Iranian Economic Review, 2025, 29(1), 311-336
DOI: 10.22059/ier.2025.346090.1007501

RESEARCH PAPER

Do Political Institutions Have Similar Effect on Quality of Economic Institution Across Different Sub-regions in Sub-Saharan Africa?

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Article History: Received 21 July 2022, Revised 23 May 2023, Accepted 17 June 2023, Published 01 April 2025
Publisher: University of Tehran Press.

Abstract
This paper investigated the impact of four different indicators of political institutions on the quality of economic institutions across the different Sub-regions (Central, East, South and West Africa) in Sub-Sahara Africa (SSA). A panel data of 43 countries in SSA over the period 1996 to 2020 was gathered and analyzed. Im-Pesaran-Smith (IPS) panel unit root test technique is used to evaluate the stationarity property of the variables. Then, three alternative long-run panel cointegration regression techniques, namely; mean group (MG), pooled mean group (PMG) and dynamic fixed effects (DFE) are used to gauge the specified model. The most efficient among them is chosen using Hausman specification test. The findings from the empirical analysis are in three folds: i. political institutions do not have short-run impact on economic institutions in SSA as a whole and across the four sub-regions; ii. political institutions do have long-run influence on the quality of economic institutions, with rule of law having the biggest impact, follow by government effectiveness, political stability and quality of democracy in that order; iii. The impact of political institutions on economic institutions is not similar across the four sub-regions in SSA. Unlike previous studies, this paper identifies specific type of political institutions relevant in improving the quality of economic institution in each sub-region of SSA. The finding establishes inter alia that one size fit not all hypothesis is applicable across the sub-regions in SSA.
Keywords: Economic Institutions, Rule of Law, Government Effectiveness, Polity Stability, Sub-Regions.
JEL Classification: C33, O43, O55, P16.

1. Introduction
It is established in the literature that the quality of institutions is critical to economic performance (see, for example, Hall and Jones, 1999; Acemoglu et al.,

2003; Ferrini, 2008; Luiz, 2009; Boettke and Fink, 2011; Osman et al., 2011; Kilishi et al., 2013; Yildirim and Gokalp, 2016; Mullings, 2018; Uddin et al., 2021). Thus, it is imperative to understand how to improve the quality of institutions, particularly in developing countries. Research on the determinants of institutional quality has attracted attention in the field of institutional economics recently.

The literature on the determinants of the quality of institutions is growing fast. This literature can broadly be grouped into five categories. The first category emphasizes geographical conditions (see, for example, Engerman and Sokoloff, 1997; Gallup et al., 1999; Easterly and Levine, 2003; Lehne et al., 2014), and the second focuses on culture such as ethnic fractionalization (La Porta et al., 1999), the third links quality of institutions with economic factors such as growth (see Chong and Zanforlin, 2000; Islam and Montenegro, 2002; among others), income distribution (see Alesina and Rodrik, 1993; Alesina and Perotti, 1996; Engerman and Sokoloff, 1997), and trade openness (Acemoglu and Robinson, 2008), the fourth group argues that history is responsible for the quality of institutions, for the effect of colonization see Acemoglu et al., 2001; 2002, while the fifth group emphasizes politics and political institutions (see Acemoglu, 2006; Acemoglu and Robinson, 2012; Acemoglu and Robinson, 2016; Congleton and Yoo, 2018; Alhassan and Kilishi 2019; Alonso et al., 2020).

However, Alhassan and Kilishi, (2019) show empirically that political institutions are the fundamental determinants of the quality of economic institutions in Africa. While immutable factors such as culture, history, and geography were not statistically significant. Most studies that found the immutable factors to have a significant effect were cross-sectional studies without accounting for the time dynamics. However, in most panel studies, these variables are not usually statistically significant.

This paper contributes to the literature by investigating whether or not the impact of political institutions varies across the different sub-regions in Sub-Sahara Africa (SSA). The economies in SSA vary greatly in terms of their structure, composition, and level of sophistication. Therefore, it is not expected that the impact of political institutions will be the same across the sub-regions in SSA. Thus, this study is different from previous studies in three ways: first, the study examines the relative impact of four different categories of political institutions on economic institutions; second, the investigation is carried out using the full sample

of countries in SSA and then sub-samples of countries in Central, East, South and West Africa respectively; third, the study employed techniques of dynamic panel data analysis which yield both the short and long-run impacts.

Brief literature review, theoretical argument, model specification, description of the estimation procedure, and the nature and sources of data are presented next to this introductory section. While preliminary results, regression results, conclusion, and policy implications make up the rest of the paper.

2. Literature Review

The literature on the determinants of institutional quality has grown tremendously recently. Lawson et al. (2020) surveyed over 70 empirical papers that studied the determinants of economic institutions measured as economic freedom. Several variables ranging from income, growth, geography, history, natural resource, inequality, foreign aid, education, and fractionalization, to political variables such as civil liberties, political rights, level of democratization, type of government, and level of political competitiveness among others were examined in the literature as potential determinants of economic freedom. While some of the variables show significant positive effects, some show significant negative impacts and some were not statistically significant.

