Assessment of the Effects of Good Governance on Financial Inclusion in the CEMAC Zone

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Abstract

The process of making and enforcing decisions in an institution could greatly account for the extent to which individuals can access financial services. This is evident in the fact that some governance processes impacting institutional quality tend to act as barriers that exclude people from participating in the financial sector. It is thus the prerogative of good governance to improve the availability and equality of this financial access to citizens who can use these services to improve their lives. This paper examines the effect of good governance on financial inclusion in the CEMAC Zone. It uses the causal and the expost-factor research design. Time series data from 2000 to 2021 were collected mainly from the World Bank database, IMF and the World governance indicators. From the results, government effectiveness was found to have a positive but insignificant effect on financial inclusion in CEMAC Zone. The results also indicated that political stability negatively and significantly affects financial inclusion. Control of corruption was also found to have a negative and significant effect on financial inclusion in CEMAC Zone. The study recommends that Government effectiveness can be used as a tool to promote financial inclusion by relaxing the documentation requirements for opening accounts or creation of commercial banks in the sub-region. This will increase the number of commercial banks in the countries and increase deposits as well as deposit accounts.

Keywords: Good Governance, Financial inclusion, CEMAC, Fixed and Random Effects

JEL CLASSIFICATION: O43, P34

Introduction

Countries in this zone are increasingly gearing their priorities not only towards developing good governance practices but also in promoting financial inclusion. While good governance seeks to ensure quality and effectiveness of institutions and policies, in the management of resources and public affairs, financial inclusion focuses more on how individuals and businesses can access and use different financial services. In order therefore to ensure the wellbeing of citizens, countries in the CEMAC Zone have put in place a good number of structures and processes aimed at fostering accountability, transparency, responsiveness, rule of law, stability and equity (Marone, E., & Marone, L. (2018)

The concept of financial inclusion has gained increasing attention in our world today, especially for the fact that finances have become the talk of the day. According to the Alliance for Financial

Inclusion, financial inclusion is the access, use and quality of financial services. This definition has been subject to some criticisms, for its applicability in developed countries, since it does not give a clear difference between voluntary and involuntary exclusion (Salignac et al. 2016).

The subject of financial inclusion has been a major concern to policy makers in the world (World Bank, 2016). Current literature points to the role that access to finance plays in promoting growth and reducing income in-equality (Emara & Said, 2021; Vaid et al., 2020). By smoothing out consumption, households can boost productive investment (Dupas & Robinson, 2013). Micro enterprises can boost investment and expand scale (Chauvet & Jacolin, 2017). Financial inclusion may also promote bank stability (Khan et al., 2021; Ahamed & Mallick 2019) and boost future households' income (Kling et al., 2020). More importantly, financial inclusion enhances welfare, by lowering or reducing poverty and inequality (Ofori-Abebrese, 2020; Neaime & Gaysset, 2018).

Emerging trends in financial services and products fashioned by the wind of digitalization promoted by global regional integration blocks, are an indication that good governance must not only promote peaceful, inclusive societies and regional partnerships but also a balanced and equitable financial inclusion. Some studies have proven that there is a positive relationship between good governance and financial inclusion. Ozili (2023) draws from the case of Asia and middle Eastern countries to posit that strong corporate governance is significantly associated with better financial inclusion outcomes

According to North (1990) institutions are basically the constraints that determine social, economic and political interactions. From his point of view, institutional quality may affect financial inclusion when financial markets, channels resources to finance investments. So, in a bit to enhance financial inclusion, good institutions can do so by overcoming transaction and information cost. Using the autoregressive distributed lag model, and a quarterly data, Onyinye et al., (2019) "investigate the role of institutions on access to bank accounts in Nigeria". They find that quality of institutions significantly affects financial inclusion in the short run and long run periods. Using two-stage least-squares and generalized method of moments (GMM) estimation techniques, Minhaj et al (2020) finds that quality of institutions significantly enhances financial inclusion. This finding supports Saydaliyev et al. (2020)., who also find financial inclusion to be associated with better institutional quality.

