The Impact of Regional Integration on Banking and Capital Markets in Sub-Sahara Africa

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Abstract

This paper considers whether regional integration in sub-Sahara Africa (SSA) had a positive or negative impact on the banking and capital markets in the post financial crisis. The global financial crisis had an adverse impact for both developed and developing countries and the adjustment process for most depended upon on how easily they absorbed the exogenous liquidity shocks engendered by the financial crisis. One purpose of regional integration is to promote economic growth and improve welfare for member countries with financial sectors serving as catalyst to facilitate the movement of capital among countries. We consider whether regional integration provided monetary coordination, particularly with respect to how banks responded to liquidity shocks that the financial crisis engendered. Using World Development financial data we evaluate the treatment effect of belonging to a regional trade /monetary union during the financial crisis on the banking reserves and liquidity.

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