

DYNAMICS OF TRADE LIBERALISATION AND INCLUSIVE GROWTH IN WEST AFRICA

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Abstract. This study empirically examines the effect of trade liberalisation on inclusive growth in West Africa over the period 2000–2023 using balanced panel data sourced from the World Bank's World Development Indicators. Inclusive growth is measured using a multidimensional index aligned with the UNCTAD (2022) framework, capturing economic performance, living standards, and inequality. Principal Component Analysis is employed to generate the index, thereby reducing multicollinearity while preserving informational content. The empirical strategy combines descriptive statistics, diagnostic tests for multicollinearity and cross-sectional dependence, and Panel Corrected Standard Error (PCSE) estimation to ensure robustness.

The findings indicate that trade liberalisation has a positive effect on inclusive growth, suggesting that greater openness enhances market access, thereby promoting competition and improving resource allocation. Domestic credit and control of corruption also exert positive and significant influences, highlighting the roles of financial deepening and institutional quality in fostering inclusive development. In contrast, inflation and foreign direct investment display statistically insignificant effects at the regional level. Country-specific estimates further reveal substantial heterogeneity in the impact of trade liberalisation and macroeconomic variables across West African economies, reflecting differences in structural conditions and institutional capacities.

Based on these results, the study recommends strengthening trade facilitation frameworks, deepening regional integration, improving access to domestic credit, promoting export diversification, and implementing complementary social protection and institutional policies to ensure that the gains from trade are equitably distributed. The study's key contribution lies in developing a multidimensional inclusive growth index for West Africa, thereby moving beyond conventional GDP-based measures that may inadequately capture the breadth of inclusive growth outcomes.

Keywords: Trade liberalisation, Inclusive growth, Domestic credit, Governance.

JEL Classification: F14, O47, O55, C33

1. INTRODUCTION

Inclusive growth is a contemporary growth paradigm which ensures that everyone, especially the poor and disadvantaged, is included in the economic growth process. The emergence of inclusive growth as a topical issue in the literature stems from a confluence of factors ranging from the imperatives of global economic integration to the necessity to address persistent socio-economic disparities globally (Arabiyat et al., 2020). Inclusive growth goes beyond mere economic expansion to encompass broader objectives of enhancing human welfare, reducing disparities and promoting social cohesion. It emphasises the importance of ensuring that the benefits of growth are widely shared across

society, particularly among marginalised groups, women and rural populations (Afolabi, 2020; Olanrewaju et al., 2019; Ayinde & Yinusa, 2016).

Among the several factors that affect inclusive growth in developing countries are the unequal distribution of benefits and trade restrictions (Olanrewaju et al., 2019; Ayinde & Yinusa, 2016; Migap et al., 2015). In recent decades, the global economic landscape has witnessed a surge in trade liberalisation efforts to reduce trade restrictions and promote economic integration among nations, leading to significant changes in trade patterns, production networks, and economic structures (Yang et al., 2023). Historically, the pursuit of trade liberalisation has been intertwined with efforts to enhance economic integration, spur productivity gains and capitalise on comparative advantages. The gradual dismantling of trade barriers, at both the global and regional levels, was facilitated by agreements such as the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organisation (WTO), established in 1995, which increased cross-border flows of goods, services and capital. This process was driven by advancements in technology, transportation and communication, enabling firms to access new markets and exploit economies of scale more effectively (Bacchetta et al., 2021).

The role of trade liberalisation in fostering economic growth and, by extension, inclusive growth has been widely acknowledged in the literature (Solomon & Tukur, 2019; Arabiyat et al., 2020; Fall et al., 2020). Proponents argued that opening economies to international trade will increase efficiency, facilitate technology transfer, and expand access to larger markets, thereby stimulating economic growth (Erkisi & Ceyhan, 2019; Agyei & Idan, 2022). However, concerns have been raised about the potential negative effects of trade liberalisation on income distribution and social welfare. Critics argue that trade liberalisation can exacerbate income inequalities, disrupt traditional livelihoods, and marginalise vulnerable segments of society (Yang et al., 2023; Bacchetta et al., 2021; Arabiyat et al., 2020; Rahman & Mbarek, 2020).

In Africa, inclusive growth has emerged as a critical goal against the backdrop of persistent poverty, inequality and social exclusion (Kong et al., 2020). The continent's impressive economic growth rates in recent years have not translated into improvements in living standards (Nketia & Kong, 2021). The West African region is characterised by a diverse mix of economies, ranging from low-income agrarian societies to middle-income oil-exporting nations. Despite the region's abundant natural resources and potential for economic growth, West Africa faces numerous challenges, including poverty, inequality and political instability (Cui et al., 2022). In view of these challenges, the region's integration into the global economy has been uneven, with some countries benefiting from trade openness and foreign investments. In contrast, others struggle to compete in global markets and attract capital inflows. For instance, data on trade liberalisation from World Development Indicators (2023) show a general trend of increasing trade openness over the years, with countries such as Cabo Verde (2008 to 2019, from 85.71 to 97.71) and Togo (2000 to 2013, from 50.10 to 77.80), among others. While some countries, such as Benin (2014 to 2021, from 61.01 to 46.44) and Nigeria (2010 to 2017, from 47.5 to 23.75), amongst others, have exhibited fluctuations or even decreases in certain periods.

The study of Fall et al. (2020) on the correlation between trade openness and inclusive growth in the West African Economic and Monetary Union (WAEMU) merely recommended that trade liberalisation can promote overall economic growth; however, there is a paucity of empirical studies on the impact of trade liberalisation on inclusive growth, particularly in West Africa. Previous studies on the link between trade liberalisation and inclusive growth have relied on the use of traditional indicators such as Gross Domestic Product (GDP), per capita income and poverty level in measuring economic progress (Nabi et al., 2022; Bacchetta et al., 2021; Aslam et al., 2021; Talah et al., 2020; Zafar et al., 2019). Little has been done to use aggregate measures of inclusive growth, particularly in West Africa. Meanwhile, using a single measure that includes only the traditional indicators may not capture all the dimensions or components of inclusive growth. To address this measurement gap in the literature, UNCTAD (2022) approach to measuring inclusive growth involving three dimensions comprising economy, living condition and equality component of inclusive growth was used to generate inclusive growth index

using principal component analysis, which mitigates multicollinearity issues and the loss of critical information (Zidi&Hamdi, 2024).

This study aims to examine the effect of trade liberalisation on inclusive growth in West Africa from 2000 to 2023. This hypothesis is tested in the study.

H₀1: There is no significant effect of trade liberalisation on inclusive growth in West Africa.

This study is significant for several reasons. Firstly, the West African countries have been experiencing rapid economic changes in recent years, marked by policies promoting trade liberalisation and financial sector reforms. Understanding the repercussions of these changes for inclusive growth is vital, as they directly affect the livelihoods of millions of people in the region. Based on the comprehensive analysis of the relationship between trade liberalisation and inclusive growth, policymakers can make informed decisions that foster economic development while ensuring social inclusivity. This is particularly important in a region where socio-economic disparities are prevalent and inclusive growth policies can serve as a catalyst for poverty reduction and improved living standards.