Although few studies find the impact of political institutions to be insignificant, no study shows significant negative effect, while numerous studies show that political institutions have significant positive effects on economic institutions. Among all the various factors examined in the literature, political institutions have the most consistent significant positive effect across several studies (see for example, Vega-Gordillo and Álvarez-Arce, 2003; de Haan and Sturm, 2003; Dawson, 2003; Lundström, 2005; Dreher and Rupprecht, 2007; Pitlik, 2008; Aixalá and Fabro, 2009; Carden and Lawson, 2010). This means that political institutions that allow constitutional protections for speech, religion, assembly, and other civil liberties have the highest impact on economic institutions. The average effect of political institutions as calculated by Lawson et al. (2020) is about 0.23. Earlier, Islam and Montenegro (2002) showed that political institutions that promote checks and balances enhance the quality of economic institutions. Saeed (2022) shows that voice and accountability have the most influence in shaping institutional quality in a sample of developing countries. This implies that the quality of economic institutions improves when political

institutions allow most citizens to participate in selecting their government, while they enjoy freedom of expression, freedom of association, and free media.

Distinct from the effect of political institutions, a number of studies also show that formal democracy has positive significant effect on economic institutions. The standardized size of the effect is calculated to be around 0.217. Among studies that find significant positive relationship between democracy and economic institutions are Pitlik (2008); Rode and Revuelta (2015); Sheehan and Young (2015); Dutta and Williamson (2016); Hall (2016); Krieger and Meierrieks (2016); Kotschy and Sunde (2017); Murphy and Smith (2018); O'Reilly and Murphy (2017); Tarabar and Young (2017). Krieger (2022) on the other hand, presents a simple theoretical model which predicts that a transition from autocracy to democracy would lead to an increase in the quality of economic institutions. However, his model further predicts that this improvement is larger when the level of human capital is high. He supported the theoretical model with empirical analysis of panel data covering 150 countries over the period 1920 to 2019.

Javed (2016) investigates the potential determinants of institutional quality using panel data of IMF member countries over a time period that the number of IMF programs witnessed an increasing trend. Similar to the studies on the effects of democracy, his results show that parliamentary form of government, aggregate governance level, civil liberties, and trade openness enhance institutional quality. While economic growth is conducive to enhancing economic institutional quality. On the other hand, military power negatively impacts on institutional quality.

3. Theoretical Design

There is no standardized generally accepted theory of institutional change. However, there are a number of attempts to theorize the evolution of institutional trajectories across different societies. However, this study is based specifically on the political economy theory of institutional changes. This approach is promoted by studies like Acemoglu, Johnson, and Robinson (2005), Acemoglu (2006), Acemoglu and Robinson (2008), Acemoglu and Robinson (2012), and more recently Krieger (2022) among others. In the context of the theory, economic institutions are the formal and informal rules that determine the incentives of and constraints on economic actors as well as shape economic outcomes. As such, institutions are social decisions, chosen for their consequences. Meanwhile, different economic institutions affect different individuals and groups of

individuals differently. Hence, different individuals and groups will prefer different institutional settings. Consequently, there is a conflict of interest among various social groups and individuals over the choice of economic institutions. It is interesting to ask; "if different social groups prefer different institutional settings, which of the group's preferred institutions will prevail"? it is the interest of the group with more political power that will prevail. That is, the allocation of political power determines the equilibrium of economic institutions. This makes issues of political economy of distribution of political power important.

The distribution of political power in a society is in turn determined by political institutions. Weak and exclusive political institutions make political power concentrated in the hands of few individuals. While strong and inclusive political institutions ensure that political power is not concentrated in the hands of a few individuals or a narrow group of people, rather political power is open to a broad set of people. That is, inclusive political institutions create a level playing political ground. Inclusive political institutions will also allow citizens to hold politicians accountable and will ensure politicians do not use their political power to promote narrow interests. If political institutions are inclusive, the citizens influence how political power can be used in the best interest of the majority, such as creating inclusive economic institutions and using national resources to provide infrastructure for the benefit of the generality of the people.

The key theoretical propositions of the political economy theory of institutional change are that: first, in a political system where few individuals or narrow groups control political power such as the case in an autocracy, the government only gives attention to the preferences of the elite who control political power. Thus, the members of the elite use this influence and indicate the institutional quality that maximizes their utility. Hence, weak, exclusive and extractive institutions are likely to exist in such a system. Second, as societies transit from authoritarian regimes to democratic regimes, the control of political power becomes broader and the influence of people on government increases, thus, the preferences of the people will be accommodated in government policy decisions. Therefore, better, strong and inclusive economic institutions are likely to emerge. Meanwhile, partial democratization with political institutions that do not allow wide participation of people is not necessarily associated with increasing institutional quality, because the elite would still control political power, hence, they will prevent changes in the quality of the economic institutions.

This theory provides a good explanation for why weak institutions still exist in many African countries despite the wind of democratization that blew across the continent. Political institutions are still weak in the majority of the countries. In most countries, the same elites that controlled power during the non-democratic eras emerged as national political leaders after the transition to democracy. In cases where they do not contest or win elections, they control the majority party.

