FRONTLINE MARKETING MANAGEMENT AND ECONOMICS JOURNAL
(ISSN – 2752-700X)
VOLUME 03 ISSUE 06 Pages: 7-11
SJIF IMPACT FACTOR (2021: 5.277) (2022: 5.694) (2023: 6.834)
OCLC – 1276793382
Publisher: Frontline Journals

Journal Website: https://frontlinejournals.org/journals/index.php/fmmej

Research Article

THE GROWTH EFFECT OF INCOME INEQUALITY IN SUB-SAHARAN AFRICA: EXPLORING THE TRANSMISSION CHANNELS

Submission Date: May 26, 2023, **Accepted Date:** May 31, 2023,
Published Date: June 05, 2023
Crossref doi: https://doi.org/10.37547/marketing-fmmej-03-06-02

Ibrahim Abidemi Akinlo
Department of Economics, Olabisi Onabanjo University, P.M.B. 2002, Ago-Iwoye, Nigeria

ABSTRACT

This article examines the relationship between income inequality and economic growth in Sub-Saharan Africa, with a specific focus on exploring the transmission channels through which income inequality affects growth. Despite the region's economic progress, income inequality remains a persistent challenge, and its impact on growth has significant implications for sustainable development. By analyzing empirical evidence and employing econometric techniques, this study sheds light on the complex dynamics between income inequality and economic growth in Sub-Saharan Africa. The findings provide insights into the transmission channels through which income inequality influences growth and highlight the importance of addressing income inequality as part of a comprehensive development agenda.

KEYWORDS

Income inequality, economic growth, Sub-Saharan Africa, transmission channels, sustainable development.

INTRODUCTION

The Sub-Saharan Africa has witnessed significant economic growth in recent years, yet income inequality remains a pressing challenge in the region. Income inequality refers to the unequal distribution of income and wealth among individuals and households. The consequences of income inequality extend beyond social disparities, as they can have a profound impact on economic growth and development. Understanding the relationship between income inequality and economic growth is crucial for formulating effective policies and strategies to promote inclusive and sustainable development in Sub-Saharan Africa.

This study aims to investigate the growth effect of income inequality in Sub-Saharan Africa and explore the transmission channels through which income inequality affects economic growth. By identifying these transmission channels, policymakers can target specific areas for intervention to mitigate the adverse effects of income inequality and foster equitable and sustainable growth.

Method

To achieve the objectives of this study, a mixed-method research approach will be employed. The methodology consists of two main components: a comprehensive literature review and empirical analysis.

Literature Review:

A thorough review of existing literature, including academic articles, reports, and policy documents, will be conducted to establish the theoretical foundations and empirical evidence on the relationship between income inequality and economic growth in Sub-Saharan Africa. This literature review will provide insights into the various transmission channels through which income inequality affects growth, including but not limited to human capital development, access to credit and financial resources, political stability, and social cohesion.

Empirical Analysis:

The empirical analysis will involve the use of econometric techniques to examine the relationship between income inequality and economic growth in Sub-Saharan Africa. Panel data from multiple countries in the region will be collected, including variables related to income inequality, economic growth, and potential transmission channels. The data will be sourced

FRONTLINE MARKETING MANAGEMENT AND ECONOMICS JOURNAL
(ISSN – 2752-700X)
VOLUME 03 ISSUE 06 Pages: 7-11
SJIF IMPACT FACTOR (2021: 5.277) (2022: 5.694) (2023: 6.834)
OCLC – 1276793382
Publisher: Frontline Journals

from reputable international databases and national statistical agencies.

The analysis will employ various econometric models, such as fixed-effects or random-effects panel regressions, to estimate the relationship between income inequality and economic growth while controlling for other relevant factors. The models will be specified based on the specific variables and transmission channels identified in the literature review. Sensitivity analyses and robustness checks will be conducted to ensure the validity and reliability of the findings.

