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RESEARCH PAPER

Governance Quality and Stock Market Development in Africa: A Panel ARDL Approach

Charles O. Manasseh[1*], Chine Sp Logan[2], Obiageli G. Akamobi[3], Kenechukwu K. Ede[4], Oghenefejiro M. Ejime[5], Emmanuel Eleje[5] and Nkechi C. Nkwonta[6]

[1]Department of Banking & Finance, University of Nigeria, Nsukka, Enugu
[2]Department of Public Policy, Liberty University, Lynchburg, VA 24515 US
[3]Department of Economics, Odumegwu Ojukwu University, Igbariam, Anambra State
[4]Department of Economics, Godfrey Okoye University, Enugu
[5]University of Salford Business School, Manchester, United Kingdom
[6]Department of Management, University of Nigeria, Nsukka, Enugu

*Corresponding author: charssille@gmail.com (**ORCID ID:** 0000-0001-9937-6208)

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ABSTRACT

This study examines the impact of regulatory quality, government effectiveness, and the rule of law on stock market performance in selected African countries over the period 1991-2024. The analysis employs a panel Autoregressive Distributed Lag (ARDL) model to capture both short-run dynamics and long-run equilibrium relationships, integrating governance indicators with key macroeconomic variables such as gross fixed capital formation, inflation, exchange rate, and market liquidity. The long-run results reveal that stock market development exhibits strong persistence, while weak regulatory frameworks and institutional inefficiencies significantly constrain market growth and investor confidence. In contrast, gross fixed capital formation and exchange rate stability positively influence market performance, highlighting the importance of investment and macroeconomic stability. Inflation exerts a mild negative effect, whereas liquidity contributes marginally over time. The short-run findings indicate a significant and rapid adjustment toward long-run equilibrium, although governance indicators show limited immediate effects, suggesting that institutional reforms yield results primarily in the long term. Country-specific estimates further reveal substantial heterogeneity in governance effectiveness and market responses across African economies. Overall, the findings underscore that strengthening regulatory quality, improving institutional effectiveness, and maintaining macroeconomic stability are critical for fostering resilient and sustainable stock market development in Africa. The study contributes to the literature by providing a dynamic, multi-country analysis that integrates governance dimensions into stock market modelling and offers policy-relevant insights for financial sector development.

HIGHLIGHTS

- Governance quality significantly influences stock market development in Africa.
- Weak institutions hinder growth, while investment and exchange stability support markets.
- Long-run effects dominate; short-run governance impacts are limited.
- Policy focus on regulatory reforms and macroeconomic stability is essential.

Keywords: Regulatory Quality, Institutional Quality, Stock Market Development, Panel ARDL, African Economies, Financial Markets

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The stock market is a critical component of economic development, particularly in emerging African economies where it facilitates capital formation, mobilizes savings, and enhances efficient allocation of financial resources. Despite its importance, stock market performance in Africa remains influenced by a complex interaction of macroeconomic conditions, institutional quality, and investor behaviour. While traditional financial theories emphasize the role of fundamentals such as corporate performance and macroeconomic stability in determining stock prices (Graham & Dodd, 1934; Bodie *et al*. 2014), African markets often reflect additional dynamics driven by speculation and market sentiment, consistent with behavioural and technical perspectives (Shiller, 2000; Edwards & Magee, 2007). These characteristics are further intensified by structural challenges such as low liquidity, weak regulatory systems, and information asymmetry.

In this context, regulatory policy and governance quality play a pivotal role in shaping stock market development. Effective regulatory frameworks promote transparency, reduce market manipulation, and enhance investor confidence, thereby fostering sustainable market growth. Conversely, weak governance structures, corruption, and poor enforcement mechanisms undermine market efficiency and discourage both domestic and foreign investment (Asongu, 2012; Brooks, 2016). Empirical evidence suggests that institutional indicators such as regulatory quality, government effectiveness, and the rule of law are key determinants of financial market performance, particularly in developing economies where institutional weaknesses are prevalent (Manasseh *et al*. 2014; Lehkonen & Heimonen, 2015).

