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GLOBALIZATION AND FINANCIAL DEVELOPMENT IN AFRICA

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ABSTRACT

Objective: Given the relevance of globalization on the integration of a country to the global economy and financial development, it is important to investigate the concept of globalization and evaluating the relationship between their determinants.

Method: this study adopts qualitative techniques to examine the conceptual inter-relationship and the theoretical and empirical analysis of globalization and financial development from 2013 to 2023 using groupings based on the findings from the various samples articles that met the selection criteria of the dimensions of the concepts. On the other hand, this study adopts quantitative techniques to examine the relationship and causal effects of globalization dimension on financial development using some selected economies (developed and developing) for a period of 5 years (i.e. 2017 – 2021).

Results: The finding of this study reveals that several studies have been conducted in relation to globalization and financial development, but at a decreasing rate which is against the expected results. Also, despite the increasing role of socio-economic variables of international crises, exchange rate and interest rate in financial development of economies, majority of the literatures have not shown sufficient interest as the few available reveal inconsistence in the relationship and causal effects of the variables. However, empirically, this study reveals that foreign direct investment, trade openness, exchange rate and interest rate but international crises have causal effect on financial development.

Conclusion: This study therefore concludes that despite there are no convenient and consistent understandings, globalization has effect on financial development.

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GLOBALIZAÇÃO E DESENVOLVIMENTO FINANCEIRO NA ÁFRICA

RESUMO

Objetivo: Dada a relevância da globalização na integração de um país à economia global e ao desenvolvimento financeiro, é importante investigar o conceito de globalização e avaliar a relação entre seus determinantes.

Método: este estudo adota técnicas qualitativas para examinar a inter-relação conceitual e a análise teórica e empírica da globalização e do desenvolvimento financeiro de 2013 a 2023 usando agrupamentos com base nos resultados das várias amostras de artigos que atenderam aos critérios de seleção das dimensões dos conceitos. Por outro lado, este estudo adota técnicas quantitativas para examinar a relação e os efeitos causais da dimensão da globalização no desenvolvimento financeiro usando algumas economias selecionadas (desenvolvidas e em desenvolvimento) por um período de 5 anos (ou seja, 2017 a 2021).

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Resultados: As conclusões deste estudo revelam que vários estudos foram realizados em relação à globalização e ao desenvolvimento financeiro, mas em um ritmo decrescente, o que vai contra os resultados esperados. Além disso, apesar do papel cada vez maior das variáveis socioeconômicas de crises internacionais, taxa de câmbio e taxa de juros no desenvolvimento financeiro das economias, a maioria das publicações não demonstrou interesse suficiente, pois as poucas disponíveis revelam inconsistência na relação e nos efeitos causais das variáveis. Entretanto, empiricamente, este estudo revela que o investimento estrangeiro direto, a abertura comercial, a taxa de câmbio e a taxa de juros, mas as crises internacionais, têm efeito causal sobre o desenvolvimento financeiro.
Conclusão: Portanto, este estudo conclui que, apesar de não haver entendimentos convenientes e consistentes, a globalização tem efeito sobre o desenvolvimento financeiro.

Palavras-chave: Globalização, IED, Taxa de Juros, Desenvolvimento Financeiro.

GLOBALIZACIÓN Y DESARROLLO FINANCIERO EN ÁFRICA

RESUMEN
Objetivo: Dada la relevancia de la globalización en la integración de un país a la economía mundial y el desarrollo financiero, es importante investigar el concepto de globalización y evaluar la relación entre sus determinantes.
Método: este estudio adopta técnicas cualitativas para examinar la interrelación conceptual y el análisis teórico y empírico de la globalización y el desarrollo financiero de 2013 a 2023 utilizando agrupaciones basadas en los resultados de las diversas muestras de artículos que cumplían los criterios de selección de las dimensiones de los conceptos. Por otra parte, este estudio adopta técnicas cuantitativas para examinar la relación y los efectos causales de la dimensión de la globalización sobre el desarrollo financiero utilizando algunas economías seleccionadas (desarrolladas y en desarrollo) para un período de 5 años (es decir, 2017 - 2021).
Resultados: El hallazgo de este estudio revela que se han realizado varios estudios en relación con la globalización y el desarrollo financiero, pero a un ritmo decreciente que va en contra de los resultados esperados. Asimismo, a pesar del creciente papel de las variables socioeconómicas de las crisis internacionales, el tipo de cambio y el tipo de interés en el desarrollo financiero de las economías, la mayoría de las literaturas no han mostrado suficiente interés, ya que las pocas disponibles revelan incoherencia en la relación y los efectos causales de las variables. Sin embargo, empíricamente, este estudio revela que la inversión extranjera directa, la apertura comercial, el tipo de cambio y el tipo de interés pero las crisis internacionales tienen un efecto causal en el desarrollo financiero.
Conclusiones: Por lo tanto, este estudio concluye que, a pesar de que no existen comprensiones convenientes y coherentes, la globalización tiene efectos sobre el desarrollo financiero.