Another dimension of the argument as provided by Acemoglu and Robinson (2008; 2012), Iwayemi and Kilishi (2016), and Krieger (2022) is that if political institutions are weak, there will be little or no restraint on the actions of the political elite. Consequently, political power will attract rents. Thus, political elites would be desperate for political power, and as such, there would be serious infighting among various groups over the control of political power. Political elites are therefore likely to provide weak and exclusive economic institutions to limit the ability of citizens to take over government and policymaking from them. Overall, weak political institutions are more likely to produce weak economic institutions. Iwayemi and Kilishi (2016) also argue that if the utility of the political elite is a function of natural resource rent rather than tax revenue, there is no incentive for the elite to create strong and effective economic institutions that would promote economic activities. Hence, resource-rich countries with weak political institutions are likely to have weak economic institutions.

4. The Model

Drawing from the extant literature in the area of determinant of institutional quality and in line with the objective of this study, the model specification is hereby presented as follows;

$$EI_{it} = \alpha_i + \beta_j PI_{it}^{j} + \gamma_k EF_{it}^{k} + \delta_l GF_{it}^{l} + \theta_m SF_{it}^{m} + \varepsilon_{it} \quad (1)$$

where EI represents economic institutions, PI epitomizes different indicators of political institutions, EF stands for the economic factors, GF denotes geographical factors, SF represents social factors, ε is the Gauss Markov error term, i stands for an individual country, t stands for time in years and the superscripts indicate specific variable in each category of factors.

Four political institutional variables are introduced successively, these are Quality of Democracy measure by Polity II, Rule of Law, Government Effectiveness, and Political Stability. The economic factors considered in this paper are per capita income measured by GDP per Capita (GDPPC) and trade openness

(TOP). It has been argued that countries with higher per capita income would pursue better institutions because the people would demand it, and as countries interact with the external world in trade, they tend to strengthen their institutions so as to be able to compete favourably. The emphasis in this paper is more on variables that can be influenced by policymakers rather than predetermined factors such as geography and culture. Nevertheless, two geographically related variables are controlled for, viz log of land area (LnLand) and natural resource rent (NatRes). The natural resource rent is introduced to test the resource curse hypothesis. Similarly, two variables are used to stand for social institutions, these are education (Educ) and employment (Emp).

Thus, the extended model is given as:

$$EI_{it} = \alpha_i + \beta_j PI_{it}^{j} + \gamma_1 GDPPC_{it} + \gamma_2 TOP_{it} + \delta_1 LnLand_{it} + \delta_2 NatRes_{it} + \theta_1 Educ_{it} + \theta_2 Emp_{it} + \varepsilon_{it} \quad (2)$$

The dynamic specification following from equation 2 is:

$$EI_{it} = \beta_0 + \sum_{j=1}^{p} \alpha EI_{it-j} + \sum_{j=0}^{q_1} \beta_j PI_{it-j} + \sum_{j=0}^{q_2} \gamma_{1j} GDPPC_{it-j} + \sum_{j=0}^{q_3} \gamma_{2j} TOP_{it-j} + \sum_{j=0}^{q_4} \delta_{1j} LnLand_{it-j} + \sum_{j=0}^{q_5} \delta_{2j} NatRes + \sum_{j=0}^{q_6} \theta_{1j} Educ_{it-j} + \sum_{j=0}^{q_7} \theta_{2j} Emp_{it-j} + \varepsilon_{it} \quad (3)$$

The specification in equation 3 can be re-parameterized to obtain both the long run and short run estimates within a dynamic panel framework. This is given as:

$$\begin{aligned}\Delta EI_{ir} = {} & \beta_0 + \delta_i EI_{it-1} + \pi_{1i} PI_{it-1} + \pi_{2i} GDPPC_{it-1} + \pi_{3i} TOP_{it-1} \\ & + \pi_{4i} LnLand_{it-1} + \pi_{5i} NatRes_{it-1} + \pi_{6i} Educ_{it-1} \\ & + \pi_{7i} Emp_{it-1} \\ & + \sum_{j=1}^{p-1} \alpha_{ij} \Delta EI_{it-j} + \sum_{j=1}^{q_1-1} \varphi_{1ij} \Delta PI_{it-j} \\ & + \sum_{j=1}^{q_2-1} \varphi_{2ij} \Delta GDPPC_{it-j} + \ldots + \sum_{j=0}^{q_7-1} \varphi_{7ij} \Delta Emp_{it-j} + \mu_i \\ & + \varepsilon_{it}\end{aligned} \tag{4}$$

From Equation 4, the short run impact for each of the predictors is captured by φ_j and α, while the long run impact is measured for each of the explanatory variables by the π_s. The error correction version of the specification in equation 4 is equivalent to:

$$\begin{aligned}\Delta EI_{it} = {} & \omega_i ECT_{it-1} \\ & + \sum_{j=1}^{p-1} \alpha_{ij} \Delta EI_{it-j} + \sum_{j=1}^{q_1-1} \varphi_{1ij} \Delta PI_{it-j} \\ & + \sum_{j=1}^{q_2-1} \varphi_{2ij} \Delta GDPPC_{it-j} + \ldots + \sum_{j=0}^{q_7-1} \varphi_{7ij} \Delta Emp_{it-j} + \mu_i \\ & + \varepsilon_{it}\end{aligned} \tag{5}$$

The ECT_{it-1}in Equation 5 is the error correction term and Δ is the difference operator, where $ECT_{it-1} = \Delta EI_{it} - \varphi_{1ij} \Delta PI_{it-j} - \varphi_{2ij} \Delta GDPPC_{it-j} - \cdots - \varphi_{7ij} \Delta Emp_{it-j}$.

