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CAPITAL INFLOWS, INDUSTRIALISATION AND INCLUSIVE GROWTH IN SUB-SAHARAN AFRICA: THE MODERATING ROLES OF IFRS ADOPTION SPEED AND INSTITUTIONS

EVELYN OTCHERE-BOATENG

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CAPITAL INFLOWS, INDUSTRIALISATION AND INCLUSIVE GROWTH IN SUB-SAHARAN AFRICA: THE MODERATING ROLES OF IFRS ADOPTION SPEED AND INSTITUTIONS

BY

EVELYN OTCHERE-BOATENG

Thesis submitted to the Department of Accounting of the School of Business, College of Humanities and Legal Studies, University of Cape Coast, in partial fulfilment of the requirements for the award of Doctor of Philosophy degree in Business Administration.

DECEMBER 2022

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DECLARATION

Candidate's Declaration

I hereby declare that this thesis is the result of my own original research and that no part has been presented for another degree in this university or elsewhere.

Candidate's Signature …….…….. Date……..…

Name: Evelyn Otchere-Boateng

Supervisors' Declaration

We hereby declare that the preparation and presentation of this thesis were supervised in accordance with the guidelines on supervision of thesis laid down by the University of Cape Coast.

Principal Supervisor

Principal Supervisor's Signature……. Date……..……

Name: Rev. Dr. George Tackie

Co-Supervisor's Signature…… Date……..

Name: Dr. Anthony Adu-Asare Idun

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ABSTRACT

This study investigates the impact of the International Financial Reporting Standards (IFRS) adoption speed and the strength of institutional structures on attracting capital inflows, fostering industrialisation, and promoting inclusive growth in Sub-Saharan Africa. Emphasising the role of IFRS as a pivotal financial screening tool for investors, the study highlights the urgency of adopting these standards in a region marked by a significant financing gap for sustainable industrial development. Utilising a quantitative approach and covering data from 48 Sub-Saharan African countries from 2005 to 2019, the study employs descriptive and inferential statistical methods, including a two-step system GMM estimator, to analyse the data. Key findings reveal that the speedy adoption of IFRS significantly enhances capital inflows, especially in countries with robust institutional support, and that early adopters of IFRS effectively leverage these inflows for accelerated industrialisation and inclusive growth. The study therefore advocates for rapid IFRS adoption and the strengthening of institutional structures in Sub-Saharan countries to optimise capital inflows essential for industrial development and achieving inclusive growth.

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KEY WORDS

IFRS Adoption

Capital Inflows

Industrialisation

Inclusive Growth

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ACKNOWLEDGEMENTS

I am incredibly grateful to my supervisors Rev. Dr. George Tackie and Dr. Anthony Adu-Asare Idun in recognition of their unwavering support throughout my studies. Following their direction, I have learned to strive for nothing less than excellence. I would like to appreciate and thank the Society of the Infant Jesus (SIJ) for being the sole sponsor of my PhD study.

Additionally, I am grateful to everyone who assisted me in my academic endeavours. I am particularly appreciative of Prof. Siaw Frimpong's consistent support and advice. I am also thankful to Rev. Dr. Friar Joseph Kwame Blay for his immense support in diverse ways towards the realisation of my goals, particularly, his prayers and proofreading of my work anytime I called on him. My deepest gratitude also goes to Sr. Faustina Hasford, Sr. Francisca Damoah (Superior General, SIJ), Sr. Delphina Duncan, Sr. Elizabeth Mensah, Rev. Fr. Nyamekye Peprah, Mr. and Mrs. Michael and Patricia Abena Kissi, Dr. Karanja Maina, Mr. Nana Yaw Bredu, and Mr. Dominic Affum for diverse supportive role they played towards the achievement of this degree.

To my family, I say thanks so much for your immense and unwavering moral and social supports that were unquestionably a necessity in bringing this academic pursuit to its successful end. I am extremely grateful to Mr. and Mrs. Baiden, my angels Kwaku Manson Boateng, Emmanuella Kyerewaa Baiden, and Mary Lily Nyarko Baiden, my sister Eva and my brothers Michael Kwame Boateng and Nicholas Otchere-Boateng.

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DEDICATION

To you, my special mothers Sr. Faustina Hasford and Sr. Francisca Damoah,

for your forbearance and unflinching support

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LIST OF ACRONYMS

ACCA	Association of Certified Chartered Accountants
ACFTA	African Continental Free Trade Area
ADB	Asian Development Bank
AfDB	African Development Bank
AGI	African Growth Initiative
AU	African Union
EC	European Commission
EU	European Union
FASB	Financial Accounting Standards Board
FDI	Foreign Direct Investment
FPI	Foreign Portfolio Investment
GDP	Gross Domestic Product
GMM	Generalised Method of Moments
IAS	International Accounting Standards
IASB	International Accounting Standard Board
IASC	International Accounting Standards Committee
ICAEW	According to the Institute of Charted Accountants England and Wales
IFAC	International Federation of Accountant
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organisation for Securities and Exchange Commission
IWI	Inclusive Wealth Index

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GAAP	Generally Accepted Accounting Principles
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Square
OPHI	Oxford Poverty and Human Development Initiative
SDGs	Sustainable Development Goals
SSA	Sub-Saharan Africa
UN	United Nations
UNDP	United Nations Development Program
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organisation
USA	United States of America
WDI	World Development Indicators
WGI	World Governance Indicators

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CHAPTER ONE

INTRODUCTION

Background to the Study

The role of accounting in every nation and organisation, be it public or private, cannot be overemphasised and side-lined. Accounting forms part of the essential institutional infrastructure of every country as well as organisations (Akisik & Mangaliso, 2020). The Institute of Chartered Accountants England and Wales [ICAEW] (2017)'s report reveals that accounting was significantly instrumental to the industrial revolution, and it is still essential in our modern globalised economy. The report further maintains that accounting fosters economic growth and development by enhancing the quality of management decisions, the quality and level of investments, the simplicity and effectiveness of market transactions, and the efficacy of the tax system in a country. As an integral part of an organisation, accounting serves as a medium through which the financial outcomes of business operations are communicated to stakeholders. Consequently, accounting is known as the language of business (Manju & Sunil Naik, 2020).

One of the valuable roles of accounting in every institution and country is financial reporting. Financial reporting is regarded as an aspect of accounting that is concerned with the preparation and presentation of financial statements which entails information about the financial performance and position of the business to users; it enables users to make informed decision about the reporting entity (Olaoye & Aguguom, 2017; Pwagusadi, 2020). Financial reporting thus helps in highlighting the financial performance and status of a firm. It also provides information that facilitate the assessment of

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the efficiency of managers in utilising the resources under their control. Moreover, it provides information that assist stakeholders to study trends and forecast the future sustenance of the reporting firm. Consequently, the International Accounting Standard Board's (IASB's) conceptual framework stipulates that the central goal of general purpose financial reporting is to give useful financial information about the reporting firm to stakeholders to assist them assess the performance, position, and viability of the business so as to make informed and rational decision about the reporting entity (Dissanayake & Rajapakse, 2020; IFRS Foundation, 2020).

Dissanayake and Rajapakse (2019) intimate that some of the primary reasons for financial reporting stem from the problem of information asymmetry and the conflict of interest in the Principal-Agency relationship between management and shareholders. The IFRS Foundation (2020) highlights that the issue of informational inequality exists not only between management and external stakeholders, but also among investors with differing levels of information that affect their decision making. Financial reporting is therefore very vital to all stakeholders of an organisation. As a result, the principles and rules that underlie its preparation and presentation is very critical to its quality, relevance and reliability. These principles and rules are known as accounting standards (Wulanditya, 2018). Accounting standards are in effect the concepts, rules, and guidelines a firm uses to prepare and present its financial reports. (Mbabazi & Agaba, 2021).

Prior to the global adoption of IFRS, each jurisdiction had its own accounting standards referred to as Generally Accepted Accounting Principles (GAAP) that guided the preparation, presentation and interpretation of

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financial reports (Jung et al., 2020). There were however significant differences in the GAAP among developed countries with active capital markets on which listed companies heavily relied (Jayachitra, 2018). Besides, during this period, there was minimal disclosure of financial information in developing countries due to lack of substantial accounting principles other than the outdated ones inherited from their colonial masters (Herbert, Tsegba, Ohanele, & Anyahara, 2016). In a nutshell, there were no common sets of accounting principles that guided international business transactions, and so, it was very difficult to compare financial statements from one country to the other.

These accounting standards disparities created hindrances to cross-border capital inflows, and increased investors' home bias which resulted in suboptimal allocation of capital throughout the world (Kapellas & Siougle, 2018). This is because the lack of transparency and ease of comparing accounting information generated the problem of information asymmetry and excessive cost to foreign investors in translating and aligning the financial information from the foreign country into their own local standards, which increased their risk of adverse selection (Nejad, 2020). Due to the fact that the world economy today has become borderless because of increased globalisation and resultant increase in international transactions, it became expedient and essential to converge and harmonise these different GAAPs into a single set of standardised accounting practices that could be applicable by all jurisdictions across the globe (Pacter, 2017; Sarkar, 2020).

In this contest, there was an urgent need to develop a unified accounting standard that would serve as a common accounting language for

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the preparation, presentation and interpretation of financial reports across the globe. This resulted in the establishment of the International Accounting Standards Committee (IASC) in 1973 which issued the then International Accounting Standards also known as IAS (Jayachitra, 2018). Although the IASs issued by the IASC had been in existence for some time, its mandatory widespread was initiated by the European Union (EU) in its 16/06/2002 Regulation for adoption by the year 2005. At that time, the EU felt its existing GAAP was unable to harmonise its fragmented capital markets, aside being outmoded to produce quality and transparent financial information that would put its public companies in a competitive advantage with regards to meeting foreign investors expectation and boosting cross-border capital flows (ICAEW, 2015).

There was hence the need for financial reform and restructuring of the fragmented capital market into an integrated unit for better competitive advantage in attracting influxes of foreign capital to sustain the achieved standard of living of its people (Akisik, Gal, & Mangaliso, 2020; Akisik & Mangaliso, 2020). The EU saw the potential of the IASs to bring the harmonisation and transparency it was looking for in its financial reform and capital market integration because their credibility had been endorsed by the International Organisation for Securities and Exchange Commission (IOSCO) in 2000 (ICAEW, 2015). In 2001, the International Accounting Standards Board (IASB) was established to replace the IASC, which had been restructured during this period (Gu & Prah, 2020).

Subsequent to the establishment of the IASB, the Norwalk agreement was issued in 2002 by the Financial Accounting Standards Board (FASB) of

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the USA and the IASB, to meet the need for a unified set of financial statements and the demand for a common reporting language in the global market (Bagiová, Meluchová, & Mateášová, 2019). Since its institution in 2001, the IASB has done well to reshape and standardised the global financial reporting standards, setting the agenda for international financial reporting. It kept the existing individual IASs, but collectively named all the old and the subsequent standards as IFRSs in line with its vision of developing, in the interest of the public, a distinct set of high quality, understandable and enforceable global accounting standards (Pacter, 2017).

Today the IASB's vision is shared by almost all countries in the world, following the adoption by the EU in 2005. A recent analysis of IFRS jurisdictional profiles indicates that 167 nations mandate the use of IFRS by all or the majority of domestic publicly accountable entities (Deloitte, 2021). According to the International Federation of Accountants [IFAC] (2019) global status report on international standards, 91/% have either partially or fully adopted the IFRS. In Africa, 36 of the 52 countries have adopted or converged to IFRS, making it the second highest region to have adopted the standard after Europe with 43 jurisdictions that require the use of IFRS. Out of the 36 adopting countries in Africa, 33 are from Sub-Saharan Africa (Deloitte, 2021).

Aside the massive global acceptance of IFRS by jurisdictions, the IASB's vision is also shared and endorsed by notable international organisations such as the World Bank, IMF, IFAC, IOSCO, the Group of 20 (G20), and the Basel Committee.

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Although many countries have encountered challenges in adopting IFRS, its widespread adoption has been encouraged by the fact that the benefits outweigh the costs and challenges. (Bui Thi, Thi Tu Le, & Manh Dao, 2020). The IASB asserts that IFRS improves the capital market, where investors, investee companies, and other market participants interact, by bringing transparency, accountability, and efficiency (Deloitte, 2021). The board further argues that when the capital markets is characterised by transparency, accountability and efficiency, it reduces the problem of information asymmetry, investors' risk of adverse selection, borrowers' risk, and subsequently enhances investors' confidence (Pacter, 2017; V. Tawiah, 2019). This leads to increased market liquidity, lower cost capital, increased cross-border investments and subsequent enhanced inclusive economic growth (Ball, 2016).

To this regard, the World Bank and IFRS Foundation claim that a reliable financial reporting system plays essential role in inclusive growth because it fosters trust and confidence in the capital market that result in attracting foreign capital inflows to the adopting countries (IFRS Foundation, 2017).

Over the years, the concept of inclusive growth has become a global phenomenon, and for that matter, the subject of discussion, especially among emerging economies. Everywhere in the world, governments and policymakers are focusing on how to foster economic growth that is sustainable and inclusive (Nasr et al., 2018). Notable international organisations such as the United Nations (UN), the World Bank, IMF, the International Organisation of Economic Development (IOED), the UN

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Development Program (UNDP) among others, support inclusive growth (IMF, 2018; World Bank Group, 2020).

The Utilitarian Equal Opportunity Function postulates that inclusive growth is about achieving economic growth in which policies are made to ensure equal opportunities for both the rich and the poor from all sectors of the economy to partake and benefit from the growth (Ali & Son, 2007). The OECD (2019) also defines inclusive growth as raising the standards of living and equality in sharing prosperity within all groups in society. Thus, consistent with the Equal Opportunity Function, the OECD (2019) focuses on how policies would guarantee equitable distribution of achieved economic growth among all social groups. Osei, Atta-ankomah, and Lambon-Quayefio (2020), also avow that inclusive growth is a situation in which the poor in a country partake in the benefits associated with its economic growth.