Palabras clave: Globalización, IED, Tipo de Interés, Desarrollo Financiero

1 INTRODUCTION

The global scene in this twenty-first century has experienced a resurgence of international and a holistic integration of business transaction with little or no restriction (Shahbaz et al., 2021). Globalization over the years has been gaining popularity as the engine that enhances growth and prosperity in emerging economies. Overall globalization includes social, economic, political and financial globalizations which are targeted at integrating various nations socially, economically, politically, and financially respectively (John & Kyalo, 2022). However, financial globalization reduces international transaction costs and establishes a correspondence between the real and financial sectors of a global magnitude (Muye & Muye, 2017). In others words, financial globalization would facilitate financial development through foreign direct investment (FDI) and trade openness. Financial development is one of the key factors to get growth and economic development rates (such as exchange, inflation and interest rates), because it influences decisions on savings and investment within an economy (Khan & Khan, 2019). Financial development through domestic reforms that eliminate international crises can intensify trade and capital flows, and thereby leading to higher growth in the economy.

However, United Nations Conference on Trade and Development (UNCTD, 2015) report (as cited in Khan & Khan, 2019) shows that financial globalization policies are not favorable in African countries as compared with US, Europe and Asia, because the economic, political and social growth of the continent have been stunted by some of countries' policies, hence their failure in benefiting from globalization. Given these positions, coupled with her high poverty rate, vulnerable economy, unhealthy investment climate, bad policies, high level of indebtedness and corruption, it is clear that developing countries are the most disadvantaged countries that engaged in financial globalization (John & Kyalo, 2022). It is therefore important that African countries develop an understanding of whether financial globalization has translated into having a substantial effect on the financial development of these major emerging economies.

Consequently, this study focused on reviewing the conceptual framework and related empirical studies in relation to FDI, trade openness, exchange rate, interest rate and international crises on financial development. Furthermore, this study also conducted review of globalization theories to obtain the established dynamics between globalization and financial development. Finally, this study empirically analyzes the implications of globalization on the financial development using selected developed and developing economies of the world.

2 LITERATURE REVIEW

Globalization is a mechanism in dealing with financial development, improving the social welfare and strengthening the political ties among countries. The literatures have generally emphasized that the links between financial development and financial globalization have become stronger in the past three decades as globalization generally stimulates institutional reforms that encourage economic growth and financial development (Balcilar et al., 2019).

Globalization as an economic concept accentuates two changes: (1) improvements in transport and communication systems, and (2) high mobility of financial resources and trade. It also implies a situation in which countries continually depend on the global system for transactions. Three main perspectives shed light on how these affect countries. These are the countries' external position (systemic approach), the domestic or internal conditions within the nation (sub-systemic), and a combination of the systemic and sub-systemic approaches. In essence, the structure of the international ecosystem, its evolution and the roles that individual countries play in trade, labour and capital supplies influence development outcomes in diverse ways.

World Health Organization (2017) as cited in Gulcemal, (2021) defines globalization as the increased inter-connectedness and inter-dependence of countries and peoples generally understood to include two inter-related elements: the opening of international borders in order to increasing fast flows of people goods, finance, ideas and services; and the changes in policies and institutions at national and international levels that facilitate and/or promote such flows. Globalization depicts itself at the national level in several ways. It significantly affects the structure, strength, and vulnerability of the economy, the re-distribution of opportunities and income, culture, the arts, forms of participation in national life and commitment and solidarity among citizens.

It is undeniable, in any case, that globalization is making us increasingly integral parts of the world economy, and that we interact more and more with institutions and individuals from a range of countries. There can be no doubt of the many benefits that this process brings. We cannot, however, ignore its impact and consequences for those groups that are vulnerable in developed as well as developing countries (Mehmet et al., 2019). Globalization provides several important benefits to economies that are getting more integrated into the global economic system. According to Gulcemal, (2021), first, globalization helps in the development of financial sector. Second, globalization facilitates knowhow and technology transfer to developing economies from developed economies. Third, globalization provides lower cost of capital for domestic economy through capital mobility. Fourth, globalization helps in domestic accumulation of savings. Fifth, globalization provides access to markets that require improved specialization in areas of production. Lastly, globalization enables improvements in the macroeconomic institutions and policies through higher competitive pressures from the global world (Mekuanent, 2022; Mehmet et al., 2019).

Globalization also reduces international transaction costs and establishes a correspondence between the real sectors and financial of a global magnitude. It is important to note that globalization can be said to economic globalization, political globalization, social globalization, financial globalization and/or overall globalization (Mehmet et al., 2019). Globalization is not free from the risks that can destabilize financial markets and eventually slow down the economic growth. In some cases, high degree of global integration may pose risks that are not directly originating from the domestic economy but transmitted from other economies as it was in the case of 2007 – 2009 global financial crises, 2022 Russia-Ukraine Conflicts among others. This was the result of global risk sharing in global financial markets. Globalization also leads to unfair competition between local (infant industries) and foreign companies that destroy the former because the latter possesses better managerial and technological skills, which is detrimental to economic growth (Beri et al., 2022).