This study contributes to the literature in three important ways. First, it departs from GDP-centric measures by constructing a multidimensional inclusive growth index tailored to the West African context using the UNCTAD (2022) framework. Second, it applies a Panel Corrected Standard Errors approach that explicitly accounts for cross-sectional dependence, a feature often ignored in previous studies on the region. Third, it provides updated empirical evidence covering the post-SDGs era (2000–2023), thereby offering policy-relevant insights into the inclusive growth implications of trade liberalisation in West Africa.

This study is organised into five sections. Following this introduction section, there is the literature review section. The third section covers the methodology, the fourth presents the results and discussion, and the fifth covers the conclusion and recommendations.

2. LITERATURE REVIEW

Global empirical studies have yielded various results regarding the relationship between trade liberalisation and inclusive growth. Topalova (2010) explored the long-run impacts of trade liberalisation on poverty in India using a district-level panel dataset. The study applied a difference-in-differences methodology to exploit regional variation in tariff reductions. It found that regions more exposed to trade reforms experienced slower poverty reduction, suggesting that trade benefits might not be evenly distributed. Lederman (2011) examined how international trade influences inclusive growth in developing countries by employing household- and firm-choice models based on publicly available datasets. The study found that trade fosters inclusive growth when workers and firms can adjust to new economic activities and adopt international technologies. The frameworks guide policy analysts to assess trade's effects on productivity, employment, and income distribution across households and firms.

Also, Joseph (2013) examined the relationship between trade liberalisation and inclusive growth in India by analyzing how trade-induced structural changes and employment patterns affected growth, inequality, and poverty using secondary data and empirical analysis. The study found that while liberalisation spurred economic growth, it led to jobless growth and rising wage inequality, with minimal poverty reduction, highlighting the need to strengthen innovation systems to foster more inclusive development. Lu and Yu (2015) investigated the implications of China's trade liberalisation on local entrepreneurship using WTO accession as a natural experiment. Using county-level firm registration data and a difference-in-differences methodology, the study found that areas more exposed to tariff cuts experienced higher levels of entrepreneurship, implying a direct link between reduced trade barriers and business formation. Fan et al. (2015) examined how China's WTO entry influenced firm creation by exploiting industry-level tariff variation. The study applied a difference-in-differences

method using new firm registration data across Chinese counties. The results indicated that reduced tariffs led to increased firm formation, demonstrating that trade openness spurred entrepreneurship.

Awad-Warrad and Muhtaseb (2017) explored the role of trade in reducing poverty in Jordan by examining its effects on economic growth and employment between 1980 and 2014. The study applied two econometric models: one using heteroskedasticity-corrected OLS to estimate the effect of trade on growth, and another using Okun's Law to assess the effect of growth on unemployment. The findings revealed that while remittances, trade, and FDI positively influenced growth, this growth did not significantly reduce poverty or unemployment due to government size, rapid population growth, and the influx of foreign labour. Brandt et al. (2017) evaluated how China's World Trade Organisation accession affected entrepreneurship using a difference-in-differences strategy based on industry-county-year-level firm registration data. The WTO accession served as an exogenous shock, enabling the study to isolate the impact of trade liberalisation. The findings showed that trade liberalisation had a substantial positive effect on entrepreneurship development in China.

Malefane and Odhiambo (2019) investigated the effect of trade openness on economic growth in Lesotho using the autoregressive distributed lag (ARDL) bounds testing approach, applying four trade openness indicators. The study found that trade openness had no significant impact on economic growth in either the short or long run, leading to policy recommendations focused on enhancing human capital and infrastructure to leverage the potential benefits of openness. Ratnayake (2019) examined trends in trade and inequality across the Asia-Pacific and proposed a framework linking changes in trade with inclusivity, measured by employment, productivity, poverty, and gender equality. A cross-country analysis demonstrated that increased trade and investment did not automatically lead to inclusive development. Instead, the results underscored the need for complementary policies alongside managed economic liberalisation.

Wu et al. (2019) analysed the impact of trade liberalisation on informal employment in Pakistan during the 1988 trade reforms. Using micro-level data, the study found a strong association between increased trade openness and rising informal-sector employment. This suggests that although trade reforms spurred employment, the jobs created largely occurred in the informal sector. Modeste (2019) examined the impact of trade liberalisation on export supply in Guyana from the early 1980s to the mid-2010s, using cointegration and error-correction methodologies. From the study's empirical results, two important points emerge. The first point is that, for Guyana, trade liberalisation has resulted in an expansion of the country's export supply and a reduction in its poverty rate. The second point is that the impact of trade liberalisation on export supply and poverty has been quite small.

Doan (2019) assessed the impact of trade liberalisation and institutional quality on real income across 45 Sub-Saharan African countries using balanced panel data from 1980–2013 and dynamic estimation methods, including system GMM. Results indicated that trade liberalisation had a significant positive effect on real income per capita in both static and dynamic contexts. However, short-run costs were associated with liberalisation, with more substantial long-term benefits emerging over time. Sukoco et al. (2020) investigated the effects of reducing import duties and trade transaction costs on poverty and inequality using a computable general equilibrium model. The study found that cutting agricultural import duties reduced urban poverty but increased rural and national poverty. However, simultaneous reductions in import duties and transaction costs led to a decline in poverty at all levels—urban, rural, and national.

Adeleye, Adedoyin, and Nathaniel (2020) examined how ICT adoption moderates the relationship between trade and both economic and inclusive growth across 53 African countries from 2005 to 2015, using mobile phone and fixed telephone subscriptions as proxies for ICT. Employing panel data techniques, the study found that trade positively influences economic growth but has an insignificant effect on inclusive growth; ICT amplifies this effect unevenly across sub-regions, revealing both the potential and underdevelopment of ICT as a growth driver in Africa. The study underscores the heterogeneous impact of ICT-trade dynamics on regional economic outcomes. Fall et al. (2020)

investigated the correlation between international trade and inclusive growth in West African Economic and Monetary Union (WAEMU) Countries. An inclusive growth indicator was constructed using Multiple Factor Analysis (MFA) methods to gauge inclusive growth, while trade openness was measured by the degree of openness. The relationship between trade and inclusive growth was estimated using a panel VAR model. Additionally, a dynamic panel model was employed to consider the composition of exchanges. The results of the econometric analysis indicate that a year's inclusive growth is positively dependent on the lagged value of the degree of openness and the share of imports from the WAEMU. However, inclusive growth does not significantly impact the degree of openness.

Also, Arabiyat et al. (2020) revealed a positive association between trade openness and inclusive growth, tempered by the adverse effects of poverty and income inequality. Utilising panel data spanning from 1990 to 2015, various econometric techniques such as the Generalised Method of Moments, Fully Modified Ordinary Least Squares, and Dynamic Ordinary Least Squares are employed to analyse this relationship. The empirical results indicate that trade openness has a positive and significant effect on inclusive growth in Jordan. However, this effect is substantially weakened by poverty and income inequality at both national and provincial levels.

