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Financial Development and Sectoral Growth In the West African Monetary Zone

Patricia Ozioma Ifeanyi
Federal College of Agriculture,
Ishiagu, Nigeria
Email: omatricia627@gmail.com

Josaphat U. J. Onwumere
Department of Banking and Finance, University of Nigeria, Enugu Campus, Nigeria
Email: Josaphat.onwumere@unn.edu.ng

Ebere Ume Kalu
Department of Banking and Finance, University of Nigeria, Enugu Campus, Nigeria
Email: ebere.kalu@unn.edu.ng

Wilfred Isioma Ukpere
Department of Industrial Psychology and People Management, School of Management, College of Business and Economics, University of Johannesburg, South Africa
Email: wiukpere@uj.ac.za

Abstract. *This study adopts a panel estimation technique in evaluating the responsiveness of sectoral growth to financial development in the West African Monetary Zone (WAMZ). Financial development is disaggregated into bank development measured by the ratio of credit to the private sector to gross domestic product, while market development is measured as the quotient of market capitalization to economic growth, and insurance penetration is measured by aggregate premium over economic growth. The results arising from this study hold that financial development positively affects the growth of the agricultural, manufacturing and service sectors in the WAMZ. In line with the supply-leading hypothesis, it is recommended that the financial system development should be pursued to accentuate an all-inclusive growth of a growth-seeking region like WAMZ.*

Keywords: Financial Development; Agricultural Growth; Manufacturing Growth; WAMZ

JEL Codes: G15, E52

1. Introduction and Background

Launched in December 2000 to foster a monetary union for the member nations, the West African Monetary Zone has a membership base made up of Sierra Leone, Liberia, Nigeria, Guinea, Ghana and The Gambia. The West African Monetary Zone is an extremely diverse region with economic dependence and is mostly conflict-prone.

Coresponding author email : omatricia627@gmail.com

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The rationale for WAMZ establishment was to advance intra-regional trade, collaboration of monetary policies, boost economic growth and integration as well as improve the overall economic prospect of the participating nations, adopt a common currency system, reduce transaction costs, exchange rate uncertainty elimination and a smooth flow of investment and trade in the region. However, a divergent economic structure and varying inflation rates have hindered the efforts towards the achievement of the earlier stated West African Monetary Zone objectives.

The region is still grappling with high debt distress risks, hence there is still uneven growth throughout the WAMZ. As of June 2023, some countries were classified as either highly vulnerable to or already experiencing external debt distress, though several factors, including the COVID-19 pandemic, recent poly-crisis, and climate-related problems, contributed to the weight of these debts. To regain financial liberty and sustainability, some effort is being made to start the debt reformation process. Economic planners now must concentrate heavily on financial development on a global scale (World Bank development, 2023).

Financial development is the extent to which people, businesses and private organizations have access to financial services unrestrictedly, in a very low price, and with long-term revenue streams. It is defined as the depth (scale and liquidity of markets) of these markets. It is astonishing to learn that the IMF gave regions as well as West African monetary nations more than $50 billion between 2020 and 2022 more than twice as much as it has given out in any ten-year span since the 1990s. Additionally, as of March 2023, the IMF had lending agreements with 21 nations, including all of the West African monetary nations, and additional requests were being reviewed (IMF, 2023). Overall, it appears that these nations' economies are still being hampered by the continent's largest nations' below-average performance, particularly in the energy, transportation, and oil sectors, which have long impeded economic activities (Nigeria is a case in point). Their natural resource potentials, however, should offer a chance to strengthen the countries' debt and budgetary sustainability.

Development of the financial sector and economic growth are essential components of every economy, developed or emerging, which cannot be separated. This is because developed countries must retain the stability they have already established in their financial and growth sectors, whereas developing countries are always working to accomplish both in their economies. (Olaniran & Aderajo, 2018). For any economy to function, the financial system plays a crucial role because it directs resources toward economic actors with favorable investment opportunities. (Schumpeter, 1912). Most of the countries that made up the West African monetary zone have been on the verge of advancing their financial development through several strategic planning processes. For instance, the National Economic Empowerment and Development Strategy (NEEDS), took effect in 2004 in pursuit of economic development. The implementation of Risk Based supervision (RBS) Basel 1 and 11 in 1988 and 2004 respectively, the International Financial Reporting Standard (IFRS) in 2001 (George and Godwin, 2018), and many others were aimed at achieving a certain threshold of the sustainable financial environment, yet challenges like

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Macroeconomic Policies, Economic Disparities, Institutional Capacity, Political Instability and External Shocks has made it unattainable. Economic development is also a pursuit of most nations trying to move from underdeveloped to developed countries. Conversely, it can be adduced that the linear association of growth and financial development has made the impact of sectoral growth less significant, whereas policies related to growth are postulated at sectoral levels. More than that, the influence of Industry expansion becomes more acceptable than the overall growth, as diverse sectors have diverse concentrations of funds expectations and also efficiency (Yazidu, Fanta and Ashenafi, 2021).