Similarly, Mekuanent (2022) argue that globalization can be a potent tool for stimulating institutional improvements in developing countries, which can result in financial advancement and economic expansion. There are two ways that financial globalization might support financial development in developing nations. One is that it can directly increase cash availability while lowering the cost of capital. Two, opening markets to foreign financial institutions promotes financial sector reforms and upgrades the financial infrastructure (Gulcemal, 2021). However, to reap the benefits of financial globalization in terms of enhancing financial and institutional development, the requirements related to the threshold levels of institutional quality.

Financial globalization is the fusion of a country's domestic financial system with external financial markets and institutions (Gulcemal, 2021). Financial globalization makes it possible for best practices and procedures to be disseminated globally, which can improve corporate governance, risk diversification, lower the cost of foreign transactions, and reduce information asymmetry. The term "financial globalization" refers to cross-border economic transactions (Mekuanent, 2022). Financial globalization is crucial because it encourages and forces nations to adhere to international reporting and regulatory norms. It also facilitates the transfer of know-how and cutting-edge technologies from developed nations (Mekuanent, 2022). Financial globalization moreover allows risk diversification because local institutions can share risks with foreign institutions in local and international markets. The free flow of wealth across nations due to financial globalization can also facilitate the global mobilization and accumulation of savings (Mehmet et al., 2019). Furthermore, financial globalization can lower the cost of conducting international business and make it easier for the financial industry to interact with other industries globally (Gulcemal, 2021).

The term "financial globalization" refers to cross-border economic transactions (Ahmed & Agha, 2021). Financial globalization is crucial because it encourages and forces nations to adhere to international reporting and regulatory norms. It also facilitates the transfer of know-how and cutting-edge technologies from developed nations (Balcila et al., 2019). Financial globalization moreover allows risk diversification because local institutions can share risks with foreign institutions in local and international markets. The free flow of wealth across nations due to financial globalization can also facilitate the global mobilization and accumulation of savings. Furthermore, financial globalization can lower the cost of conducting international business and make it easier for the financial industry to interact with other industries globally (Gulcemal, 2021). It is evident that financial globalization integrates less globalized economies with high globalized economies in terms of exporting and importing goods and services. Besides inflows of remittances and technology help developing countries like countries in Africa gain from globalization, they also increase their economic activities such as trade openness and foreign direct investment among others. However, this study would consider FDI and trade openness.

The concept of FDI is an important means of non-debt inflow, and is increasing being desired as an instrumental flow and as a means of achieving comparative and competitive efficiency by creating meaningful global inter-connections. FDI consists of external resources that include technology, capital and managerial and marketing expertise. All these generate considerable effects on host economy's productive capabilities (Azcan & Olcay, 2021). The goodness of governments' policies of stimulating the productive bases of the economy depend squarely on its ability to control and attract adequate FDI comprising of managerial, capital and technological resources to improve the existing production capabilities.

This is the measure of the extent to which a nation or country is engaging in the system of global trading. Operationally, trade openness is measured by the relationship between the sum of exports and imports to the economic growth of the country. Furthermore, it can be seen as the orientation of country's economy in the context of international trade (Ozkok, 2015). According to trade openness is the sum of country's imports and exports as a share of the country's GDP, represents the involvement of the state in the international flows of goods and capital (Beri et al., 2022).

The effect of financial globalization in any economy is moderated by socio-economic variables such as the international crises that affect the economy, the exchange rate and interest rate within the economy. The term international crises are widespread represent a sequence of interactions among governments of sovereign states, usually two or above, in severe conflicts, short of actual war, however, involving certain perceptions of dangerous high tendency for war. These crises revved the nosedive in foreign direct investment (FDI), remittances, commodity prices (export prices and volumes), rising consumer prices, high unemployment and the economic volatility in African countries, which are spillovers directly intertwined with globalization, and all essential to economic growth (Opeyemi, 2020). These crises, their speeds of transmission and the outcomes they foist on African countries have, once again, brought to the fore the intricate role that globalization plays in economic growth.