5. Estimation Procedure

The estimation procedure begins with unit root tests using Im-Pesaran-Smith (IPS) panel unit root technique. The results of the test show a combination of I(1) and I(0) series. Given this outcome and the fact that both N (43) and T (1996 to 2020) are relatively large, the autoregressive distributed lag (ARDL) modelling procedure is employed to gauge the models. Three alternative long-run panel cointegration techniques are used in the study, namely; mean group (MG), pool mean group (PMG), and dynamic fixed effects (DFE). According to Pesaran and Smith (1995) and Pesaran, Shin, and Smith (1997, 1999), the three techniques are

consistent when both T and N are large. Even though they are based on different assumptions, all three techniques employ the ARDL framework where the series are a combination of I(0) and I(1). The MG and DFE are extreme opposite, while PMG is intermediate. MG assumes a heterogeneous slope and intercept coefficient, and thus derives long-run parameters by averaging the long-run parameters of the ARDL for individual units. DFE imposes the homogenous slope coefficients but allows constant intercepts to vary across units. PMG imposes the assumption of short-run heterogeneous slope coefficients and long-run homogenous slope coefficients. The most efficient of the alternatives is determined using the popular Hausman specification test.

6. Nature and Sources of Data

Data is collected over a period of 1996 to 2020 across 43 countries in Sub-Sahara Africa (SSA). The Heritage Foundation's Index of Economic Freedom is used as a measure for economic institutions. The index describes economic freedom as "the fundamental right of every human to control his or her own labor and property". The index is scaled from 0 to 100, the closer to 0, the weaker institutions are, and closer to 100 means strong institutions.

Polity II, which is from the Polity IV dataset measures the degree of democratization as against autocracy. Its value ranges from +10 (strongly democratic) to -10 (strongly autocratic). Data on the other three political institutional variables viz government effectiveness, rule of law, and political stability are gathered from World Bank Governance Indicators. Government Effectiveness measures perceptions of the people on the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Rule of Law measures the perceptions of people on the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. Political Stability captures the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism. The estimate for each of these three variables ranges from -2.5 to 2.5.

The control variables, land area, GDP per capita, Natural resource rent, and trade openness data are collected from World Development Indicators (WDI) database.

While, education is an index obtained from Oxford Poverty and Human Development Initiative (OPHI) database.

7. Preliminary Results

This section presents the summary statistics for the key variables which are economic institutions, polity II, rule of law, political stability, and government effectiveness. Also, presented in the section are the results of the unit root tests. While the summary statistics are presented in Table 1, the unit root test results are presented in Table 2.

The mean, standard deviation, minimum and maximum values for the full sample and sub-regional samples across Central Africa, East Africa, South Africa, and West Africa respectively are presented in Table 1. The average economic institutions index in SSA is 53.79, the average value in West (57.39), East (54.38), and South (54.20) are slightly above the SSA average, while the average in Central Africa (48.61) is lower. Paradoxically, the lowest minimum and highest maximum values across the sub-regions are found in East Africa. The standard deviation is highest in West Africa and lowest in Southern Africa, implying that the disparity in economic institutions across countries is highest and lowest in West Africa and South Africa respectively.

The average values of the political variables indicate that political institutions are weak in SSA. The average quality of democracy measured by polity II is 1.92, while the average values for rule of law, political stability, and government effectiveness are – 0.68, – 0.51, and – 0.73 respectively. It is pertinent to note that the average value of these three governance indicators in SSA is negative. Across the four sub-regions, West Africa has the highest average value (3.20) in polity II, while Central Africa has the lowest (– 1.85). The average values for the three governance indicators are negative for all the sub-regions.

From the unit root test results presented in Table 2, it is clear that political stability, government effectiveness, GDP per capita, education, and natural resource rent are stationary at level. Implying that they are integrated of order zero $I(0)$. The remaining variables, including economic institutions, polity II, rule of law, trade openness, employment, and land are all stationary after first difference, hence, they are integrated of order one $I(1)$. It is therefore certain that no variable is integrated of order two.