From the above definitions it is obvious that the concept of inclusive growth goes beyond focusing on policies that only highlight on the vertical aspect of development, which is economic growth, to policies that warrants equitable partaking of everyone in the economy in the growth process as well as sharing of the prosperity that results from the growth, which accentuate both the growth and distribution aspects of development.

The idea of inclusive growth is within the purview of the neo-liberalisation policy framework which has been necessitated by the failure of the notion of development economists that acceleration of economic growth leads to poverty reduction. Research findings have indicated that, the achieved economic growth, particularly in emerging economies, did not translate into poverty reduction, since most of the citizenry were excluded from both the

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growth process and benefiting from the fruits of the growth, which consequently, widened the inequality gap between the rich and the poor (Ranieri & Ramos, 2013).

Accordingly, the Sustainable Development Goals (SDGs) of the UN and the World Bank's dual mission of reducing extreme poverty and fostering shared prosperity emphasise inclusive growth (Nasr et al., 2018; "Sustain. Dev. Outlook 2019," World Bank Group, 2020). The UN's SDGs 1, 8, and 9 for example, call on the world to respectively erase extreme poverty by the year 2030, generate decent jobs, and build infrastructure, industrialise and innovate. This implies that through industrialisation, jobs would be generated, and, as people get employed with decent jobs, extreme poverty would be reduced, since the excluded will be partners of the growth process through employment, and subsequently benefit from the fruits of the growth (UNIDO, 2019).

Current analysis by the World Development Indicators (WDI) of the World Bank reveals that the global poverty rate that stood at 35% in 1990 had reduced to 9.3% in 2017. The analysis also discloses that more than 50% of the remaining 9.3% of extreme poor people, live in Sub-Saharan Africa [SSA] (Aguilar et al., 2021; Evoh, 2017; Samans et al., 2017, World Bank, 2021). This situation has been worsened by the COVID 19 pandemic outbreak, escalating the rate from 9.3% to 10% globally and from about 50% to 62.2% in SSA (World Bank, 2021). The report of the United Nations Sustainable Development Outlook (2020) corroborates this by establishing that COVID-19 has impacted inversely on inclusive growth by slowing economic growth, increasing unemployment, raising poverty and hunger and causing the

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estimated global output to shrink by 5.2% in 2020.

The United Nations (2021) equally intimates that, its SDG 1 trajectory toward global elimination of extreme poverty was successful in reducing world's abject poverty rate after several year. However, the COVID-19 pandemic reverse this achieved reduction and caused the number to rise to 700 million in 2021, with majority of these poor people living in SSA. The World Bank (2016) predicts that should the current trend continues, almost 9 out of 10 extremely poor people in the world, would be residing in SSA by 2030 as indicated in figure 1.

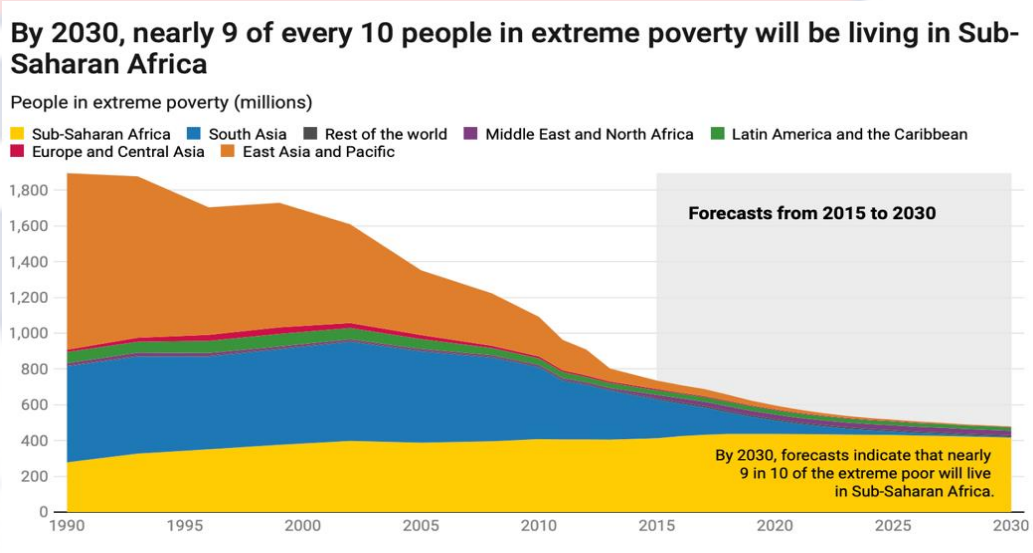

Figure 1: **People living in extreme poverty.**

Source: World Bank PovalNet and Poverty & Equity Data Portal

SSA is marked by diverse inequalities including income, consumption, education, access to health, and gender (Adesina, 2016; AfDB, 2018; Asongu & Le Roux, 2019). Income inequality is the zenith of all wellbeing disparities in the region (Tewolde & Weldeyohannes, 2018). The UNDP has therefore expressed that in order to achieve the sustainable development goals of

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inclusivity in the region, it is necessary to first address the issue of income inequality (Asongu & Odhiambo, 2021).

African governments are therefore charting the path of industrialisation so as to expand their economies, generate jobs, and subsequently reduce the rate of poverty and inequality in SSA (AfDB, 2019). The AfDB (2019) asserts Industrialisation plays a key role in boosting economic activities along a value chain, from raw materials to finished goods. It also enhances economic growth by increasing productivity through the introduction of new machinery and technologies. Furthermore, the AfDB (2019) maintains that industrialisation promotes the creation of formal employment and improves labour skills.

Capital outlay for industrialised activities is huge and requires not only the government but private sector involvement to augment the efforts of governments through investments (Opoku & Yan, 2018). Capital inflows play a significant role in shaping the economies of nations. These inflows encompass various types of financial flows, such as foreign direct investment (FDI), foreign portfolio investment (FPI), and foreign aid (FA). FDI refers to a foreign entity's long-term investment in a country, usually through business activities or acquiring tangible assets (Roy, 2021). FDI in SSA is seen as a means of stimulating industrialisation through the infusion of capital, technology, and expertise. The speedy adoption of IFRS is believed to make SSA countries more appealing to foreign investors by providing standardised and transparent financial reporting.

Foreign Portfolio Investment (FPI) refers to the investments made by foreign entities in financial assets like stocks and bonds (Signé & Johnson, 2018). The speedy adoption of IFRS in Sub-Saharan Africa (SSA) helps in the

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growth of strong capital markets, making them more attractive to portfolio investors who value transparent and consistent financial reporting. This, in turn, can result in a rise in FPI, thereby increasing capital inflows. Foreign aid comprises a significant portion of capital inflows and entails financial support granted by foreign governments, international organisations, and non-governmental organisations (Xiaosong & Siyuan, 2020). This study emphasises the importance of foreign aid as a crucial factor that impacts inclusive growth since foreign aid directly contributes to the financial resources available to recipient countries.

IFRS adoption speed promotes transparency, accountability, and conformity with global standards, which can enhance the trust and confidence of aid organisations and private investors. This, in turn, creates a favourable environment for sustainable and inclusive economic growth (IFRS Foundation, 2018; World Bank, 2020). Although the adoption of IFRS can have an influence on the flow of capital, it is important to recognise the pivotal role of institutions. Strong and effective institutions, including legal frameworks, regulatory bodies, and governance structures, are essential in creating a favourable environment that encourages sustained capital inflows (Cieślik & Hamza, 2022). Institutions act as moderators, influencing the effects of the speed of IFRS adoption on capital inflows, as well as on the processes of industrialisation and inclusive growth (Cieślik & Hamza, 2022; Jamaani, Alidarous, & Alharasis, 2022).

To this end, the IFRS Foundation and the World Bank claim that the early adoption of IFRS, by virtue of fostering quality of accounting information, accountability, and efficiency in the capital market, plays a

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significant role of attracting capital inflows (IFRS Foundation, 2018). The AfDB (2019) aligns with this perspective by highlighting the need for an efficient capital market to attract investors to the industrial sector, considered an engine of inclusive growth.

The financial innovation theory, explained by Laeven et al. (2015), provides support for the suspicion that speed of IFRS Adoption would have a different impact on inclusive growth than that of IFRS Adoption. Leaven et al.'s (2015) emphasis on the swift adoption of screening modalities parallels this study's consideration of the speedy alignment of a country's accounting practices with IFRS. While recognising the transformative role of financial innovation, particularly IFRS, in reducing information asymmetry and standardising global accounting practices, this study suggests that the speed of IFRS adoption may yield unique effects on inclusive growth compared to the mere adoption itself. This inquiry contributes to refining existing concepts, addressing a research gap and shedding light on the intricate link between the speed of IFRS adoption and inclusive growth.

IFRS adoption speed plays a pivotal role in shaping the trajectory of inclusive growth through a multifaceted process. As countries swiftly align their accounting systems with IFRS, it enhances transparency, accountability, and adherence to global standards (Elmghaamez, 2023). This, in turn, boosts the confidence of aid organisations and private investors, attracting foreign investors, both through direct investment and portfolio channels, and fostering sustained capital inflows (Leykun Fisseha, 2023). These increased capital inflows contribute significantly to the growth of robust capital markets. Concurrently, the efficient and standardised financial reporting facilitated by

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speedy IFRS adoption creates a conducive environment for industrialisation. Strong capital markets and industrialisation, supported by effective institutions, become catalysts for inclusive economic growth. The speed of IFRS adoption therefore acts as a dynamic force, shaping a chain reaction that links transparent financial reporting, increased capital inflows, industrialisation, and, ultimately, inclusive growth.

This study thus, investigates how the speeding up of the adoption of IFRS by countries in SSA, supported by quality institutions, would impact on capital inflows, industrialisation and inclusive growth.

Statement of the Problem

The slow pace of IFRS adoption in SSA could be a bedrock of the region's poverty and income inequalities (Oppong & Aga, 2019). Accelerating IFRS is pertinent to the support the private sector can give to capital market improvement (Elmghaamez, 2023). IFRS is linked to the development of the capital market due to its efficacy in reducing incomplete and different financial information (Akisik & Mangaliso, 2020; Manju & Naik, 2020;). IFRS does this by improving information transparency and comparability, which in turn reduces information asymmetry. Limited information asymmetry diminishes investors' risk of adverse selection and boost their confidence in making informed investment decisions (Mameche & Masood, 2021). Therefore, by fostering financial information quality, ensuring accountability, and facilitating efficiency in the stock market, IFRS is perceived as a vehicle that drives capital inflows across borders and ensures inclusive economic growth (Lungu, Caraiani, & Dascălu, 2017).

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For this reason, the World Bank and IFRS Foundation in 2017 signed a Memorandum of Understanding (MoU) to promote the swift adoption of IFRS by poor and developing countries and subsequently offer these economies more technical assistance in implementing the standards (IFRS Foundation, 2017). The two institutions maintain that a reliable financial information is a precondition in accessing funding. They also assert that reliable financial reporting plays essential role in economic development and poverty reduction, by fostering trust and confidence in the capital market and attracting foreign funds into the IFRS adopting nations.

Currently, Africa is the second highest region to have adopted the standard with 36 countries mandating the adoption of IFRS (Deloitte, 2021). However, with the study's baseline set in 2005, it's apparent that Sub-Saharan Africa (SSA) has not hastened IFRS adoption sufficiently to make a significant impact on capital inflows, industrialisation, and inclusive growth. Out of the 36 adopting countries, 33 jurisdictions, of which majority are late adopters, are from SSA as shown in the table below:

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Table 1: Countries Which Have Adopted IFRS in SSA

COUNTRY	IFRS ADOPTION	ADOPTION YEAR
Angola	Yes	2015
Benin	Yes	2019
Botswana	Yes	2003
Burkina Faso	Yes	2019
Burundi		
Cabo Verde	Yes	
Cameroon	Yes	2019
The Central African Republic	Yes	2019
Chad	Yes	2019
Comoro	Yes	2019
Congo Dem Republic	Yes	2019
Congo Republic	Yes	2019
Cote D'Ivoire	Yes	2019
Equatorial Guinea	Yes	2019
Eretria		
Eswatini	Yes	2012
Ethiopia		
Gabon	Yes	2019
The Gambia	Yes	2013
Ghana	Yes	2007
Guinea	Yes	2019
Guinea-Bissau	Yes	2019
Kenya	Yes	1999
Lesotho	Yes	2001
Liberia	Yes	2001
Madagascar		
Malawi		
Mali	Yes	2019
Mauritania		
Mauritius	Yes	2001
Mozambique	Yes	2007
Namibia	Yes	2005
Niger	Yes	2019
Nigeria	Yes	2012
Rwanda	Yes	2008
Sao Tome & Principe		
Senegal	Yes	2019
Seychelles		
Sierra Leone		
Somalia		
South Africa	Yes	2005
South Sudan		
Sudan		
Tanzania	Yes	2004
Togo	Yes	2019
Uganda		
Zambia		
Zimbabwe	Yes	1993

Source: Author's construct using data from ifrsfoundation.org

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Notwithstanding the appreciable adoption of the standards in the region, Sub-Saharan Africa is reported to be the home of more than 62.2% of the world's most extreme poor (Aguilar et al., 2021; Emudainohwo, 2020). The regional breakdown of the poverty headcount by the WDI between 1990 and 2021 indicate that, while other regions such as East Pacific Asia moved from 61% to 2.3%, South Asia from 47% to 16.9%, Latin America and the Caribbean from 14.8% to 3.9%, the Middle East and North Africa from 6.2% to 4.2%, Europe and Central Asia from 5.2% to 1.5%, Sub-Saharan Africa only moved from 54.7% to 41.4% and consequently remained the region with the highest extreme poverty headcount, with most of its people living below the US$1.90 a day (Aguilar et al., 2021). The level of poverty was accompanied by high inequality which was reflected the high the Gini coefficient of 0.55.4 in 2021 (WID, 2022). According to UNDP (2020), 84.3% multidimensionally poor people (558 million people) live in Sub-Saharan Africa.