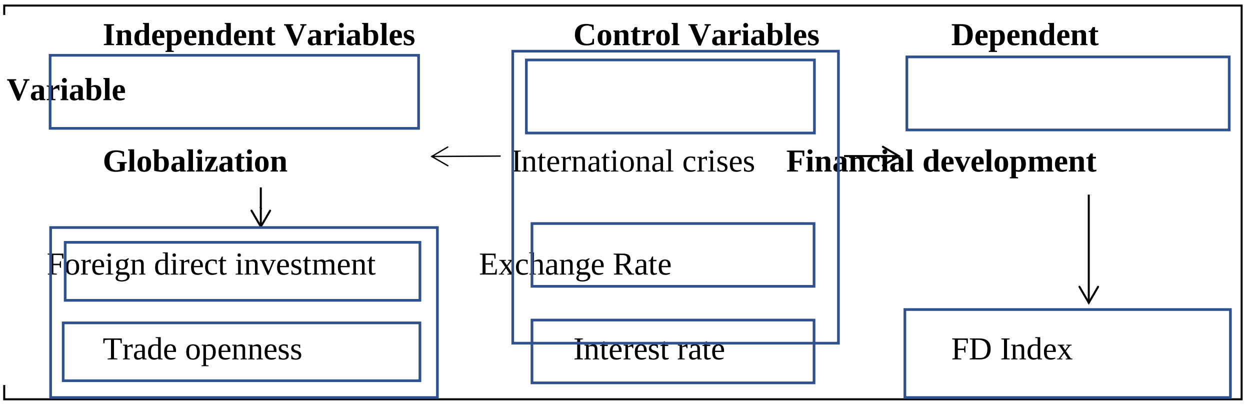
An exchange rate on the other hand is the relative price of two monies. Exactly what is being exchanged has of course varied with the assets that were used as money at any point in time. In discussing exchange rates, it is useful to distinguish between nominal and real exchange rates. The nominal exchange rate is simply the actual rate in the foreign exchange market. The real exchange rate, in contrast, is the rate at which a market basket of goods in one country can be exchanged for a market basket of goods in the other. It is, therefore, a theoretical construct rather than something that is directly observable (Lensink, 2016). Today the traditional foreign exchange market is an almost totally over-the-counter market. It is dominated by commercial and investment banks and certain other financial and non-financial corporations. Trading takes place via telephone, and electronic communication. In finance, an exchange rate is the rate at which one currency will be exchanged for another. It is also regarded as the value of the country's currency in relation to another currency (Lensink, 2016). Exchange rates are determined in the foreign exchange market which is open to a wide range of different types of buyers and sellers, and where currency trading is continuous (Okey & Ambai, 2018).

In the same vein, interest rates are the reward paid by a borrower (debtor) to a lender (creditor) for the use of money for a period, and they are expressed in percentage terms per annum (pa) (Alzaidy et al., 2017). Interest rates are also quite often referred to as the price of money. The interest rate considered in this study is short-term interest rate. Short-term interest rates are not determined by supply and demand; they are controlled by the central bank (and there is an especially good reason for this), and all other interest rates are a function of current short-term rates and expectations as to where they will be in the future (Ã–zcan & Olcay, 2021).

The concept of financial development refers to better mobilization of savings in the form of accumulated liquid assets, acquiring information about investments and allocation of resources, exercising corporate control by monitoring the managers, facilitation of risk management and facilitation of trade and contracts (Islam et al., 2020). Financial development through domestic reforms can intensify capital flows and trade, and thereby can lead to higher economic growth. Financial development not only requires the development of overall financial system but also needs the development of markets and institutions an in those middle-income economies (Ahmed & Aghar 2021; Islam et al., 2020). Overall financial institution development index (indices for financial institution access, depth and efficiency). In this study, the dimensions for financial globalization are FDI and trade openness (TO) while other dimensions influence (control) financial globalizations considered in this study are interest rate (INTR), exchange rate (EXR) and international crises (IR) as shown in the conceptual framework below.

Figure 1

Conceptual framework of the study



Source: Researchers' Compilation, 2024.

The theoretical review of this study consists of the relevant theories and a concrete examination of the body of theories that has accumulated as regard to globalization. This study conducts and extensive theoretical review on globalization which include theories of constructivism, political realism, liberalism and transformationalism.

Constructivism was introduced to globalization studies by Nicholas Onuf in 1989. This theory emerged from debates concerning the scientific method of relations theories and the production of international power. Constructivism focuses on the interaction between states in the international system and disregards the role of domestic factors (Zehfuss, 2002). Constructivism posits that the social and political world is made up of shared beliefs rather than physical entities (Wendt, 1999). Constructivist theory criticizes the static assumptions of traditional international relations among nations in favour of social construction (Ganjar, 2008) and therefore notes that an increase in the size of a nation's economic power is likely to be viewed with much greater concern by other competing economic powers, because of the traditional antagonism among economic blocs. Therefore, there must be perceptions at work in shaping international outcomes.

Marxist theory on the other hand is influenced by the fact that it scientifically studies the society as a whole and takes into consideration the interconnection of the social relations, class conflict and the organic relationship between the substructure (the economy) and the superstructure (politics) (Avineri, 1968). The base and superstructure analysis explains that the totality of relations in and by which state's actor produce and re-product their socio-political existence, forms a society's economic base. From this base rises a superstructure of political and economic institutions or nations, i.e., the ruling economic and financial class. According to Marxist theory, the history of all hitherto existing state is the history of economic and financial struggles. According to Marxist theory, the history of all hitherto existing state is the history of economic and financial struggles.

Also, the liberal theory posit that political power, forms the foundation of social-political hierarchies and that these hierarchies can neither be reduced to nor deduced from economic class relations (Pareto, 1957; Mosca, 1997; Michels, 1992). Mills (1956) advanced a perspective on systems of power in the liberal system where he identified a triumvirate of power groups, political, economic and military which form a distinguishable, although not unified, power-wielding body that is often referred to as globalization. This is often a dominance system rather than globalization in its true sense of it.