CEMAC countries, like other developing nations, have taken decisive measures to promote financial liberalization. Initially, these countries had tightly regulated economies characterized by a dominance of state-owned banks. The stock markets were still in their nascent stages, contributing minimally to the overall financial system. Local banks played a crucial role in financing investments and supporting financially troubled public sector companies, resulting in a significant accumulation of nonperforming loans. However, following over a decade of comprehensive financial reforms, the financial system in the CEMAC region and its associated countries has undergone extensive restructuring. The focus has been on liquidating numerous financial institutions, privatizing the remaining ones, eliminating direct state regulation of credit and financial institutions, establishing independent monetary regulatory authorities, and implementing stricter prudential regulations (Joseph, 2002).

The insufficient level of long-term credit provided to the economies of CEMAC countries is influenced by macroeconomic and political uncertainties. These uncertainties explain why the financial system in these countries remains relatively ineffective in financing the economy, as evident from the notable statistics of over 12% in 2012, as reported by Banque de France in 2017. In

comparison to emerging nations such as Brazil (35%), India (37%), and China (120%), the CEMAC countries exhibit a significantly lower rate of economic financing.

Furthermore, the legislative framework in the CEMAC countries is primarily ill-suited to the economic realities they face, which are characterized by low institutional quality. According to the Mo Ibrahim Report of 2019, CEMAC zone performs the poorest in terms of governance when compared to other regions of the continent, including West Africa, East Africa, and the Maghreb. These institutional weaknesses act as obstacles to the development and efficiency of the financial systems in CEMAC countries.

The sustainable development goals have of recent pointed out the key role of financial inclusion. worthy of note is the fact that the Baden-Baden G20 has identified financial inclusion as key enabler to 7 out of 17 sustainable development goals, and are committed to advancing financial inclusion worldwide, and also to committed to implementing their G20 High-Level principles for digital financial inclusion. In alleviating poverty, financial access is required, to ensure zero hunger, secured access and financial services are required, to ensure good health, financial risk protection and services are required, for gender equality, financial access must be equally spread, for decent work and economic growth, access to financial services by Small and medium sized enterprises is needed. All the aforementioned presents a case for financial inclusion and advocated by SDGs. Worthy of note is the fact that, Cameroon's New Development Strategy paper 2030, has as one of its major goals to increasing financial inclusion and access in the country, as the quality of institutions are regarded as benchmark for an effective inclusion.

It is in this regard that the paper sets out to isolate the effect of good governance on financial inclusion in CEMAC Zone, hence the research sets out to attain the following objectives: (1) To assess the effect of government effectiveness on financial inclusion in the CEMAC Zone (2) To investigate the effect of political stability on financial inclusion in the CEMAC zone (3) To tease out the effect of control of corruption on financial inclusion in the CEMAC Zone.

Stylized Facts

Looking at financial inclusion, access to financial services is seemingly low in the CEMAC Zone. Disparities also exist in terms of ownership of savings amongst adults as just 7.5% of adults have formal savings in the CEMAC Zone. Before the various conflicts in the zone came into place, worth noting was the fact that formal savings in countries like Central African Republic was the lowest in the region, and Cameroon had the highest. One of the most important reasons for not owning bank accounts by adults was on the basis of "lack of money", some compared the deposit requirements to their income, others gave restraining factors such as cost of the service and the distance to the closest bank branch to them. It is also worth noting that opening and maintenance of bank accounts in the CEMAC is expensive as compared to other banks in other regions (Findex database, 2012)

Poor people and woman have less access to formal savings in the CEMAC zone, about 23% of the better off population has formal account compared to the only 4% women and the worse off population. They equally have less access to financial services than men, as only 6.8% of women have formal financial account as compared to the men with 11.3% of their male population. This gives a poor ratio of men to women in the CEMAC zone as compared to zones like sub-Saharan Africa, bringing in gender disparities

For more 10 years of financial reforms, CEMAC's financial systems has undergone a great deal of restructuring. Issues such as privatization of financial institutions, liquidation of some institutions,

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establishing independent monetary regulatory authorities and adopting strict regulations, have plagued the CEMAC zone (Joseph, 2002). Also, financial institutions which are concerned with granting loans often face a problem of information asymmetry and lack of transparency. This accounts for why the ratio of bank loans or credits to private sector GDP, has not exceed 25% of GDP between the period 1960 to 2016, capered to the developed countries such as China, Korea, Singapore and Thailand, with ratios of 156.7%, 143.3%, 147.3% and 132.9%, respectively, in 2016.