Bacchetta et al. (2021) investigated the relationship between international trade and inclusive growth. The study utilises a literature review methodology to synthesise existing empirical evidence on the relationship between trade and inclusive growth in Emerging Market Economies (EMEs) like China. The empirical analysis in the study finds evidence of a positive correlation between trade openness and per capita income and economic growth. Angulo-Bustinza et al. (2022) investigated the impact of trade between Peru and China on Peru's inclusive growth from 2000 to 2019, using quantitative methods. The analysis utilises multiple linear regression to examine indicators of inclusiveness: labour income, poverty ratio, income inequality, GDP per capita, labour productivity, vulnerable employment rates, and life expectancy at birth. The study finds that trade growth between Peru and China positively affects labour income, GDP per capita, and labour productivity. Agyei and Idan (2022) examined the role of institutions in moderating the relationship between trade openness and inclusive growth in Sub-Saharan Africa (SSA). Using the System Generalised Method of Moments (SGMM) estimation on data from 39 SSA countries between 1996 and 2017, the study finds that institutions play a crucial role in amplifying the positive impact of trade openness on inclusive growth. Osabohien et al. (2022) evaluated the influence of agricultural trade and FDI on inclusive growth across 15 ECOWAS countries from 2000 to 2019. Using PCA to compute inclusive growth indices and applying 2SLS to address endogeneity, the study showed that agricultural trade significantly promoted inclusive growth, while FDI had no substantial effect. Denwi et al. (2022) explored the nonlinear effects of trade liberalisation policy on economic growth in 42 African countries between 1995 and 2018. Applying the Pooled Mean Group (PMG) estimator, the study found that trade liberalisation supports growth up to a threshold beyond which it becomes detrimental. Zhen Liu et al. (2022) investigated the roles of trade openness, public expenditure, and institutional performance in influencing unemployment across OIC countries. Using the Dynamic Common Correlated Effects (DCCE) approach, the study addressed cross-sectional dependence. The findings revealed that trade openness significantly reduced unemployment in low-income OIC countries, while institutional performance and public spending also had beneficial effects.

Bashir et al. (2023) studied the determinants of income inequality in selected developing countries from 2006 to 2022, focusing on trade openness, education, inflation, FDI, and urbanisation. Using a panel ARDL method, the study found that trade openness, urbanisation, inflation, and household consumption widened inequality, while education expenditure and capital formation reduced it. The study emphasised the need for inclusive trade policies to address inequality. Ogundipe (2023) examined the short- and long-run effects of trade liberalisation on poverty in Nigeria using the ARDL model with data from 1981 to 2018. The findings demonstrated that trade is a statistically significant factor in explaining poverty rates both in the short and long term. The study concluded that trade liberalisation, if well-managed, has the potential to alleviate poverty in Nigeria.

Bajo-Rubio (2023) investigated the relationship between international trade and economic growth in Spain over 170 years, with particular attention to the export-led growth hypothesis. Employing Ordinary Least Squares (OLS) estimation, the study evaluates the impact of exports on economic growth. The study found a positive, albeit modest, role for exports in fostering economic growth in Spain over the period examined. This positive impact is primarily attributed to the heightened productivity associated with the export sector. However, the study highlights variations in the contribution of exports to growth over time, notably observing a stronger influence in the final years of the 19th century compared to other periods, where its effect was deemed negligible.

Bello et al. (2024) assessed the impact of ICT diffusion and trade liberalisation on inclusive growth in Sub-Saharan Africa (SSA) from 2005 to 2020. Using econometric analysis, the direct and indirect effects of ICT diffusion and trade liberalisation on inclusive growth were examined. Contrary to expectations, the study found that trade liberalisation alone does not affect inclusive growth in SSA countries. However, ICT diffusion was positively and significantly associated with inclusive growth. Moreover, the interaction term between ICT diffusion and trade liberalisation showed an improvement in inclusive growth. Kutu and Ohonba (2024) analysed the influence of trade liberalisation on South Africa's economic growth from 1986 to 2022 using the ARDL methodology. The study found a robust positive relationship between trade liberalisation and economic growth, driven by an increase in exports and foreign investment. The authors recommended continued policy support for trade openness to sustain growth. Asghar et al. (2024) investigated the effects of financial development, institutional quality, and trade openness on inclusive growth in SAARC countries from 1996 to 2020. The study employed panel unit root tests, the Pedroni integration test, a panel ARDL model, and a Granger causality test for data analysis. The results revealed that financial development, institutional quality and human capital are positively and significantly related to inclusive growth. At the same time, trade openness is negatively associated with inclusive growth in SAARC countries, but the association is not statistically significant.

This study is anchored in the Solow-Swan version of neoclassical growth theory, which recognises trade liberalisation as a catalyst for economic advancement through channels such as foreign investment inflows, technology transfer, and market expansion (Ajide et al., 2021; Melitz, 2003).

3. RESEARCH OBJECTIVE, METHODOLOGY AND DATA

This study aims to examine the effect of trade liberalisation on inclusive growth using annual panel data on West African countries. The study covers the period of 2000 to 2023, which is a period of twenty-four (24) years. Thus, with 15 countries in West Africa (after excluding Liberia due to the unavailability of data) and a time period of 24 years, the total observation of this study is three hundred and sixty (360), which is large enough for standard econometric estimation. The choice of this period is informed by the time when inclusive growth gained prominence in many African countries. The concept originated from the Millennium Development Goals (MDGs) in 2000, where the need for inclusive growth was emphasised before the term's widespread use and its adoption as Sustainable Development Goal 8, which explicitly promotes sustained, inclusive and sustainable growth, along with full and productive employment for all. Equally, the choice of the period was informed by data availability, as data on most components across the three categories of inclusive growth are only available from 2000 onward.

To capture the effect of trade liberalisation on inclusive growth (ICG), the study used a composite index of inclusive growth, generated through principal component analysis, that combines economic category, living condition, and equality category. Two variables are captured under the economy category of inclusive growth: GDP per capita and agricultural productivity. Living conditions include employment in agriculture and life expectancy. The equality category comprises measures of adult literacy and income inequality (Ali & Yao, 2004; Fernando, 2008; Raumiyyar & Kanbur, 2009; Ali & Son, 2007; Tandon & Zhaung, 2007; Aslam, Naveed & Shabbir, 2021; UNCTAD, 2022). Principal Component

Analysis (PCA) was used to aggregate the various measures into an inclusive growth index. The independent variables in the study are trade liberalisation (TRL), domestic credit (DOC), and control of corruption (COC), while inflation (INF) and foreign direct investment (FDI) are included in the model as intervening variables (Agyei & Idan, 2022; Fall et al., 2020). The functional model is given as follows:

$$ICG = f(TRL, DOC, COC, INF, FDI) \quad i$$

The transformation of the functional relationship into a Panel Corrected Standard Errors (PCSE) model is presented as follows:

$$ICG_{it} = \beta_0 TRL_{it} + \beta_2 DOC_{it} + \beta_3 COC_{it} + \beta_4 INF_{it} + \beta_5 FDI_{it} + \varepsilon_{it} \quad ii$$

Where: ICG_{it} represent inclusive growth for country i at time t . β_0 is the intercept term, which is a constant. The independent variables are TRL (trade liberalisation), DOC (Domestic credit), COC (Control of corruption), INF (Inflation), and FDI (Foreign direct investment) for country i at time t ; β_1 , β_2 , β_3 , β_4 , and β_5 are the coefficients for the respective independent variables. ε_{it} the error term, that is, white noise.