Table 1. Summary Statistics of Key Variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Sub-Sahara African Countries (Full Sample)					
Economic Institution	989	53.79498	8.192089	21.4	77
Polity II	989	1.91911	5.233759	-9	10
Rule of Law	989	-0.6828	0.640508	-2.13	1.07713
Political Stability	989	-0.50815	0.859507	-2.5	1.22
Government Effectiveness	989	-0.73158	0.599375	-1.88	1.06
Central African Countries					
Economic Institution	161	48.60928	6.739609	33.8	60.5
Polity II	161	-1.85093	3.581569	-6	6
Rule of Law	161	-1.24731	0.385248	-2.13	-0.20581
Political Stability	161	-0.56208	0.555439	-1.8	0.56
Government Effectiveness	161	-1.21867	0.387381	-1.88	-0.2
Eastern African Countries					
Economic Institution	322	54.38481	9.110512	21.4	77
Polity II	322	2.204969	5.185191	-7	10
Rule of Law	322	-0.63024	0.599774	-1.8523	1.07713
Political Stability	322	-0.65096	0.989393	-2.5	1.22
Government Effectiveness	322	-0.69289	0.569402	-1.78	1.06
Southern African Countries					
Economic Institution	368	54.19968	4.894035	33.5	66.5
Polity II	368	2.839674	4.571426	-6	10
Rule of Law	368	-0.67106	0.568396	-2.00851	1.04419
Political Stability	368	-0.39647	0.899391	-2.5	1.2
Government Effectiveness	368	-0.76712	0.481191	-1.88	0.37
Western African Countries					
Economic Institution	138	57.38951	11.24345	23.7	72
Polity II	138	3.195652	6.540005	-9	9
Rule of Law	138	-0.17821	0.662648	-1.70075	0.730522
Political Stability	138	-0.40986	0.64203	-2.31	0.83
Government Effectiveness	138	-0.1588	0.64762	-1.46	1.02

Source: Research finding.

Table 2. The Results of Unit Root Test

Variable	Level (t-Stat)	P-Value	1st Diff (t-Stat)	P-Value	Decision
Economic Institution	-0.9481	0.1716	-11.2226	0.0000	*I*(1)
Polity II	-0.8118	0.2084	-12.1576	0.0000	*I*(1)

Rule of Law	-1.1559	0.1239	-12.1427	0.0000	*I*(1)
Political Stability	-1.8988	0.0288			*I*(0)
Government effectiveness	-2.8352	0.0023			*I*(0)
GDP Per Capita	-10.6030	0.0000			*I*(0)
Trade Openness	1.1695	0.8789	-12.2691	0.0000	*I*(1)
Employment	0.7750	0.7808	-6.7747	0.0000	*I*(1)
Education	1.4679	0.0000			*I*(0)
Natural Resource Rent	-2.6232	0.0044			*I*(0)
Log of Land Area	1.0118	0.8442	-7.6732	0.0000	*I*(1)

Source: Research finding.

8. Regression Result

The regression results are reported in Tables 3 to 7, while Table 3 presents results from the full sample, and results for Central, East, South, and West African countries are reported in Tables 4, 5, 6, and 7 respectively. Both the short-run and the long-run coefficients as well as the Hausman test results are reported in each of the tables.

In the SSA sample, none of the political institutional variables is statistically significant in the short run. This finding reaffirms the fact that institutional reforms do not have an instantaneous effect. There is always a lag period to see the effect of institutional reform particularly political institutional reform (see Kilishi 2017). However, in the long run, the four political institutional variables namely level of democratization, rule of law, political stability, and government effectiveness have significant positive influence on economic institutions. Relatively, rule of law has the biggest influence, followed by government effectiveness, political stability, and quality of democracy respectively in that order. A one-point increase in rule of law would on the average increase quality of economic institutions by 11.5 points. Hence, Improvement in rule of law by ensuring that all citizens, government officials, public institutions and private entities act according to the laws of the land will bring huge success in term of strengthening the quality of economic institutions. This could explain why countries with better administration of rule of law such as Mauritius, Botswana, South Africa, Namibia and Cabo Verde have higher quality economic institutions. On the other hand, countries such as Zimbabwe, Angola, Congo Democratic, Congo Republic and Guinea Bissau have lower quality economic institutions because there is weak compliance and

adherence to the rule of law in these countries. In the countries with poor administration of rule of law, the economic agents would have low confidence in the rules of the society and seldom abide by them, particularly the quality of contract enforcement, property rights, the police and the courts. Consequently, crime and violence are likely to be high in these countries and the security of life and property cannot be ensured. Therefore, to improve the quality of economic institutions in SSA generally, significance effort must be made to ensure adherence to rule of law.

A one-point increase in government effectiveness will improve quality of economic institutions by 5.034 on the average in SSA. Thus, to improve quality of economic institutions, it is imperative to improve government effectiveness, which includes improvement in the quality of public services delivery, the quality of formulation and implementation of policies. Therefore, there is need for reforms that will ensure commitment and credibility of government. Similarly, improvement in political stability and level of democratization by one-point would bring about 0.639 and 0.211 increase in quality of economic institutions on the average in SSA. In a lesser requirement, to improve quality of economic institutions there is need to improve stability of politics so as to curtail politically motivated violence and all other forms of violence and crimes, including terrorism, in order to halt unconstitutional means of government takeover. Similarly, improvement in the selection process of executive and more constraints on the exercise of executive power would assist in improving the quality of economic institutions in the continent of Africa.