It is contended that the heightened levels of poverty and inequality in Sub-Saharan Africa (SSA) can be attributed, in part, to the lack of access to sufficient foreign capital inflows (AfDB 2018; Awad, 2021; Guillaume, 2019). This limitation has led to a substantial financing gap hindering industrialisation, contributing to the underdevelopment of the manufacturing sector, and perpetuating chronic unemployment (AfDB, 2019; Emudainohwo, 2020; Ndiweni & Bonga-Bonga, 2021).

Notably from the above table, a majority of SSA countries embraced IFRS belatedly, with approximately 52% adopting these standards in 2019. Analysing the period between 2015 and 2019, about 55% of the adopting

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countries in SSA adopted IFRS during this timeframe. Alshamari et al. (2018) consequently posit that, poor financial reporting standards within the sub-region hindered cross-border investment inflows because their reporting systems could not provide adequate, relevant, reliable, and comparable financial information to potential investors on the stock markets. The delayed adoption suggests that these countries were perceived as high-risk investment locations, exacerbating the region's financing gap, especially in the context of industrialisation.

Coupled with late adoption is the fragmented and underdeveloped nature of the capital markets that impeded the effective diffusion and implementation of IFRS to make the region attractive location for capital inflows. In Africa, capital markets pre-IFRS adoption were few, fragmented and characterised by illiquidity, inadequate disclosure of financial information and associated information asymmetry problems (Emudainohwo, 2020). Even after most countries within the region had adopted IFRS, the Sub-Saharan African capital markets remain few, fragmented, smaller in size and underdeveloped; unlike the EU where the reformation of its financial system resulted in an integrated capital markets for better competition of capital inflows when it adopted IFRS (Albert et al., 2018; ICAEW, 2015; Ghouma, Hamdi, Maha, & Kamel, 2023; IMF, 2020). It is argued that one of the institutional factors that should exist to support the acceleration and successful diffusion and implementation of IFRS is an active capital market. In Africa, even though most countries have adopted the standard, not all of them do have capital markets (Omotoso, Schutte, & Oberholzer, 2022).

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Another significant contributing factor for the financing gap towards industrialisation is the sectoral direction of the limited capital inflows into the region. Extant studies have shown that most of these capital inflows into SSA landed in sectors like the natural resource-based industries which are capital intensive (Albert et al., 2018; Calderón et al., 2019). The South African Reserve Bank (2018) for instance reports that the highest recipient sector of FDI in South Africa was the mining sector which alone received about 20% of total FDI. According to the UNCTAD (2018) report, about 50% of FDI in greenfield projects landed in industries based on natural resources. Similarly, in Nigeria, Doguwa et al. (2014) maintain that about 47% of FDI stock went to the oil and gas sector while the manufacturing sector received about 27%. This was also corroborated by the UNCTAD (2018) which revealed that in 2012, more than 50% of the announced FDI greenfield projects landed in the natural resource-based sector. Evoh (2017), argues that inadequate financial information about the manufacturing companies in SSA, since most of these companies are not listed, explicates the less attention investors give to the manufacturing sector. The capital-intensive industries, however, could not absorb much of the huge unemployed workforce in the region as the manufacturing-based industries would have done.

The trend propelled gross unemployment with its concomitant high-income inequality (Agyei et al., 2018). The AfDB (2019) has revealed that the workforce population in Africa stood at 705 million in 2018; it was forecasted to reach 1 billion by 2030, an increase of about 40%. The World Bank (2016) maintains that the limited availability of decent jobs to absorb the high level of labour force, which keeps on rising with new entrants, is a primary contributor

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to the level of extreme poverty and inequality gap in the region. Corroborating the World Bank's claim, the AfDB (2019) asserts that, even though Africa has seen rapid economic growth over the past twenty years, this growth has not been pro-employment, thus, resulting in the high rate of chronic unemployment and resultant poverty and inequality.

Over the years, African governments have used incentives such as tax exemption, tax holidays, and the free zone area of operation as strategies to attract foreign investment. Empirical evidence, albeit indicate that the subsequent benefits of granting these incentives are less than the cost. Thus, the net benefits from the granting of these incentives in order to attract the capital inflows, are negative (Action Aid, 2014; Nakyea & Amoh, 2018). This indicates that, any upward growth in capital inflows over the years, might not have essentially been associated with these incentives, but some underlying factors which might have been neglected. The AfDB (2018) affirm this by maintaining that the financial market, particularly the capital market is one of the two attractive channels to draw foreign capital inflows to the region. Since IFRS plays central role in the effective functioning of the capital market, accelerating its adoption cannot be overemphasised. However, most countries in SSA were slow in adopting IFRS as indicated above.

The IFRS, capital inflows, industrialisation and growth nexus have received some attentions in the academia. However, these studies are limited and have also been done in a disintegrated manner which do not provide a holistic view for proper policy making. Extant literature (Mameche & Masood, 2021; Owusu et al., 2017; Yousefinejad et al., 2018) for has highlighted the need to undertake more studies on IFRS at the macro-

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economic level, especially on its impact on capital inflows, since academic work on IFRS have concentrated mostly on its impact on issues at the firm level, which are micro-level studies. While there have been some amounts of works on the IFRS and capital inflows relationship, these are mostly on FDI (Akpomi & Nnadi, 2017; Duenya & Tsegba, 2020; S. Gu & Prah, 2020; Mameche & Masood, 2021; Owusu, Saat, Suppiah, & Law, 2017a; Zouita, Louail, & Mameche, 2019) and results are inconclusive due to the differing theories, measurement of variables, location of studies, unit of analysis and levels of data analysis employed by these studies.

For instance, Zouita et al. (2019) employed the information asymmetry theory and used a country-level data covering the period 1970-2017 to investigate the influence of IFRS on the link between SMEs and the inflows of FDI in Algeria through the use of the ADRL bounds estimation method and concluded that IFRS adoption negatively affects the relationship between SMEs and FDI inflows and that the adoption of IFRS could worsens the problem of information asymmetry. Contrarily, by employing the same information asymmetry theory, but using a panel data analysis, and fixed effect model, Akpomi and Nnadi (2017) reveal that IFRS causes a reduction in information and hence positively affects the inflows of FDI into the adopting countries.

Again, Gu and Prah (2020) recorded a positive effect of IFRS on FDI inflows in twelve selected countries in Africa, with a panel data covering the period 1986-2018; they utilised the OLS and GLS estimation techniques with the signalling theory as their study's underlying theory. Duenya and Tsegba (2020) on the other hand, revealed that the adoption of IFRS alone do no

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impact on capital inflows to the adopting countries. The authors used the fixed-effect model and the t-test to assess the impact of IFRS on FDI inflows to four Anglophone West African countries. They employed data covering a ten-year period and utilised the electic, institutional, and rational choice theories as the studies theoretical footing.

Besides the inconclusiveness of results of the studies between IFRS and capital inflows, most studies neglected the role played by institutional structures in this relationship which according to Duenya and Tsegba (2020) and Oyerinde (2019), is critical for reaping the economic benefits of adopting IFRS. Only a few studies have looked at institutional qualities in the IFRS-capital inflows nexus. (Duenya & Tsegba, 2020; Oyerinde, 2019; Pricope, 2017; Riahi & Khoufi, 2019) and these studies did not factor in the implementation strategies. Having quality institutional structures such as the presence of capital market, insider trading laws, and robust governance framework are equally important as the adoption itself since such qualities ensure the effective implementation and diffusion of the standards in the adopted countries (Ball, 2016)

There have also been a number of studies that considered capital inflows and economic growth (Agbloyor et al., 2014; Sokang, 2018; Ugwu & Okoye, 2018). However, these studies neglected the role that IFRS speed plays in the relationship. According to Owusu et al. (2017), existing literature on determinants of capital inflows have highlighted on conventional economic variables and neglected the function of a nation's accounting system, in particular its inherent financial reporting standards, on capital inflows. The few studies that have moderated IFRS on the capital inflows and growth

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model only focused on an aspect of capital and growth which do not give a comprehensive view. Oyerinde (2019) for instance only considered the role of IFRS on FPI and economic growth. Also, there appears to be no study that has considered the effect of the speed of IFRS adoption on capital inflows, industrialisation, and inclusive growth.

The current study therefore fills the above gaps by first looking at the relationship not only between speed of IFRS adoption and FDI, but IFRS speed of adoption and FDI, FPI and Foreign Aid. Secondly, to incorporate institutional structures in the relationship between speed of IFRS adoption and the various capital inflows. Lastly, to contribute to the ongoing unparallel conclusions of the speed of IFRS adoption, capital inflows, industrialisation, and inclusive growth debate. Thus, considering the significance attached to industrialisation as a catalyst for inclusive growth by the African Union and the global economy, and the need for attracting capital inflows to fund this agenda, pursuing a study to examine the role played by IFRS adoption speed and institutional structures on the link between these variables is inevitably in order.

Purpose of the Study

The study is purposed to examine the roles of IFRS adoption speed and institutional structures on the link between capital inflows and industrialisation towards achieving inclusive growth in SSA.

Research Objectives

The main objective of the study is to examine the roles of IFRS adoption speed and institutions on the relationship between industrialisation, capital inflows and inclusive growth in SSA.

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The specific objectives are:

1. To analyse the moderating role of institutional structures on the relationship between IFRS adoption speed and capital inflows in Sub-Saharan Africa
2. To assess the influence of IFRS adoption speed on the link between capital inflows and inclusive growth in SSA
3. To investigate the impact of IFRS adoption speed on the relationship between capital inflows and industrialisation in SSA.
4. To examine the effect of IFRS adoption speed on the relationship between industrialisation and inclusive growth in SSA
5. To test the joint effect of capital inflows and industrialisation on inclusive growth in SSA.

Research Hypotheses

H_1 Institutional structures do influence the relationship between IFRS adoption speed and capital inflows in SSA.

H_2 IFRS adoption speed significantly influence the link between capital inflows and inclusive growth in SSA.

H_3 IFRS adoption speed significantly impact the relationship between capital inflows and industrialisation in SSA.

H_4 IFRS adoption speed positively affect the relationship between industrialisation and inclusive growth in SSA.

H_5 Capital inflows and industrialisation do impact jointly on inclusive growth.

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Significance of the Study

This study's result will be relevant to policymakers. It will help them to evaluate the viability of the paths they follow toward inclusive growth through industrialisation. The insight this study provides on which capital inflows combine with industrialisation to impact on inclusive growth, will help policymakers to know the kind of foreign capital inflows to attract for inclusive growth. The exposure this study gives on effects of IFRS adoption speed on the different aspects of capital inflows can help policymakers to critically reflect on the use of incentives to bait capital inflows. The study will consequently provide policymakers with guidance on creating the conditions that will encourage capital inflows into the manufacturing sector to enhance its effect on inclusive growth. Moreover, because the current study primarily focuses on Sub-Saharan countries, it enables us to formulate policy recommendations that are especially focused on promoting the inclusive growth trajectory in the region.

The study is equally important to those in practice. The results of the study will encourage manufacturing companies in Sub-Saharan Africa to develop efficient financial reporting and governance system that ensures effective implementation of IFRS. Proper implementation of IFRS would enable them to properly account for resources employed in production and disclose relevant financial information to stakeholders, especially, to investors in order to attract needed capital inflows to fund their operations. The results will also enlighten managements of firms in the manufacturing sector as to which capital inflows would effectively enhance their productivity and safeguard their returns.

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Furthermore, the results of the study will be useful to international organisations such as the World Bank and the UN who grant foreign aid to Sub-Saharan Africa. It will insight them to know whether granting aid to these countries for the purpose of boosting industrialisation will be the right channel towards achieving inclusive growth in SSA.

Moreover, the study is significant to the academia. Firstly, it expands the literature on IFRS adoption by focusing on the speed by which countries adopt the standards, and, by employing insight from the financial innovation theory to measure IFRS adoption speed. Secondly, the study brings in dynamics of the different categories of capital inflows to provide a clearer picture on the relationship between capital inflows and industrialisation and their combined effect on inclusive growth. Mostly, existing literature have focused on how FDI impact on industrialisation and neglect that of FPI and Aid. Thirdly, the current study enhances the existing literature by including all the countries within our study area, Sub-Saharan Africa to provide a wholistic and better results to justify generalisation of the study's results. Extant literature has mostly focus on few selected countries in their analysis which do not provide a clearer picture and hence make generalisation of findings difficult.

Delimitation

The study covered all countries in Sub-Saharan Africa and analysed data for both adopters and non-adopters of the standards. Data for the study span a period fifteen years, from 2005 to 2019.

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Definition of Terms

IFRS: the international financial reporting standards produced by the IASB.

IFRS Adoption Speed: the speed by which a country adopts IFRS.

Capital Inflows: the net inflow of foreign capital in the form of FDI, FPI and Aid into the host countries.

Industrialisation: the development of the manufacturing sector to improve its value addition

Inclusive Growth: growth episode whereby there is equal opportunity for all the citizenry to partake in the growth process as well as benefits from the growth, irrespective of their conditions.

Organisation of the Study

The study is divided into six chapters, with the first serving as an introduction. The second chapter examines related theories and concepts, while the third chapter conducts an empirical literature review, summarises the review's findings, and presents the study's conceptual framework. In Chapter four, the research methodology rubrics are presented in the context of an explanatory research design. The fifth chapter contains the findings and their discussion. Finally, chapter six offers a summary of the study's results, limitations, recommendations, and conclusions.