However, finance thrust to these real sectors of the economy has shown significant variation across economic sectors. Additionally, the agricultural sector is the most adversely affected irrespective of its significant contribution in terms of the provision of food, foreign exchange, employment, market for industrial goods and income. In Nigeria, for example, between 2018 and 2023, budgetary allocation to agriculture oscillated. It increased from 1.70 % in 2017 to a higher figure of 2.00 % in 2018 and later came down to 1.56% in 2019, and a further reduction to 1.34 per cent in 2020. This was followed by a slight increase to 1.37% in 2021, 1.8% in 2022 and 1.5% in 2023. Chukwuezie (2021) observed that Nigeria has been adjudged as a leading agribusiness economy with top exportation of such agricultural produce like palm oil, cotton, groundnut, cocoa, etc. Regrettably, crude oil discovery led to the neglect of not only the agricultural sector but also other productive sectors.

Gambia heavily relies on agriculture but has a limited agricultural base. The Agriculture sector accounts for approximately 30% of GDP. Ghana also accounted for GDP at 18.85%, 19.66% and 19.53 in 2020, 2021 and 2022 respectively. Strategic policies have been made in several ways directed towards repositioning the agricultural sector, like Root and Tuber Expansion Programme (RTEP) of 2021, the National Food Sector Plan (NFSP) of 2007, the National Agricultural Technology and Innovation Policy (NATIP) of 2021 and the Agriculture Transformation Agenda (ATA) of 2013. (Tochukwu and Florence, 2024). In all this, the agricultural sector's contribution to GDP is not discouraging as it contributed 25.1% in 2017, 25.1% in 2018, 25.2% in 2019, 23.69% in 2022 and 23% in 2023 even though it was abandoned for oil dependency that still has not contributed as much as the neglected agricultural sector. Total agriculture credit is not encouraging, the condition is significantly the same across other WAMZ countries, as financial institutions do not treat agriculture as a priority sector. Additionally, the cost of extending credit to the agricultural sector is relatively high due to the presence of multiple low-volume transactions, which increases administrative expenses and operational complexity.

It is also essential to evaluate the performance of the manufacturing sector. According to the Central Bank of Nigeria, the manufacturing sector was the second highest beneficiary of bank loans in 2023 (CBN, 2022) and contributed 10% to the total GDP. For Ghana the contribution for 2018 and 2019 stood at 31.18% respectively, it had a decrease between 2020 and 2021 from 29.88% to 28.4% while in 2022 it went up to 31.99%. This oscillation in growth rate can be blamed on the

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difficulties faced by this sector which include a tough operating environment and reduced ease of doing business.

The service sector globally remains competitive and arguably the largest in terms of value addition to any economy whether developed or developing. This is confirmed by Ghana's service sector GDP of 2016, 2017, 2018, 2019, 2000, 2021, and 2022, at 43.92%, 43.48%, 43.68%, 45.14%, 45.19, 45.32 and 31.99 respectively (Ghana Stat., 2022). Also, the Gambia's services sector contribution to GDP accounts for up to 65% of the Gambia's GDP. However, Nigeria is not left behind, showing the highest service sector GDP contribution of 55.8% in the region within the period under investigation.

One of the veritable tools that have been used to engineer economic development is financial development. This thought is supported by Schumpeter (1911) in the explanation of the financial development and economic growth nexus, tagged "supply leading hypothesis". This explains the fact that the supply of financial resources leads the economy, while growth comes as an outcome. Another economist has contrary opinions as Kuznets (1955) proposes that financial markets can develop just like the economy evolves into an intermediate phase of development as the economy becomes more established.