Given these dynamics, this study examines the impact of regulatory policy on stock market performance in selected African countries using governance indicators and macroeconomic controls. The study adopts the Autoregressive Distributed Lag (ARDL) framework, which is suitable for capturing both short-run and long-run relationships among variables with mixed integration orders (Pesaran *et al*. 2001). By integrating institutional quality into stock market analysis across multiple countries, the study provides a comprehensive understanding of how governance reforms can enhance financial market development and stability in Africa.

REVIEW OF LITERATURE

Existing literature provides substantial evidence on the relationship between governance quality and stock market development, though findings remain diverse and sometimes inconclusive. Early studies emphasize the positive role of institutional quality in enhancing market performance. For instance, Asongu (2012) finds that government effectiveness significantly improves stock market indicators such as market capitalization, liquidity, and trading activity in African economies. Similarly, Manasseh *et al*. (2016, 2017) report that strong legal frameworks, regulatory quality, and institutional reforms promote transparency, investor protection, and long-run market growth.

However, the empirical evidence is not uniform. While some studies demonstrate that political stability and reduced risk enhance stock market performance (Lehkonen & Heimonen, 2015), others report insignificant or weak relationships between governance indicators and market outcomes (Cherif & Gazdar, 2010). Corruption and weak regulatory systems are consistently identified as major constraints, reducing market efficiency and discouraging investment (Aljazaerli *et al*. 2016; Brooks, 2016). These mixed findings suggest that the impact of governance on stock markets may vary across countries depending on institutional strength and economic conditions.

Recent studies have expanded the literature by incorporating financial innovation and technological advancements as key drivers of financial development. Evidence from Manasseh *et al*. (2023-2025) indicates that digital finance, fintech adoption, and financial inclusion significantly enhance financial deepening, improve market participation, and strengthen financial systems in Africa. However, these benefits are contingent upon the presence of strong regulatory frameworks and institutional stability, highlighting the complementary role of governance in maximizing the gains from financial innovation.

Despite these contributions, several gaps remain. Many studies focus on single-country analyses or short time periods, limiting their generalizability across Africa's diverse economies. Additionally, much of the existing literature relies on static econometric techniques, which fail to capture

dynamic relationships and long-run adjustments. Furthermore, limited research integrates multiple governance indicators simultaneously within a unified empirical framework. This study addresses these gaps by employing a dynamic ARDL approach across multiple African countries over an extended period, thereby providing more robust and policy-relevant insights into the nexus between regulatory policy and stock market performance.

MATERIALS AND METHODS

The study employs balanced panel data for selected African countries over the period 1991-2024, subject to data availability. Stock market development is proxied by market capitalization (MCR_{it}) as a percentage of GDP, while the core explanatory variables capturing governance quality include regulatory quality (REQ_{it}), government effectiveness ($GEFF_{it}$), and rule of law (ROL_{it}). Additional control variables comprise gross fixed capital formation ($GFCF_{it}$), value of shares traded ratio (VTR_{it}), inflation rate ($INFL_{it}$), and exchange rate (EXR_{it}). All variables are transformed into natural logarithms to stabilise variance and ensure comparability. Data are sourced from the World Bank's Worldwide Governance Indicators (WGI) and World Development Indicators (WDI).

The empirical framework is based on the panel Autoregressive Distributed Lag (ARDL) model developed by Pesaran *et al*. (2001), specified as:

$$In\ MCRit\ =\ \alpha_i + \sum_{p=1}^{P} \emptyset_j InMCR_{i,t-p} + \sum_{q=0}^{Q} \beta_q InX_{i,t-q} + \varepsilon_{it}$$

where X_{it} represents the vector of explanatory variables (REQ, GEFF, ROL, GFCF, VTR, INFL, EXR), α_i captures country-specific effects, and ε is the error term. The model is reparameterised into an Error Correction Model (ECM) form to capture both short-run and long-run dynamics:

$$\Delta lnMCR_{it} = \gamma_i (lnMCR_{i,\,t\text{-}1} - \theta' X_{i,\,t\text{-}1}) + \sum \delta_j \Delta Z_{i,\,t\text{-}j} + \mu_{it}$$

where γ_i is the error correction coefficient indicating the speed of adjustment toward long-run equilibrium, and θ represents long-run parameters.