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CHAPTER TWO

THEORETICAL AND CONCEPTUAL REVIEW OF LITERATURE

Introduction

According to Saunders et al. (2019), a literature review is a systematic and critical analysis of published works discussing theory and presenting empirical findings pertinent to the present topic. Creswell and Creswell (2018) also intimate that the literature review serves the purposes of: 1) describing the findings of other studies that are relevant to the one being conducted; 2) connecting a study to the larger ongoing dialogue in the literature, filling gaps and extending prior research; and 3) providing a framework for determining the study's significance and establishing a benchmark for comparing the results to other findings. Bairagi and Munot (2019) moreover have provided that conducting a literature review assists in formulating the problem of study and provides pertinent details on methodological and design considerations, along with understanding of how to examine, interpret, and report research data and results.

Consequently, this chapter of the research provides of relevant theories and concepts. The theoretical review outlines and discusses the five underlying theories for the research, while the conceptual review examines key concepts of the study and their relationship to guide the realisation of the research objectives.

Theoretical Review

Some theories have been employed to explain the IFRS acceleration, capital inflows, industrialisation, and inclusive growth nexus. The common theories employed in explaining capital inflows industrialisation and inclusive

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growth nexus encompass the neo-classical theory of growth, the endogenous growth theory, the engine of growth theory and the Schumpeterian theory of economic growth (Agbloyor et al., 2014). Also, the agency theory, the information asymmetry, signalling theory, institutional theory, among others have been used to explain the IFRS, capital inflows and industrialisation connectivity. The focus of this study is to investigate how IFRS adoption interacts with capital inflows and industrialisation to promote inclusive growth. Some of these theories applicable to the current study are well elaborated below.

The review of theory begins with the theory of information asymmetry (Akerlof, 1970) and following the Spence (1973) model which explains that the availability of appropriate information to stakeholders create equilibrium as it sends signal to market participants that perceived risks are removed. The next theory is the financial innovation theory which explicates that finance plays key role in inclusive growth by funding innovative projects that are screened through quality accounting standards (which serves as financial innovation screening tool).

The review follows with the absorptive capacity theory which elucidates how a country should have the underlying factors in place in order to effectively integrate new external information as well as capital inflows and associated spillovers that foster inclusive growth. In addition, the theory of growth is presented through Kaldor's engine of growth model in explaining the role of industrialisation in inclusive economic growth.

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Information Asymmetry Theory

The concept of information asymmetry originates from Akerlof's paper on the lemon market (Akerlof, 1970). He investigated the quality of traded commodities in markets. The paper's findings revealed that when there are informational gaps between the buyer and the seller, the quality of the exchanged commodities decreases, resulting in lemon problems. Thus, the tension in asset markets, as described by Akerlof (1970), is caused by incomplete and unequally distributed information among the parties involved in a transaction. Akerlof therefore postulates that information asymmetry exists when a buyer cannot tell the difference between higher-quality product and a lemon (defective product). This implies that, information asymmetry exists when one party in a relationship has access to more or better information than the other.

In this situation, the buyer pays for a product that is believed to be of high quality, but which is not, and only the seller has full knowledge of the product, whether it is a lemon or not (defective). This creates the problem of adverse selection which occurs when buyers make their decisions based on insufficient or inaccurate information (Michael et al., 2019). Akerlof consequently argued that since there were ignorant buyers, value prices are founded on product perceptions rather than quality.

Many theories, including agency theory (Jensen & Meckling, 1976), transaction cost economics (Williamson, 1975), resource-based theory (Barney, 1991), resource-dependence theory (Pfeffer & Salancik, 1978), institutional theory (DiMaggio & Powell, 1991), and signalling theory (Spence, 1973), were predicated on the difficulties and opportunities created

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by information asymmetries (Bergh, Ketchen, Orlandi, Heugens, & Boyd, 2019). Based on the forgoing, Bergh et al. (2019), have revealed that five categories of conceptualisation have emerged from the various theories founded on information asymmetry. The authors have unearthed that information asymmetry arose as a result of "private information, different information, hidden information, lack of perfect information and information impactedness" (p. 128).

Private information implies that a party possesses private or advantageous information which put him in a better position in decision-making than those who do not have access to those information (Cannella and Hambrick, 1993). Ecker et al. (2013), emphasise that private information could be proprietary, legally protected, non-reportable, or derived from specialised assets such as patent, and intellectual property. Since some information remains private, there exist information gaps between those who have it and those who might be able to make better choices if they had it.(Connelly, Certo, Ireland, & Reutzel, 2011). Access to private information therefore put those who hold it in competitive advantage over those who do not have (Makadok, 2011).

Information asymmetry may also arise as a result of different information. Different information refers to a condition whereby dissimilar information is known to different people such that it affect the uniformity of information distributed in the market (Bergh et al., 2019; Fazzari & Variato, 1994). For instance, different accounting standards used by different jurisdictions across the globe such that an investor trying to invest in an external market faces the challenge of understanding the financial report for

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better decision making. It also denotes that accessibility to pertinent information is not homogenously exposed to all firms in the market (Schmidt & Keil, 2014).

Information asymmetry may further result from hidden information. Makadok (2011) has explained hidden information to mean the superiority of information known to some participants in the market about the value-in-use of goods, services or resources which they transact with others who have relatively less information. An example is the level of knowledge between a seller and a buyer as depicted by Akerlof (1970), where the seller possesses superior or better knowledge about the quality of the product, which is not made known to the buyer. The seller may take advantage about this and exploit the ignorance of the buyer. A similar example is the superiority of knowledge of agents which they use to exploit their principals who have little knowledge about the daily operations of the business, leading the agency problem in the agency theory.

Bergh et al. (2019) have therefore maintained that hidden information results in pre or post contractual opportunism. This means that the party with fuller information may use it in an opportunistic manner either before or after a contractual agreement with other parties. Consequently, hidden information may often lead to adverse selection and moral hazards (Akerlof, 1970; Makadok, 2011), where the party with the superior information use it to exploit the other parties. This affects the willingness of the party with less information to participate in the transaction and often causes failure in the market.

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Lack of perfect information shows how participants in information markets deal with their incomplete knowledge of one another. Stigler (1961) made a seminal contribution by contrasting informationally disadvantaged buyers and sellers, as well as their strategies for gathering and disseminating information. This is reflected in how Spence (1973) conceptualised information signal to explain how players in the information market can use signals to distinguish seller quality.

Finally, information asymmetry has been conceptualised as information impactedness, which reflect the fact that information asymmetry is frequently envisaged as a cause of transaction cost (Bergh et al., 2019). According to Balakrishnan and Koza (1993), information asymmetry can raise transaction costs between potential business partners, pushing them to form alliances instead of using markets or hierarchical (i.e., merge or acquire) solutions.

Aside the foregoing categorisation of concepts, Bergh et al. (2019) outlined the antecedents of information asymmetry as well as how information asymmetry has been employed in various theoretical models. The antecedents include unobservable or uncertain qualities, structural barriers and strategic or behavioural barriers to sharing information. Unobservable qualities are useful attributes of targets, products, partners and firms which are completely unobservable. Uncertain qualities also refer to situation where information about the qualities of actors is available, but ambiguity or lack of certainty still exists. Examples of unobservable or uncertain qualities include when potential investors cannot conduct due diligence on target assets, when products are

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entirely new, or when firms have no prior experience with a potential investor (Chod & Lyandres, 2022).

Bergh et al. (2019) described structural barriers as existing hurdles that limit the ability of market actors to access or disseminate information. The authors further expressed that absence of mechanisms via which information can be transmitted and processed hinder access to information and thus serves as an antecedent to information asymmetry. Equally, inherent features of "actor networks", such as incompleteness or scantiness, may inhibit or reduce the flow of information (Chod & Lyandres, 2022). Strategic or behavioural barriers to sharing information as antecedent to information asymmetry is concerned with the keeping of information private by actors as a result of the possible benefits associated with such information (Connelly et al., 2011). Some academics for instance postulate that managers may employ information asymmetry as a tool to achieve objectives such as earnings management, which, eventually create cost in the long-term for uninformed stakeholders (Martin, Wiseman, & Gomez-Mejia, 2019).

According to Bergh et al. (2019), almost all the five conceptual applications of information asymmetry could be caused by all of the above determinants. For instance, in the case of unobservable or uncertain qualities, "Private information" results when managers hold information regarding 'unobservable qualities'; market intermediaries, such as financial analysts, may utilise their proficiency in interpreting differences in financial information for the promotion of their services ("different information"); agents may also employ non-observability to carry out their selfish interests ("hidden information"); superior firms have incentives to signal their strong

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ideas to under-informed observers ("lack of perfect information"); and transaction partners use precautions to safeguard against possible opportunistic behaviour (“information impactedness”).

Similarly, structural barriers are associated with some of the conceptual applications of information asymmetry, comprising "private information," such as between a company's headquarters and subsidiary; "different information," as reflected among different types of investors; and "hidden information," which can lead to adverse selection and moral hazard (Bergh et al., 2019).

Further, in explaining the connection between the strategic barriers and the conceptual approaches, Bergh et al. (2019), mentioned that managers create barriers to limit the diffusion of information, which result in private and hidden information. Such barriers to disclose information also give rise to a “lack of perfect information” to stakeholders of the firm. As a result, transaction partners are once again faced with precautions to protect against possible opportunistic behaviour founded on information impactedness.

In theoretical models, information asymmetry has been employed as either an assumption, a mechanism, a construct or a boundary condition. When serving as an assumption, information asymmetry is perceived as a foundational component of theoretical reasoning (Paruchuri, & Misangyi, 2015). Information asymmetry is perceived as a mechanism when studies focus on how it is employed as a means of exploitation of the less informed by the actors with more information (Bergh et al., 2019). Thus, when viewed as a mechanism, information asymmetry is regarded as possible intermediaries of influence that enable the theoretician to make predictions beyond chance.

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As a construct in a study, information asymmetry and how it is related to other constructs is often shown in the studies conceptual model (Banks et al., 2016). Finally, when used as a boundary condition in a model, information asymmetry serves as a constraint on or limit to the applicability and generalizability of theories (Bergh et al., 2019). In this study, information asymmetry serves as an assumption because it is employed as theoretical reasoning for using the signalling and financial innovation-economic theories in the study. In other words, the study assumes that the underlying information asymmetry in different accounting standards as well as incomplete and private information hinder investors from moving to locations whose accounting systems are unfamiliar. To reduce such level of information asymmetry, the study employs the signalling theory which addresses the first objective and financial innovation-economic theory which addresses the third objective to explain how IFRS adoption speed serves as a signal and innovative screening tool to investors.

Signalling Theory

The signalling theory was originated by Michael Spence (1973). This theory was developed to explain how actors or agents with varying amount of information impact on various markets. The theory is generally concerned with how information asymmetry can be reduced among market actors. So, the concept of signalling emerged from the concept of information asymmetry, which postulates that, there are inequalities in access to information when market actors make transactions and such inequalities distress the normal market for goods and service (Bergh, Connelly, Ketchen, & Shannon, 2014). Spence (1973) initially propounded this theory to explain how employers in

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the job market, who without any privy to information about the production capabilities of prospective employees, use signals to obtain certain amount of information from the prospective employees to make decision concerning the choice and associated wages of such employees.

Spence (1973) stipulated that, the employer makes an investment decision with uncertainty by employing an individual whose productive capabilities are not known prior to hiring, and which would only be known to the employer after employment. Spence (1973) therefore likened such a decision to staking a lottery, and the wages paid, as the value placed on the lottery based on the perceived value of the lottery. Since the employer cannot observe the productive capabilities of the prospective employee prior to hiring, he only establishes his perception of the lottery based on large amount of employee's data such as age, sex, education, prior work experience, etc. These personal attributes represent the image of the potential employee.

Spence (1973) further categorised the personal attributes of the potential employees into alterable and unalterable. The alterable characteristics, which he named "signals", are those features that are within the control of the applicant (e.g., education), and thus subject to adjustment and manipulation by the applicant. The unalterable attributes (e.g., sex, race) referred to as "indices", are those attributes that cannot be adjusted nor manipulated by the applicant. Spence also claimed that making signalling adjustment results in signalling cost and this cost is inversely related to productive capabilities. Spence (1973) further posited that an equilibrium occurs when the capabilities of the employee reflect the expectations of the

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employer and the employee's wage is above his signalling cost, thus, making both parties satisfied.

Even though the signalling theory was initially propounded to explain the reduction of asymmetric information in the job market, it has been adopted and expanded to various fields such as education, strategic management, finance and accounting. In order to explain how to communicate useful information, most management scholars adopt the signalling theory. Ross (1977), for instance, developed a signalling model whose main idea was that managers, as insiders of the firm, have access to specific inside information about the firm which the market lacks. They therefore provide signal about their business's market value to outside investors through their choice of capital structure. In other words, managers, by virtue of having inside information of their firm, employ their choices of capital structure as signals to the outsiders about the market value of the firm. This implies that the capital structure of a firm provides vital information about the wealth of the company.

Bergh et al. (2014) substantiated the postulation of Ross by avowing that firms intentionally send signals by engaging in behaviours that communicate information about them to recipients with the motive of benefiting from such actions. To this regard, stakeholders such as finance providers, search for signals (i.e., observable behaviours that reveals information about the unobservable characteristics and probable results of the firm) that can facilitate in bridging the gap between their actual knowledge about a firm, a market, or a country and what they desire to know (Miller & Triana, 2009; Spence, 1974).

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In the field of accounting, scholars have argued that transparent, comparable, understandable, and timely financial information about firms decrease information asymmetry level between managers and stakeholders who are outside the firm and hence rely solely on such information provided by managers to make informed decision (Ball, 2016). Similarly, scholars have reasoned that such financial information serves as a signal to lessen the information asymmetry between players in the capital market, such as between local and foreign investors (Lungu et al., 2017; Yousefinejad et al., 2018). Investors therefore look for countries with similar accounting standards as their home standards to invest in because it would reduce their perceived risk as well as accounting information processing cost. The globalisation of accounting standards, IFRS, is claimed to signal to investors that transparency as well as comparability of financial information is assured in the adopting countries.