The justification for including domestic credit, inflation, foreign direct investment (FDI), and control of corruption in the model is that domestic credit facilitates access to capital for marginalised groups, thereby enhancing the equitable distribution of trade gains and fostering inclusive growth (Asghar et al. 2024). Inflation serves as an indicator of macroeconomic stability, which can either attract or deter investment (high inflation can erode purchasing power and reduce the benefits of liberalised trade for inclusive growth); Foreign direct investment is a critical channel through which trade liberalisation can stimulate economic growth, as it promotes capital formation, technological transfer, and job creation, all of which contribute to broader economic inclusion; Control of corruption is essential for creating an enabling environment where the benefits of trade liberalisation are widely distributed and not diverted from productive uses (Agyei & Idan, 2022; Adeleye et.al., 2022).

The study employed various econometrics techniques such as Descriptive statistics, multicollinearity test, cross-sectional dependence test, and panel corrected standard error (PSCE).

Tab. 1

Measurement of variables

| Variables Description | Measurement | Source |
|------------------------------|---|------------|
| Inclusive Growth Index (ICG) | Aggregates of indicators from three categories, which are economy (GDP per capita, Agriculture, forestry, and fishing, value added), living conditions (Employment in agriculture, Life expectancy at birth) and equality (Literacy rate, Gini index) | WDI (2023) |
| Trade openness (TRL) | Trade (% of GDP) | WDI (2023) |
| Domestic credit (DOC) | Domestic credit to private sector (% of GDP) | WDI (2023) |
| Inflation (INF) | Consumer price index | WDI (2023) |
| Foreign investment (FDI) | Foreign direct investment, net inflows (% of GDP) | WDI (2023) |
| Control of corruption (COC) | Control of corruption: Estimate | WGI (2023) |

Source: Author's Compilations (2024)

4. RESULTS AND DISCUSSION

Table 2 presents the results of the descriptive analysis. For inclusive growth (ICG), the mean value suggests the level of inclusive growth in the region is low, implying that a significant proportion of the population is excluded from the growth process. However, the relatively high standard deviation (1.877)

indicates considerable variability in inclusive growth across the sample. Trade liberalisation (TRL) has a mean value of 59.918, indicating moderate openness to trade in West Africa. This suggests that the region's trade liberalisation policy follows Viner's submission on the need for moderate trade liberalisation to ensure that trade diversion does not exceed trade creation and to enjoy the benefits of trade. The wide range between the minimum (15.000) and maximum (117.816) values, combined with a substantial standard deviation (20.098), suggests significant variability in trade liberalisation levels across the countries studied. Foreign direct investment (FDI) has a mean of 3.613 with a standard deviation of 4.130, reflecting moderate variability. The high positive skewness (2.391) and extreme kurtosis (13.856) suggest a distribution with frequent low values and rare extremely high values, indicating sporadic large FDI inflows. Inflation (INF) has a mean of 6.325 with a standard deviation of 7.698, indicating substantial variability across the region. The high positive skewness (2.190) and kurtosis (9.116) suggest a distribution with frequent low values and occasional extremely high inflation rates, possibly due to external shocks or supply-side constraints. Control of corruption (COC) has a mean of -0.584, indicating negative perceptions of corruption control in the region. The relatively low standard deviation (0.537) suggests less variability in these perceptions. The positive skewness (1.105) and kurtosis (4.430) indicate a distribution with frequent low values and occasional extremely high values, suggesting persistent governance challenges.

Tab. 2

Descriptive statistics

| | ICG | TRL | DOC | FDI | INF | COC |
|------------------|-----------|----------|----------|-----------|-----------|-----------|
| Mean | 4.48E-16 | 59.91781 | 15.91700 | 3.612627 | 6.325080 | -0.583918 |
| Median | -0.238878 | 57.51361 | 13.36545 | 2.464783 | 3.890768 | -0.679235 |
| Maximum | 6.050205 | 117.8167 | 68.45603 | 32.41435 | 47.64287 | 1.155066 |
| Minimum | -3.341374 | 15.00000 | 0.001614 | -11.19173 | -3.502586 | -1.597468 |
| Std. Dev. | 1.877047 | 20.09868 | 12.27610 | 4.130567 | 7.698572 | 0.537615 |
| Obs. | 360 | 360 | 360 | 360 | 360 | 360 |

Note: ICG: inclusive growth; TRL: trade liberalisation; FID: financial deepening; FDI: foreign direct investment; INF: inflation; COC: control of corruption

Source: Author's Computation, 2024

Tab. 3

Pairwise correlation

| | ICG | TRL | DOC | FDI | INF | COC |
|------------|---------|--------|---------|--------|---------|--------|
| ICG | 1.0000 | | | | | |
| TRL | 0.4880 | 1.0000 | | | | |
| DOC | 0.7615 | 0.4112 | 1.0000 | | | |
| FDI | 0.1581 | 0.4121 | 0.1143 | 1.0000 | | |
| INF | -0.0922 | 0.0927 | -0.2990 | 0.0791 | 1.0000 | |
| COC | 0.6002 | 0.3873 | 0.6606 | 0.1952 | -0.1290 | 1.0000 |

Note: ICG: inclusive growth; TRL: trade liberalisation; FID: financial deepening; FDI: foreign direct investment; INF: inflation; COC: control of corruption

Source: Author's Computation, 2024

The pairwise correlation matrix in Table 3 revealed key relationships among the variables, with financial deepening (FID) showing the strongest positive correlation with inclusive growth (ICG) at 0.7615. This indicates a substantial association but is below the 0.8 threshold, suggesting it does not pose

multicollinearity concerns. Control of corruption (COC) also exhibits a strong correlation with ICG at 0.6002, implying that institutional quality significantly influences inclusive growth. Trade liberalisation (TRL) has a moderate positive relationship with ICG, with a coefficient of 0.4880. At the same time, foreign direct investment (FDI) and inflation (INF) display weak correlations with ICG at 0.1581 and -0.0922, respectively, indicating their limited direct impact. The low correlation among the explanatory variables suggests minimal multicollinearity issues, ensuring the reliability of the regression estimates.