Worthy of note is the fact that the low level of loan or long-term credit granting in CEMAC zone is associated to macroeconomic and political uncertainty. This pinpoints the fact that there is a low rate of financing the economy by the financial system with an average of 12% in 2012 compared to that of emerging nations like Brazile with 35%, India with 37% and China with 120% (According to Banque de France 2017).

Literature Review

Conceptual framework

Financial Inclusion

The World Bank defines financial inclusion as the ease and affordability with which individuals and businesses can access financial products and services that meet their needs. In the same context, the Center for Financial Inclusion in Washington defines financial inclusion as the provision of high-quality financial services that are affordable, distinctive, and accessible to everyone, including the disabled or poor, individuals in rural or remote areas, and all other groups (Shaker Alsamraeei, 2018).

Governance

In recent times, the word 'governance' has come to be seen as an alternative to 'government'. This difference is made clear especially in terms of service delivery given that government as a political actor is the only role player for service delivery, where as in governance this responsibility is shared between the state, people and private sectors (Pierre 2000 1-10). Here, governance is regarded as an instrument or process of implementation of government decision.

According to Grindle(2004) good governance might be approximated with provision of public services in an efficient manner, higher participation given to certain groups in the population like the poor and the minorities, the guarantee that citizens have the opportunity of checks and balances on the government, the establishment and enforcement of norms for the protection of the citizens and their property and the existence of independent judiciary systems.

Good governance in this paper is discussed in tandem with the concept of institutional quality developed by Kaufmann et al. (2008) which refers to the measure of institutional development in terms of governance indicators, particularly the rule of law as well as government effectiveness. Institutional quality as given by Kaufmann et al., (2010) is captured in different variables: government effectiveness, political stability, control of corruption, rule of law, regulatory quality, voice and accountability

Related theories

The endowment Theory

This theory was first coined by Richard Thaler in 1980. Beck et al (2001) in view of the endowment theory, argue that the geography, topology and disease environment of a country shape the

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development of all institutions, including legal and financial ones. In a first mechanism invoked by Gallup et al. (1998), the emphasis is on the impact of endowments on production and economies of scale in agriculture.

Financial Intermediation Theory

This theory was cited by Franklin and Anthony (1996), it emanates on the works of Mckinnon and Show (1973). The later based their arguments on two strong points which were that; the financial sector is critical and necessary for the growth of the economy, secondly, the government's interference and imposition of extensive controls on the financial sector militates against the contribution of the sector to growth and development of preventing financial deepening process.

Empirical Literature

In relating governance to financial inclusion, Hela Borgi et al (2023) draw evidence from the world governance indicators based on political governance, economic governance and institutional governance to probe on whether governance quality matters in Africa when it comes to inclusive finance. The dimensions of governance quality presented by these authors includes: political stability, voice and accountability, government effectiveness, regulation quality, the rule of law, and corruption control. Their findings revealed that economic governance induces a significant and positive effect on financial inclusion in all instances. This findings implies increased motivation for regulators and governments to develop environmental policies that integrate inclusive finance to meet sustainable development goals. These results are significant in the assessment of the effects of good governance on financial inclusion, as they can help regulators, investors, and policymakers to assess and better understand the potential moderation role of governance quality when it comes to inclusive finance.