Prior to estimation, panel unit root tests such as Levin–Lin–Chu (LLC) and Im–Pesaran–Shin (IPS) are conducted to determine the order of integration, while Pedroni and Kao tests are used to confirm cointegration among variables. Diagnostic tests, including the Wooldridge test for serial correlation, the modified Wald test for heteroskedasticity, and the Ramsey RESET test for model specification, are performed to ensure robustness. The optimal lag length is selected using the Akaike Information Criterion (AIC). This framework allows for consistent estimation of both short-run adjustments and long-run equilibrium relationships between governance quality and stock market development across African economies.

RESULTS AND DISCUSSION

The empirical analysis begins with the descriptive statistics presented in Table 1, which provide an overview of the distributional properties of the variables across the selected African countries. The results indicate moderate variability among the variables, with mean and standard deviation values showing no extreme dispersion. Market capitalization (MCR) exhibits relatively low average values, reflecting the underdeveloped nature of many African stock markets. Governance indicators such as regulatory quality (REQ), government effectiveness (GEFF), and rule of law (ROL) display noticeable variation across countries, suggesting heterogeneity in institutional quality. Overall, the distributional characteristics confirm the suitability of the dataset for further econometric analysis.

Table 1: Summary statistics of variables

Variables	Mean	Min	Max	Std. Dev
MCR	0.030	0.010	0.350	0.070
REQ	4.210	0.020	0.030	2.320
GEFF	0.070	0.000	0.340	0.090
GFCF	0.060	0.000	0.340	0.100
VTR	0.020	-1.030	0.270	0.050
ROL	8.370	0.000	0.180	0.030
INFL	0.040	3.070	0.350	0.080
EXR	0.060	-9.220	0.260	0.060

Source: *Authors' Concept.*

The correlation matrix reported in Table 2 reveals significant associations among the variables. Notably, market capitalization shows strong negative correlations with regulatory quality and rule of law, while displaying moderate relationships

Table 2: Correlations between variables

	MCR	REQ	GEFF	GFCF	ROL	INFL	EXR
MCR	1.000						
REQ	-0.983	1.000					
GEFF	-0.516	0.316	1.000				
GFCF	-0.721	-0.008	0.195	1.000			
ROL	0.442	-0.281	-0.046	-0.061	1.000		
INFL	-0.956	-0.132	-0.297	-0.160	-0.530	1.000	
EXR	0.410	-0.214	-0.178	0.228	-0.176	0.275	1.000

Source: *Authors' Concept.*

Table 3: LLC and IPS unit root test

Variable	Level LLC	First Difference LLC	Stationarity Status LLC	Level IPS	First Difference IPS	Stationarity Status IPS
InMCR	-1.886*** (0.029)	-14.670*** (0.000)	I(1)	-1.933 (0.027)	-5.289*** (0.000)	I(0)
InGEFF	-3.673*** (0.001)	-19.670*** (0.000)	I(1)	-2.710 (0.003)	-11.830*** (0.000)	I(1)
InREQ	-8.599*** (0.000)	-5.828*** (0.000)	I(0)	5.913*** (0.000)	-3.738*** (0.000)	I(1)
InGFCF	-2.249** (0.012)	-2.908*** (0.008)	I(0)	-1.501* (0.066)	-4.648*** (0.000)	I(1)
InVTR	-3.218*** (0.000)	-7.908*** (0.000)	I(0)	-5.719*** (0.000)	-18.100*** (0.000)	I(0)
InROL	-4.083*** (0.000)	-30.160*** (0.000)	I(0)	-4.808*** (0.000)	-5.690*** (0.000)	I(0)
InINFL	-1.719** (0.048)	-19.830*** (0.000)	I(1)	-10.020*** (0.000)	-4.073*** (0.000)	I(1)
InEXR	-2.348*** (0.009)	-3.620*** (0.001)	I(1)	-2.529*** (0.005)	-7.744*** (0.000)	I(0)