Tab. 4

Principal Component Analysis Results for Inclusive Growth Index

| Number | Value | Difference | Proportion | Cumulative Value | Cumulative Proportion |
|--------|--------|------------|------------|------------------|-----------------------|
| 1 | 3.5135 | 2.5372 | 0.5856 | 3.5135 | 0.5856 |
| 2 | 0.9764 | 0.4261 | 0.1627 | 4.4899 | 0.7483 |
| 3 | 0.5503 | 0.0619 | 0.0917 | 5.0402 | 0.8400 |
| 4 | 0.4884 | 0.2455 | 0.0814 | 5.5286 | 0.9214 |
| 5 | 0.2429 | 0.0143 | 0.0405 | 5.7715 | 0.9619 |
| 6 | 0.2285 | --- | 0.0381 | 6.0000 | 1.0000 |

Source: Author's Computation, 2024

In the process of constructing an Inclusive Growth Index (IGI), aggregates of indicators from three categories of inclusive growth, which are economy (GDP per capita, Agriculture, forestry, and fishing, value added), living conditions (Employment in agriculture, Life expectancy at birth) and equality (Literacy rate, Gini index) were considered (UNCTAD, 2022). Given the inherent correlation among these indicators, using them individually in a single model could lead to redundancy and information loss. Therefore, following the methodological approach of Wani (2022), Principal Component Analysis (PCA) was applied to derive a composite index.

The PCA results presented in Table 4 indicate that the first principal component captures approximately 58.56% of the total variation, the second 16.27%, and the third 9.17%. The cumulative proportion of variance explained by the first three components is 84.00%, suggesting that they encompass most of the information contained in the original variables. Given that the first principal component captures a high proportion of variance and exceeds the commonly accepted Kaiser criterion threshold of eigenvalues greater than 1 for component retention, this study utilises the first principal component's eigenvector values as weights to construct the Inclusive Growth Index (ICG).

Tab. 5

Cross-section Dependence Test

| Variables | CD-test | p-value | Correlation | Absolute Correlation |
|-----------|---------|---------|-------------|----------------------|
| ICG | 41.079 | 0.000 | 0.82 | 0.82 |
| TRL | 2.907 | 0.004 | 0.06 | 0.38 |
| DOC | 24.234 | 0.000 | 0.48 | 0.54 |
| FDI | 3.451 | 0.001 | 0.07 | 0.25 |
| INF | 18.815 | 0.000 | 0.37 | 0.40 |
| COC | 2.435 | 0.015 | 0.05 | 0.38 |

Source: Author's Computation, 2024

The results of the cross-sectional dependence (CSD) test indicated strong evidence of cross-sectional dependence among most of the variables under consideration. The CD-test statistic is significantly positive for all variables, with p-values below conventional significance levels (0.05 or 0.01), implying that the null hypothesis of cross-sectional independence is rejected. The presence of cross-sectional dependence informs the use of the Panel Corrected Standard Error (PCSE), which accounts for cross-sectional dependence and heteroscedasticity.

Table 6 presents the results of the cross-sectional augmented IPS (CIPS) panel unit root test, which was conducted to determine the order of integration of the variables before estimating the econometric model.

Tab. 6

| Variables | CIPS | | Order |
|-----------|-----------|-------------|-------|
| | Level | First Diff. | |
| ICG | -2.072 | -4.551*** | I(1) |
| TRL | -1.966 | -4.492*** | I(1) |
| DOC | -2.826*** | -4.864*** | I(0) |
| FDI | -2.416** | -5.383*** | I(0) |
| INF | -3.028*** | -4.931*** | I(0) |
| COC | -2.043 | -4.534*** | I(1) |

Note: ICG: inclusive growth; TRL: trade liberalisation; FID: financial deepening; FDI: foreign direct investment; INF: inflation; COC: control of corruption

Source: Author's Computation, 2024

Tab. 7

| Null Hypothesis | Z-bar Statistic | p-value | Casuality Decision |
|------------------------|-----------------|---------|--------------------|
| TRL \nrightarrow ICG | 3.214 | 0.0013 | Rejected |
| ICG \nrightarrow TRL | 0.987 | 0.3236 | Not Rejected |
| DOC \nrightarrow ICG | 4.762 | 0.000 | Rejected |
| ICG \nrightarrow DOC | 1.104 | 0.2694 | Not Rejected |
| COC \nrightarrow ICG | 2.845 | 0.0044 | Rejected |
| ICG \nrightarrow COC | 0.913 | 0.3612 | Not Rejected |
| FDI \nrightarrow ICG | 1.227 | 0.2198 | Not Rejected |
| INF \nrightarrow ICG | 1.491 | 0.1361 | Not Rejected |

Note: \nrightarrow denotes "does not Granger-cause".

Source: Author's computation (2024)

The Dumitrescu–Hurlin panel causality results reveal strong unidirectional causality running from trade liberalisation, domestic credit, and control of corruption to inclusive growth, with no evidence of reverse causality. This validates the endogenous treatment of inclusive growth and confirms the exogeneity of the policy and institutional variables. Inflation and foreign direct investment do not exhibit significant causal effects on inclusive growth within the sampled period.

From Table 8, the Panel Corrected Standard Errors (PCSE) show that trade liberalisation ($\beta = 0.0056$, $z = 2.57$) has a positive effect on inclusive growth. This signifies that a percentage increase in trade liberalisation (TRL) leads to 0.0056% increase in ICG. This corroborates the findings of Adeleye et al. (2020) and Arabiyat et al. (2020), which suggest that openness to trade contributes positively to inclusive growth by enhancing market access, competition, and efficiency in resource allocation.

Also, domestic credit (DOC) ($\beta = 0.0821$, $z = 12.63$) has a positive effect on inclusive growth. This means that a percentage increase in domestic credit leads to 0.0821% increase in inclusive growth. The positive coefficient signifies that as domestic credit increases, inclusive growth increases. This finding aligns with the empirical evidence of Agyei and Idan (2022) and Khan et al. (2016), which emphasised that financial deepening through increased credit access enhances entrepreneurship, stimulates investment, and promotes job creation, ultimately fostering inclusive growth. Control of corruption (COC) ($\beta = 0.7208$, $z = 5.93$) has a positive effect on inclusive growth. The positive coefficient signifies that a 1% improvement in corruption control increases ICG by 0.7208%. This finding is supported by Aslam et al. (2021), who emphasise the substantial role of governance in promoting inclusive growth, as

reducing corruption fosters transparency, investor confidence, and equitable resource distribution. Inflation (INF) ($\beta = -0.0044$, $z = -1.23$) hurts inclusive growth but is not statistically significant. Similarly, the PCSE result indicates that foreign direct investment ($\beta = -0.0060$, $z = -1.41$) harms inclusive growth, but the effect is not statistically significant. This aligns with the findings of Bashir et al. (2023), which suggest that inflation can erode the gains from trade by reducing people's purchasing power. For FDI, the finding is consistent with the study by Nkoro and Uko (2022), which also found that FDI negatively enhance inclusive growth, particularly when FDI tends to be concentrated in capital-intensive sectors which do not generate sufficient employment or contribute meaningfully to broad-based economic growth.