Financial development policies have been put in place in the region over the years by the West African Monetary Institute (WAMI) in cooperation with other sub-regional institutions (the West African Monetary Agency and the ECOWAS Commission), to drive growth through the sectors. WAMI has over the past ten years been able to drive financial development and integration through the zone harmonization of banking supervision procedures and the creation of effective payment system (See Maverick, Chip and Katrina, 2021; Ibrahima, et al. 2017; Reddy, 2003; Mohan, 2005 and Trichet, 2005). Emmanuel (2018) holds that in the mid-'80s, the WAMZ financial sector had a thorough restructuring and market-oriented innovations following the enactment of the liberalization laws. Expanding the financial system, will enhance monetary policy and the way financial intermediation operates. (Ang and McKibbin 2007; George et al. 2018). Norman, Romain and Amine (2018) observed that the engine of economic expansion is finance. But if left unchecked, it might lead to an economic catastrophe. Also, Law and Singh (2014); and Isaac et al. (2022) caution that excessive financial development in developing nations should be reined in when identifying the variables that can shape the sector, as it can cause the economy to heat up and slow down growth.

Financial sector development as a strategy for driving growth is expected to expand investors' access to funds, including their borrowing options (Mihalca, 2007). This is in addition to other functions such as efficient intermediation, reduction in transaction cost and ensuring information symmetry. Poor financial system in an economy only promotes poor economic growth with aggregate poverty and force a large proportion of people to live below the poverty line in the region. Based on the foregoing, the primary question is whether financial development promotes

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economic expansion. The debate over whether financial development propels or is driven by economic expansion is the primary question that this study attempts to answer. The importance of the financial system to economic growth is yet to be clearly defined, hence, there are divergent views on the role of financial development in economic growth. There are raging controversies as to which one drives the other. Whichever way, some nations are categorized as developed or developing countries. There is no consensus in the literature on whether the impact of financial development on economic growth is overly negative or positive. Most studies have reported that financial development positively affects economic growth (See Christopoulos and Tsionas; 2004, Sunde, 2013; Adusei, 2012). Earlier in the 20th century, emergent theorist, Schumpeter (1934) noted that financial markets drive economic growth by directing funds to efficient investors and promoting entrepreneurial innovation. The view of Hicks (1969) holds that one of the important roles played by financial organizations is to gather finances for industrialization. Sen (1999) observed that the availability of funds and the ability to gain access to them help the economy to function strongly. In the same line, King and Levine (1993) stated that economic growth activities and performance are the result of financial institution significance. Nevertheless, there are other contrary views. An example of this is Robinson (1952) who argues that demand for financial services can be created by economic development. (cited in Okwo, Eze and Ugwunta, 2012).

Lewis (1956) argues that balanced growth across sectors is essential for sustainable development. The balanced growth path argues that all sectors should expand at a consistent rate. (Yazidu and Ashenafi, 2021). Since the mid-2000s, it is evident in many published works that the positive and negative aspects of finance should be measured mutually (Norman et al.,2018). Lucas (1988) and others considered not financial sector development as a prerequisite for economic growth arguing that its role is being “badly overstressed” by economists. Also, George et al. (2018) supported this by saying that the causality flows from economic growth to finance, and that growth drives financial sector development. This has been a global argument but not many works have brought that down to the WAMZ.

However, most studies on financial development and economic growth nexus have either been country-specific, works like those (Habtamu, 2013; Adusei and Nkrumah, 2013; Emeka and Kelvin, 2013; Igo Lazarus, 2014; Nnanna, 2004; Nzotta and Okereke, 2009; Olofin and Afangideh,2009; Ebiringa and Duruibe, 2015; Umar, 2010; Adegbite, 2004; Chekwube, Anne, Chibuike and Chukwunonso, 2014) focused on Nigeria, while other like (David, 2012; Nebbio, 2004; Ellene, John and Omar, 2013; Ajayi, 2018; Odhiambo, 2007; Shani, Alhassan, Ibrahim and Mamdouh, 2023; Muazu and Paul, 2017; Yazidu, Ashenafi and Wai, 2020; Mac, Eric, John and Seyram, 2020) and many other on Ghana (George, George and Justice, 2013; China & Liang, 2007). Conversely, studying the contribution of financial development to sectoral growth aggregately will not give us real insight and a picture of how much impact financial development has contributed.

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Hence, evaluating the influence of sectoral growth as a diverse industry could have diverse degrees of financial burden including the efficiency level. The way the financial sector drives this sectoral growth is of strong investigative interest. Consequently, trying to find an answer to these questions within the context of the West African monetary zone is the focus of this study.

2. Theoretical foundation of the study

Different schools of thought have different views on the linkage between financial development and economic growth. The key theories in this sense include the Supply-leading hypothesis, Endogenous growth theory, finance- ledgrowth hypothesis, and Demand-following (growth-led) hypothesis.