Anthony Orji et al (2019) carried out a study on "Do financial stability and institutional quality have impact on financial inclusion in developing economies? New evidence from Nigeria. They used quarterly data from 1986-2013, applying an autoregressive distributed lag model based on the unrestricted error correction model (ARDL-UECM). Their findings were that; financial stability has significant impact on financial inclusion in the long run period but not in the short run. Also, the study revealed that institutional quality has a significant impact on financial inclusion in the long run period and in the short run period. Based on their findings on the fact that institutional quality and financial stability both have a positive effect on financial inclusion in the long run, the study recommended that the government and policy makers who are pursuing the agenda of financial inclusion should pay attention not only to the financial and economic indicators but they should also give attention to institutional factors existing in the country.

Abidin et al. (2021) examined the effect of political instability on financial inclusion in the Middle East and North Africa region, using data from the Global Findex database. The asymmetry relationship between political instability and financial inclusion was tested using the Probit model with sample selection and a multiplicative interaction test of the asymmetric model. The authors also proposed and tested a political stability threshold model that could trigger financial inclusion. Their findings revealed that political instability positively correlates with lower degrees of financial inclusion. Further, they calculate the political stability threshold level that will trigger financial inclusion to be -0.960 for the Middle East and North Africa region. The authors recommend that policymakers could enhance and promote financial inclusion and economic well-being by targeting the minimum threshold value of political stability.

Ali et al. (2016) in their study, examined the interplay between the quality of institutions and financial inclusion in 52 developing countries from 2004 to 2010. They used the GMM model and the results showed that institutional quality for developing countries promotes financial inclusion and that financial openness and economic growth affects financial inclusion significantly and positively in developing countries

Olanrewaju (2018) investigated the relationships between institutional quality, financial inclusion and inclusive growth in Nigeria. He used the Bounds testing approach of cointegration in and ARDL framework. His findings showed that there is a positive and statistically significant relationship between institutional quality and financial inclusion. He Also found out that even though the evidence of financial inclusion and institutional factors positively related to inclusive growth, the relationship between the real GDP per person employed as a measure of inclusive growth and the interacted variable. However, the composite institutional quality index appeared to be the dominant driving force behind growth inclusiveness in the economy. The implication of the findings is that institutional factors could be said to have an overall significant impact on inclusive growth in Nigeria.

Minhaj Ali et al (2020) carried out research on Financial Inclusion, Institutional Quality and Financial Development: Empirical Evidence from OIC Countries. They examined the moderating effect of institutional quality on the relationship between financial inclusion and financial development of 45 organizations of Islamic Cooperation countries. They used panel data from the period 2000 to 2016, applying the Arellano-Bond generalized method of moments (GMM) and two -stage least-squares (2sls) method in the estimation to obtain multidimensional results. the findings showed that there is a significant positive relationship between financial inclusion, institutional quality and financial development. They also found that institutional quality moderates' financial inclusion and has a positive and significant impact on financial development.

Methodology

The current research made use of secondary data gotten from numerous sources, mainly the World Development Indicators of the World Bank, the Worldwide Governance Indicators as well as the International Monetary Fund. The study employed the use of panel data, the data were collected from the 6 CEMAC countries over the period of 2000-2021

Model specification

Financial inclusion (FI) = f (Government effectiveness (GE), Political Stability (PS), Control of corruption (CCR), Rule of Law (RL), Gross domestic product (GDP), Inflation (INF),

$$FI_{it} = \beta_0 + \beta_1 GE_{it} + \beta_2 PS_{it} + \beta_3 CCR_{it} + \beta_4 RL_{it} + \beta_5 GDP_{it} + \beta_6 INF_{it} + \mu_{it} \ldots 1$$

Where FI $_{it}$ denotes financial inclusion. β_0 is the intercept, $\beta_1 GE_{it}$ is government effectives, $\beta_2 PS_{it}$ is political stability and $\beta_3 CCR_{it}$ is control of corruption. $\beta_4 RL_{it}$, $\beta_5 GDP_{it}$, $\beta_6 INF_{it}$ are the control variables that includes rule of law, gross domestic product and inflation respectively, the subscripts i and t captures countries and time respectively. μ_{it} is the stochastic disturbance error-term.