Tab. 8

Results on the Effect of Trade Liberalisation on Inclusive Growth

| Panels Corrected Standard Errors | |
|----------------------------------|-----------------------|
| Variables | Estimates |
| TRL | 0.0056*** [2.57] |
| DOC | 0.0821*** [12.63] |
| COC | 0.7208*** [5.93] |
| INF | -0.0044 [-1.23] |
| FDI | -0.0060 [-1.41] |
| Constant | -0.7757*** [-3.56] |
| Observations | 360 |
| R-squared | 0.8097 |
| Countries | 15 |
| Wald statistics | 540.67*** |

Note: *** denotes significance at 0.05 critical values; [] represents *t*-statistics

Key: ICG: inclusive growth; TRL: trade liberalisation; DOC: domestic credit to private sector; COC: control of corruption; INF: inflation; FDI: foreign direct investment

Source: Author's computation, 2024

Post-estimation diagnostics using the Wald chi-squared statistic ($\chi^2(540.67)$, $p = 0.0000$) confirm the joint significance of the regressors, indicating that they are collectively important for explaining inclusive growth.

Table 9 discusses the country-specific short-run effects of the key explanatory variables on inclusive growth. The results reveal substantial heterogeneity across West African economies, underscoring that the relationship among trade liberalisation, financial development, institutional quality, and inclusive growth is far from uniform.

In the analysis of the cross-sectional short-run coefficients of the effect of trade liberalisation on inclusive growth, certain countries, such as Benin (0.165), Côte d'Ivoire (0.095), The Gambia (0.177), Ghana (0.004), and Togo (0.019) have positive COINTEQ coefficients, indicating that they will not return to equilibrium in the short run.

Country-Specific Heterogeneous Effects

| Country | COINTEQ | TRL | DOC | COC | INF | FDI |
|---------------|------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Benin | 0.1651 (0.0004) [17.5112] | -0.0071 (0.0000) [145.420] | 0.0780 (0.000) [70.999] | 0.0977 (0.0679) [2.7995] | -0.0001 (0.3278) [1.1661] | 0.1348 (0.0000) [53.5930] |
| Burkina Faso | -0.9587 (0.0000) [-48.3041] | -0.0171 (0.0000) [-1203.90] | -0.0573 (0.0000) [-650.252] | -0.7872 (0.000) [-45.1198] | -0.0242 (0.0000) [-1331.434] | -0.0041 (0.000) [-31.628] |
| Cabo Verde | -0.6228 (0.0000) [-50.8086] | -0.0156 (0.0000) [-579.370] | -0.0567 (0.0000) [-493.585] | 0.2541 (0.0030) [8.9108] | 0.0007 (0.1098) [-2.2513] | -0.0255 (0.0000) [-97.0954] |
| Cote d'Ivoire | 0.0945 (0.0007) [14.6184] | -0.0256 (0.0000) [-125.368] | -0.1687 (0.0001) [-26.4348] | -0.1184 (0.5477) [-0.6755] | -0.0286 (0.0001) [-32.7257] | 0.3918 (0.0029) [9.0430] |
| Gambia, The | 0.1769 (0.001) 24.9119 | 0.0005 (0.0001) [30.4147] | 0.0098 (0.0000) [58.6989] | -0.8336 (0.0043) [-7.8442] | -0.0059 (0.0000) [-44.2748] | -0.0141 (0.0000) [-91.1367] |
| Ghana | 0.0038 (0.0183) [4.6946] | -0.0077 (0.0000) [-928.602] | 0.0024 (0.0116) [5.5406] | 0.1450 (0.2238) [1.5285] | -0.0083 (0.0000) [-528.2336] | -0.0297 (0.0000) [-57.6382] |
| Guinea | -0.4310 (0.0000) [-74.6929] | -0.0042 (0.0000) [-3579.56] | 0.0257 (0.0000) [164.509] | 0.2828 (0.0001) [34.4695] | -0.0115 (0.0000) [-2269.869] | 0.0179 (0.000) [1899.963] |
| Guinea-Bissau | -0.0487 (0.0106) [-5.7278] | 0.0037 (0.0000) [40.7329] | 0.0044 (0.0002) [23.7748] | 0.1584 (0.2099) [1.5906] | 0.0124 (0.0000) [230.4365] | 0.0485 (0.0000) [80.0572] |
| Mali | -0.3245 (0.0001) [25.0044] | -0.0048 (0.0000) [-55.4356] | -0.0167 (0.0000) [-51.3057] | 0.1123 (0.5655) [0.6438] | -0.0059 (0.0000) [-110.7557] | -0.0196 (0.0006) [-15.3523] |
| Mauritania | -0.1211 (0.0001) [-28.0534] | -0.0111 (0.0000) [-812.855] | -0.0444 (0.0000) [-184.602] | -0.0069 (0.7281) [-0.3817] | 0.0439 (0.0000) [285.9909] | -0.0011 (0.0000) [-170.6198] |
| Niger | -0.1646 (0.0000) [-58.401] | 0.0008 (0.0013) [11.7882] | -0.0137 (0.0011) [-12.4008] | -0.0647 (0.8578) [-0.1950] | -0.0040 (0.0000) [-150.7122] | -0.0014 (0.0052) [-7.3503] |
| Nigeria | -0.1286 (0.0000) [-106.8185] | 0.0008 (0.0000) [101.6810] | -0.0015 (0.0015) [-11.2830] | 0.3627 (0.0045) [7.7298] | -0.0327 (0.0000) [-814.1233] | -0.1068 (0.0000) [-41.0156] |
| Senegal | -0.135 (0.0007) [-14.7154] | 0.0149 (0.0000) [118.3426] | -0.0240 (0.0038) [-8.2210] | -0.3795 (0.0003) [-19.5277] | -0.0153 (0.0000) [-92.3728] | 0.0132 (0.0032) [8.6897] |
| Sierra Leone | -0.0219 (0.0596) [-2.9597] | 0.0069 (0.0000) [1404.102] | -16.0128 (0.9856) [-0.0196] | 0.6142 (0.0053) [7.3008] | -0.0080 (0.0000) [-427.9543] | -0.0189 (0.0000) [-1386.350] |
| Togo | 0.0197 (0.0286) [3.9706] | 0.0085 (0.0000) [670.9412] | 0.0018 (0.0002) [23.4133] | 0.0249 (0.7402) [0.3637] | -0.0204 (0.0000) [-622.9910] | 0.0185 (0.0000) [936.126] |

Key: () indicates p-values and [] indicates t-statistic values

Note: ICG: inclusive growth; TRL: trade liberalisation; FID: financial deepening; FDI: foreign direct investment; INF: inflation; COC: control of corruption

Source: Author's Computation, 2024

Specifically, these positive values suggest that the impact of trade liberalisation has led to a persistent deviation from equilibrium, implying that these countries will continue to experience short-run imbalances without returning to equilibrium. Conversely, countries like Burkina Faso (-0.9587), Cabo Verde (-0.6228), Guinea (-0.4310), Guinea-Bissau (-0.0487), Mali (-0.3246), Mauritania (-0.1211), Niger (-0.1646), Nigeria (-0.1286), Senegal (-0.1356), and Sierra Leone (-0.0219) have negative COINTEQ coefficients, indicating that they will return to equilibrium over time. The speed at which each country returns to equilibrium varies as Burkina Faso will take approximately 1.04 years, followed by Cabo Verde (1.60 years), Guinea (2.32 years), Mali (3.09 years), Niger (6.10 years), Senegal (7.41 years), Nigeria (7.81 years), Mauritania (8.26 years), Guinea-Bissau (20.83 years) and Sierra Leone (47.62 years).