Realism as another theory of globalization emphasizes the competitive and conflictual side of nations as global players (Antunes & Camisão, 2012). The first assumption of realism is that the state is the principal actor in global relations. Other bodies exist, such as individuals and organisations, but their power is limited. Second, the state is a unitary actor. National interests, especially in times of business and commerce, lead the state to speak and act with one voice. Third, decision-makers are rational actors in the sense that rational decision-making leads to the pursuit of national interest. Here, taking actions that would make your state weak or vulnerable would not be rational. Realism suggests that all leaders, no matter what their political persuasion, recognize this as they attempt to manage their state's affairs in order to survive in a competitive financial environment. Consequently, realists believe that states' selfishness, appetite for economic and financial dominance and inability to trust others leads to predictable outcomes of dominance and control (Antunes & Camisão, 2012).

Finally, transformationalists on the hand viewed globalization from a different perspective and therefore argue that globalization should be understood as a complex set of interconnecting relationships through which power is mostly exercised indirectly (Kassim, 2012). It further emphasizes that the flow of capacity, resources or culture is not one way, from the west to the developing world; it is a two-way exchange in which Western capacity, resources or culture is also influenced, changed and enriched by those in the developing world. Transformationalists also believe that globalization can be reversed, especially where it is negative or, at the very least, that it can be controlled. Ulrich Beck (1992) argues that a fundamental feature of financial globalization is the development of a global risk consciousness, such as international crises, the threat of global pandemics, the rise of organized crime which emerges due to shared global problems which threaten people in multiple countries.

Consequently, in a current study of globalization and financial development, transformational theory is appropriate to explain the relationship because it sees globalization as a positive phenomenon that has created a new class of global consumers, in both the developed and the developing world, with a greater range of choice from which they can construct a hybridized global identity (Kassim, 2012). Eventhough, this range of choice are influence by various social, economic and financial policies of various nations, it still determine global economic and financial growth.

Considering the empirical studies in globalization and financial development, several literatures have considered the inter-relationship using different control and/or moderating variables as the case maybe. A systematic review is therefore presented showing the findings of studies with respect to the variables as shown in the conceptual framework.

In relation to financial development (FD) and foreign direct investment (FDI), it is established that there is a direct and significant positive relationship between FD and FDI (Georgeta & Andreea, 2023; John & Kyalos, 2022; My-Linh, 2022; Tran & Huynh, 2022; Pablo, José et al., 2022; Mollah et al., 2021; Ahmed & Osman, 2021; Majeed et al., 2021; Ibrahim et al., 2020; Thu & Kuo, 2020). From their findings it is indicate that FDI has a causal effect with FDI as such any change in any of the two will a direct effect on the other. However, Mohsen et al. (2020) shows significant but negative relationship of FD with FDI which indicates otherwise. In contrast to the earlier positions Francois et al. (2022); Ahmed and Agha (2021) show that FD has no significant relationship with FDI as such, an effect on the FDI will not affect the FD of the economy.

Trade openness (TO) is another area of globalization that has received a lot of attention recently. Several studies (such as Dauda & Alhaji, 2023; John & Kyalos, 2022; Tran & Huynh, 2022; Lin et al., 2022; Lawrence & Ashenafi, (2021; Majeed et al., 2021; Ahmed & Osman, 2021; Lawrence & Ashenafi, 2021; Farah, 2020; Diem & Hoai, 2021; Ebenezer et al., 2019; Hatem & Mohamed, 2014) have indicated a direct and significant relationship between trade openness and FD. However, Kalideen and Abdul (2021) show significant but negative relationship between trade openness and FD. The study of Joshua (2020) indicates no such relationship between trade openness and FD.

Furthermore, previous studies indicate that exchange rate is a deciding monetary element in nations FD, as such there is a significant moderating effects exchange rate on FD (Koroma et al., 2023; Lin et al., 2022; Ibrahim & Nuraddeen, 2022; Tuba, 2021). However, Miftahu and Isaac, (2023); Chinmaya (2021); Brian, (2021); Akintola et al. (2020) show a significant negative effect of exchange rate on FD. In the contrast, John and Kyalos (2022); Ahmed and Agha (2021) reveal that exchange rate has no significant effect or relationship with FD. Away, from this, Karim and Bouchra, (2022) indicates that exchange is very volatile and it shows both directly and indirectly in terms of FD. In addition, the moderating roles of interest rate dynamics on FD have been observed by various studies. Olajide (2023); John and Kyalos (2022); Pinar and Murat, (2022); Clement and Pierre (2019) reveals an inverse relationship as interest rate weakens the positive effect of the FD in the economy. However, Aliyu and Dahiru (2022); Tuba (2021); Joshua (2020) indicate a positive association between interest rate and FD.