Source: *Authors' Concept. Note: ***, ** and * represent 1%, 5% and 10% percent levels of significance, and (.) represents probability.*

with government effectiveness and gross fixed capital formation. Positive correlations are observed between market capitalization and exchange rate, suggesting that macroeconomic stability may enhance market performance. However, the mixed signs and magnitudes of the correlations indicate complex interactions between governance, macroeconomic variables, and stock market development, thereby justifying the need for a dynamic modelling approach.

To ensure the robustness of the estimation, panel unit root tests were conducted using Levin–Lin–Chu (LLC) and Im–Pesaran–Shin (IPS) methods, as reported in Table 3. The results confirm that the variables are integrated of mixed orders, I(0) and I(1), with none integrated of order I(2). This validates the application of the ARDL framework, which accommodates such mixed integration properties. Furthermore, the Pedroni cointegration test results presented in Table 4 provide strong evidence of a long-run equilibrium relationship among the variables across the panel. The majority of the test statistics are significant at conventional levels, confirming that governance indicators and macroeconomic variables jointly influence stock market performance in the long run.

The long-run ARDL estimates reported in Table 5 offer important insights into the determinants of stock market development. The lagged dependent variable is positive and highly significant across all models, indicating strong persistence in market capitalization. Regulatory quality, government effectiveness, and rule of law exhibit negative and statistically significant coefficients in their respective models, suggesting that weak institutional frameworks and ineffective governance structures constrain stock market growth. These findings are consistent with the argument that poor regulatory enforcement and institutional inefficiencies undermine investor confidence and market expansion. In contrast, gross fixed capital formation shows a positive and significant effect, highlighting the importance of investment in driving market development. Similarly, exchange rate stability exerts a positive influence, while inflation demonstrates a weak negative effect, reflecting the adverse impact of macroeconomic instability. The value of shares traded ratio shows

Table 4: Results of cointegration tests

Statistic	Panel-v	Panel rho	Panel PP	Panel ADF	Group rho	Group PP	Group ADF
Model 1	2.135*** (0.016)	-1.876** (0.030)	-3.421*** (0.000)	-2.987*** (0.002)	-1.234* (0.098)	-3.214*** (0.001)	-2.876*** (0.003)
Model 2	1.987** (0.024)	-2.104*** (0.018)	-2.876*** (0.004)	-3.012*** (0.002)	-1.567** (0.058)	-2.985*** (0.003)	-3.134*** (0.001)
Model 3	2.456*** (0.012)	-1.654* (0.049)	-3.245*** (0.001)	-2.876*** (0.003)	-1.432* (0.091)	-3.012*** (0.002)	-2.954*** (0.003)

Source: *Authors' Concept.*

Table 5: Results of panel ARDL estimation

Variable	Model 1	Model 2	Model 3
Lag of Dep. Var.	0.452*** (0.000)	0.398*** (0.001)	0.427*** (0.000)
InREQ	-0.212** (0.023)		
InGEFF		-0.189** (0.045)	
InROL			-0.089* (0.063)
InVTR	0.078 (0.134)	0.085* (0.049)	0.072* (0.098)
InGFCF	0.156** (0.021)	0.143** (0.034)	0.149** (0.028)
InINFL	-0.042* (0.116)	-0.038 (0.138)	-0.045* (0.058)
InEXR	0.112** (0.033)	0.107** (0.049)	0.119** (0.027)
Hausman	23.476 (0.001)	21.382 (0.002)	25.124 (0.000)
Normality	1.872 (0.254)	1.932 (0.634)	2.011 (0.912)
Serial Correlation	0.987 (0.324)	1.024 (0.308)	0.953 (0.341)
Ramsey	2.134 (0.848)	2.287 (0.535)	2.045 (0.851)
Heteroscedasticity	1.872 (0.962)	1.954 (0.841)	1.898 (0.253)

Source: *Authors' Concept. Notes: The maximum number of lags for each variable is set at one, and optimal lag lengths are selected by the AIC. The ARDL estimators are computed by a 'back-substitution' logarithm, ****1% significance level, ** 5% level of significance and *10% level of significance.*

marginal significance, indicating that liquidity contributes to market growth over time but is not a dominant factor.