The short run outcomes across the four sub-regions are not different from the outcome in the full sample. Meaning that none of the political institutional variables is statistically significant across all the four sub-regions in the short run. In the long run, there are varying outcomes across the sub-regions. In Central Africa, only rule of law and government effectiveness are significant in the long run, while polity II and political stability are not statistically significant. The two significant variables have positive effect on economic institutions. Meaning that improvement in rule of law and effectiveness of government would significantly lead to better economic institutions in Central Africa. On the average one-point increase in the quality of rule of law in Central Africa would yield to improvement in the quality of economic institutions by 11.45 points, while improvement in government effectiveness by one-point would raise quality of economic

institutions by 9.343 points. In the case of East Africa sample, three out of the four political institutional variables are statistically significant, with rule of law having the highest impact, followed by government effectiveness, and political stability in that order respectively. A point rise in rule of law would on the average increase quality of economic institutions by 12.67 in East Africa. Equally, one-point increase in government effectiveness and political stability would result to improvement in quality of economic institutions by 3.32 and 1.651 respectively. Surprisingly, none of the indicators of political institutions is statistically significant both in the short-run and long-run in the case of Southern African sample. Finally, in the case of West Africa, political stability is not statistically significant, while rule of law, level of democratization and government effectiveness are significant. However, government effectiveness is significant at 10 % with a negative sign which is contrary to expectation. A point increase in the level of adherence to rule of law would stimulate improvement in quality of economic institutions by about 27.79 points in West Africa on the average. While one-point rise in the level of democratization would improve quality of economic institution in the West Africa Sub-region by about 6.283 points. Hence, only improvement in rule of law and level of democratization would lead to better economic institutions in West Africa. It is pertinent to emphasize here that the coefficient of rule of law in West Africa is larger than the coefficients of the remaining indicators of political institutions.

Table 3. Sub-Sahara Africa (Full Sample)

	(1)	(2)	(3)	(4)
Variables	**Polity II**	**Rule of Law**	**Political Stability**	**Government Efficiency**
Short-run				
ECT	-0.285***	-0.253***	-0.289***	-0.235***
	(0.046)	(0.04)	(0.0397)	(0.0358)
D.GDPPC	-0.0107	-0.0354	-0.0124	-0.0159
	(0.0236)	(0.0227)	(0.0237)	(0.0233)
D.Emp	0.0801	0.102	0.207	0.334
	(0.322)	(0.293)	(0.267)	(0.369)
D.Educ	22.35	24.19	18.68	25.59
	(18.15)	(17.61)	(16.45)	(19.88)
D.NatRes	0.0262	-0.251	-0.379	0.462
	(0.0551)	(0.212)	(0.336)	(0.409)

D.top	1.781	2.291	0.855	3.796
	(2.481)	(2.264)	(3.034)	(2.588)
D.lland	-261.7	-160.6	-356.7	-108.1
	(301.1)	(214.8)	(361.9)	(159.0)
D.PolityII	-0.194			
	(0.141)			
D.Ruleoflaw		-0.884		
		(1.002)		
D.PolStab			-0.0963	
			(0.433)	
D.Goveff				0.175
				(0.795)
Constant	396.3***	614.9***	-1,390***	1,662***
	(64.12)	(98.20)	(198.2)	(262.2)
Long-run				
GDPPC	-0.0396	0.123**	-0.0244	-0.224***
	(0.0603)	(0.0515)	(0.0314)	(0.0552)
Emp	-0.0620	-0.414***	-0.275***	0.683***
	(0.0800)	(0.0666)	(0.0697)	(0.115)
Educ	-32.63***	-30.47***	-23.89***	18.16***
	(3.749)	(2.964)	(3.617)	(3.791)
NatRes	-0.135***	0.109***	0.0840**	-0.193***
	(0.0181)	(0.0383)	(0.0376)	(0.0512)
Top	0.306	-3.825***	0.311	-1.752***
	(0.681)	(1.473)	(0.953)	(0.296)
lland	-104.2***	-183.9*	389.9*	-572.6
	(18.48)	(104.5)	(199.6)	(740.3)
PolityII	0.211***			
	(0.0637)			
Ruleoflaw		11.50***		
		(0.924)		
PolStab			0.639***	
			(0.194)	
Goveff				5.034***
				(0.881)
Hausman test	0.9970	1.0000	1.0000	1.0000
Observations	946	946	946	946

Source: Research finding.

Note: Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table 4. Central African Countries

Variables	Polity II	Rule of Law	Political Stability	Government Effectiveness
		Short-run		
ECT	-0.222***	-0.249***	-0.216***	-0.229***
	(0.0532)	(0.0546)	(0.0553)	(0.0518)
D.gdppc	-0.00185	-0.000481	-0.00376	0.00432
	(0.0153)	(0.0154)	(0.0153)	(0.0155)
D.emp	0.627	0.605	0.544	0.561
	(0.408)	(0.399)	(0.403)	(0.398)
D.educ	20.22	11.25	20.34	21.87
	(35.00)	(35.32)	(35.52)	(34.80)
D.natres	0.0140	0.00750	0.0169	0.00325
	(0.0269)	(0.0270)	(0.0270)	(0.0273)
D.top	-4.544*	-4.086	-4.940**	-4.492*
	(2.509)	(2.515)	(2.514)	(2.513)
D.polityii	-0.225			
	(0.179)			
D.ruleoflaw		-2.715		
		(1.908)		
D.polstab			-0.836	
			(0.919)	
D.goveff				-3.861*
				(2.018)
Constant	23.72***	26.58***	21.14**	22.57***
	(8.419)	(8.566)	(8.211)	(8.125)
		Long-run		
Gdppc	0.0174	-0.00344	0.0342	-0.0515
	(0.0869)	(0.0777)	(0.0905)	(0.0895)
Emp	-0.911*	-0.735*	-0.845*	-0.756*
	(0.502)	(0.423)	(0.502)	(0.457)
Educ	-15.85	-12.68	-13.81	3.763
	(19.58)	(17.18)	(20.15)	(20.06)
Natres	-0.00688	0.0489	-0.0368	0.0643
	(0.107)	(0.0973)	(0.113)	(0.111)
Top	7.035	6.576	10.01	5.730
	(7.616)	(6.765)	(8.099)	(7.422)

