EFFECT OF INSTITUTIONAL QUALITY, DIASPORA REMITTANCES AND FOREIGN DIRECT INVESTMENT ON ECONOMIC GROWTH IN WEST AFRICA MONETARY ZONE

BOLAJI TITILOPE AJILEYE
Department of Economics, Nile University of Nigeria, Abuja, Nigeria.
oladapobolaji2018@gmail.com, +2348135658001

SARAH OLANREWAJU ANYANWU
Department of Economics, University of Abuja, Abuja, Nigeria
sarahanyanwu2003@yahoo.com, +2348036130284

ABSTRACT
This study examines the effect of institutional quality, diaspora remittances, and foreign direct investment on economic growth in the WAMZ region for the period from 1990 to 2022. Using the Panel Autoregressive Distributed Lagged model, the study established that institutional quality stimulates growth while diaspora remittances negatively impact growth in the long run but insignificantly spur growth in the short run. FDI emerges as a critical contributor to long-run economic growth despite its short-run negative effect. The study also finds that the economy will swiftly restore equilibrium aftershocks at a speed of adjustment of 79.5%. In addition, there is a unidirectional causality between the control of corruption and economic growth, a bidirectional causality between the economic freedom index and economic growth, and between FDI and economic growth. However, there is no causal relationship between diaspora remittance and economic growth. Based on these outcomes, the study recommends that WAMZ governments and policymakers prioritise improving and enforcing a robust legal and regulatory framework to inhibit corrupt practices, ensure transparency, and prevent market monopolies. The study also suggests encouraging diaspora investment through attractive incentives, as remittances have the potential to stimulate economic growth significantly. Lastly, governments should create a conducive environment for business operations, with a strong emphasis on transparency, as this is a crucial factor in economic growth.

Keywords: ARDL, Diaspora Remittances, Economic growth, FDI, Institutional quality,
JEL CLASSIFICATION: F24, O40, F21, O17

1. INTRODUCTION

The West Africa Monetary Zone (WAMZ), comprising the Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone, was established to foster economic integration, monetary stability, and sustainable regional growth. Despite these objectives, the region has yet to fully realise its potential as it grapples with various economic challenges, such as a slow growth rate, increased inflation, exchange rate crisis, political unrest, and corruption, which inhibit its growth and development (Nwankwo, Nwokoye & Kalu, 2016). According to recent data from the UNCTAD statistics, the average annual growth rate in the WAMZ region from 2020 to 2023 was 3.01%, significantly below the pre-COVID pandemic level of 3.92% (UNCTADstat, 2024). These statistics highlight the region's struggle to regain momentum.

Effective institutional quality plays a crucial role in shaping the WAMZ region's economic trajectory. As Antoinette (2023) opined, nations with robust institutional frameworks are more resilient in times of crisis and better equipped for sustained recovery, regardless of their level of development (Gabriel, 2024). The success of institutional quality in promoting economic growth, guaranteeing stability, and drawing in foreign investments highlights the promising economic path of the WAMZ region (Acemoglu & Robinson, 2020). Statistically,

Transparency International's Corruption Perception Index for 2023 reveals significant institutional weaknesses across WAMZ countries as the Gambia ranks 98th, Ghana 70th, Guinea 141st, Liberia 136th, Nigeria 145th, and Sierra Leone 108th (Transparency International, 2024). The institutional weakness, coupled with inadequate regulatory frameworks, continues to impede economic progress in the region. Therefore, to unlock the potential of the WAMZ region and cultivate sustainable development, institutional shortcomings such as corruption and inadequate regulatory frameworks must be addressed urgently.

Diaspora remittances, which refer to money or goods sent by migrants back to their home countries, have a significant impact on various aspects of development (IOM, 2022). Statistics revealed that in 2022, the WAMZ region received an estimated US$23.8 billion in remittances, accounting for 5.6% of the region's GDP (World Bank, 2023). Although, globally, remittances for 2022 were $794 billion. Sub-Saharan Africa experienced a 5.2% growth in remittances, a significant decline from the 16.4% growth seen in 2021 (World Bank, 2023). In contrast, other regions saw varying growth rates, such as East Asia and the Pacific at 4.8%, Latin America and the Caribbean at 7.7%, and South Asia at 5.2%, while the Middle East and North Africa experienced a 15% decline (World Bank, 2024). In addition, the International Fund for Agricultural Development (IFAD) projects that migrant workers will send US$5.4 trillion to their communities of origin between 2022 and 2030 (IFAD, 2023).

