrated of order one (I [1]).

Panel cointegration test

The Kao residual cointegration test is used for this analysis and is presented in Table 6.

Table 6. Kao residual cointegration test

Variable	Coefficient	t-Statistic	Prob	Remark
RESID (-1)	-1.257	-8.022	0.0000	Stationary

Source: authors' computation (2023)

As indicated in table 6, the coefficient of the residual term, with a t-value of [-8.022] and a probability value of [0.000], implies a long run equilibrium relationship.

Analysis of the GMM estimates

The results of the Arellano and Bover (1995) system Generalized Method of Moments estimation method is presented in Table 7.

Table 7. Arellano and Bover GMM estimator

Dependent variable: LnGRGDP			
Variable	**Coefficient**	**t-ratio**	**Prob**
C	1.519	1.176	0.24
LGRGDP (-1)	0.313	1.876	0.06
LnFLIB	0.213	1.953	0.04
LnOPN	0.387	3.306	0.00
LnFD	0.187	2.173	0.03
LnEXR	-0.067	2.233	0.03
LnINT	0.031	1.117	0.26
LnINF	-0.083	-1.702	0.08
Variance Inflation factor =2.7; DW-Stat= 1.91;	R^2=0.85; Adjusted R^2 =0.82 J-Stat (Prob=0.72)		

Source: authors' computation (2023)

In terms of overall performance, the goodness of fit (R-squared value) for the growth equation depicts that over 82 percent of changes in economic growth in the sampled ECOWAS countries is adequately accounted for. The D.W statistic clearly shows that there is no autocorrelation in the estimates, making the model reliably fit for structural and policy purpose.

The mean variance inflation factor (VIF) of 2.7 is less than 10; clearly showing the absence of multicollinearity in the estimated model as a value higher than that indicate the presentence of multicollinearity. Thus, the estimated financial liberalization growth model is sufficiently robust for policy perspective.

Hyptheses testing

The results derived from the estimated equation reported can be used to test the relevant hypotheses of this study. The hypotheses testing are conducted as follows:

H_{01}: Financial liberalization does not significantly impact on growth of ECOWAS member countries. In the empirical results, the coefficient of financial liberalization with a t-value of 1.96 (in absolute value) is significant at the 5 percent level. The alternative hypothesis is accepted.

H_{02}: Trade openness does not significantly impact on the economic growth of ECOWAS member countries. The empirical result from the estimates show that t-value of the coefficient of trade openness of 3.311 (in absolute value) is higher than the critical value at the 5 percent level. Based on this result, we accept the alternative, of a significant impact of trade openness on economic growth.

Discussion

From the results, financial liberalisation exerts a positive and significant effect on economic growth among sampled countries during the study period. It buttresses the findings of Orji, et al (2015); Haruna & Abu Bakar (2021); and Kudaisi *et al.* (2021). Apparently, increased liberalisation of an economy in terms of trade and financial openness tend to accelerate economic growth, particularly through greater resource augmentation and mobilization and higher degree of greater competition. This is consistent with the results of Kandiero and Chitiga (2003). The result contrasts the findings of Bashar and Khan (2007); Obadan and Ozekhome (2016) and Zakaria, et al (2020) who report that capital account openness and financial development impede on economic growth.

Trade openness, a conditional variable of financial liberalisation, exerts a positive and significant effect on economic growth among sampled countries during the study period. The study contrast with Hungu (2023) who reports that trade openness has an insignificant impact on the financial liberalization and economic growth nexus in Tanzania.

Financial development is appropriately positive in tandem with theory and is statistically significant. Thus, a well-developed financial system is critical to rapid economic growth, as it enables strong and virile financial system, which is able to mobilize domestic and foreign financial resources, and thus enable the impact of the financial liberalization on growth to be maximized. The finding is in consonance with the finding of Nair (2004). Improving financial development will give rise to growth in the ECOWAS sub-region. Exchange rate is negatively

linked with economic growth. Invariably, rising exchange rate tends to have a deleterious effect on economic growth, as resultant depreciation of the domestic exchange rate raises the cost of production and, through the exchange rate pass through reduces production capacity, and dampens potential investment capacity relevant for growth. The result is supported by the findings of Edmira (2014) and Ozekhome and Mohammed (2014). For interest rate, the effect is positive, but failed the significance at the 5 percent level. This implies that increasing interest rate may induce mobilization of resources (through savings and investment) in a resource-deficient economy, increase capital inflow and enhance economic growth. The result support previous evidence by De Serres and Pegrin (2003). Thus, high inflation rate decelerates economic growth among sampled ECOWAS countries. The finding aligns with the results of Park (2012) and Hossain, et al (2012).

CONCLUSION

The study examined financial liberalization and economic growth in the ECOWAS sub-region, given the fact that liberalization of financial markets and capital account is a key element of the new structural measures and benchmarks to facilitate regional integration in the sub-region. The study finds that financial liberalization positively affects the economic growth of sampled countries. With financial liberalization, the financial system is expected to be efficient and resilient to increased cross-border realized capital inflows. The liberalization of financial markets and services globally is a new wave in the global financial architecture. In order to reap the gains of financial and capital openness in stimulating growth, it is important some vigorous efforts at inciting the development of the financial sector be pursued relentlessly with complementary economic, structural and institutional reforms. Thus, individual countries have specific related policies to propel in place in this respect.

