

Effect of Country Specific Risk on Regional Financial Integration Among African Countries

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Abstract

ABSTRACT

The research examined how country risk affects African regional financial integration. Panel regression method of data analysis was employed from two African countries (Nigeria from west and South Africa from Southern regions). The research examined how political, economic, financial, and social risks influenced Africa's regional financial integration. The study found that political risk via corruption, military intervention, and democratic accountability hampered regional financial integration in African nations. The association between regional financial integration and economic risk (debt repayment, overseas commerce, parallel exchange rates) was to be positive and significant. Financial risk via loan default, payment delays, and private capital confiscation harmed regional financial integration. While, socioeconomic condition positively and significantly affects regional financial integration, whereas, law and order, ethnic tension, and religion negatively and significantly impact it. A country's risk level determines the flow of investment in such country since investors tends to reconsider their plans or leave.

Keywords: Political Risk, Economic Risk, Financial Risk, Social Risk, Democratic Accountability, Loan Default, Delayed Payment, Socioeconomic Condition