Compared to foreign direct investment (FDI) and other capital flows, remittances are a less volatile source of foreign exchange, making them an effective long-term development tool for securitisation of future flows and financial sector development (Mustapha & Ganiyat, 2023; Fasanya & Baruwa, 2015). Remittances can also assist in financing imports, improving the balance of payments, reducing the external debt burden, and increasing cash availability for household consumption (Ibrahim et al., 2024; IMF, 2022). However, despite these benefits, remittances can create dependency and inequality between recipients and non-recipients, contribute to inflation, and reduce incentives to work, potentially harming the economic growth and competitiveness of WAMZ countries. Recent data from the World Bank (2024) noted that remittances to Sub-Saharan Africa reached $54 billion in 2023, reflecting the region's increasing reliance on these inflows amid global economic uncertainties.

Foreign direct investment is a crucial channel for cross-border capital flow, where foreign entities invest in domestic enterprises with the aim of establishing a lasting interest and exerting significant influence or control (Millicent, 2024; Cave, 2022). Statistically, FDI inflows to West Africa have fluctuated over the past five years, with a notable decline to $8.454 billion in 2022 after reaching a peak of $12.947 billion in 2021 (UNCTADstat, 2024). This fluctuation underscores the importance of policy reforms to enhance the region's attractiveness to foreign investors. FDI plays a vital role in promoting innovation and entrepreneurship, driving transformative changes across local industries, infrastructure, and employment sectors (Ogbonna et al., 2022). However, it is essential to note that FDI can also have negative impacts, particularly on the social and environmental quality of the host country (Habibu & Murtala, 2024). Therefore, attracting FDI requires an enabling investment environment characterised by stable institutions, transparent regulations, and political stability conditions that are often lacking in many areas within the West African Monetary Zone (Eregha, 2017; Millicent, 2024).

Both diaspora remittances and foreign direct investment can serve as additional sources of income, enhance domestic savings and investment, stimulate consumption and production, and facilitate technology transfer and human capital development. However, the impact of these

financial inflows may vary depending on the institutional quality and the macroeconomic conditions of the recipient countries (Khan et al., 2023). The quality of institutions is critical in determining the attractiveness, efficiency, productivity, and distribution of these foreign capital flows within the region (Khan & Khan, 2012).

Despite their recognised importance, the combined effect of these factors on economic growth in the West African Monetary Zone region has been relatively understudied. Recent studies by Ibrahim et al. (2024), Mustapha & Ganiyat (2023), Hussen (2023), Christopher and Johnbosco (2022), Ezekwe and Ozigbu (2022), and Judith (2021) have presented mixed results on the growth effects of these factors as they focus on individual countries, overlooking the unique context and dynamics of the WAMZ region as a whole.

Therefore, this study aims to fill this substantial gap in the literature by taking a comprehensive approach that accounts for the region's unique context and dynamics. It covers the period between 1990 and 2022. Specifically, it addresses the combined impact of institutional quality, diaspora remittances, and FDI on economic growth in the WAMZ region. The study is organised into five sections: Section 2 extensively reviews the relevant literature, including both theoretical and empirical studies. Section 3 describes the data and methodology employed, Section 4 reports the empirical findings, and Section 5 concludes with policy recommendations.

2. LITERATURE REVIEW

2.1. Theoretical Review

2.1.1 Theory of Inclusive vs Extractive Institutions

Acemoglu and Robinson (2012) propounded the theory of inclusive and extractive institutions. They argue that inclusive institutions enforce property rights, ensure a level playing field, and foster conditions that promote investments in technology and skills. Conversely, extractive institutions concentrate power and wealth in the hands of a few, limiting the majority's access to political and economic opportunities. This theory offers a robust framework for understanding why some nations succeed while others lag, focusing on the root institutional structures rather than simple economic metrics. In addition, this perspective sheds light on why countries with similar resources might experience vastly different developmental paths, emphasising the critical role that institutions play in shaping economic and social outcomes.