In the current study, the signalling theory is used to address the first objective. It is argued that IFRS adoption speed is a pointer to foreign investors that equal footing and level playing field is assured insofar as the preparation and presentation of financial information is concerned, because the standards warrants that transparency and comparability of financial information is equal among all the players in the capital market (Elmghaamez, 2023; Leykun Fisseha, 2023). Scholars thus argue that countries use IFRS adoption speed as signal to the outside world about the credibility of the adopting country's accounting system and auditing procedures as well as the quality, transparency, accountability and efficiency of its capital market.

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Financial Innovation Theory

The theory of innovation was by Schumpeter in 1911 explaining the factors which cause economic development (Mehra, 2019). He believed that by funding creative ideas, finance would have a favourable impact on economic growth. The key notion of the theory is that innovation drives economic development process, and that entrepreneurial activities generate innovation (Aghion, 2018). Alternatively, the source of long-run economic growth is derived from innovation, and innovation itself emerges from the activities of certain group of people called entrepreneurs. So, the theory views innovation as a function of entrepreneurs and hence, recognise entrepreneurs as innovators.

Chand (2018), has also defined innovation as the ability of entrepreneurs to apply new inventions to actual production, such as new methods, new techniques, and new products. Schumpeter's (1911) conceptualisation of innovation further understood it as a process whereby the entrepreneur recombines existing knowledge to generate something new (Huang et al. 2021). According to Schumpeter (1911), entrepreneurs are individuals in the economy who possess the aptitude to value the potentials of innovation, coupled with the leadership qualities to rise above obstructions associated with doing things new (Mehra, 2019). He perceived and described development as process of "creative destruction", because development brings about spontaneous change in already existing things (Aghion, 2018). Thus, new way of doing things that is more profitable than existing ones leads to creative destructions of those existing things.

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Innovation theory classifies innovation into five groups: introducing new type of product; initiating new production methods; introduction of fresh markets; unearthing untapped resources and bringing change in an industry's way of doing things. After 70 years of Schumpeter's theory of economic development, innovation is still largely deemed a very fundamental element to gaining competitive advantage by corporate bodies and countries. There have been several versions of the Schumpeterian theories that have immerged to explain the concept of economic growth. Two reliable examples are the evolutionary-institutional growth theory and the financial innovation theory.

Nelson and Winter (1982), evolutionary economists, originated the evolutionary-institutional growth theory to explain how and why an economy undergoes changes toward growth. The theory, resting on Schumpeter's theory of innovation, holds that innovation is central to economic growth and that technological changes drives innovation (Sredojević, Cvetanović, & Bošković, 2016). The evolutionary growth theory argues that in the long term, the primary drivers of economic growth are technological advancements. The theory also regards technological changes as endogenous, which means that internal forces within the economy drives technological advancements, and these drivers can be consciously triggered by the government (Nelson & Winter 1982).

Evolutionary-institutional growth theory employs a concept known as "national innovation system" to explain that the genesis, importation, transformation, and spread of novel technology results from collaborative and network relationship between the private sector and public sector (Castellacci, 2006). Therefore, the concept of national innovation system rest on the idea

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that firms within an economy do not operate in seclusion, but rather continuously interact with other sectoral, national, and regional institutions (Sredojević et al., 2016). The concept thus assumes that networking the activities of an economy's private and public sectors create and practically diffuse technological advancements towards sustainable economic growth. These technological advancements can be in the form of introduction of novel and enhanced products and services, new managerial strategies, and new forms of business structures.

Laeven et al. (2015) also built on the existing Schumpeterian growth theory, especially in the fashion of Aghion et al. (2005) to develop the financial innovation-economic growth theory. They described financial innovation in its broadest sense, as "any change in the financial system that improves the screening of technological entrepreneurs" (p. 3). They maintain that financial innovation goes beyond the invention of new financial instrument and innovations by financial institutions to include new financial reporting procedures such as IFRS that aid in fostering the screening of businesses and enhancement in "data processing and credit scoring" that improves the screening of borrowers by banks. Laeven et al. (2015) argued that since technology and finance have coevolved, and existing research have shown a significant positive link between finance and technology, both financial and technological innovations must be incorporated in the model.

Consequently, Laeven et al. (2015) critiqued the way the existing Schumpeterian models have either neglected the financial system or presumed it to be static or mechanically variable with change in economic activities. Thus, the existing models have focused only on technological innovation and

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failed to incorporate financial entrepreneurs who trigger financial innovation. To them, financial innovators should be a crucial part of the model if consistent economic growth would be experienced because when financial innovators fail to innovate, economic growth would become stagnant.

The theory consequently identifies and categorises innovators into technological innovators and financial innovators. Technological innovators are persons who choose to invest in high-risk but possibly rewarding process of advancing technology while financial innovators/entrepreneurs are those who choose to invest in risky and costly but rewarding activities that enhance the screening of technological innovators. This suggests that financial innovators involve themselves in risky and costly engagements to ensure that the best screening procedures that meet the current level of technological advancement are put in place to identify the best technological entrepreneurs in order to guard against moral hazard and adverse selection due to information asymmetry.

Therefore, the focus of the theory rest on the notion that financiers will invest and indulge in costly, risky, but feasible financial innovations that support them to screen technological entrepreneurs prior to funding any project. This denotes that investors are willing to pay for enhanced method of screening financial information such as IFRS because it gives a higher probability of investing in rewarding and successful projects. The theory further argues that the screening of technological entrepreneurs by financial innovators closes the information gap between technological innovators and financiers, therefore removing the problem of information asymmetry.

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Accordingly, the central tenet of the theory is that, as technological innovators invest in the hazardous but lucrative process of furthering technology, financial entrepreneurs must unceasingly invest in screening technologies that appropriately monitor and identify potential technological entrepreneurs in order to fund only successful projects. Thus, when financial innovators fail to develop appropriate screening method that commensurate the succeeding technological advancements, information asymmetry would persist, and this would result in the problem of adverse selection.

Laeven et al. (2015) consequently extended the official Schumpeterian growth model by bringing on board two distinctive characteristics. Firstly, they indicated that technological and financial innovations obviously reflect the actions of individuals who seek to maximise profit. This infers that profit maximising agents have significantly engineered technological and financial improvement in a co-evolutionary manner. Secondly, they show that as technology advances, the existing method of screening technological entrepreneurs become less and less potent. Accordingly, information asymmetry increases as technology advances while screening method remain static. This implies that the screening method should be dynamic and constantly reviewed to match the existing technological advancements. Otherwise, ensuing technological improvements would render the existing screening method obsolete and ineffective. The theory also postulates that interaction between financial innovation and technological innovation creates positive synergies for both financial innovators and technological innovators.

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The current study rest on Laeven et al.'s financial innovation economic theory in addressing objective 3 because it is suitable in explaining how speedy adoption of IFRS, a financial innovation, helps in attracting foreign capital to sectors within an adopting country by screening firms within various sectors of an adopting economy. IFRS provides rules and principles that guide the preparation of financial report which results in quality, transparent and comparable financial information that enable investors to assess the viability of reporting entities within the adopting countries. It helps investors assess firms within sectors listed on the capital market and subsequently obtain information about the sector. Speeding IFRS adoption therefore provide opportunity for firms in the adopted countries to access funding.

Absorptive Capacity Theory

The absorptive capacity (AC) theory was originated by Cohen and Levinthal (Cohen & Levinthal, 1990). The theory was initially propounded to explain how organisations can acknowledge the value of novel information from external source, obtain such information and utilise it to achieve their commercial objectives. Cohen and Levinthal (1990) consequently defined absorptive capacity as the ability of the firm to recognise, integrate, and exploit new external information to meet commercial ends. Cohen and Levinthal (1990) derived three elements of absorptive capacity from the definition, including 'acknowledging the value of new information', 'integrating the new information' and 'exploiting the new information for business purposes'.

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Cohen and Levinthal (1990) summarised insights from the theory of individual learning and then applied them to the organisational context (Easterby-Smith et al., 2008). They also drew a lot of insights from innovation literature in their theory. They positioned research and development (R&D) at the core of companies' innovative practices by tying it to both learning and innovation (Volberda et al., 2010). The theory advances that a company's absorptive capacity, which is, its potential to use external information effectively, is crucial to its competitiveness and innovativeness (Matusik & Heeley, 2005). Absorptive capacity can be augmented by improving the capability of an organisation to transform and apply external knowledge to improve its main competencies (Daghfous, 2004).

Cohen and Levinthal (1990) assert that the ability to evaluate and apply external knowledge is heavily reliant on prior experience and knowledge. Thus, prior knowledge and R&D are the bedrock of the absorptive capacity theory (Volberda et al., 2010). This prior knowledge includes fundamental skills, a common language, contemporary scientific knowledge, and technological advancement in a specific field. Cohen and Levinthal (1990), further aver that prior knowledge is central to absorptive capacity because it facilitates the integration and utilisation of new knowledge. The authors further claimed that, for prior knowledge to support the assimilation of new knowledge, at least a fraction of it should be linked to the new knowledge. This indicates that assimilation of new knowledge is easier when there is a link between the known and the unknown.

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The authors also assert that variety of knowledge plays an essential role in absorptive capacity in that it enhances the power of assimilation and facilitates the processing of innovation by linking what is learnt to new ideas.

Zahra and George (2002) built on the proposition of Cohen and Levinthal (1990) through review of literature and conceptualised absorptive capacity as dynamic capabilities. The concept is explained as the aptitude to amalgamate, build and reconfigure interior and exterior capabilities to a varying environment (Teece et al., 2009). Zahra and George (2002) contested that such conceptualisation allows them to offer a better novel method of the components, antecedents, prospects, and outcomes of absorptive capacity. They extended the three components introduced by Cohen and Levinthal (1990) to four. The authors also replaced the component 'recognising the value' in Cohen and Levinthal's model with 'acquisition' and included the concept of "transformation, activation triggers, and social integration" as components in their new model. They further split absorptive capacity into "potential" absorptive capacity and "realised" absorptive capacity.

The concept of absorptive capacity for over 20 years has been foundational to numerous theoretical advancements (Matusik & Heeley, 2005). Since Cohen and Levinthal's seminal article was published in 1990, researchers have used the idea of absorptive capacity to explain a variety of organisational phenomena (Noblet et al., 2011). Absorptive capacity has been employed in various theoretical fields including psychology, economics, sociology, finance etc. For instance, in the field of psychology, absorptive capacity is used in developing theories for cognition and learning, in the field of economics, absorptive capacity is employed in explaining innovation and

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competition and in the field of sociology it has been employed in developing theories for coevolution (Volberda et al., 2010).

The literature also outlines two degrees of absorptive capacity: namely, the absorptive capacity of local firms, and national absorptive capacity. Absorptive capacity at the firm level entails the intensity of technology and quality of labour while national absorptive capacity includes the level of technology, human capability, financial as well as institutional systems development. Onayemi et al. (2018) defines a country level absorptive capacity in relation to capital inflows as the competence with which the country absorbs the benefits that associated with inflows of foreign capital such as foreign direct investment.

Cohen and Levinthal (1990) as well as Zahra and George (2002) have conceptualised firm-level absorption capability. Several authors in the likes of Hermes & Lensink (2003), Nguyen et al. (2009), and Onayemi et al. (2018) employed the concept at the country level to explain the necessity of countries to have some underlying fundamentals present in their environment in order to achieve expected benefits from tapping into external sources of capital and technological know-how. Some of the absorptive capacity mentioned in the literature include technology, R&D factor, human capital, institutional development and financial infrastructure (Cohen & Levinthal, 1990; Hermes & Lensink, 2003; Nguyen et al., 2009). Thus, a country must have some basic underlying capabilities such as human capital, quality institutions, rule of law, quality financial infrastructure in place to be able to attract, assimilate and reap the direct and spill over benefits of foreign capital inflows.

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This study employs the concept of absorptive capacity at the macro level to explain how countries can effectively utilise capital inflows for inclusive growth. Absorptive capacity is key in understanding the moderating roles of both the speed of IFRS adoption and the strength of institutional structures. Specifically, the first objective examines how the presence of institutional structures is crucial for the successful implementation of IFRS and attracting foreign capital investments. Additionally, the second and fourth objectives explore how the speed of IFRS adoption acts as an institutional mechanism, enabling countries to effectively absorb capital inflows and efficiently allocate resources in the manufacturing sector to achieve inclusive growth.

Kaldor's Engine of Growth Theory

The engine of growth theory was originated by Kaldor in 1966 in the post-Keynesian era after Harrod's growth theory. Two schools of thought tried to correct the limitations or shortfalls in Harrod's model, the neoclassical growth tradition originated by Solow and post-Keynesian tradition originated by writers such as Kaldor, Robinson and Kalecki, with each author named after his own line of reasoning (Cantore et al., 2017). These two schools of thought held diverse views. While the neoclassical tradition held that the quality, quantity, as well as the efficient use of primary inputs, drive economic growth, signifying that the supply of the factors of production influence economic growth, the post-Keynesian authors fail to accept the neoclassical way of conceptualising economic growth, contending that the aggregate production function, which constitutes the fundamental theoretical framework

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of the neoclassical model is inappropriate (Cantore, Clara, Lavopa & Soare, 2017).

The post-Keynesian authors also rejected the assumption of the neoclassical tradition that capital is a homogeneous production factor and that there exists a perfect market. The post-Keynesian authors, upon challenging the assumptions of the neoclassical economists, then claimed and highlighted the significance of capital accumulation, the need for price formation, distribution of income and changes in technology to economic growth dynamics (Boyer & Petit, 1991). This means that variations in economic growth require the consideration of capital accumulation, formation of prices, income distribution and technological change.

Kaldor's main argument or central line of reasoning is that the demand side of the economy causes the differentiated behaviour in the economic system, unlike the postulations of the neoclassical theory which focuses on the supply of primary factors as determinant of economic growth (Cantore et al., 2017). This means that the dynamic behaviour in the economic system is orientated by the demand side of the economy. The theory suggests that when there is increase in demand, the employment of productive capacity as well as reinforcement of investment upsurge and this supports the future growth of the economy. In other words, the theory posits that the expansion of demand engenders increases in productive capacity and encourages investments which results in future growth of the economy.