The supply-leading hypothesis holds that the economy's reaction to real sector growth is driven by financial development. Robinson (1952) presented a different view of the supply-leading hypothesis and stated that the hypothesis predicts growth based on the performance of the financial sector.

Following Endogenous growth theory, in line with De Gregorio and Guidotti (1995); Tekilu, Wondaferahu and Jibril (2018), the linkage between financial sector development and the economy remains a subject of ongoing debate among policymakers and researchers. According to classical growth theorists, economic development emerges from a continuous process of innovation, wherein financial institutions interact with the real economy to stimulate dynamic economic growth. This theoretical framework aligns with the notion that exogenous technological progress serves as the principal basis for long-run economic growth, while the role of financial intermediaries is not regarded as an independent factor influencing long-term growth rates.

Endogenous growth theory contends that growth is a product of internal rather than external factors. This theory posits that sustained economic growth is achievable through investments in human capital. Furthermore, it emphasizes that the overall growth rate of an economy is policy-dependent, which may include the ones that relate to financial development (See Pagano, 1993).

The finance-led growth hypothesis as opined by Schumpeter (1911) contends that a functional financial sector is essential for facilitating the growth of all the sectors, which subsequently drives the growth of the entire economy. In addition, the level of economic growth depends on the degree of financial sector development or deepening. The financial sector grows proportionately with the supply of financial services. The supply-leading hypothesis, also known as the "finance-led growth hypothesis," explains the mechanism through which financial deepening promotes and stimulates economic growth (McKinnon 1973 and Shaw 1973). A developed financial sector facilitates the creation and accessibility of financial services in anticipation of demand from participants in the real sector.

There is also the demand-responsive hypothesis, a widely recognized argument proposed by Robinson (1952), which suggests that increasing economic activity generates increased demand

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for financial services especially for the real sector, which also improves the use and access to financial products and services.

Empirically, work has been carried out in this area and more are still ongoing, both within the country and at cross-country levels. However, investigated works centered on West African Monetary Zones (WAMZ) are few.

From the reviewed literature the major gap that this work intends to fill includes the following:

- Disintegrating growth into three sectors, namely, Agricultural, Manufacturing and Service sectors. Showing evidence on West African monetary zone. Most work that studied the nexus between financial development and economic or sectoral growth has either centered on country-specific or only examined a single sector. This work will not only show aggregate impact but also disaggregate the impact of these sections of financial development on the section of economic growth.
- Uncoupling of financial development into three sections, e.g., bank development, stock market and the growth and advancement of the insurance sector. These are the three strategic sectors that drive financial sector development.

3. Methodology

The data for this work is secondary in nature, using annualized and panel data respectively, which will cover a period of 43 years, from 1980 – 2023. The data was drawn from World Development Indicators (WDI). The data employed for this work are panel data sets which are secondary.

The major theoretical consideration for this study is the view proposed by Pagano (1993), which is the endogenous growth model, the simple AK model which is specified thus:

$$Y_{t=} AK_t \qquad (1)$$

Where Yt reflects output as a function of capital stock:

$$\emptyset S_{t=} I_t \qquad (2)$$

From equation 1, the growth rate is given as:

$$g_{t+1=\frac{Yt+1}{Yt}} -1 = \frac{Kt+1}{Kt} - 1 \qquad (3)$$

Leaving off the time indices from equation (2), the model is rewritten thus:

$$g = A\frac{I}{Y} - \delta = A\emptyset s - \delta \qquad (4)$$

Following the Yazidu, Ustarz Ashenafi, Beyene and Fanta (2021) we used the understated model:

$$SVA_{it} = \beta SG_{it-1} + \emptyset FD_{it} + aX_{it} + \varphi_i + e_{it} \qquad (5)$$

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$$IVA_{it} = \beta IG_{it-1} + \emptyset FD_{it} + aX_{it} + \varphi_i + e_{it} \quad (6)$$

$$AVA_{it} = \beta AG_{it-1} + \emptyset FD_{it} + aX_{it} + \varphi_i + e_{it} \quad (7)$$

Where: SVA = Value Addition in Service; IVA = Value Addition in Industry; AVA = Value Addition in Agriculture