On the other hand, Parfait, Gabriel and Gabila (2022); Shahbaz et al. (2021); Awoyemi *et al*; (2014) considered the relationship between globalization and financial development. Similarly, Van et al. (2021); Bryan and Can. 2020; Nasreem et al. (2020) indicate that institutional quality and intergovernmental relations are positively related to financial development and on the other hand, financial globalization prevents financial sector development processes. Furthermore, Law, Tan and Azman-Saini (2015) provide that globalization has a significant effect on institutional quality which in turns facilitates and supports financial development. Law Tan and Azman-Saini further assert that globalization have a favorable impact on stock market development, even without passing through the channel of institutional quality. Taghizadeh-Hesary et al. (2019) found that increased trade and capital flows engendered by globalization can enhance the country’s growth performance.
Finally, Adesoye et al. (2015) considered economic globalization and output growth and prove that growth in trade and openness, higher exchange and inflation rates, an increase in FDI and a lesser interest rate enhance the growth rate of output. In contrast, De Nicolo and Juvenal (2014) did not find any evidence of a trade-off among globalization, macroeconomic stability, growth and financial integration. Unlike Nwakanma and Ibe (2014) that indicates a positive but insignificant relationship between financial integration, trade openness and human resource development, while gross fixed capital formation was negative and insignificant. Okpokpo et

al. (2014) show that globalization has no significant impact on non-oil export and could not be a potent driver of growth of the non-oil export in Nigeria. Finally, Omolade, Morakinyo and Ifeacho (2013) that a unidirectional causality flows from economic development to globalization and there is no such in the reversed order.

3 METHODOLOGY

In conducting the conceptual, theoretical and literature review, this study adopted a qualitative approach by reviewing published and high-quality journal articles from reputable databases of google scholar and EBSCOhost research. The search was conducted using the selection criterion of the globalization and financial development study population from a private sector perspective in developing countries. The advanced search of the EBSCOhost research database and google scholar with keywords "globalization and FD" plus "FDI, TO and FD index" were used anywhere in the article or the title of the article search criteria with dates from 2013 to 2023. This study provides useful legal and political implication for governments and their agencies/representatives to break the barriers to financial globalization and integration. The model of this study would be validated using a case study or empirical approach.

However, in order to empirically analyze the effect of globalization on financial development, this study adopted ex-facto research design and the values of FD index (measured financial system deposit (FSD)) FDI, TO, EXR, INTR and IC from 2017 to 2021 represented the population of the study. The database of National Bureau of Statistic and World Bank were used for this study. This study collected data from ten (10) countries, five developed (Australia, China, Germany, France and Japan) and five developing (Nigeria, South Africa, Kenya, Ghana and Egypt) economies for a period of five years (from 2017-2021). The technique that was adopted for data analysis of this study is Autoregressive Distributed Lag (ARDL) bounds test approach which was conducted using E-views software. In inputting the variables into the specified standard estimate model as expressed below:

$$FD = f(FDI, TO, EXR, INTR, IC) \qquad (1)$$

This is represented in the equation form as below:

$$FSD_t = \beta_0 + \beta_1(FDIo)_t + \beta_2(TO)_t + \beta_3(EXR)_t + \beta_4(INTR)_t + \beta_5(IC)t + \varepsilon \qquad (2)$$

In order to normalize the data, the natural log of (% of GDP) the proxies are used, and therefore the econometric function of this study is presented in equation 3:

$$In(FSD/GDP)_t = \beta_0 + \beta_1 In(FDIo/GDP)_t + \beta_2 In(TO/GDP)_t + \beta_3 In(EXR)_t + \beta_4 In(INTR)_t + \beta_5 In(IC)_t + \varepsilon.. \qquad (3)$$

Where: t = period (5 years); $\beta_{1-}\beta_{5=}$ slope of the graph; ε = error of estimate.

The choice of these analysis for the study apart from the suitability, is because several other studies (Georgeta and Andreea, 2023; John and Kyalos, 2022) have used it in analyzing the impact of globalization on FD.

4 RESULTS

This section presents a conceptual interrelationship appraisal of articles that studied the influence of globalization on financial development from 2013 to 2023. The qualitative studies were explained using groupings based on the findings from the various samples of 99 articles that met the selection criteria. Table 1 indicates the number of articles on globalization and financial development reviewed by this study; Table 2 shows the variables and dimensions used to evaluate globalization and financial development while Table 3 shows the relevant empirical reviews.

Table 1

Reviewed articles on globalization and financial development

Year	No of articles reviewed	%increase/decrease in publications reviewed
2013	25	-
2014	36	44.0
2015	86	138.9
2016	102	30.2
2017	123	20.6
2018	144	17.1
2019	156	8.3
2020	107	-31.4
2021	189	76.7
2022	154	-13.2
2023	48	-221.3

Source: Authors' Compilation, (2024)

Several studies have been conducted in relation to globalization and financial development, but Table 1 indicates a decreasing rate in the studies in the field which is against the expected results. Also, Table 2 indicates despite the increasing role of socio-economic variables of international crises, exchange rate and interest rate in financial development of economies, majority of the literatures have not shown sufficient interest is using them as control variables.