The effect of trade liberalisation on inclusive growth exhibits marked heterogeneity across the sampled countries. Significant positive effects are observed primarily in Senegal (0.0149), followed by Togo (0.0085), Sierra Leone (0.0069), Guinea-Bissau (0.0037), Niger and Nigeria (0.0008) and The Gambia (0.0005), suggesting that increases in trade openness in these economies are associated with improvements in inclusive growth outcomes. In contrast, trade liberalisation exerts a negative effect on inclusive growth in several countries, notably Burkina Faso (-0.0171), Cabo Verde (-0.0156), Mauritania (-0.0111), Benin (-0.0071), Ghana (-0.0077), Guinea (-0.0042) and Mali (-0.0048). The most pronounced adverse effect is observed in Cote d'Ivoire (-0.0256), followed by Burkina Faso (-0.0171), Cabo Verde (-0.0156), Mauritania (-0.0111), Benin (-0.0071), Ghana (-0.0077), Guinea (-0.0042) and Mali (-0.0048), suggesting that in these economies, trade openness exacerbate exclusionary outcomes due to weak absorptive capacity, limited diversification, or institutional constraints.

Domestic credit shows substantial cross-country variation in its effect on inclusive growth. Positive effects are evident in Benin (0.0776), Guinea (0.0257), Gambia (0.0097), Guinea-Bissau (0.0044), Ghana (0.0024) and Togo (0.0018), implying that financial deepening enhances inclusive growth by expanding access to productive capital. Conversely, domestic credit exerts a negative effect in Sierra Leone (-16.0127), followed by Côte d'Ivoire (-0.169), Burkina Faso (-0.057), Cabo Verde (-0.0573), Mauritania (-0.0444), Senegal (-0.0240), Mali (-0.0167), Niger (-0.0137), and Nigeria (-0.0015). These indicate that credit allocations in these economies are inefficient, concentrated, or biased toward non-inclusive sectors. The heterogeneous results suggest that the inclusiveness of financial development depends not merely on the volume of credit but also on its allocation and institutional context.

Institutional quality, proxied by control of corruption, displays strong but uneven effects across countries. Benin (0.0977), Cabo Verde (0.2540), Ghana (0.1450), Guinea (0.2828), Guinea-Bissau (0.1584), Mali (0.1123), Nigeria (0.3627), Togo (0.0250) and Sierra Leone (0.6141) exhibit positive effects. This suggests that improvements in governance in these countries translate effectively into more inclusive growth outcomes. In contrast, Burkina Faso, Cabo Verde, Côte d'Ivoire, Mali, Mauritania, Niger, Nigeria, and Senegal experience significant negative effects, implying that weak institutional reforms or persistent governance failures undermine the inclusive distribution of growth benefits.

Inflation exhibits mixed and largely heterogeneous effects across countries. Positive and significant inflation effects are observed in Cabo Verde, Guinea-Bissau and Mauritania. These indicate that inflation has a stimulative effect on inclusive growth in these economies. However, inflation exerts negative and significant effects in Benin, Burkina Faso, Côte d'Ivoire, The Gambia, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo. In these economies, inflation tends to erode purchasing power, depress real wages, and raise the cost of essential goods and services, thereby hindering inclusive growth.

The impact of foreign direct investment is predominantly heterogeneous and largely negative across countries. Positive and statistically significant effects are recorded in Benin (0.1348), Côte d'Ivoire (0.3919), Guinea (0.0179), Guinea-Bissau (0.0485), Senegal (0.0132), and Togo (0.0185). This indicates that FDI in these economies are better integrated into domestic production systems. In contrast, Burkina Faso (-0.0041), Cabo Verde (-0.0255), Gambia (-0.0141), Ghana (-0.0297), Mali (-0.0196), Mauritania (-0.0011), Niger (-0.0014), Nigeria (-0.1068), and Sierra Leone (-0.0189) experience negative and significant effects,

with Nigeria and Sierra Leone showing the most pronounced adverse impacts. This pattern suggests that FDI in these countries may be concentrated in capital-intensive or enclave sectors with limited spillovers to inclusive growth.

5. CONCLUSIONS

The findings of this study imply that trade liberalisation catalyses inclusive growth by fostering specialisation, productivity improvements, and industrial exports in West Africa, and have the potential to empower marginalised groups by creating employment opportunities in export-oriented industries, thereby promoting social equality in the region. Similarly, domestic credit to the private sector and control of corruption has a positive effect on inclusive growth in West Africa. Based on the findings of the study, it is recommended that governments of the sampled countries should strengthen trade liberalisation policies by reducing tariffs, improving trade infrastructure (through enhancement of physical infrastructure such as roads, railways, ports and airports), and enhancing regional economic integration to maximise its positive impact on inclusive growth. Also, special attention should be given to export diversification, the promotion of value-added industries, and the implementation of social policies that will ensure marginalised groups have access to trade benefits. There is a continuous need to deepen financial services to efficiently allocate financial resources and to enhance institutional quality in the region to better allocate and distribute the benefits of economic growth to marginalised groups.

Based on the estimated country-specific coefficients, the following policy prescriptions were given: First, trade liberalisation policies should be selectively sequenced and strategically complemented in countries where openness enhances inclusive growth, notably Senegal, Togo, Sierra Leone, Guinea-Bissau, Niger, Nigeria, and The Gambia. In these economies, governments should consolidate the gains from openness by prioritising export diversification towards labour-intensive and agro-processing activities, strengthening trade-related infrastructure, and deepening the participation of small and medium-sized enterprises (SMEs) in regional and global value chains by lowering entry costs for domestic firms. In contrast, for countries where trade liberalisation exhibits adverse effects on inclusive growth, including Côte d'Ivoire, Burkina Faso, Cabo Verde, Mauritania, Benin, Ghana, Guinea, and Mali, a more cautious and capability-driven approach is warranted. These countries should focus on building domestic productive capacity, supporting infant industries, and enhancing human capital before deepening trade openness.