Measurability of variables

Financial Inclusion: The current study captures financial inclusion in terms of Number of depositors with commercial banks per 1,000 adults and Number of deposit accounts with commercial banks per 1,000 adults

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Institutional quality measured in terms of

Government effectiveness: This captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance

Political Stability: This measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. Ranges from approximately -2.5 (weak) to 2.5 (strong) political stability

Control of Corruption: This captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. Ranges from approximately -2.5 (weak) to 2.5 (strong)

Presentation and Discussion of results findings

The principal component analysis reveals that, the Number of depositors with commercial banks per 1,000 adults has a large positive association to financial inclusion and constitutes 92.40% of financial inclusion. Also, the eigenvalue is greater than 1, therefore relevant for us to use in our model

Table 1 Summary of Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
No of depositors	132	105.5958	80.11189	1.046303	307.3975
No of deposit accounts	132	101.6182	77.73775	1.225121	344.7135
GE	132	-1.16426	0.312209	-1.88736	-0.2826067
PS	132	-0.77683	0.785147	-2.69919	0.6402106
CCR	132	-1.1826	0.233857	-1.62769	-0.5203788
RL	132	-1.159	0.345645	-1.84154	-0.1827117
GDP	132	1945210	2239651	119398.5	9576212
INF	132	4.906798	12.80751	-21.1652	64.73502

The summary of descriptive *Source: Computed by Authors*

Analysis from the table above shows that all the variables have 132 observations. Number of depositors per 1000 adults has a mean vale of 105.5958 with minimum and maximum values of 1.046303 and 307.3975 respectively. Furthermore, the mean value of government effectiveness over the study period is -1.164 while the minimum and maximum values over the period of study were about -1.887 and -.283 respectively. Also, the mean value of political stability is -.777and it has minimum and maximum values of -2.699 and .64 respectively control of corruption has a mean value of -1.183 and minimum and maximum values of -1.628 and -0.520, while rule of law has a mean value of -1.159, with minimum and maximum values of -1.842 and -.183. In all, the table reveals mean values for the variables specified in the model which shows issues of central tendencies, the standard deviations which show how data points deviate from their mean values, the maximum and minimum showing the highest and the lowest values respectively of the variables specified in the models.

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Correlation Results

Table 2 Pairwise Correlation Matrix

	FI	GE	PS	CCR	RL	GDP	INF
FI	1						
GE	0.3924	1					
PS	0.6998	0.6635	1				
CCR	0.1009	0.5454	0.3075	1			
RL	0.4828	0.7986	0.7713	0.6753	1		
GDP	0.7681	0.272	0.7172	0.1043	0.4932	1	
INF	0.0583	-0.0051	0.0762	0.0246	-0.0097	0.0778	1

Source: Computed by Authors

The results show that all the correlation coefficients at the diagonal are unitary, showing that each variable has a perfect positive correlation with itself. Also, the table shows that financial inclusion has a positive and weak relationship with government effectiveness, corruption, rule of law and inflation. Also, the table indicates that financial inclusion has a strong positive correlation with political stability and gross domestic product. The correlation values are less than 0.8 which is prime indication of the absence of multicollinearity which will duly be tested subsequently.

Stationarity Test Results
The stationarity test was employed in this work to ensure that the variables were stationary over time. The primary information of the significance levels and or p-values states clearly whether or not the series is stationary, if not stationary, drift or without drift which could be subjected to empirical investigations. To verify the stationarity of the variables used in this work, the Im-Pesaran-Shin unit-root test was used and the results presented in the following table.

Table 3 Summary of Im-Pesaran-Shin Unit-Root Test for Stationarity

Variable	At levels		At first difference	
	T statistics	p-value	T statistics	p-value
FI	0.5605	0.7124	-2.2564	0.0120
GE	-0.1365	0.4457	-5.2591	0.0000
PS	-0.8199	0.2061	-5.9260	0.0000
CCR	-0.5098	0.3051	-3.4014	0.0003
RL	0.3082	0.6210	-4.8998	0.0000
GDPPC	1.1749	0.8800	-3.0004	0.0013
INF	-3.0744	0.0011	-8.0612	0.0000

Source: Computed by authors

The results above show the Im-Pesaran-Shin unit-root test for stationarity. The statistics shows that all variables except inflation are non-stationary at level, which is very common with time series and panel data hence the existence of unit roots. All variables however achieve stationarity after first difference as revealed by the negative values of the t-statistics, which increase, and the significance of the p-values. This implies that analysis will be done a difference to take care of non-stationarity.