Polityii	0.646			
	(0.448)			
ruleoflaw		11.45**		
		(5.200)		
Polstab			-1.263	
			(3.268)	
Goveff				9.343*
				(5.415)
Hausman Test	0.0096	0.0000	0.0000	0.0011

Source: Research finding.

Note: Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table 5. East African Countries

Variables	Polity II	Rule of Law	Political Stability	Government Effectiveness
			Short-run	
ECT	-0.409***	-0.190***	-0.478***	-0.362***
	(0.112)	(0.0328)	(0.114)	(0.0898)
D.gdppc	0.0901*	0.0347	0.0631	0.0618
	(0.0520)	(0.0316)	(0.0462)	(0.0548)
D.emp	0.679	0.178	0.832	1.295
	(0.698)	(0.236)	(0.669)	(0.840)
D.educ	42.16	-3.661	43.50	7.518
	(35.63)	(14.66)	(27.43)	(24.69)
D.natres	0.0945	0.0159	-1.342	0.555
	(0.152)	(0.0438)	(1.313)	(0.636)
D.top	1.915	-0.00355	-1.888	-0.338
	(2.822)	(1.568)	(3.998)	(3.237)
D.polityii	-0.295**			
	(0.134)			
D.ruleoflaw		-0.740		
		(1.364)		
D.polstab			0.234	
			(0.712)	
D.goveff				1.279
				(0.894)
Constant	-6.078***	0.345	17.75***	-11.51***
	(1.866)	(6.289)	(4.254)	(3.158)

			Long-run	
Gdppc	-0.308***	-0.182	-0.106**	-0.280***
	(0.0765)	(0.204)	(0.0528)	(0.0663)
Emp	0.751***	0.687	0.200*	0.994***
	(0.175)	(0.448)	(0.103)	(0.160)
Educ	36.68***	39.39***	12.11***	40.19***
	(3.959)	(12.50)	(4.579)	(4.135)
Natres	-0.0642	0.0509	0.0220	-0.0655
	(0.0419)	(0.191)	(0.0347)	(0.0425)
Top	-3.081***	-7.260**	-1.728***	-3.099***
	(0.316)	(3.088)	(0.515)	(0.331)
Polityii	0.110			
	(0.126)			
ruleoflaw		12.67***		
		(3.032)		
Polstab			1.651***	
			(0.244)	
Goveff				3.320***
				(1.075)
Hausman Test	0.3404	0.0107	0.0704	0.0927
Observations	308	.	308	308

Source: Research finding.

Note: Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table 6. Southern African Countries

Variables	**Polity II**	**Rule of Law**	**Political Stability**	**Government Effectiveness**
		Short-run		
ECT	-0.193***	-0.204***	-0.198***	-0.194***
	(0.0322)	(0.0325)	(0.0322)	(0.0321)
D.gdppc	-0.0212	-0.0143	-0.0193	-0.0214
	(0.0232)	(0.0234)	(0.0232)	(0.0232)
D.emp	-0.0752	-0.130	-0.102	-0.0964
	(0.280)	(0.281)	(0.281)	(0.282)
D.educ	-0.282	0.193	-0.0243	0.272
	(14.02)	(14.05)	(14.04)	(14.06)
D.natres	0.0188	0.0170	0.0225	0.0216
	(0.0267)	(0.0267)	(0.0268)	(0.0272)
D.top	-0.269	-0.150	-0.193	-0.238

	(1.253)	(1.250)	(1.255)	(1.255)
D.polity ii	-0.0560			
	(0.0637)			
D.rule of law		-0.872		
		(0.947)		
D.political stab			-0.149	
			(0.467)	
D.goveff				0.599
				(0.872)
Constant	8.548**	7.575*	8.366*	8.175*
	(4.360)	(4.384)	(4.379)	(4.365)
			Long-run	
Gdppc	-0.0294	-0.103	-0.0619	-0.0441
	(0.167)	(0.160)	(0.162)	(0.165)
Emp	0.122	0.258	0.154	0.159
	(0.318)	(0.303)	(0.306)	(0.310)
Educ	5.176	8.237	3.511	1.182
	(14.62)	(13.30)	(13.43)	(14.28)
Natres	-0.206*	-0.162	-0.201*	-0.210*
	(0.119)	(0.114)	(0.116)	(0.126)
Top	6.451	5.127	6.029	6.559
	(4.502)	(4.269)	(4.381)	(4.633)
Polityii	-0.165			
	(0.285)			
Ruleoflaw		3.393		
		(2.538)		
Polstab			-0.784	
			(1.266)	
Goveff				-1.002
				(3.044)
Hausman Test	0.0000	0.0195	0.0026	0.0530

Source: Research finding.