Second, in countries where domestic credit positively supports inclusive growth, such as Benin, Guinea, The Gambia, Guinea-Bissau, Ghana, and Togo, financial sector policies should aim to sustain momentum by expanding financial inclusion through digital finance, strengthening microfinance regulation, and incentivising lending to SMEs and rural enterprises. Conversely, in economies where credit exerts a negative influence, particularly Sierra Leone, Côte d'Ivoire, Burkina Faso, Cabo Verde, Mauritania, Senegal, Mali, Niger, and Nigeria, reforms should address structural distortions in credit markets. Strengthening prudential regulation, improving credit information systems, and aligning development finance institutions with inclusive growth objectives are critical to ensuring that credit flows translate into broad-based economic benefits.

Third, in countries where improvements in control of corruption enhance inclusive growth, such as Benin, Ghana, Guinea, Guinea-Bissau, Mali, Nigeria, Togo, and Sierra Leone, policy efforts should prioritise institutional consolidation, including judicial independence, transparency in public procurement, and accountability in fiscal management. These measures can reinforce the transmission of growth benefits to vulnerable groups. However, in countries where institutional quality displays negative effects, including Burkina Faso, Côte d'Ivoire, Mauritania, Niger, and Senegal, reforms should focus on strengthening state capacity and reducing elite capture. Enhancing the effectiveness of anti-corruption agencies, decentralising governance with strong oversight mechanisms, and promoting civic participation can help ensure that institutional improvements translate into tangible, inclusive outcomes.

Fourth, given the predominantly negative effects of inflation on inclusive growth, macroeconomic stabilisation remains central to inclusive development in most West African economies. Countries such as Benin, Burkina Faso, Côte d'Ivoire, Ghana, Guinea, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo should prioritise price stability through credible monetary policy frameworks, improved fiscal discipline, and supply-side interventions to reduce food and energy price volatility. Social protection mechanisms, including targeted cash transfers and wage indexation for low-income workers, should accompany stabilisation efforts to cushion vulnerable households from inflationary shocks. In contrast, in Cabo Verde, Guinea-Bissau, and Mauritania, where inflation appears to have a mild stimulative effect, there is a need to ensure that such inflation remains moderate and growth-supportive, without eroding real incomes or exacerbating inequality.

Finally, in countries where FDI contributes positively to inclusive growth, countries such as Benin, Côte d'Ivoire, Guinea, Guinea-Bissau, Senegal, and Togo, there is need to further deepen linkages between foreign investors and domestic firms through local content requirements, supplier development programmes, and skills transfer initiatives. In contrast, in economies where FDI undermines inclusive growth, notably Nigeria, Sierra Leone, Ghana, Cabo Verde, Mali, and Niger, policy should focus on discouraging enclave-type investments and redirecting inflows toward sectors with higher employment and spillover potential, such as manufacturing, agribusiness, and renewable energy.

This study has contributed to the existing body of knowledge in several ways. First, while previous studies have predominantly relied on traditional indicators such as GDP, per capita income, and poverty levels to evaluate the impact of trade liberalisation and financial deepening on inclusive growth (Nabi et al., 2022; Bacchetta et al., 2021; Aslam et al., 2021; Talah et al., 2020; Zafar et al., 2019), this research advanced the methodological frontier by generating the inclusive growth index through principal components analysis to aggregate the three categories of inclusive growth using UNCTAD (2022) approach, comprising economic category, living condition and equality category. Two variables are captured under the economy category of inclusive growth: GDP per capita and agricultural productivity. Living conditions cover employment in agriculture and life expectancy, while the equality category comprises adult literacy and income inequality measures. The study provided a more balanced and comprehensive measure of inclusive growth, particularly within the context of West Africa, where such aggregate metrics have been scarcely applied. Second, it applies a Panel Corrected Standard Errors approach that explicitly accounts for cross-sectional dependence, a feature often ignored in previous studies on the region. Furthermore, drawing on the country-specific analysis, the study provided country-specific realities within the West African region.

Given the study's findings and limitations, several avenues for future research are recommended. First, future studies can explore disaggregated sectoral analysis to understand how trade liberalisation and financial deepening affect inclusive growth across specific industries such as agriculture, manufacturing, or services in West Africa. This can offer more nuanced policy prescriptions tailored to sector-specific realities.

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Олуватоба Адєнівурa, Абайомі Онанугa, Олувасєї Адєловокан. Динаміка лібералізації торгівлі та інклюзивного зростання у Західній Африці. *Журнал Прикарпатського університету імені Василя Стефаника*, 13 (2) (2026), 129-147.

У дослідженні емпірично оцінено вплив лібералізації торгівлі на інклюзивне зростання в країнах Західної Африки протягом 2000–2023 рр. із використанням збалансованих панельних даних, отриманих із бази даних Світового банку World Development Indicators. Інклюзивне зростання вимірюється за допомогою багатомірної індексу, сформованого відповідно до методології UNCTAD (2022), який охоплює показники економічної результативності, рівня життя та нерівності. Для побудови індексу застосовано метод головних компонент (Principal Component Analysis, PCA), що дало змогу зменшити проблему мультиколінеарності та водночас зберегти інформативність даних. Емпірична стратегія дослідження поєднує описову статистику, діагностичні тести на мультиколінеарність і міжсекційну залежність, а також оцінювання за методом панельно скоригованих стандартних похибок (Panel Corrected Standard Errors, PCSE), що забезпечує надійність отриманих результатів.

Результати дослідження свідчать про позитивний вплив лібералізації торгівлі на інклюзивне зростання, що вказує на те, що підвищення відкритості економіки розширює доступ до ринків, стимулює конкуренцію та сприяє ефективнішому розподілу ресурсів. Внутрішній кредит і контроль корупції також мають позитивний і статистично значущий вплив, підкреслюючи важливість фінансового поглиблення та інституційної якості для забезпечення інклюзивного розвитку. Натомість інфляція та прямі іноземні інвестиції демонструють статистично незначущий вплив на регіональному рівні. Оцінки за окремими країнами виявили суттєву неоднорідність впливу лібералізації торгівлі та макроекономічних чинників у країнах Західної Африки, що відображає відмінності у структурних характеристиках економік та інституційній спроможності.

На основі отриманих результатів рекомендовано посилити механізми сприяння торгівлі, поглиблювати регіональну інтеграцію, розширювати доступ до внутрішнього кредитування, стимулювати диверсифікацію експорту та впроваджувати комплексні заходи соціального захисту й інституційні реформи для забезпечення справедливого розподілу вигід від міжнародної торгівлі. Основний внесок дослідження полягає у розробленні багатомірної індексу інклюзивного зростання для країн Західної Африки, що дає змогу вийти за межі традиційних показників, заснованих на ВВП, які не завжди повною мірою відображають різноманітність результатів інклюзивного економічного розвитку.

Ключові слова: лібералізація торгівлі; інклюзивне зростання; внутрішній кредит; врядування.