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Regression Analysis
Table 4 Hausman Test Results

		---- Coefficients ----			
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))	
	fe	re	Difference	S.E.	
GE	0.204766	0.814943	-0.61018	.	
PS	-0.55346	0.446098	-0.99956	.	
CCR	-0.64669	-0.36843	-0.27826	.	
RL	0.226105	-0.46115	0.687255	.	
GDP	-6.41E-08	3.63E-07	-4.27E-07	.	
INF	-6.41E-08	3.63E-07	-4.27E-07	.	
b = consistent under Ho and Ha; obtained from xtreg					
inconsistent under Ha, efficient under Ho; obtained from xtreg					
Test: Ho:	difference in coefficients not systematic				
	chi2(5) = (b-B)'[(V_b-V_B)^(-1)](b-B)				
	968.94				
	Prob>chi2 = 0.0000				

Source: Computed by Authors

The table above shows the Hausman test, which helps us to choose between the fixed and the random effect models. From the Prob>chi2 of 0.0000 we reject the null hypothesis which considers the random effect model and accept the alternative, which considers fixed effect mode. This means the analysis will proceed to use the fixed effect model for the variables used in the study.

Table 5 Regression Results for Fixed Effect Model

Fixed-effects (within) regression				Number of obs		=	132
Group variable: id				Number of groups		=	6
R-sq:				Obs per group:			
within = 0.1575					min	=	22
between = 0.8567					avg	=	22.0
overall = 0.5174					max	=	22
				F(6,120)		=	3.74
corr(u_i, Xb) =-0.8384				Prob > F		=	0.0019
FI	Coef.	Std. Err.	t	P>t	[95%		Conf. Interval]
ge	0.2047661	0.346357	0.59	0.555	-0.4809967		0.8905289
ps	-0.5534577	0.1593084	-3.47	0.001	-0.8688772		-0.2380382
ccr	-0.6466937	0.3875372	-1.67	0.098	-1.41399		0.1206031
rl	0.2261047	0.4090483	0.55	0.581	-0.5837824		1.035992
gdp	-6.41E-08	4.36E-08	-1.47	0.144	-1.50E-07		2.22E-08
inf	-0.0059477	0.0035584	-1.67	0.097	-0.0129931		0.0010977
_cons	-0.5403825	0.4897569	-1.1	0.272	-1.510067		0.4293019

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sigma_u	1.8556864				
sigma_e	0.50337767				
rho	.50337767 (fraction of variance due to u_i)				
F test that all u_i=0: $F(5, 120) = 43.04$				Prob > F = 0.0000	

Source: Computed by authors

Table 5 shows the fixed effect model. The results have a total number of observations of 132, an F-test of 43.04 and a Prob>F of 0.000 which is significant at 1% level of significance. This means that the overall model is significant at 1%, depicting a significant effect of institutional quality variables on financial inclusion in the CEMAC Zone. The constant term is -0.5403825 indicating that in the absence of all independent variables, financial inclusion will be negative (-0.5403825). The table reveals a positive relationship between government effectiveness and financial inclusion indicating that, an increase in government effectiveness by 1 unit will lead to a 0.2047661 unit increase in financial inclusion, though insignificant. These results are in line with that Zulkhibri and Ghazal (2017), Kwenda and Chinoda (2019)

Also, from the table, Political stability and financial inclusion have a negative relationship, this means an increase in political stability will lead to 0.5534577-unit decrease in financial inclusion. This has a p-value of 0.001 which is significant at 1% level of significance. This permits to conclude that political stability has a significant effect on financial inclusion in the CEMAC Zone. This is in line with the work of Ajide (2017) and Aaberge et al. (2017)