The panel estimator for this study follows the ARDL framework presented in an estimable format as follows:

$$SG_{it} = \beta_o + \sum_{n=1}^{k} \beta_1 SG_{it-1} + \sum_{n=1}^{k} \beta_2 BDV_{it-1} + \sum_{n=1}^{k} \beta_3 INP_{it-1} + \sum_{n=1}^{k} \beta_4 SMD_{it-1} + \delta_1 SG_{it} + \delta_2 BDV_{it} + \delta_3 INP_{it} + \delta_3 SMD_{it} + \varepsilon_{it} \quad (8)$$

$\delta_1 - \delta_4$ = Coefficient of the short-run estimates

$\beta_1 - \beta_4$ = Coefficient of the long-run estimates

ε_{it} = error term (residual term)

The variables for this study are summarized below:

Table 1: Description of Model Variables

S/No	Name of Variable	Notation	Role in the model	Source
1.	Agricultural Sector Growth	ASG	Dependent Variable	World development indicators. (WDI)
2.	Manufacturing Sector Growth	MSG	Dependent Variable	World development indicators. (WDI)
3.	Service Sector Growth	SSG	Dependent Variable	World development indicators. (WDI)
4.	Bank Development	CPSGDP	Independent Variable	World development indicators. (WDI)
5	Stock Development	MCAPGDP	Independent Variable	World development indicators. (WDI)
6	Insurance Penetration	INSP	Independent Variable	Global financial development database (GFDD)

where = (WDI) World development indicators; (GFDD) = Global financial development database.
Source: Authors Compilation

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The variables are used in line with their description in the model and form the basis for the determination of the relationship between financial development and growth in the studied region.

Results

The basic descriptive statistics of sectoral growth indicators and financial development indicators are presented in Table 2.

Table 2: Summary of Basic Descriptive Statistics

	Mean	Median	Std. Dev.	Skewness	Kurtosis	CV
AGRVAD	20.81	1.24	4.79	1.844832	5.473696	0.2302
CPSGDP	7.925840	6.815948	5.450897	0.784077	3.437353	0.6876
INSLIFE	0.207919	0.064559	0.123953	1.746219	5.087930	0.5961
MCAPGDP	20.26	8.51	3.09	1.920414	7.128003	0.1525
MVAD	10.809169	2.389552	9.011843	-0.68932	5.343784	0.8337
SVAD	50.131650	3.989819	9.425463	5.319838	54.36918	0.188

Source: Authors' Computation

Apart from the array of statistical averages reported in Table 2, we give specific attention to the coefficient of variation or the relative standard deviation, which is the quotient of the standard deviation over the mean. The relative standard deviations for all the series are all below unity (1). This proves that the financial development and sectoral growth indicators are not widely dispersed and can make good quantitative combinations in a model. This also shows that the panel series are not affected by extreme observations and outliers.

Secondly, a panel correlational matrix is presented in Table 3 to show the extent of linear association among the panel series. This is an important step in showing the possibility of multi-collinear observations and can give information about the statistical comovement of the series.

Table 3: Panel Correlational Matrix

Correlation						
t-Statistic						
Probability	AGRVAD	CPSGDP	INSLIFE	MCAPGDP	MVAD	SVAD
AGRVAD	1.000000					

CPSGDP	0.013574	1.000000				
	0.074352	-----				
	0.9412	-----				
INSLIFE	-0.522072	0.376391	1.000000			
	-3.352679	2.225218	-----			
	0.0022	0.0337	-----			
MCAPGDP	0.778279	0.197463	-0.317608	1.000000		

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	6.788791	1.103270	-1.834605	-----		
	0.0000	0.2787	0.0765	-----		
MVAD	0.187028	0.275655	0.176499	0.343361	1.000000	
	1.042795	1.570680	0.982146	2.002402	-----	
	0.3054	0.1267	0.3339	0.0544	-----	
SVAD	-0.012403	0.240022	-0.071008	0.183762	0.280029	1.000000
	-0.067939	1.354240	-0.389910	1.023944	1.597704	-----
	0.9463	0.1858	0.6994	0.3140	0.1206	-----

Source: Authors' Computation

Bank development (CPSGDP) and Market development (MCAPGDP) are found to positively correlate with all the sectoral growth indicators in the West African Monetary Zone. Conversely, insurance penetration shares a negative correlation with most of all the growth indicators except manufacturing value added. This will not be unconnected with the fact that risk and its mitigating approaches can be prejudicial to sectoral growth. Though this is not a test of causation and elasticity, it gives primary evidence of a possible negative impact of insurance on sectoral growth in the West African Monetary Zone.

In addition, the stationarity properties of the variables are assessed using a variety of panel unit root tests for purposes of robustness check. The result is of the form reported in Table 4.