Table 2

Globalization Dimensions

S	Dimensions	Authors	No of Citations
1.	Financial development	Haque, et al., (2022); Shahbaz et al., (2021); Smith, (2021); Mohsen *et al* (2020); Acquah and Ibrahim (2020); Islam, et al., (2020); Nasreem, et al (2020); Balcilar, et al., (2019); Khan and Khan, (2019); Mehmet, et al., (2019); Law, et al., (2015); Adesoye, et al., (2015)	11
2.	Globalization	Beri, et al., (2022); Haque, et al., (2022); Kalideen & Abdul (2021); Shahbaz et al., (2021); Gulcemal, (2021); Nasreem, et al (2020); Islam, et al., (2020); Balcilar, et al., (2019); Mehmet, et al., (2019); Law, et al., (2015); Adesoye, et al., (2015); Okpokpo, et al., (2014); Omolade, et al., (2013)	12
3.	FDI	Ishaq & Usman, (2022); John & Kyalo (2022); Asamoah, et al., (2022); Ã–zcan & Olcay (2021); Acquah & Ibrahim (2020); Khan & Khan (2019); Anocchiwa, et al., (2018); Alzaidy, et al., (2017); Lensink, (2016)	9
4.	Trade openness	John & Kyalo (2022); Oloyede, et al., (2021); Adesoye, et al., (2015); Le, et al., (2015); De Nicolo and Juvenal (2014)	6
5	Interest rate	John & Kyalo (2022); Adesoye, et al., (2015)	2
6	Exchange rate	John & Kyalo (2022); Asamoah, et al., (2022); Adesoye, et al., (2015)	3
7	International crises	Nill	

Source: Authors' Compilation, (2024)

Table 3 shows the related empirical studies based on the variables considered. While extensive studies have been conducted showing causal relationship between the variables, it is observed that despite the role and possible moderating effect of international or global crises on FD, none of the studies reviewed considered it. As such, there is no existing literature on this area which is gap in literature identified in this review.

Table 3

Summary of reviewed empirical studies

S	Variables	Authors	No of Citations
1	FD and FDI	Georgeta, & Andreea (2023); John & Kyalos, (2022); My-L, (2022); Tran & Huynh, (2022); Pablo, et al., (2022); Francois, et al., (2022); Ahmed & Osman, (2021); Mollah et al., (2021); Ahmed & Agha (2021); Majeed, et al., (2021); Ibrahim, et al., (2020); Thu, et al., (2020).	12
2	FD and TO	Dauda, et al., (2023); John and Kyalos, (2022); Tran and Huynh, (2022); Lin, et al., (2022); Joshua, (2020); Lawrence and Ashenafi, (2021); Majeed, et al., (2021); Ahmed, & Osman, (2021); Lawrence & Ashenafi,	14

		(2021); Farah, (2020); Diem, et al., (2021); Joshua, (2020); Ebenezer, et al., (2019); Hatem & Mohamed, (2014).	
3	FD and ER	Koroma, et al., (2023); Miftahu, et al., (2023); Lin et al., (2022); Ibrahim & Nuraddeen (2022); John & Kyalos, (2022); Karim, et al., (2022); Ahmed & Osman, (2021); Tuba, (2021); Chinmaya, (2021); Brian, (2021); Chinmaya, (2021); Brian, (2021); Akintola, et al., (2020).	13
4	FD and IR	Olajide, (2023); John & Kyalos, (2022); Pinar, et al., (2022); Aliyu & Dahiru, (2022); Tuba, (2021); Joshua, (2020) Clement & Pierre, (2019).	7
5	FD and Globalization	Parfait, et al., (2022); Shahbaz, et al., (2021); Van et al., (2021); Bryan & Can, (2020); Nasreem, et al., (2020); Taghizadeh-Hesary, et al., (2019); Adesoye, et al., (2015); Law, et al., (2015); Nwakanma & Ibe (2014); Awoyemi, et al., (2014); De Nicolo & Juvenal (2014); Okpokpo, et al., (2014); Omolade, et al., (2013)	13

Source: Authors' Compilation, (2024)

5 FINDINGS AND DISCUSSION

The technique that was adopted for data analysis of this study is ARDL bounds test approach to cointegration. In order to achieve this, three fundamental steps were conducted: first, the test for stationarity of the data to ensure that none of the variables is integrated at order I(2); second, the bounds test for cointegration and, third, long run estimates was carried.

5.1 UNIT ROOT TEST

This study goes further to examine the stochastic properties of the proxies considered by analyzing their order of integration based on series of unit root using Augmented Dickey Fuller (ADF) test. The results in Table 4 indicates that none of the variables is integrated at order I(2).

Table 4

Unit Root (ADF) Test

Variables	Level		Difference		Order in Integration
	ADF Value	Mackinnon Critical Values	ADF Value	Mackinnon Critical Values	
FSD	-2.427835	-3.513242	-4.176281	-3.529758*	I(1)
FDI	-1.034526	-3.526345	-8.267122	-3. 526345***	I(1)
TO	-1.008329	-3.526345	-5.354162	-3. 526345***	I(1)
EXR	0.635681	-3.527425	-4.476123	-3.527425**	I(1)
INTR	-2.656562	-3.527425	-6.467162	-3.527425***	I(1)
IC	-2.144045	-3.527425	-5.561242	-3.527425***	I(1)

Source: Computed by the Authors, (2024)

5.2 COINTEGRATING BOUND TESTING FOR ARDL MODEL

Cointegration is tested on FSD Model using each of the measures of FD as the dependent variable. From Table 5, the values of *F*-statistic suggest the presence of cointegration among the individual measures of moderating variables. Based on the results, the null hypothesis of no cointegration is therefore rejected. Therefore, each of the measures of FSD are all bound by a long run relationship, consequently the estimation of the long run situations was conducted.