Again, results from the table, reveals a negative relationship between control of corruption and financial inclusion. The coefficient indicates an improvement in control of corruption will lead to a 0.6466937 unit decrease in financial inclusion. This has a p-value of 0.098 shows that the relationship is statistically significant at 10% level of significance, thus the control of corruption has a significant effect on financial inclusion in the CEMAC Zone. These findings are supported by Nurudeen et al. (2015)

From Table 5, the rule of law and financial inclusion have a positive relationship with a coefficient of 0.2261047, meaning that an improvement in rule of law will lead to a 0.2261047 unit increase in financial inclusion. GDP which was used as a control variable has a negative effect on financial inclusion, this means that an increase in GDP by one will lead to a 6.41E-08 decrease in financial inclusion, however, this has a p-value of 0.144 which is insignificant. Finally, inflation has a negative relationship with financial inclusion, the coefficient indicates that an increase in inflation by 1 unit will lead to a 0.0059477 unit decrease in financial inclusion, this has a p-value of 0.097 which is significant at 10% level of significance.

Post test

The various post test conducted were test for multicollinearity with a VIF of 1.28 which a clear indication of the absence of multicollinearity in the model employed in this study. Also the Breusch-Pagan / Cook-Weisberg test for heteroskedasticity was conducted and the Prob>chi2 is greater than 0.05, hence we do not reject the null hypothesis and conclude that there is no heteroscedasticity in the model.

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Conclusion and Policy Recommendations

In a nutshell, this study which was carried out in the CEMAC Zone, the main research objective which was to examine the effect of good governance on financial inclusion, was broken down into different specific questions which targeted particular questions as stated in the study with the view to contributing to policy recommendation in the public sector. Even though study seeks to provide answers to the aforementioned specific questions, empirical evidence on the role of governance in promoting financial inclusion is still very thin. Using a cross country data for six CEMAC countries, for a period of 2000-2021, this study sought to investigate the role played by good governance on financial inclusion in CEMAC Zone. Based on this, a fixed effect model alongside a proxy of financial inclusion, and three measures of good governance were used and estimated. The study concluded based on the overall model that institutional quality significantly affects financial inclusion in the CEMAC Zone. This was also driven by the need to improve on the level of financial inclusion in the CEMAC ZONE. The results from the findings have shown that political stability, control of corruption significantly influences or affects financial inclusion in the CEMAC Zone. This seems to concur with economic theory implying that governments should improve on their effectiveness and ensure that the nations are politically stable.

Policy Recommendations

Based on the findings the following recommendations are made:

Government effectiveness can also be addressed by relaxing the documentation requirements for opening accounts or creation of commercial banks. This will increase the number of commercial banks in the countries and increase deposits as well as deposit accounts. The government should also encourage electronic payments by first paying its Civil servants through electronic mediums and through various financial institutions. Again, countries have to improve on their governance as well as emanate a positive perception about the various financial institutions in the zone to enable and encourage those involved to enjoy the benefits of it and improve on the growth of the financial sector. The governments can also improve on institutional quality/good governance of financial institutions by reducing bureaucratic processes, improve credit regulations and allocation.

Planners in the economy can also increase their efforts by targeting and improving institutions which are important or necessary to the realization of financial inclusion. This will help create good and conducive environment and or climate for financial inclusion. Policies on this will help in the free flow of information, property right protection

The government and members of anti-corruption should also ensure high levels of transparency, reinforcing information disclosure in the financial sector. This will instill a positive perception in the general public about financial institutions. This trust by the public on financial institutions will encourage the public to open bank accounts, increase their deposits and make them to use other financial services offered by the commercial banks hence promoting financial institutions.

Additional attention should be given on inflationary situation of the CEMAC. This is because increase inflation reduces financial inclusion. Hence the authorities should ensure that inflation is always at a minimum.

Declaration of No Conflict of Interest

There is no conflict of interest between the authors

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