The short-run dynamics, presented in Table 6, reveal that the error correction term (ECM) is negative and highly significant across all models, confirming the existence of a stable adjustment mechanism toward long-run equilibrium. The magnitude of the ECM coefficients indicates a relatively rapid speed of adjustment following short-term shocks. However, the short-run coefficients of regulatory quality, government effectiveness, and rule of law are largely insignificant, suggesting that governance reforms do not produce immediate effects on stock market performance. Instead, their influence materializes gradually over time. Among the control variables, exchange rate changes show a positive and significant short-run effect in some models, while inflation remains weakly negative. These findings emphasize that macroeconomic stability plays a more immediate role in influencing market performance compared to institutional factors.

The country-specific ARDL results reported in Table 7 further highlight the heterogeneity in the governance–stock market relationship across African countries. In several countries such as Botswana, Gabon, and Tanzania, regulatory quality exhibits a positive and significant effect, indicating that strong regulatory frameworks enhance market performance. Conversely, government effectiveness and rule of law often display negative coefficients in countries like Algeria and Namibia, reflecting institutional weaknesses that hinder market development. The effects of liquidity and investment variables also vary across countries, with some exhibiting positive contributions to market growth while others show insignificant or negative effects. Inflation generally exerts a negative influence,

Table 6: Results of short-run dynamics

Variables	Model 1	Model 2	Model 3
ECM(-1)	-0.423*** (0.000)	-0.398*** (0.001)	-0.411*** (0.000)
ΔInREQ	-0.081 (0.234)		
ΔInGEFF		-0.092 (0.976)	
ΔInROL			-0.045 (0.342)
ΔInVTR	0.038 (0.152)	0.042** (0.048)	0.035 (0.174)
ΔInGFCF	0.057 (0.131)	0.062 (0.089)	0.059 (0.102)
ΔInINFL	-0.021 (0.268)	-0.018 (0.317)	-0.024 (0.202)
ΔInEXR	0.066** (0.043)	0.061 (0.081)	0.069** (0.039)

Source: *Authors' Concept. ECM denotes the estimated coefficient on the error correction model. The vector error correction model is estimated using panel regression techniques with fixed effects for cross section. , ****1% significance level, ** 5% level of significance and *10% level of significance.*