The theory further explains that the expansion of demand is brought about by technical progress and technical progress also results from return to scale. That is, return to scales or higher productivity brings about technical

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progress which in turn, results in demand expansion. Kaldor consequently postulates a virtuous cycle between demand expansion, productivity and competitiveness, by explaining that increases in demand generates a rise in productivity and a rise in productivity also stimulates competitiveness, which in turn leads to further increase in demand (Pons-Novell & Viladecans-Marsal, 2010). To test this model, Kaldor developed three laws of growth, the engine of growth law, Verdoorn's law and labour factor productivity law.

The first law, engine of growth, postulates that "manufacturing is an engine of growth" and so, a positive link exist between growth of gross domestic product (GDP) and the output growth of manufacturing (Boyer & Petit, 1991). This implies that there is a linear relationship between growth in GDP and output growth in manufacturing, and that the growth in GDP is largely influenced by output growth in manufacturing. The theory places much importance on industrial productivity and claims that, should it be assumed that the variations in economic growth largely rest on productivity, then, the argument that industrial (manufacturing) sector yields more productivity than the other sectors by virtue of its ability to integrate technological progress more easily and consequently stimulates overall growth in the economy, holds true (Cantore et al., 2017).

Kaldor's second law, which is based on Verdoorn's observations in 1949, stipulates that a positive association exists between the growth of labour productivity in the industrial sector and total growth of output in industry. In other words, a correlation exists between the productivity growth of the manufacturing sector and the growth of output in the manufacturing sector (Boyer & Petit, 1991; Cantore et al., 2017). This shows that when industrial

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labour productivity goes up, output in industry goes up in the same direction. This is because, a rise in production, which is an outcome of a simultaneous decrease in average cost of production and increase in capital accumulation due to surplus, coupled with technical progress, causes a rise in productivity. Thus, productivity increases as production expands due to increasing returns in the form of lower average production cost, enhanced capital accumulation, and technical progress.

The third law of Kaldor postulates a strong connection between growth in the productivity of the other sectors and output growth in the manufacturing sector. This is explicable given that, labour from other sectors of the economy is transferred to the industrial sector due to increased industrial production, which consequently generates an improvement in the non-industrial sectors and hence improves the productivity of non-industrial sectors (Pons-Novell & Viladecans-Marsal, 2010).

The current study employs the first law which stipulates that "manufacturing is an engine of growth" to explain the industrialisation and inclusive growth nexus in SSA.

Conceptual Review

The conceptual review looks at the meaning of variables employed in the current study and how they have been explored, conceptualised and operationalised in literature. From this review, the study also establishes how these variables are conceptualised and operationalised for subsequent testing of hypotheses and achievement of its objectives.

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The Concept of IFRS Adoption Speed

This section of the review focused on how IFRS and its adoption speed has been explained by existing literation. It also explored the types of adoption and how IFRS adoption has been operationalised and measured in literature. Finally, it indicated how IFRS adoption is operationalised and measured by the current study.

Meaning of IFRS

The IFRS Foundation describes IFRS as a "single set of accounting standards, developed and maintained by the IASB with the intention that those standards be capable of being applied on a globally consistent basis by developed, emerging, and developing economies, allowing investors and other users of financial statements to compare the financial performance of publicly listed companies across jurisdictions" (Pacter, 2016 p. 9). The Foundation further states that IFRS Standards prescribe: the items that should be recognised as assets, liabilities, income and expense; how to measure those items; how to present them in a set of financial statements; and related disclosures about those items (Pacter, 2017)

This denotes that IFRSs are a set of accounting standards that are international in scope and indicates how certain specific business transactions, and other related proceedings are to be reported in financial statements. These standards stipulate the exact approach accountants are to use to maintain and report their accounts. KPMG (2014) also defines IFRSs as a set of globally accepted standards for financial reporting applied primarily by listed companies. Consistent with the IFRS Foundation and KPMG (2014), Mbabazi and Agaba (2021) have described IFRS as a set of guidelines that accountants

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must follow to keep comparable, understandable, reliable books of accounts relevant to both internal and external users.

According to Epstein and Jermakowicz (2010) IFRS can be explained narrowly and broadly. From the narrow perspective, IFRS can be explained to mean the numbered series of pronouncements issued by the IASB to ensure harmony in accounting standards globally. In a broader sense, IFRS refers to the entire body of IASB pronouncements, including standards and interpretations approved by the IASB, and IASs and SIC interpretations accepted by the predecessor IASC. Explaining the purpose of IFRS, Palmer (2022) maintains that IFRS were promulgated to ensure uniformity in accounting language so that business and financial statements may be understood from company to company and country to country. Substantiating the claims of Palmer (2022), Emudainohwo (2020), has posited that IFRS were created mainly to offer more accurate, comprehensive, and timely financial statement information, and to reduce international differences in accounting information so as to enhance cross-border investment and foster efficient allocation of capital.

It can be deduced from the definitions given so far that, IFRS are promulgated mainly as a common global language for business affairs so that company accounts are understandable and comparable across the globe. Pradhana (2014) agreed to this assertion by claiming that IFRSs were created to standardise financial reporting across the globe with the goal of making it easier for businesses to get access to international public capital markets and for investors to gain access to global investment possibilities. The IFRS Foundation confirms this by establishing that it aims to serve the interest of

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the public by developing IFRSs that ensures transparency, accountability and efficiency in the world's capital market and consequently foster trust, growth and long-term financial stability in the global economy (Pacter, 2017).

Gu et al. (2019) have established that IFRS by their very nature are principle based rather than being rule based as is the case of US GAAP. Being principle based suggests that IFRS require more discretion and judgment from management in the process of financial reporting. Pradhana (2014), mentioned that IFRSs place emphasis on substance over form, meaning they demand reporting economic substance of transactions instead of their legal form.

IFRS Adoption

The adoption of IFRS has gained considerable support around the world since its adoption by the European Union in 2005 (International Federation of Accountants [IFAC], 2019). In view of this, many scholars in the field of accounting including (Douglas (2019), Manju (2018), Nejad et al. (2018), Owusu et al. (2017), Pacter (2017), Salah (2020), Oppong and Aga (2019), and Zaitul et al. (2020) have conducted seminal studies on IFRSs adoption and its economic and other impacts. This has been necessitated by the imperative need to harmonise accounting standards due to globalisation and the resultant increased international transactions (Ball, 2016; Tawiah & Boolaky, 2019b). Thus, adopting a single set of universal standards simplifies accounting procedures by allowing companies to use one reporting language throughout. Indeed, a single set of accounting standards ensure that investors, managers, and all other stakeholders have a unified view of financial issues.

Zori (2012a) defined IFRS adoption as the replacement of a jurisdiction's accounting standards with IFRSs and emphatically stating that

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the financial statements of its firms are in full compliance with IFRS as issued by the IASB. Consistent with Zori (2012a), Batra (2016) explained that IFRS adoption in simple terms means that the country applying IFRS would be implementing IFRS in the same manner as issued by the IASB without any variations and would be 100% compliant with the guidelines issued.

Batra (2016) argued that despite the widespread nature of IFRS, there is still confusion over the difference between convergence and adoption of IFRS. He also asserted that many users used them interchangeably but insisted that there exists an important difference between convergence and adoption. The IFRS Foundation corroborates this assertion by emphasising that convergence does not substitute adoption, meaning the two are not the same (Pacter, 2017). Zori (2012a) substantiated the forgoing assertions by maintaining that using IFRS as the bases for the preparation of a country's GAAP is not the same as adoption. Batra (2016), consequently contrasted IFRS adoption with convergence by explaining that IFRS convergence signifies that, over time, the Accounting Standard Board of the country implementing IFRS will collaborate with IASB to establish high-quality, compatible accounting standards.

Therefore, the creation of national accounting standards that are compatible in all material aspects with IFRS may serve as a steppingstone towards adoption, but it does not serve as a replacement for adoption. Pacter (2016) suggested that convergence strategies may be short-term while adoption is long-term. Thus, countries converging with IFRS may deviate to a certain extent from the IFRS's as issued by the IASB. Commenting on the methods of IFRS adoption, Pacter (2016) explains that ways by which

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countries adopt IFRS may differ and may call for a suitable time period for implementation but, whatever mechanism a country chooses to use, it should permit and oblige relevant bodies to state clearly and publicly that their financial statements are in full compliance with IFRS as issued by the IASB (Pacter, 2016). That is, they must comply 100% with the requirements of IFRS in their financial reporting.

Thus, a country or jurisdiction can only claim to have adopted IFRS if and only if they comply fully with all IFRS regulations or requirements in their financial reporting. By implication, IFRS adoption eliminates any instances that may give rise to information asymmetry as a result of differences in accounting standards that underlies the preparation of financial reports.

IFRS Adoption Speed

IFRS adoption speed is a critical concept denoting the pace or rate at which a country aligns its accounting practices with the International Financial Reporting Standards (IFRS), particularly after the pivotal adoption by the European Union (Elmghaamez, 2023). IFRS adoption speed thus, pertains to the age with which various countries and organisations integrate IFRS into their financial reporting systems (El-Helaly, Ntim, & Al-Gazzar, 2020). It is a measure of how quickly a country moves from its existing accounting standards to the globally accepted IFRS, indicating the efficiency and commitment of the country in harmonising its financial reporting practices with global norms (Ball, 2006). This speed of adoption is not uniform and varies significantly across different regions and countries, reflecting the

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diverse approaches to and perceptions of IFRS globally (Dayyala, Zaidi, & Bagchi, 2020)

The speed of IFRS adoption across various countries is influenced by a combination of factors, each contributing uniquely to the adoption process (Key & Kim, 2020). Central to this is the strength of a country's regulatory framework. As Ramanna and Sletten (2014) have pointed out, countries with more robust regulatory environments tend to embrace IFRS more rapidly. This is complemented by the economic stability and the development of financial markets within these countries. Zeghal and Dahmen (2012) have noted that countries boasting stable economies and developed financial markets are more inclined to swiftly transition to IFRS. Political dynamics also play a crucial role in the speed of adoption. The presence of political will and effective governance structures, as highlighted by DeFond, Hung, Li, and Li (2012), can significantly expedite the adoption of IFRS. Conversely, political instability might slow down this process, creating delays and hurdles in the transition to these international standards.

Another key element influencing the speed of IFRS adoption is the institutional infrastructure within a country (El-Helaly et al., 2020). El-Helaly et al. (2020) as well as Soderstrom and Sun (2007) avow that the existence of robust accounting and auditing institutions, along with a workforce that is well-versed in international accounting standards, is fundamental for a quicker adoption of IFRS. This institutional readiness ensures that the transition is both smooth and efficient. Globalisation and international pressures also wield considerable influence on IFRS adoption speed. According to Camfferman and Zeff (2007), the desire to attract foreign investment and integrate into

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global financial systems often drives countries towards a faster adoption of IFRS. This aligns them with international financial practices and standards, making them more attractive to global investors. Hope, Pae, and Thomas (2013) also observed that cultural attitudes towards change and innovation significantly impact the speed of IFRS adoption. The authors argue that some cultures might exhibit resistance to adopting new standards, thereby affecting the overall pace of adoption in those regions. This cultural dimension adds a layer of complexity to the adoption process, reflecting the diverse attitudes and approaches towards change and modernisation in financial reporting standards.

IFRS adoption speed carries significant economic implications for the adopting countries. in the first place, it can substantially affect capital market performance and influence the operations of multinational companies (Elmghaamez, Attah-Boakye, Adams, & Agyemang, year). According to Soderstrom and Sun (2007), a faster adoption of IFRS is often associated with an improvement in the quality of financial reporting, which benefits the overall economic landscape of the adopting entities. This indicates that countries with a higher adoption speed are likely to experience quicker integration into the international financial community, potentially attracting foreign investment and contributing to the efficiency of global capital markets. Tawiah (2022) consequently highlights that, early adopters found inherent value in IFRS adoption, which prompted them to substantially invest resources in the early adoption to reap the associated benefits. In contrast, late adopters may have been influenced by external pressures and the global push for

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harmonisation, resulting in less enthusiasm to invest significant resources and time in IFRS implementation.

Expanding the understanding on IFRS adoption speed, Dayyala, Zaidi, and Bagchi (2020) employ the innovation diffusion model to analyse IFRS diffusion, providing a more nuanced view of the adoption process across different regions and contexts. The current study contributes to the literature by using the financial innovation theory to explain how the speed of IFRS adoption can act as a catalyst for inclusive growth by removing the problem o information asymmetry and attracting foreign capital inflows into the adopting countries.

Mandatory and Voluntary Adoption

IFRS adoption can be voluntary or mandatory and each affects the level of compliance (ICAEW, 2015). The focus of the current study is on mandatory adoption. Mandatory adoption of IFRS adoption is described as the kind of adoption whereby a jurisdiction requires its public companies and/SMEs to comply with the requirements of IFRS in the preparation and presentation of their financial statements (Gu et al., 2019). This implies that, companies are required by law to apply IFRS in their financial reporting. It also suggests that firms have no choice or options but obliged to apply IFRS directives in the preparation and presentation of financial statements. Voluntary adoption on the other hand, refers to the adoption initiated by firms within a jurisdiction without being obligated by law (Gu, 2021). Thus, with voluntary adoption, companies, having options, choose to adopt IFRS without any legal compulsion.

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Before the establishment of mandatory IFRS adoption, several companies across the globe had already voluntarily adopted IFRS. El-Gazzar et al., (1999) intimate that organisations that adopted IFRS voluntarily were those seeking access to overseas capital, improving customer appreciation, or reducing political costs. From the start of 2005, the European Union (EU) made it mandatory for its listed companies to prepare consolidated financial statements based on IFRS (ICAEW, 2015). This move presented one of the most influential accounting rule changes in history, and generated similar regulatory actions at the international front (Christensen et al., 2015; Mita et al., 2018).

