

Effect of Natural Resources on Financial Development in Sub-Saharan Africa

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Abstract: This article aims to analyse the effect of natural resources on financial development in a panel of 38 sub-Saharan African countries over the period from 2003 to 2020. More specifically, we have analysed the effect of natural resources rent on financial development. The analyses confirm our hypothesis that natural resources negatively affect financial development. Over-reliance on natural resources exposes these economies to income volatility and hampers the development of other crucial sectors, including the financial sector. It is therefore crucial to adopt a policy of economic diversification by reinvesting revenues from natural resources in sectors that generate sustainable growth, such as agriculture and manufacturing.

Keywords: Natural Resources, Financial Development, Sub-Saharan Africa, GMM

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