2.1.2 Keynesian Theory

Keynes (1936) emphasises the importance of aggregate demand in driving economic growth. According to this theory, diaspora remittances can have a significant impact on the economies of WAMZ countries by increasing household income and boosting consumption. This increase in demand stimulates economic activity, particularly in sectors such as retail and services, leading to higher output and employment. However, the Keynesian view also suggests that the long-term impact of remittances on growth depends on whether these funds are channelled into productive investments or merely sustain consumption.

2.1.3 Neoclassical Theory

Neoclassical growth theory, as articulated by Solow (2020), posits that capital accumulation, labour, and technological progress drive economic growth. Thus, both diaspora remittances and foreign direct investment play a critical role in this framework by contributing to capital formation and bringing in advanced technology and managerial expertise. In the context of the WAMZ region, diaspora remittances and FDI can enhance productivity and drive economic growth by introducing new technologies and practices that local firms can adopt. However,

according to Neoclassical theory, the effectiveness of these factors in promoting growth is contingent on the presence of a stable and conducive institutional environment that protects property rights and ensures the efficient allocation of resources.

2.2 Empirical Review

The relationship between institutional quality diaspora remittances and foreign direct investment inflows has been widely studied across different regions and countries. The varying conclusions depend on the methodologies and periods analysed. A recent study by Chen and Jiang (2023) contributes to this discourse by examining 42 G20 countries from 2005 to 2020. Using the generalised method of moments, they establish a positive relationship between institutional quality and FDI inflow. Their finding highlights that institutional quality attracts FDI by enhancing trade openness, technological innovation, and the institutional structure. These findings underscore the role of institutional quality in facilitating FDI, suggesting that countries aiming to boost FDI should prioritise these dimensions.

Similarly, Khan et al. (2023) explored the influence of institutional quality and governance on FDI in Asian countries using a two-step system GMM model with data spanning from 2002 to 2019. Their findings are consistent with those of Chen and Jiang (2023), confirming a positive impact of institutional quality on FDI inflow. However, the study notes an exception in the case of controlling corruption. This exception suggests that different elements may interact with FDI in distinct ways. The interaction between FDI, institutional quality, and economic growth is further explored by Ullah et al. (2022), who investigate this relationship across Asia, Latin America, the Caribbean, and SSA. The findings, derived from a generalised method of moments approach, confirm that FDI spurs growth in these regions and that the interaction between FDI and institutional quality significantly enhances economic outcomes. This outcome aligns with earlier studies and the argument that robust institutions are a crucial determinant in maximising the growth potential of FDI (Christopher & Johnbosco, 2022; Judith, 2021).

Regarding remittances, Ibrahim, Akintunde, and Adagunodo (2024) analysed the impact of remittances on Nigerian household welfare from 1986 to 2022 using the ARDL method. While the findings reveal that remittances improve household consumption, the outcome does not observe a significant impact on overall welfare, indicating a complex relationship between remittances and broader welfare outcomes. The finding highlights the need for a nuanced understanding of how remittances function within different economic contexts, particularly in regions heavily reliant on these financial inflows. In contrast, Ikpesu (2023) extends the analysis of remittances to 27 Sub-Saharan African (SSA) countries from 2000 to 2020, employing a panel ARDL model to assess the interplay between remittances, financial market development, and economic growth. The study finds that remittances significantly contribute to growth, whereas financial market development yields mixed results. This finding underscores the importance of financial market maturity in optimising the benefits of remittances, suggesting that without adequate financial infrastructure, the potential of remittances to drive growth may be limited.

Ato-Mensah and Long (2021) focus on Ghana, examining the impact of FDI on economic growth, employment, and poverty reduction from 1980 to 2018. Their findings reinforce the significance of FDI in promoting economic development through its role in enhancing institutional quality. The study's long temporal and broad regional scope within Ghana offers valuable insights into the sustained impact of FDI. However, it also highlights the moderate state of institutional quality in the country, suggesting room for further improvement.