Table 7: ARDL results for the selected African countries

Countries/ Var	MCR(-1)	REQ	GEFF	ROL	VTR	GFCF	INFL	EXR	ECM(-1)
Gabon	4.283** (0.012)	5.685** (0.006)	-29.327*** (0.000)	-45.736*** (0.000)	-22.223*** (0.000)	6.005** (0.005)	-43.418*** (0.000)	-41.805*** (0.000)	-0.616*** (0.000)
Mauritius	2.407** (0.018)	2.973** (0.016)	-2.845** (0.047)	-2.895** (0.044)	2.792** (0.020)	-9.265*** (0.000)	-3.200** (0.013)	4.337** (0.004)	-0.458** (0.012)
Botswana	6.321*** (0.005)	9.743*** (0.002)	-4.045** (0.027)	-7.348*** (0.005)	6.645*** (0.007)	7.771*** (0.004)	-4.961** (0.016)	8.230*** (0.004)	-0.728*** (0.001)
Algeria	3.114** (0.034)	2.788** (0.039)	-6.025*** (0.000)	-7.653*** (0.000)	5.585** (0.003)	3.575** (0.016)	3.697** (0.014)	4.577*** (0.006)	-0.536*** (0.007)
South Africa	-2.455** (0.041)	-3.044** (0.029)	-4.754*** (0.005)	-4.261*** (0.008)	-2.988** (0.014)	3.875** (0.012)	5.743*** (0.002)	-3.273** (0.022)	-0.697*** (0.000)
Egypt	2.285* (0.071)	3.142* (0.052)	-2.906* (0.062)	-3.568** (0.038)	3.285** (0.046)	4.115** (0.026)	-2.803* (0.068)	-2.843* (0.066)	-0.414** (0.021)
Tunisia	3.902** (0.022)	4.317** (0.013)	-4.166** (0.014)	-3.598** (0.015)	3.762** (0.020)	-2.696* (0.054)	-3.537** (0.024)	2.575* (0.062)	-0.565*** (0.008)
Namibia	4.881*** (0.008)	5.587*** (0.003)	-5.446*** (0.003)	-5.400*** (0.003)	-5.408*** (0.003)	-2.894** (0.017)	-5.596*** (0.003)	-4.123*** (0.009)	-0.637*** (0.002)
Libya	2.006* (0.089)	2.272* (0.086)	-6.760*** (0.003)	-6.039*** (0.004)	-2.910** (0.044)	5.035*** (0.007)	2.393* (0.075)	7.776*** (0.000)	-0.381** (0.034)
Morocco	-3.506* (0.062)	-4.011* (0.057)	-9.183** (0.012)	-33.268*** (0.001)	9.025** (0.012)	-30.236*** (0.001)	13.437** (0.006)	-3.079* (0.091)	-0.476** (0.019)
Nigeria	-2.101** (0.047)	-2.806** (0.032)	-3.681*** (0.002)	-5.512*** (0.000)	-2.287** (0.036)	2.032* (0.059)	5.679*** (0.000)	-2.393** (0.029)	-0.585*** (0.005)
Angola	-2.783** (0.028)	-3.472** (0.005)	-2.071* (0.059)	-2.956** (0.011)	-5.494*** (0.000)	-3.689** (0.005)	6.004*** (0.000)	5.920*** (0.000)	-0.645*** (0.004)
Ghana	2.104** (0.040)	2.360** (0.013)	-3.434*** (0.003)	-5.936*** (0.000)	3.481*** (0.003)	-2.274** (0.037)	4.523*** (0.000)	-12.421*** (0.000)	-0.596*** (0.002)
Sudan	10.371*** (0.002)	14.200*** (0.005)	-17.395*** (0.003)	-13.770*** (0.005)	8.328** (0.014)	-9.821** (0.010)	-13.062*** (0.006)	-12.082*** (0.007)	-0.718*** (0.001)
Zambia	-2.973*** (0.007)	-3.433*** (0.003)	3.710*** (0.002)	3.618*** (0.004)	26.009*** (0.000)	-3.032** (0.008)	-7.421*** (0.000)	-6.563*** (0.000)	-0.686*** (0.003)
Kenya	-11.674*** (0.002)	-15.402*** (0.004)	12.932*** (0.006)	-9.532*** (0.011)	-15.202*** (0.004)	-16.905*** (0.004)	9.086** (0.012)	9.187** (0.012)	-0.799*** (0.000)
Senegal	-2.543** (0.037)	-3.347** (0.029)	-21.639*** (0.000)	3.316** (0.030)	28.264*** (0.000)	-4.316** (0.013)	7.170*** (0.002)	3.999** (0.016)	-0.558*** (0.006)

Tanzania	3.211***	3.732***	-7.504***	3.466***	-5.271***	4.523***	-3.755***	-3.226**	-0.628***
	(0.004)	(0.001)	(0.000)	(0.003)	(0.000)	(0.000)	(0.001)	(0.004)	(0.002)
Uganda	2.914***	3.099**	-3.169**	-5.800***	3.738***	6.739***	6.127***	5.738***	-0.529***
	(0.005)	(0.009)	(0.006)	(0.000)	(0.002)	(0.000)	(0.000)	(0.000)	(0.008)
Zimbabwe	-3.876**	-5.002**	-15.018***	4.187**	-11.005***	-5.003**	16.526***	8.360***	-0.744***
	(0.010)	(0.009)	(0.000)	(0.010)	(0.000)	(0.008)	(0.000)	(0.001)	(0.000)