Table 5

The Bound Test for Co Integration

	FSD	
Test Statistics (K)	5	
F-Statistics	4.078162	
Critical Value Bounds	I(0) Bound	I (1) Bound
10%	2.42	3.51
5%	2.91	4.08
2.5%	3.16	4.45
1%	3.69	5.01

Source: Authors' Computation, (2024)

5.3 ARDL LONG RUN ESTIMATES FOR MODEL

Table 6 presents the long run coefficients of the estimates using ARDL approach. The findings for FSD model specification indicate the long run effect of globalization on FD measures captured using proxy by FDI, TO, EXR, INTR and IC. The study found the coefficient of IC to be negatively significant with FSD while the coefficient of FDI, TO, EXR and INTR are positively significant with FD.

Table 6

Estimation of the Long run (Speed of Adjustment) ARDL Model

Variables	Model
FDI	0.00000***
	(0.76182)
TO	0.00000***
	(0.57162)
EXR	0.000000***
	(1.36575)
INTR	0.000000***
	(0.42613)
IC	0.000000***
	(-0.56183)
C	0.667183
	(1.361721)

Source: Authors' Computation, (2026)

5.4 DIAGNOSTIC RESULT

Furthermore, the results of the diagnostic test in this study are obtained from the Table 7. From the residual diagnostic test result, it is indicated that there is no presence of serial correlation (i.e $p > 0.05$); no presence of heteroscedasticity (i.e $p < 0.05$); however, the stability test result shows that the model was very stable (i.e p-values > 0.05).

Table 7

Residual Diagnostic Test and Stability Diagnostic Test Result

	Residual Diagnostic Test Result		
	Tests	F-statistic	Prob.
FSD Model	Breusch-Godfrey Serial Correlation LM Test:	0.117285	0.7987
	Heteroskedasticity Test: ARCH	8.521033	0.0000
	Stability Diagnostic Test Result		
	Tests	F-statistic	Prob.
FSD Model	Ramsey RESET Test	1.87163	0.1674

Source: Authors Computation (2024)

5.5 ESTIMATION OF MULTIVARIATE GRANGER CAUSALITY

The estimation of multivariate granger causality is used to test the hypothesis:

H_0: There is no significant effect of globalization on FD.

Table 8

Results of Multivariate Granger Causality

Null Hypothesis	F-statistics	Probability
FDI does not Granger Cause FSD	4.08683	0.0257
FSD does not Granger Cause FDI	3.14739	0.0557
TO does not Granger Cause FSD	6.02783	0.0023
FSD does not Granger Cause TO	0.92738	0.5132
EXR does not Granger Cause FSD	3.40092	0.0450
FSD does not Granger Cause EXR	1.74170	0.1905
INTR does not Granger Cause FSD	6.27816	0.0048
FSD does not Granger Cause INTR	0.66143	0.5226
IC does not Granger Cause FSD	2.60291	0.0888
FSD does not Granger Cause IC	0.91482	0.4102

Source: Authors' Computation, (2024)

The result of this hypothesis is presented in Table 8 showing the causality between globalization and FD using decision that was based on the values of F-statistic and probability. These results suggest that at aggregate level; first, a dependent causality exists between FDI and FSD; second, a dependent causality exists between TO and FSD; third, a dependent causality exists between EXR and FSD; fourth, a dependent causality exists between INTR and FSD and fifth, a dependent causality does not exist between IC and FSD. This is suggesting that the relationship between FDI, TO, EXR, INTR and FSD were important however, the relationship between IC and FSD was not important.

6 DISCUSSION AND IMPLICATIONS

The results of the review indicate inconsistency in the relationship and effects of globalization on financial development and vice versa. While some studies indicate direct and significant relationship between the two (such as John and Kyalo, 2022; Law, Tan and Azman-Saini 2015) some others indicates non-direct and insignificant relationship (such as Shahbaz, et al., 2021; De Nicolo and Juvenal (2014); Okpokpo et al. (2014). Others studies (such as Nwakanma and Ibe, 2014; Omolade, Morakinyo and Ifeacho 2013) did not indicate any consistent direction of relationship between globalization and financial development. Similarly, the reviews indicate that there are inconsistency in the relationship and the causal effects between FD and globalization variables (Georgeta, & Andreea (2023); Dauda, et al., (2023); John and Kyalos, (2022); My-L (2022); Pablo et al. (2022); Francois et al. (2022); Tran and Huynh (2022); Lin, et al. (2022); Ahmed and Osman (2021); Mollah et al. (2021) etc.

Empirically, this study provides that there is a relationship and causal effect of globalization and FD, apart from the IC all other variables (FDI, TO, EXR, and INTR) considered show these causal effect. There are therefore indications that there are no convenient and consistent understandings of the role of globalization on financial development. The implication of this is that, policy makers and interested financial/economic stakeholder cannot predict the dynamics of the financial development as related to globalization in areas of IC. Based on this implication, there no clear cut policy drives or trusts in the financial sector to drive globalization and open up trade and attract foreign investment under the circumstance of international crises and disharmony. This study therefore provides a policy direction for economies in areas of financial globalization that will ensure financial development.

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