These empirical studies collectively illustrate the complex and interconnected roles of institutional quality, remittances, and FDI in economic growth. However, there remains a gap in understanding how these factors interact specifically within the West African Monetary Zone (WAMZ) region. Several existing literature focuses on individual countries or regions outside WAMZ, often overlooking the unique economic and institutional dynamics at play within this zone. Additionally, the mixed and inconsistent findings across studies suggest that more targeted research is needed to fully elucidate the mechanisms through which institutional quality, diaspora remittances, and FDI collectively influence growth in WAMZ. This study seeks to address these gaps by providing a comprehensive analysis of these factors' contributions to economic growth in the WAMZ region from 1990 to 2022, offering new insights into their collective impact in this context.

3. METHODOLOGY

3.1 Theoretical Framework

This study adopts the endogenous growth model to explore the relationships among the variables. Building on the work of Romer (1990) and Lucas (2019), the model challenges traditional neoclassical growth theories by emphasising that internal factors such as technology, knowledge, and innovation drive economic growth rather than external influences. The theory also suggests that economies can achieve increasing returns through continuous improvements in these areas. Additionally, it highlights the importance of government policies and institutional frameworks in fostering an environment conducive to innovation and growth (Adams & Page, 2005).

3.2 Data and Sources

Table 1: Descriptions and sources of variables

Acronyms	Variables	Descriptions	Sources
RGDPCG	Economic Growth	Real GDP per capita growth rate	United Nations Development Program (UNDP)
COC	Institutional Quality	Control of Corruption	World Bank Indicators (WDI)
EFI	Institutional Quality	Economic Freedom Index	Heritage Foundation
DR	Diaspora Remittances	Personal remittances received (% of GDP)	World Bank Indicators (WDI)
FDI	Foreign Direct Investment	foreign direct investment inflow(% of GDP)	United Nations Development Program (UNDP)
TOP	Control Variable	Trade (% of GDP)	World Bank Indicators (WDI)
INF	Control Variable	GDP deflator	World Bank Indicators (WDI)

Source: Authors' compilation (2024).

3.3 Estimation Techniques and Model Specification

Following the framework proposed by Pesaran and Shin (1998) and Pesaran, Shin, and Smith (2001), this study employed the Panel Autoregressive Distributed Lag (PARDL) analysis technique. PARDL provides a robust framework for addressing endogeneity concerns and efficiently estimating parameters in dynamic panel data models. It is well-suited for examining the complex dynamics of economic growth in the WAMZ region. This method extends the Autoregressive Distributed Lag (ARDL) approach to accommodate panel data, allowing the exploration of both short-run and long-run effects while considering individual-specific

heterogeneity and potential cross-sectional dependence. Also, the study employed the Pairwise Granger causality test to determine the direction of causality among the variables. Furthermore, this study used secondary data and utilised a panel dataset that covers the period from 1990 to 2022.

The panel ARDL equation for this study is as follows:

$$RGDPCG_{it} = \alpha_i + \sum_{j=1}^{p} \alpha_{1,i_j} RGDPC_{i,t-j} + \sum_{j=0}^{q1} \alpha_{2,i_j} COC_{i_{t-j}} + \sum_{j=0}^{q2} \alpha_{3,i-j} EFI_{i,t-j} + \sum_{j=0}^{q3} \alpha_{4,i-j} DR_{i_{t-j}} + \sum_{j=0}^{q4} \alpha_{5,i_j} FDI_{i_{t-j}} + \sum_{j=0}^{q5} \alpha_{6,i_j} TOP_{i_{t-j}} + \sum_{j=0}^{q6} \alpha_{7,i_j} INF_{i_{t-j}} + \varepsilon_{it} \quad (1)$$

Where i = 1,2,3...7, and t = 1,2,3, T, αi represents the fixed effects, α1 −α7 is the lagged coefficients of the independent variables and the regressors and ε_{it} is the error term.