Explaining the rationale behind the mandatory adoption, the European Commission [EC] (2015) established that a common set of accounting standards for listed companies was to "level the playing field" for participants in the European capital market by increasing the comparability of financial statements prepared by publicly traded companies across Europe (Regulation (EC) No. 1606/2002, par.1). Thus, the switch from GAAP to IFRS was an attempt to provide equitable footing for accounting reporting in all EU listed companies. Consistent with the EC, Gu et al. (2019) argue that the mandatory adoption of IFRS by many countries around the globe funs the expectation that financial accounting information might become more comparable across countries; thus, increase cross-border capital inflows and investor diversity. Elliott and Elliott (2011) also claim that mandatory standards are needed to explain the way in which accounting numbers are presented in financial statements. According to the authors, this explanation is to ensure that measurement and presentation of financial statements are less subjective.

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Although the Trustees of IFRS Foundation are pushing for mandatory IFRS adoption, they recognise that the adoption of IFRS is a voluntary public-interest decision to be taken by the legislative and regulatory authorities in individual jurisdictions. Thus, neither the IFRS Foundation nor the IASB has the authority to mandate or supervise adoption. They argue that countries need to establish their own mechanisms for formalising and incorporating IFRS into their national law, and for ensuring consistent and rigorous application (Elliott & Elliott, 2011; Tarca, 2013)

Several studies have investigated the benefits of mandatory IFRS adoption and have suggested that mandatory adoption motivates voluntary adoption in some way. For instance, a study by Gu et al. (2019), has revealed that mandatory adoption enhances managers' motivation to embrace IFRS disclosures voluntarily. Other authors in the like He and Lu, (2018); Landsman et al. (2012) and Demmer et al. (2019) have also avowed that mandatory IFRS adoption enhances both foreign analysts' ability to track global trends in accounting information and cross-border investments which results in increased competition for capital from both domestic and international firms.

This suggests that IFRS adopting firms do not only compete with other domestic firms for domestic investment, but they also compete for international capital with other nations that have adopted IFRS. It also denotes that to beat competition, adopting countries need to do their homework in order to enjoy the benefits of foreign capital inflows associated with IFRS adoption.

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Donelson et al. (2012) however, contended that mandatory IFRS adoption tend to enhance the risks of litigation that often face adopting firms because they are principles-based by their very nature. Explaining further, the authors argued that the discretion and personal judgement required by IFRS increase "managers' risk of being indicted for misstatement." Consistent with Donelson et al. (2012), Gu (2021) mentioned that since voluntary adopters are not under any obligation to adopt these accounting standards, they are more likely to adhere to the IFRS reporting requirements than mandatory adopters. Leung and Ilsever (2013) also maintained that mandatory adopters, contrary to voluntary adopters require more incentives in order to comply with the requirements of IFRS.

Interestingly, authors like Beyer et al. (2010) Ball et al. (2012), and Gu et al. (2019) have opined that mandatory and voluntary adoption play complementary roles to each other. They posited that voluntary and mandatory disclosures are likely to complement each other because mandatory disclosures allow investors to better assess the credibility of voluntary disclosures, which would in turn increase the demand for voluntary disclosures. This indicates that mandatory IFRS adoption leads to a permanent increase in voluntary disclosures.

The foregoing discussion presupposes that there is really no dichotomy between mandatory and voluntary IFRS adoption other than that one is enforceable by law (mandatory) and the other (voluntary) is not. Gu et al. (2019) expressed that this is so because, quality mandatory disclosures often lead to increase in the credibility of financial information and this in turn leads to an increase in the demand for voluntary disclosures. Thus, the increased

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disclosures as a result of mandatory IFRS adoption results in an increased investors' demand for voluntary disclosures.

Concept of Capital Inflows

The idea of capital inflows arises when a country desires to enhance its economic activities in order to achieve sustainable economic growth (Igan, Kutan, & Mirzaei, 2020). In this context, a country attracts inflows of foreign capital to boosts its economic activities that would result in a sustainable economic growth. Chen (2021) has defined capital inflows as the flow of money into a country from other countries for investment purposes. Ehigiamusoe and Lean (2019) also described foreign capital inflows as all types of capital that a country receives from other nations in the forms such as foreign direct investments, foreign aid, foreign portfolio investment, loans, technical assistance grants, and export credits. Capital inflows therefore serve as a significant source of funding and is thus a major source investment in the recipient countries (Nyang`oro, 2017). Foreign capital inflows play a crucial role of closing the gap between savings and targeted investments in emerging economies. Ehigiamusoe and Lean (2019) therefore maintained that foreign capital inflows fill the resource gap between an intended investment and available savings.

Capital inflows come in various forms such as equities, bonds, and mutual funds (Lungu et al., 2017). They can also be in various components/categorisation including FDI, FPI, Remittances, Aid, etc. FDI and FPI can take the form of equity and debts (Kodongo & Ojah, 2017). By virtue of being a major source of funding and hence investment in the host nations, capital inflows promote economic growth as it enables the transfer of

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managerial and technological skills, access to foreign market for export promotion, as well as enhancing the functionality of domestic financial markets (Nyang`oro, 2017).

Nyang`oro (2017) further discussed that capital inflows impact on economic growth by influencing savings, cost of capital, transfer of technology and financial sector development. It may also affect the growth of the economy indirectly by improving the specialisation of product and enhancing institutions and macroeconomic policies. Consequently, Omotoso et al (2022) intimated that foreign capital inflows are key to the growth of developing economies since it forms the main source of their financial development. This suggests that foreign capital inflows are the backbone for ensuring adequate fiscal capital and technological growth in developing economies.

The ability of some foreign capital inflows such as FDI and Aid to impact on growth is however contingent to the existence of some underlying fundamentals such as the development of financial system, technology, human capital/level of education and level of industrialisation (Ehigiamusoe & Lean, 2019; Nyang`oro, 2017). Thus, the degree of absorptive capacity in the host nation determines how effective these capital inflows can affect inclusive growth. The current study focuses on FDI, FPI and Foreign Aid and consequently discusses them below:

Foreign Direct Investment (FDI)

According to OECD (2008), foreign direct investment (FDI) signifies the intention of a resident enterprise in one economy (the direct investor) to establish a long-term relationship with a resident enterprise in another

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economy (the direct investment enterprise). The lasting interest is an indication that a long-term relationship exists between the direct investor and the investee and, also reflects a significant level of influence in management of the business. It therefore describes FDI as a collection of investments in which a company based in one nation acquires a long-term stake in a company based in another country. The presence of a direct investment relationship between the direct investor and the direct investment firm is determined by a numerical criterion of 10% voting power ownership (OECD, 2008).

In agreement with the OECD (2008), Kodongo and Ojah (2017) described FDI as a cross-border capital that often has a long life since it occurs when a foreign investor acquires no less than 10% of the entire ownership value of a domestic firm. Ehigiamusoe and Lean (2019) also explain that FDI comprises investments made by foreigners in the country that receives capital in the form of cash, raw materials, machinery, technological know-how, and skills. According to Kang and Martinez-Vazquez (2022), FDI refers to investments from an international firms that purchase a long term interest in the management of domestic companies by acquiring 10 percent or more of voting shares.

So, not only does FDI provide an essential extended gestation time for utilising cross-border capital inflows for domestic output, but the 10% stake also ensures that the foreign investor will contribute a substantial amount of capital to the financing of the domestic firm. The OECD (2008) adds that at least 10% ownership of the firm's voting power is considered fundamental evidence that the investor has adequate influence to have an active voice in its management.

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FDI to host nations take various forms including mergers and acquisition, and joint ventures and greenfield FDI where the foreign firm would establish a new company in the host country. These types of FDI can take the form of establishing a subsidiary investing concern, or a business for assembling the parent product, its distribution, sales, and exports, or a firm with a majority stake in partnership with a local company/partners. The literature has shown that unlike portfolio, FDI by nature, has a long gestation period, which helps to improve capital accumulation in the host nation and hence, its capital account balances. Also, by virtue of their direct involvement in the management of the firm, FDI investors have access to internal information than portfolio investors.

Several benefits have been associated with FDI inflows by the literature. For instance the literature has revealed that FDI fosters the transfer of technology and associated innovation as well as managerial skill which help to enhance production efficiency (Ehigiamusoe & Lean, 2019). Kang and Martinez-Vazquez (2022) also avowed that aside improving the geographic closeness between the foreign companies and their domestic economic firms, the forms of FDI also enhance organisational proximity. Other benefits include improving capital accumulation and hence capital account balances of the host nation, fostering human capital development, access to foreign market and subsequent improvement in balance of payment, and other spillovers such as enhancing competition in the local market, and provision of jobs, increasing GDP per capita and thus impacting on inclusive growth (Ehigiamusoe & Lean, 2019; Kang & Martinez-Vazquez, 2022; Nyang`oro, 2017).

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The literature has however shown that FDI's effectiveness in impacting on inclusive growth is not automatic, but dependent on the existence of certain underlying features in the host nation (Alshamari et al., 2018; Kang & Martinez-Vazquez, 2022). Consequently, the wider the gap between the home country and the host nation's level of technology, financial system development, human capital, economic development and institutions, and trade openness, the more insufficient the host country's absorptive capacity to transform the spillovers of FDI into growth and vice versa (Nyang`oro, 2017). This suggests that it is very imperative to identify the local economic conditions that can facilitate or hinder the collaboration between multinational companies and their counterparts in the host country.

Notwithstanding the numerous benefits associated with FDI inflows and its spillovers, it also has the potential of impacting negatively on inclusive growth. This potential negative impact may result from: "crowding out effect" especially, where multinational companies gain monopoly powers over their gained market in the host country; repatriation of profits; "dual economy effect" and environmental issues, particularly, where regulatory regimes are loosened for the purpose of attracting these FDIs whose activities eventually affect the environment (Ahmed, 2020)

Foreign Portfolio Investment (FPI)

Oyerinde (2019, p. 84), has referred to foreign portfolio investment (FPI) as "securities and other financial assets passively held by foreign investors". In a similar vein, Maverick (2022), defined FPI as investment in a foreign country's financial assets including stocks and bonds traded on an exchange. Ehigiamusoe and Lean (2019), also explained FPI as private

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investment in the form of transferable securities, shares, and debentures of the capital receiving countries purchased by individuals and institutions from outside the acquiring countries. According to Alshamari et al. (2018), FPI reflects investors who own less than 10% of the shares of the company invested in another country. The above definitions provide an indication that there is consensus in the meaning of the concept of foreign portfolio investment.

FPI can be in the form of equity such as shares and in the form of debt such as debentures. FPI shareholders are only entitled to dividend. Compared to FDI, FPI has a shorter gestation period (Maverick, 2022). FPI holders do not have controlling interest in the business since FPI does not give direct ownership of financial asset to the investor (Nyang`oro, 2017). Hence, FPI investors are not directly involved in the management of the firm. For this reason, they are not privy to private information of the firm as FDI holders do.

This implies that FPI investors are more prone to bear high information cost due to the problem of information asymmetry and related problem of adverse selection than FDI holders. Information cost resulting from information asymmetry causes investors who hold diversified international portfolios to respond in an aggressive manner to market rumours termed as "news". Besides, information costs, it causes less-informed investors to imitate the actions of investors perceived to have been more informed about potential yields on investment (Ehigiamusoe & Lean, 2019; Nyang`oro, 2017)

Foreign portfolio investment is highly volatile in that investors can withdraw their investment at any time depending on the performance of the capital market (Maverick, 2022). Nyang`oro (2017), submits that this exposure

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of the domestic capital market to high volatility by FPI investors can results in macroeconomic instability and subsequently affect inclusive growth. FPI can also create liquidity on the capital market of the investing countries which subsequently results in the availability of capital at lower cost to firms on the domestic market (Alshamari et al., 2018). FPI is therefore said to be the gauge used in assessing the performance capital market (One, 2022).

Foreign Aid

Ehigiamusoe and Lean (2019) has defined foreign aid as public external capital on hard and soft terms in cash or kind as well as grants between governments. Similarly, Kenton (2021) referred to foreign aid as any kind of assistance transferred voluntarily by one nation to the other, including gifts, grants and loans. In agreement with Kenton (2021), Williams (2021) referred to foreign aid as situations where a nation or an international organisation transfers assistance in the form of capital, goods or services across borders to another nation. The above definitions indicate that there is a common understanding of the concept of foreign aid and that foreign aid goes beyond transferring capital to include non-capital items such as food, healthcare, education, building of infrastructure, peacebuilding activities and relief for post-natural and man-made disaster distress (Kenton, 2021; Williams, 2021).

One can simply therefore define foreign aid as any form of monetary or nonmonetary assistance given by one nation or an international organisation to another to mitigate the plight of the recipient country or its populace. The concept of foreign aid dates back to the period of the American revolution and officially took root during the second world war where the government of the

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United States supplied funds and other materials to allied countries prior to the war (Islam, 1992; Kento, 2021). Williams (2021) intimated that the current structure and scope of foreign aid can be linked to the post-second world war move by the American government to assist developing economies to achieve rapid economic growth. This development included the implementation of a strategy known as 'Mashall Plan' that sought to rehabilitate seventeen countries in the western and southern Europe; and to found key international organisations such as the World Bank, the IMF, and the United Nations to oversee the proper allocation of resources in various forms of aid to recipients.

Foreign aid can be categorised into tied and untied. Whereas untied aid is more general, tied aid is bound by specific projects, sources and goods (Ehigiamusoe & Lean, 2019). There are several reasons for granting foreign aid including export promotion programs, promotion of economic development, relief of sufferings associated with post-natural or man-made disaster including famine, war, and diseases, strengthening of political institutions, and handling of different multinational issues (Williams, 2021). This suggests that the donor's intent for the aid cannot by diverted for something else.