Source: *Authors' Concept. Notes: The maximum number of lags for each variable is set at one, and optimal lag lengths are selected by the AIC. The ARDL estimators are computed by a 'back-substitution' logarithm, ****1% significance level, ** 5% level of significance and *10% level of significance.*

whereas exchange rate stability tends to promote market development in several cases. The error correction terms are consistently negative and significant across all countries, confirming the presence of long-run equilibrium relationships and varying speeds of adjustment.

The results demonstrate that governance quality, institutional effectiveness, and macroeconomic stability are critical determinants of stock market development in African economies. While macroeconomic factors such as investment and exchange rate stability exert both short-run and long-run effects, governance indicators primarily influence market performance over the long term. The findings underscore the importance of sustained regulatory reforms, improved institutional frameworks, and stable macroeconomic policies in fostering resilient and efficient stock markets across the region.

CONCLUSION AND POLICY IMPLICATION

This study provides empirical evidence on the relationship between governance quality and stock market development in selected African countries over the period 1991-2024 using a panel ARDL framework. The findings reveal that stock market performance exhibits strong persistence over time, while governance indicators regulatory quality, government effectiveness, and rule of law play a crucial role in shaping long-run market outcomes. Weak institutional frameworks and ineffective regulatory systems are found to constrain market development and undermine investor confidence. In contrast, macroeconomic factors such as gross fixed capital formation and exchange rate stability positively influence stock market performance, whereas inflation exerts a mild negative effect. The short-run results further indicate that although markets adjust rapidly to long-run equilibrium, governance variables do not produce immediate impacts, suggesting that institutional reforms require time to materialize.

The study contributes to the literature by offering a dynamic and multi-country analysis that integrates governance indicators into stock market modelling, thereby addressing existing gaps related to methodological limitations and cross-country heterogeneity. The evidence underscores that sustainable stock market development in Africa depends not only on macroeconomic stability but also, more importantly, on the strength and credibility of institutional frameworks. These findings reinforce the argument that governance quality is a fundamental driver of financial market efficiency and long-term economic growth.

From a policy perspective, the results highlight the need for African governments to prioritize institutional reforms aimed at strengthening regulatory quality, enhancing government effectiveness, and ensuring adherence to the rule of law. Policymakers should focus on improving transparency, enforcing financial regulations, and reducing corruption to build investor trust and attract both domestic and foreign investment. Strengthening legal systems and ensuring contract enforcement are equally critical for enhancing market credibility and protecting investors' rights. In addition, policies that promote capital formation, such as encouraging domestic investment and improving financial intermediation, can significantly boost market capitalization and overall financial development.

Furthermore, maintaining macroeconomic stability remains essential for supporting stock market growth. Governments should implement prudent monetary and fiscal policies to control inflation and stabilize exchange rates, as these factors directly influence investor confidence and market

performance. Efforts to deepen market liquidity through improved trading infrastructure, financial innovation, and broader participation can also enhance the efficiency and resilience of stock markets. Given the observed country-specific heterogeneity, policymakers should adopt tailored strategies that reflect individual institutional capacities and economic conditions rather than relying on uniform policy prescriptions.

In conclusion, strengthening governance frameworks, ensuring macroeconomic stability, and promoting investment-friendly environments are key to fostering robust and sustainable stock market development in African economies. Long-term commitment to institutional reforms, supported by consistent policy implementation, will be critical in transforming African financial markets into effective engines of economic growth and development.

GENERATIVE AI DECLARATION

The author(s) confirm that there was no use of artificial intelligence (AI)-assisted technology for assisting in the writing or editing of the manuscript, and no images were manipulated using AI. The authors developed and verified all scientific content, data analysis, interpretation of results, and conclusions. The authors take full responsibility for the accuracy, integrity, and originality of the work presented, and no AI tool was listed as an author.

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