Note: Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

Table 7. West African Countries

Variables	Polity II	Rule of Law	Political Stability	Government Effectiveness
		Short-Run		
Ect	-0.221***	-0.177***	-0.187	-0.0573
	(0.0645)	(0.0591)	(0.154)	(0.0879)
D.Gdppc	-0.127*	-0.111	-0.0839	-0.180***
	(0.0727)	(0.0726)	(0.0634)	(0.0635)
D.Emp	0.142	0.0124	0.297	0.0753
	(0.221)	(0.223)	(0.263)	(0.186)
D.Educ	11.98	7.735	-10.87	5.205
	(23.52)	(23.32)	(22.55)	(35.50)
D.Natres	-0.0510	-0.0234	0.0617	0.0732
	(0.0459)	(0.0446)	(0.171)	(0.201)
D.Top	1.694	-2.808	0.367	1.616
	(2.526)	(2.110)	(2.790)	(1.910)
D.Polityii	-0.688			
	(0.499)			
D.Ruleoflaw		0.401		
		(2.775)		
D.Polstab			0.899	
			(1.131)	
D.Goveff				-1.322
				(1.222)
Constant	6.473*	7.854**	2.403	-10.23
	(3.463)	(3.590)	(1.929)	(12.28)
		Long-run		
Gdppc	0.278	0.387	-0.00433	0.587
	(0.468)	(0.589)	(0.117)	(0.578)
Emp	-0.116	0.214	-0.604***	1.030
	(0.531)	(0.615)	(0.201)	(0.798)
Educ	49.16	-14.72	133.5***	158.0*
	(33.78)	(40.20)	(20.26)	(90.08)
Natres	0.309	0.186	0.0151	0.264
	(0.215)	(0.248)	(0.141)	(0.175)
Top	-15.14	14.03*	5.486**	3.907
	(9.250)	(7.574)	(2.769)	(5.475)
Polityii	6.283***			
	(1.954)			

Ruleoflaw		27.79***		
		(10.66)		
Polstab			0.418	
			(1.555)	
Goveff				-37.63*
				(22.04)
Hausman Test	0.0000	0.0004	0.0748	0.9090

Source: Research finding.

Note: Standard errors in parentheses, *** p<0.01, ** p<0.05, * p<0.1.

9. Conclusion and Policy Implication

This paper empirically examined the short-run and long-run impact of four different categories of political institutions on the quality of economic institutions in SSA as a whole and in the four sub-regions (Central, East, South, and West Africa respectively) in SSA. Data is collected across 43 SSA countries comprising 8, 10, 10, and 15 countries from Central, East, South, and West Africa respectively. Dynamic autoregressive approach for non-stationary panel data is used for the analysis of data. Im-Pesaran-Smith panel unit root test technique is used to verify the stationary properties of the variables and the results show the combination of I (1) and I (0) variables. Hausman specification test is used to choose among three alternative estimation methods viz DFE, MG, and PMG.

The findings show that political institutions do not have short-run impact on economic institutions in SSA as a whole and across the four sub-regions. However, political institutions do have long-run influence on the quality of economic institutions, with rule of law exerting the largest impact, followed by government effectiveness, political stability, and quality of democracy in that order. The findings equally reveal that the impact of political institutions on economic institutions is not similar across the four sub-regions in SSA. None of the indicators of political institutions has significant impact in Southern African region, while rule of law and government effectiveness have positive influence on economic institutions in Central Africa. In East Africa, improvement in rule of law, political stability, and government effectiveness have significant positive effect on quality of economic institutions. Finally, in West Africa, quality of democracy and rule of law are the political institutional variables that have positive influence on the quality of economic institutions.

However, the result varies across the sub-regions, the effect of rule of law is consistent. Therefore, it is recommended that policymakers across all the countries in SSA should make effort to strengthen the principles of rule of law. This will involve making justice broadly accessible, affordable, and equitable. This will require reforming the judicial system to ensure quick, fair, effective, efficient, and impartial delivery of justice to all. Then ensure compliance and adherence to the law by both the ruled and the rulers. Conscious and decisive efforts should thus be made to ensure the existence of strong, effective and efficient political institutions in Sub-Saharan African nations. Precisely, reforms that will guarantee adherence to rule of law and enshrine effective government, stable politics and high-quality democratic processes should be made. The reforms should target increasing the rate at which people abide by the laws of the land and the level of confidence people have in the law. The reforms should also improve the credibility of the police and the court system as well as the protection of property rights for majority of the people in the society.

It is equally recommended that; the level of citizen participation in the process of selecting and monitoring government should be strengthen; minimize violence, terrorism, including political related violence and establish strong government that cannot be overthrown by unconstitutional means; reinforce the quality of public service and credibility of government; enhance the capacity to formulate and implement sound policies to promote private sector development; and augment quality of contract enforcement, protection of property rights and supremacy of the law.

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Cite this article: Emaiku, G. O., & Abdulhakeem, K. A. (2025). Do Political Institutions Have Similar Effect on Quality of Economic Institution Across Different Sub-regions in Sub-Saharan Africa? *Iranian Economic Review*, *29*(1), 311-336.