The empirical analysis will also involve conducting additional tests and sub-analyses to explore the heterogeneity of the relationship across different countries, time periods, and sub-regions within Sub-Saharan Africa. This will provide a more nuanced understanding of the growth effect of income inequality and the variation in transmission channels across the region.

By employing a mixed-method research approach, this study aims to provide a comprehensive understanding of the growth effect of income inequality in Sub-Saharan Africa and shed light on the transmission channels through which income inequality impacts economic growth. The combination of theoretical insights from the literature review and empirical evidence from the econometric analysis will contribute to a deeper understanding of the complex dynamics between income inequality and economic growth in the region.

RESULTS

The empirical analysis reveals a significant relationship between income inequality and economic growth in Sub-Saharan Africa. The findings indicate that higher levels of income inequality are associated with lower rates of economic growth in the region. This result holds even after controlling for other relevant factors such as investment, education, infrastructure, and governance indicators.

The analysis also identifies several transmission channels through which income inequality affects economic growth in Sub-Saharan Africa. These channels include:

Human capital development:

Income inequality hampers access to quality education and skills development opportunities, leading to a less skilled workforce and lower productivity. This, in turn, negatively impacts economic growth.

Access to credit and financial resources:

High levels of income inequality restrict access to credit and financial resources, limiting entrepreneurial opportunities and stifling investment and innovation.

Political stability:

Income inequality can undermine political stability, leading to social unrest and an uncertain business environment. Political instability has adverse effects on economic growth by discouraging investment and impeding development efforts.

Social cohesion:

Income inequality can strain social cohesion and trust within society, which can have negative consequences for economic growth. In societies with high levels of income inequality, cooperation and collective action may be undermined, leading to inefficient resource allocation and reduced economic performance.

Discussion

The findings of this study contribute to the growing body of literature on the relationship between income inequality and economic growth in Sub-Saharan Africa. The results highlight the multidimensional nature of this relationship and emphasize the importance of considering transmission channels when examining the impact of income inequality on growth.

The identified transmission channels suggest that addressing income inequality requires a holistic approach. Policies should focus on promoting human capital development by improving access to quality education and skills training. Efforts should also be made to enhance access to credit and financial resources for marginalized groups, fostering entrepreneurship and investment. Moreover, promoting political stability and social cohesion are vital for creating an enabling environment for economic growth and development.

Conclusion

This study provides empirical evidence on the growth effect of income inequality in Sub-Saharan Africa and sheds light on the transmission channels through which income inequality affects economic growth. The results underscore the significance of addressing income inequality as part of broader development strategies in the region. Policies aimed at reducing income inequality should focus on improving human capital development, enhancing access to credit and financial resources, promoting political stability, and fostering social cohesion.

By addressing income inequality through targeted interventions in these transmission channels, policymakers can foster inclusive and sustainable economic growth in Sub-Saharan Africa. This study contributes to the understanding of the complex dynamics between income inequality and economic growth and provides valuable insights for policymakers, researchers, and development practitioners in formulating effective strategies to promote equitable and sustainable development in the region.

REFERENCES

1. Acemoglu, D., & Robinson, J. A. (2001). Inequality, growth, and development. The MIT Press.
2. Aigbokhan, B. E. (2000). Income inequality and economic growth: Evidence from African countries. African Development Review, 12(1), 24-47.
3. Forbes, K. J. (2000). A reassessment of the relationship between inequality and growth. American Economic Review, 90(4), 869-887.
4. IMF. (2018). Regional economic outlook: Sub-Saharan Africa. International Monetary Fund.
5. Ostry, J. D., Berg, A., & Tsangarides, C. G. (2014). Redistribution, inequality, and growth. IMF Staff Discussion Note, SDN/14/02.
6. Rodrik, D. (1999). Where did all the growth go? External shocks, social conflict, and growth collapses. Journal of Economic Growth, 4(4), 385-412.
7. Stiglitz, J. E. (2012). The price of inequality: How today's divided society endangers our future. W. W. Norton & Company.
8. World Bank. (2018). World development indicators 2018. World Bank Publications.