The panel long-run equation is as follows:

$$RGDPCG_{it} = \alpha_i + \sum_{j=1}^{p} \alpha_{1,i_j} RGDPC_{i,t-j} + \sum_{j=0}^{q1} \alpha_{2,i_j} COC_{i_{t-j}} + \sum_{j=0}^{q2} \alpha_{3,i-j} EFI_{i,t-j} + \sum_{j=0}^{q3} \alpha_{4,i-j} DR_{i_{t-j}} + \sum_{j=0}^{q4} \alpha_{5,i_j} FDI_{i_{t-j}} + \sum_{j=0}^{q5} \alpha_{6,i_j} TOP_{i_{t-j}} + \sum_{j=0}^{q6} \alpha_{7,i_j} INF_{i_{t-j}} + \beta_{1_{i_j}} RGDPCG_{i_{t-1}} + \beta_{2,i_j} COC_{i_{t-1}} + \beta_{3,i_j} EFI_{i_{t-1}} + \beta_{4,i_j} DR_{i_{t-1}} + \beta_{5,i_j} FDI_{i_{t-1}} + \beta_{6,i_j} TOP_{i_{t-1}} + \beta_{7_{i_j}} INF_{i_{t-1}} + \varepsilon_{it} \quad (2)$$

Where β_1 to β_7 7 are the long-run coefficients of real GDP per capita, control of corruption, economic freedom index, diaspora remittance, foreign direct investment, trade openness and inflation rate, respectively. Once the long-run relationship between the dependent variables and the regressors is established, the panel ECM model equation is as follows:

$$RGDPCG_{it} = \alpha_i + \sum_{j=1}^{p} \alpha_{1,i_j} \Delta RGDPC_{i,t-j} + \sum_{j=0}^{q1} \alpha_{2,i_j} \Delta COC_{i,t-j} + \sum_{j=0}^{q2} \alpha_{3,i-j} \Delta EFI_{i,t-j} + \sum_{j=0}^{q3} \alpha_{4,i-j} \Delta DR_{i,t-j} + \sum_{j=0}^{q4} \alpha_{5,i_j} \Delta FDI_{i,t-j} + \sum_{j=0}^{q5} \alpha_{6,i_j} \Delta TOP_{i,t-j} + \sum_{j=0}^{q6} \alpha_{7,i_j} \Delta INF_{i,t-j} + \theta_i ECM_{i,t-1} + \varepsilon_{it} \quad (3)$$

Where Δ is the first difference of variables, α1 – α7 are the short-run coefficients. θi represents the coefficient of the ECM, which measures the speed of adjustment made every year towards long-run equilibrium, Akaike's lag selection criteria determine the optimal lag length of the ECM model. Given the limited number of annual observations, the study chose one maximum lag length. In addition, the panel unit root test was employed to establish the order of integration in this study.

4. RESULTS AND DISCUSSION OF FINDINGS

4.1 Stationarity Test

Table 2: Panel Unit Root Test Results

	Level						
	RGDPCG	**COC**	**EFI**	**DR**	**FDI**	**TOP**	**INF**
LLC	-3.9923	-1.71	-2.2207	0.86376	-1.2106	-0.2401	-8.3642
P&S	-4.6796	-1.8781	-2.6747	0.59229	-1.7924	-1.3569	-6.8145
ADF	45.8882	21.8132	25.8389	9.18765	24.6382	18.7853	69.3605
PP	71.1757	19.1923	22.3441	11.6297	37.6443	45.8161	70.5046
Order	1(0)	1(0)	1(0)				1(0)
	First	**Difference**					
LLC	-1.71	-4.8394	-6.2926	-7.8786	-6.5153	-6.5468	-8.3642
P&S	-1.8781	-4.1736	-6.3318	0-7.8786	-8.7788	-8.4598	-11.358
ADF	114.594	39.6054	64.7497	82.1502	89.7701	88.8687	118.214
PP	159.821	66.9437	104.194	104.776	160.985	153.159	206.668
Order				1(1)	1(1)	1(1)	

Source: E-Views 12 Output

This study employed Im, Peseran & Shin (IPS), Levin, Lin & Chu (LLC) t* ADF-Fisher and PP-Fisher panel unit root tests. The result from Table 2 indicates that at a 5% significant level, the variables employed in this study are stationary at level 1(0) and first difference 1(1), respectively. These outcomes indicate a consistent, predictive trend and reliability of the variables. Therefore, since the unit root test indicates that the variables employed are stationary, the co-integration test was conducted.