Table 4 – Panel Unit Root Test Results

Variables	LLC	Breitung	IPS	ADF- Fisher	Inferences
AGRVAD	-5.801(0.000)	-4.772(0.000)	-5.283(0.000)	58.452(0.000)	I(0)
CPSGDP	-5.411(0.000)	-5.825(0.000)	-6.747(0.000)	68.101(0.000)	I(1)
GDPGROWTH	-4.514(0.000)	-6.722(0.000)	-5.967(0.000)	60.268(0.000)	I(0)
INSLIFE	-6.713(0.000)	-6.100(0.000)	-5.546(0.000)	32.524(0.000)	I(0)
MCAPGDP	-6.213(0.000)	-4.454(0.000)	-6.149(0.000)	36.611(0.000)	I(0)
MVAD	-5.491(0.000)	-4.419(0.000)	-5.224(0.000)	30.122(0.000)	I(0)
SVAD	-5.305(0.000)	-2.631(0.043)	-5.047(0.000)	28.857(0.000)	I(0)

Source: Authors' Computation

The Levin, Lee and Chu, Breitung, Im, Pesaran and Shin, including the Augmented Dickey Fueler Fisher Panel tests form the basis for determining the stationarity of the variables. All the test statistics are consistent in showing the series to have a combination of I(0) and I(1). This provides sufficient justification for the use of the dynamic panel estimators in the form of Panel-ARDL.

The results of the panel estimation following the autoregressive distributed lag model framework are presented in Table 5.

Table 5: Panel ARDL Estimates

Variables	Model One $AGRVAD = f(CPSGDP, MCAPGDP, INSGDP)$	Model Two $MVAD = f(CPSGDP, MCAPGDP, INSGDP$	Model Three $SVAD = f(CPSGDP, MCAPGDP, INSGDP$
CPSGDP	0.82 15.51 0.000	2.72 5.01 0.000	0.21 2.37 0.00
MCAPGDP	4.32 17.19	0.37 5.11	0.38 11.63

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	0.000	0.000	0.000
INSLIFE	-1.17 11.21 0.000	1.80 2.25 0.026	1.04 2.66 0.012
$ECT_{(-1)}$	-0.93 51.78 0.000	-0.88 301.7 0.000	-0.99 5.18 0.000

Source: Authors' Computation

The result shows that bank development and stock market development positively and significantly affect the growth of the sectors of the WAMZ's economies. Every unit change in bank development brings about 0.82 units, 2.72 units and 0.21 unit changes in the agricultural, manufacturing and service sectors respectively. For every unit change in stock market development, the agricultural sector responds by 4.32 units, the manufacturing sector by 0.37 units, while the service sector's increase in value-added stands at 0.32 units.

The insurance sector draws a mixed response from the sectors. Agricultural sector value added is found to be a negative and significant function of insurance penetration with a -1.17 unit coefficient of elasticity. The insurance sector contributes positively and significantly to the value-added of the manufacturing and service sector with an elasticity coefficient of 1.80 units for the manufacturing sector and 1.40 units for the service sector.

To measure the speed of adjustment of the value added of the sectors to the shocks and distortions arising from the financial development variables, we present the error correction representations of the three models.

With negatively significant error correction coefficients of 93%, 88% and 99%, the economic value added of the agricultural, manufacturing and service sectors, respectively adjusts to the shocks and dynamics of financial development in the West African Monetary Zone. This means that deviations from equilibrium in the short run are restored fully at 93% (Agriculture), 88% (Manufacturing) and 99% (service) in the long run. This means that the speed of adjustment in time stands at slightly above one year for every one of them. The coefficients, being less than 100%, show the economic predictability of the relationship between the investigated financial development variables and the sectoral economic value added.

4. Conclusion and Policy Implications

This research adopts a panel estimation technique in evaluating the influence of financial development on the growth of the sectors of the economies of countries in the West African Monetary Zone. The results arising from this study support the fact that financial development exerts an increasing effect on the growth of the agricultural, manufacturing and service sectors in the WAMZ. The findings of this study follow the supply-leading hypothesis, which holds that economic growth in the real sector is a response to financial development. The hypothesis which is

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consistent with our findings expects that the financial sector's growth and development precede and induces real growth.

This study has a policy implication of driving growth through an intentional pursuit of financial sector development. This is because a well-developed financial system will accentuate an all-inclusive growth of both the real and service sectors of the economy in a growth-seeking region like WAMZ.

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