Title of Article: Sustaining Economic Development of West Africa States: A System GMM Approach

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Abstract: The paper investigates the relationship between foreign direct investment and economic growth in ECOWAS using the System-GMM panel estimation technique covering the period 1970-2011. The study adopted System-GMM in order to overcome the weaknesses perceived in the empirical works of earlier studies; majority of these studies failed to control for the presumed challenges of endogeneity inherent in the FDI-Growth argument. The study likewise interacted human capital and institutions indicators with other explanatory variables in explaining the variability of FDI. The results of the System-GMM appears contrary to earlier studies, as the contribution of FDI was insignificant and impacts negatively on growth in ECOWAS despite the controlling for the role of human capital and quality of institutions in the model. Following this outcome, policy makers in developing Africa needs to exercise cautions in adopting the recommendation from earlier studies; most of which advocates more openness, advancing human capital development and strengthening institutions. This might not be completely helpful considering the pattern of FDI inflow into ECOWAS, which is absolutely resource-seeking. There is need to curtail excessive openness in the extractive industries, encouraging more manufacturing FDI and domestic investment of repatriated capital by ensuring more economic stability and raising domestic interest rate.