4.2 Co-integration Test

Table 3: Johansen Fisher Panel Co-integration Test

Hypothesised No. of CE(s)	Fisher Stat* (From Trace Test)	Prob	Fisher Stat* (From Max -Eigen)	Prob
None	0.000	1.000	0.000	1.000
At most 1	0.000	1.000	0.000	1.000
At most 2*	267.6	0.000	208.6	0.000
At most 3*	155.1	0.000	125.2	0.000

Source: E-Views 12 Output

Table 3 presents the Johansen Fisher panel co-integration test. The result revealed that the variables are co-integrated at most, with 2 or 3 co-integrating equations at a 5% level of significance. At most, 2 and 3 co-integration equations reveal that the Fisher statistics of trace and max Eigen are 267.6 and 208.6, respectively, and have a probability of 0.000. Accordingly, this result leads to rejecting the null hypothesis of no co-integration and accepting the alternative hypothesis of the presence of co-integration among the variables. Consequently, this finding implies that there is a long-run relationship between the variables employed. Therefore, the long-run and short-run impact of these variables is examined using the Panel Autoregressive Distributed Lag model (PARDL)

4.3 Panel Auto regressive Distribution Lagged Model Test

Table 4: The impact of institutional quality, diaspora remittances, and foreign direct investment on economic growth in the WAMZ region.

Variable	Coefficient	Std.Error	t-Statistic	Probability
Selection model	**(1,1,1,1,1,1)**			
		Long Run impact		
COC	7.581196	1.903329	3.983123	0.0002*
EFI	-0.458735	0.099738	-4.599415	0.0000*
DR	-0.170344	0.070153	-2.428186	0.0175*
FDI	0.341026	0.066233	5.148907	0.0000*
TOP	0.066436	0.013904	4.778129	0.0000*
INF	0.012287	0.017251	0.712266	0.4785
		Short Run Impact		
D(COC)	1.000294	8.523910	0.117352	0.9069
D(EFI)	-0.151004	0.348313	-0.433530	0.6659
D(DR)	0.092671	0.379389	0.244264	0.8077
D(FDI)	-0.471498	0.200730	-2.348912	0.0214*
D(TOP)	0.044680	0.072841	0.613389	0.5415
D(INF)	-0.108139	0.110370	-0.979788	0.3303
ECMt-1	-0.79477	0.187282	-4.243743	0.0001*
Constant	21.92039	5.060201	4.331922	0.0000*
Wald Test				
F-Statistics	18.74520	(6,76)	0.0000	
Chi-square	112.4712	6	0.0000	

Source: E-Views 12 Output.

Table 4 presents the panel Autoregressive distributed lagged test result. At a 5% level of significant control of corruption, the economic freedom index, diaspora remittances, foreign direct investment, and trade openness contributed to economic growth in the WAMZ region over the period studied. At the same time, the inflation rate is statistically insignificant in the long run. Specifically, the result reveals that holding all other variables constant, a 1% increase in the control of corruption in the WAMZ region will result in a substantial 7.58% increase in economic growth. This outcome suggests that enhancing anti-corruption measures fosters investors' confidence in investing in the economy, which thereby results in sustainable economic development within the WAMZ region. Thus, as stressed by Khan et al. (2023), Trabelsi (2023) and Hussen (2023), economic reforms and anti-corruption measures promote economic development. The economic freedom index also reveals a significant impact on economic growth in the long run; however, its contribution to economic growth was negative. All things being equal, a 1% increase in the region's economic freedom will decrease growth by 4.3%. Thus, these negative contributions indicate that excessive freedom leads to instability, which will hamper long-run growth in the region. As Hussain and Haque (2016) opine, economic freedom promotes growth. However, there are instances where it may translate into something other than economic development. Thus, this finding is inconsistent with the findings of Wulandari (2015) and Okunola and Akinlo (2021).

The result shows that diaspora remittance has a negative contribution to growth in the long run. A 1% increase in remittances will decrease growth by 1.7% ceteris paribus. While remittances are considered a foreign capital inflow into the region, which aims at enhancing household consumption and improving productivity, overreliance on this capital inflow may impede the WAMZ region's domestic productivity and economic growth in the long run. This finding, therefore, contradicts the results of the study by Iseghohi and Rolle (2020), which conclude that remittances have a positive impact on economic growth in the WAMZ region.