Against the backdrop that financial liberalization is expected to enhance growth through efficient credit intermediation brought about by increased domestic and foreign resource augmentation, capital accumulation, increased investment and technological innovation, there is a need for result-oriented and articulate policies as regards. Nevertheless, caution should be exercised as arbitrary and unguarded financial liberalization could have detrimental impact, particularly when the resulting capital flows are short-term, volatile and destabilizing. Nigeria and other ECOWAS countries need to adequately prepare their economies to maximize the benefits of financial liberalization at minimal risks. This requires implementing sound macroeconomic policies and institutional reforms. Importantly, the liberalization of the financial system should be done

with caution and adequate preparation to maximise its benefits in terms of its growth-enhancing potentials. In this respect, formulating appropriate economic and financial policies that can encourage private sector driven growth and competitiveness becomes pertinent in policy formulation.

The findings have important policy implications. First, the explanatory variables tend to have differential impact on growth in sampled ECOWAS member countries. The implication is that each factor is critical in determining growth in the sub-region as they are not mutually exclusive. Therefore, greater and conscious policy attention should be given to each of the variables. Second, the results clearly show marked variation and heterogeneity among the growth patterns in the sampled ECOWAS countries. This implies that growth tend to be dissimilar among the over the period. The observed differential and heterogeneous patterns imply contextual policy variation to propel growth in the sub-region.

Third, it is observed that financial liberalization tends to enhanced by trade openness in ECOWAS countries. However, the impact is not very strong, particularly against the backdrop of a weak and unstable macroeconomic and institutional environment. Apparently, the benefits of financial openness tend to be maximized when the macroeconomic and institutional environment are strong. This calls for greater policy attention in the area sound and stable macroeconomic environment and relevant institutional framework. Fourth, the results suggest the critical importance of domestic openness that generates competition, efficiency, technological know-how and innovation relevant for growth. Greater domestic openness will in no doubt induce greater integration into the global economy and better resource allocation necessary for growth. Caution should however be exercised in this respect as, unguarded and precipitous openness of the economy might have detrimental impact on growth. Some countries in Latin America, such as Argentina, Mexico, and Chile, provide ample evidence of where massive and unregulated economic and financial inflows tended to undermine growth by jeopardizing the financial system's stability and contribute to macroeconomic volatility (Obadan & Ozekhome, 2016).

Fifth, the empirical results show that measures aimed at growth and liberalization of the financial system not only enhance growth but will also lead to the deepening of the financial system. Invariably, financial liberalization-enhancing measures will necessitate the deepening of the financial system, through the development of new and innovative investment resource financial instruments, which will enhance growth. Financial liberalization, financial development and growth are thus interactive and mutually-reinforcing. Sixth,

the results suggest the critical importance of sound macroeconomic policy environment in the context of low and stable inflation rate, realistic and appropriate exchange rate and interest rate to economic growth in ECOWAS. A strong and stable macroeconomic environment is imperative for arid and sustained economic growth. This fact is particularly relevant given the fact that sound macroeconomic performance is a *sine quanon* for better and more result-oriented regional economic and financial integration. Finally the liberalization of financial markets and capital account is a long-run policy strategy to facilitate economic growth and regional integration in the sub-region. Thus, efforts to achieve increased and faster regional integration and growth should incorporate financial market liberalization as a key structural element and give prime policy attention to it. Financial liberalization is thus a long-run policy variable needed to enhance economic growth and facilitate long-term economic, financial, and monetary integration.

The study therefore recommends that**:**

(i) Economic and investment policies that stimulates capital inflows and attracts foreign direct investment.

(ii) Policies to enhance the development of the financial sector in the sub-region are required. In particular, continuous financial sector reforms are essential to help ECOWAS countries maximize the growth-potential of financial openness.

(iii) Strong and stable macroeconomic policy environment, especially in terms of low and stable inflation rate, appropriate and realistic exchange rate and interest rates are imperative for policy makers in ECOWAS in order to enhance economic growth in the sub-region.

(iv) Sound institutional, regulatory, and supervisory frameworks to enhance the banking sector's role in efficient mobilization financial intermediation for real sector growth is imperative.

(v) Finally, the liberalization of the financial sector should be done with caution and in ECOWAS countries' context, to maximally benefit from it in terms of the growth opportunities.

Further studies could expand the cross-sections to the entire ECOWAS countries in order to make the findings and the deduction therein general, comprehensive and more reflective of the entire ECOWAS sub-region. Further studies can use the Panel Vector Auto regressive or the Panel Vector Error Correction Model. Also the impact of the African Continental Free Trade Area (AfCFTA) on the growth of Intra-Africa trade, financial liberalization and economic growth in ECOWAS countries should be examined.

The study is not without limitations. The study being a cross-country study may be affected by the reliability and accuracy of the sources of data used. This is because relevant data was sourced from various international sources World Bank and IMF data set; and often times there are inconsistencies and conflicts in reports of data by various data sources. Measurement of hypothesized variables might be imprecise as a result of several countries involved in the study. Some variable measurement defers from one country to another; hence, trying to use a uniform measurement for variables for the countries might pose some level of limitations on the study. Finally, the level of adoption and policy implementations of financial liberalization may defer from one country to another within the ECOWAS sub region. Thus, pooling data from each of these countries and analyzing them on the same platform using the same method and classification might create some challenges.

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