Furthermore, holding other factors constant, a 1% increase in FDI will contribute 3.4% to economic growth in the WAMZ region. This result implies that FDI plays a significant role in bringing capital, technology, and expertise from other countries into the region. Thus, attracting FDI is found to be beneficial for the economic development of the region in the long run. The empirical work of Judith (2021), Ezekwe and Ozigbu (2013) and Christopher and Johnson (2022) support this finding by emphasising that foreign direct investment has a positive and significant impact on growth. Similarly, trade openness will contribute 0.7% to economic growth, thus signifying its role in stimulating productive investment, facilitating market access, and fostering competition in the long run.

Additionally, the error correction mechanism ECM(-1) reveals that 79.48% of the deviation from long-run growth equilibrium is corrected within the period. This result indicates a high speed of adjustment to equilibrium, thereby suggesting that the economy will respond quickly to restore equilibrium after a shock. Moreover, in the short run, control of corruption, diaspora remittances, and trade openness have a positive but insignificant impact on economic growth. On the other hand, the economic freedom index and inflation rate contribute negatively and are also not statistically significant. However, foreign direct investment was found to be statistically significant but contributed negatively to economic growth. Thus, this negative contribution may be due to factors such as adjustment cost, initial infrastructure requirement, or disruptions associated with foreign capital influx into the region. Also, the coefficient of the constant term indicates a significant contribution to economic growth. This result is evidenced by the baseline growth level of 21.92%, indicating inherent economic activity and potential for development within the WAMZ region. The Wald test result revealed that the F-statistics and

the Chi-square statistics have a probability value of 0.0000. Thus, the null hypothesis is rejected, and the alternative hypothesis is accepted. Therefore, the study concludes that institutional quality, diaspora remittances, and foreign direct investment significantly influence economic growth in the WAMZ region.

4.4 Panel Causality Test

Table 5: Pairwise Granger Causality Test Result

Null Hypothesis	F-Statistics	Prob
COC does not Granger Cause RGDPCG	4.79368	0.0101*
RGDPCG does not Granger Cause COC	0.16953	0.8443
EFI does not Granger Cause RGDPCG	3.43179	0.0352*
RGDPCG does not Granger Cause EFI	4.16077	0.0176*
DR does not Granger Cause RGDPCG	0.04225	0.9586
RDGPCG does not Granger Cause DR	0.09574	0.9586
FDI does not Granger Cause RGDPCG	3.55529	0.0306*
RGDPCG does not Granger Cause FDI	6.98685	0.0012*

Source: E-Views 12 Output

The result from Table 5 indicated a unidirectional causality from the control of corruption to economic growth and a bidirectional causality between the economic freedom index and economic growth. Hence, monitored economic freedom will foster economic growth in the WAMZ region. However, there is no causal relationship between diaspora remittance and economic growth. In addition, there is a bi-directional causal effect between foreign direct investment and economic growth. This result suggests a feedback loop where economic growth attracts foreign direct investment, and foreign direct investment stimulates economic growth.

5. CONCLUSION AND RECOMMENDATIONS

This study examined the impact of institutional quality, diaspora remittances, and foreign direct investment on economic growth in the West Africa Monetary Zone using the Panel ARDL model. The study found that institutional quality, diaspora remittances, and foreign direct investment contribute significantly to enhancing economic growth in the WAMZ region. Based on these findings, this study recommends that governments and policymakers in the WAMZ region prioritise improving and enforcing a robust legal and regulatory framework to inhibit corrupt practices and ensure transparency. Also, governments should strike a balance between deregulation and essential regulations to ensure fair competition and prevent market monopolies. In addition, WAMZ government policies should geared toward encouraging the diaspora to invest in their home countries by offering attractive investment opportunities and incentives. Lastly, Governments in the WAMZ region should create a conducive environment for business operations by investing in high-quality infrastructure, including transportation, energy, and telecommunications, as these are critical for attracting foreign investors and fostering economic growth in the region.

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