The sources for foreign aid include international organisations such as IMF; Organisation for Economic Co-operation and Development (OECD), the World Bank, governments, and other non-governmental organisations. Official Development Assistant (ODA) is the most common type of foreign aid, and it is often granted for development purposes (Kento, 2021; Williams, 2021).

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Conclusion on the Concepts of Capital Inflows

In summary, the concept of foreign capital inflows is said to be fundamental to inclusive growth in the host countries because it helps to provide the necessary funding and expertise required for the expansion of economic activities that results in the enhancement of the standard of living and reduction in the cost of living (Adebayo & Beton Kalmaz, 2020; Ehigiamusoe & Lean, 2019; Yiew & Lau, 2018). The most common measurement of capital inflows in the literature as far as their contribution to growth is to gauge them against GDP. That is their contribution to GDP (Adebayo & Beton Kalmaz, 2020; Ehigiamusoe & Lean, 2019; Gui-Diby & Renard, 2015). In this light, the current study also measured capital inflows as a percentage of GDP, and this has been well detailed in the methodology section.

The Concept of Industrialisation

The concept of industrialisation in this study focuses on the historical emergence of the industrial revolution and how industrialisation has been explained and operationalised and measured in literature.

Historical Background to Industrialisation in Africa

The industrial revolution, a transformative movement that began in Great Britain in the late 18th century, marked a significant shift in global economic dynamics (Szirmai & Verspagen, 2015). This period saw the emergence of fossil fuels like coal as dominant energy sources, revolutionising the way energy was harnessed and used (Sterns, 2013). Key inventions like James Watt's steam engine not only facilitated this energy transition but also propelled Great Britain into a new era of mass production and technological

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advancement (Xu, David, & Kim, 2018). In stark contrast, African economies at this time remained predominantly agrarian, largely detached from the burgeoning industrial activity that was reshaping the Western world (Maddison, 2010).

As the industrial revolution gained momentum, it fostered unprecedented economic and technological growth in Western countries like the USA and Germany. These nations harnessed their unique resources and labor conditions to build robust industrial economies (Szirmai & Verspagen, 2015). However, Africa's reliance on agriculture continued, leading to economic vulnerabilities and limited participation in the industrial economy. This period underscored a widening economic gap, as industrialised nations experienced wealth accumulation and technological prowess, while Africa's development trajectory remained static, reinforcing a global economic divide (Naude & Nagler, 2015).

The post-World War II era marked a significant global economic shift. Nations such as China, Brazil, and India initiated aggressive industrialisation policies, transforming their agrarian economies into global industrial powers (Szirmai & Verspagen, 2015). Africa, however, missed this industrial wave. Hindered by inadequate industrialisation strategies and a premature shift to service sectors, Africa bypassed the industrial development that could have spurred significant economic transformation (Opoku & Yan, 2019; Szirmai & Verspagen, 2015). In contrast, East Asian economies successfully transitioned from import substitution to export promotion, highlighting the missed opportunities and strategic missteps in Africa's economic approach.

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Africa's avoidance of a significant industrial phase has been critically viewed as a strategic error. This bypass led to missed opportunities for structural economic change and technological innovation (African Growth Initiative [AGI], 2016; Opoku & Yan, 2019). Despite experiencing some economic growth, Africa's pace of development has been slow compared to other regions, emphasising the need for a focused and robust industrialisation strategy (UNIDO, 2019; World Bank, 2016). The continent's continued reliance on low-productivity agricultural sectors has hindered its ability to achieve significant economic advancements and address persistent challenges such as poverty and unemployment.

Today, the call for industrialisation in Africa is more urgent than ever. International organisations and African governments alike recognise the critical role of industrialisation in transitioning from low to high productivity sectors (UNIDO, 2020a). Embracing industrialisation is not merely an economic choice but a fundamental step towards aligning Africa with global development trends and unleashing its full economic potential (Signé & Johnson, 2018). This shift is essential for the continent to overcome longstanding economic challenges and to position itself as a competitive player in the global economic landscape.

Meaning of Industrialisation

According to Opoku and Yan (2019), industrialisation can be generally defined as growth in the value added to GDP by non-agricultural and non-service sectors and precisely refers to as a rise in the secondary sector's value added. Haraguchi, Martorano, and Sanfilippo (2019) also refers to industrialisation as a continuous pattern of the speedy growth in

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manufacturing value added. Consistent with Haraguchi et al. (2019), Gui-Diby and Renard (2015), explained that industrialisation involves the growth in manufacturing sector's value added relative to the entire size of the economy. Furthermore, Naudé et al. (2013), refer to industrialisation as a socio-economic process of swift transformation in major manufacturing activity in relation to other types of production and work carried out in a country. Conversely, when manufacturing sector fall short of other sectors for long-term, the situation is regarded as deindustrialisation (UNIDO, 2013)

From the above definitions, it can be observed that the development of the manufacturing sector is a necessity to the achievement of industrialisation. It is therefore not surprising that manufacturing has been used as a synonym to industrialisation in the literature (Opoku & Yan, 2019). Efobi et al. (2019) consequently posit that a major improvement of the manufacturing sector will relatively result in the rapid achievement of industrialisation of an economy.

The literature highlighted that industrialisation is an essential ingredient for attaining structural economic change and this structural transformation is driven by improvement in the manufacturing sector. Thus, the literature has portrayed that the development of the manufacturing sector has been a necessary ingredient to the achievement of structural economic transformation and growth from the period of industrial revolution till now (Efobi et al., 2019; Naude & Nagler, 2015; Naudé et al., 2013; Opoku & Yan, 2019). Structural change is defined as the shift "of an economy from low productivity and labour- intensive economic activities to higher productivity and skill intensive activities" (Oyelaran-Oyeyinka & Lal, 2016 p. 1). According to Naudé et al. (2013), an increase of the manufacturing sector is

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linked to structural economic bonus, which is a higher growth in productivity and per capita incomes of a country.

The literature also revealed that technological change and innovation are very critical to industrialising and its role in inclusive growth and that industrialisation fosters the transfer of technological change and associated innovation drive from the world's technological frontier into an economy, often through foreign direct investors (Naudé et al., 2013). This is because technological change leads to expansion in manufacturing productivity and development of human capital through formal and on-the-job training (Laeven et al., 2015; Opoku & Yan, 2019). It is also discussed that growth in manufacturing activities spurred by high technological change drives innovation due to massive R&D activities to improve existing methods of production as well as finding new ways of production that would enhance productivity and achieve competitive advantage (Gui-Diby & Renard, 2015; Naude & Nagler, 2015; Opoku & Yan, 2019).

Mostly, industrialisation has been proxied by the manufacturing sector development on the grounds that it is the core ingredient to industrialisation. It is therefore often measured as either manufacturing sector's contribution to GDP or manufacturing value added as a percentage of GDP (Gui-Diby & Renard, 2015; Naude & Nagler, 2015; Opoku & Yan, 2019; UNIDO, 2019). This study employs value added of manufacturing as a percentage of GDP as shown above for measuring industrialisation.

Conclusion on the Concept of Industrialisation

Industrial development has been argued by many as the foundation upon which a sustainable inclusive and life transforming economic growth

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could be built upon. This is explained by the reason that manufacturing, which is core to industrialisation, has been argued to yield higher productivity, enhance capital accumulation process, improve human capital, promotes exports, fosters savings and provide greater investment opportunities which are all ingredients of inclusive growth.

Concept of Inclusive Growth

The concept of inclusive growth has recently been the focus of attention globally, especially among governments, policy makers, international organisations and academics (Arabiyat et al., 2020; Kang & Martinez-Vazquez, 2022). This has been necessitated by the need to leverage expanding economic capacity to achieve societal hopes and expectations so as to address the identified problem of poverty and resultant inequality in society (Stawska & Jabłońska, 2022). According to Klasen (2010), not all economic growth episodes are inclusive and as such it is very imperative to distinguish economic growth that are inclusive from those that are not. The author maintained that even though economic growth can be well and clearly defined, its conceptualisation is narrow. This indicates that the concept of inclusive growth goes beyond the general economic growth.

Inclusive economic growth expresses the view that whereas accelerated economic growth is necessary, it is insufficient for it to warrant the welfare of a country's populace. In other words, increasing economic output (i.e., economic growth) is a necessary precondition for inclusive growth, but, it does not automatically lead to inclusive growth (Hirway, 2012; Yinusa, Aworinde, & Odusanya, 2020). Consequently, the quality of a country's growth and its sustainability, as well as the extent to which the benefits of

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such growth may reach the most vulnerable segments of society is currently the focus of global attention. (AfDB, 2016).

Notwithstanding the volume of importance attached to inclusive growth and the seemingly common aspirations among policy makers and international organisations in addressing the issue, there is currently no consensus in the concept of inclusive growth. Inclusive growth has been defined differently by various scholars and institutions based on how they conceptualised it. According to the AfDB (2016), such differences can be explained by the fact that even though "growth" can easily be defined, it is difficult to define or explain what constitute "inclusiveness" without any controversy. As a result, different organisational bodies and scholars have produced diverse definitions, conceptualisations, and measurements of inclusive growth.

The AfDB (2016) has categorised the various definitions into narrow and broad definitions. These narrow and broad conceptualisations focus on either the 'process' or 'outcome' of economic growth. Klasen (2010), intimates that while the 'process' conceptualisation of inclusive growth concerns the inclusion of many participants in the actual growth generation in a non-discriminatory manner, the 'outcome' conceptualisation concentrates on the many people who benefit from the outcome of the 'process' of growth. The author further mentions that the 'outcome' option of inclusive growth conceptualisation is closely linked to the concept of pro-poor growth. Thus, these different definitions can be viewed as either narrow or broad and foundered on 'process' or 'outcome' conceptualisation of what constitute inclusiveness.

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Rauniyar and Kanbur (2010) for instance narrowly defined inclusive growth as growth coupled with dwindling income inequalities. Consistent with Rauniyar and Kanbur (2010), Anwar et al. (2020), explained that inclusive growth is about aspects of poverty and inequality reduction. The component of inequality has also been raised in the definition of inclusive growth by Ranga (2018) who viewed inclusive growth as equality in access to economic opportunities. Similarly, Habito (2009), described inclusive growth as gross domestic product (GDP) that causes reduction of poverty.

The above definitions harmer on relative pro-poor growth approach where policies are focused on improving the welfare of the poor in society by closing the income gap between the poor and the rich. Thus, under the relative pro-poor definition of inclusive growth, the focus is to ensure that the income of the poor increases at a faster rate than that of the whole population (Anand, Mishra, & Peiris, 2013). Accordingly, Ravallion and Chen (2003), regards growth as inclusive on the condition that it benefits the low-income household, and that such income increases faster than that of the population.

From a broader definition perspective, Klasen (2010), argues that the pro-poor growth centred definitions do not take into consideration the non-income aspects of growth, which consequently render the measurement of such inclusiveness of growth questionable and weak. He further made a vital distinction between inclusive growth and pro-poor growth by noting that inclusive growth is broader than pro-poor growth, and that it is beneficial to all social strata, encompassing the 'poor, the near-poor, the middle-income group as well as the rich'. The AfDB (2016), however argued that both narrow and broad definitions suffer from shortcomings on the ground that both

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concentrate on 'income' and 'outcome' aspects without paying attention to the 'non-income' and 'process' part of the growth. Thus, inclusive growth should not only focus on 'income' and 'outcome' but should also consider the non-income qualities and express the equal opportunities for all in the process of generating economic growth.

Ali and Zhuang (2007), and Zhuang and Ali (2009), describe inclusive growth as growth that fosters equal opportunities and improves accessibility to these opportunities. According to the World Bank's Commission on Growth and Development, inclusiveness include 'equity, equality of opportunity, as well as protection in market and employment' (World Bank, 2008). The World Bank's conceptualisation of inclusive growth focuses on productive employment as an essential component to inclusive growth. According to the World Bank (2008), increasing the number of jobs and the amount of earnings from such jobs improves the plight of the poor and consequently improves sustainable growth and poverty reduction since the poor often depends on their employment as their main assets. Thus, to the World Bank (2008), productive employment and productivity of employment are vital components of inclusive growth. This ensures the poor is inclusive in both the growth process and benefits from the growth. This makes the poor both agents and beneficiaries of the achieved growth.

The AfDB adopted this conceptualisation as part of its strategic goals for the period 2013-2022 (AfDB, 2016). Following the stead of the AfDB, this study also conceptualises inclusive growth based on that of the World Bank (2008). The study consequently operationalises inclusive growth as a growth episode whereby there is equal opportunity for all the citizenry to partake in

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the growth process as well as benefits from the growth, irrespective of their conditions.

It is clear from the above that there is no consensus in the meaning and conceptualisation, operationalisation, and measurement of inclusive growth. Notwithstanding the differences in conceptualisation, it can be observed that all focus on how to reduce the level of poverty and inequality to ensure equity in society, thus, seeking the social welfare of all people within the world's community.

The measurement of inclusive growth is linked to the way it is conceptualised. According to the AfDB (2016), when conceptualisation is narrow based, which stresses 'outcome', the measurement of inclusiveness is much easier and clearer than when it is broad based and 'process' centred. This is explained by the fact that the 'outcomes' can be easily quantified but it is complex and tough to measure the broad concept of the process' because it is multi-dimensional and there is no unified understanding on the idea of 'inclusiveness' Klasen (2010). Thus, different approaches have been employed in literature to measure inclusive growth. For instance, Whajah et al. (2019) employed a panel data to develop an inclusive growth measure using principal component analysis. Anand et al. (2013) also combined weighted performance of average income growth and equity index performance to develop a proxy for inclusive growth.

Due to the complexity of its multi-dimensional nature, the broad-based approach of inclusive growth concept carries along a wide range of indicators or composite index to capture quantitatively the complex and multi-dimensional concepts (AfDB, 2016). Among these include the Human

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Development Index (HDI) and inequality-adjusted score (IHDI) produced by the UNDP, Environmental Sustainability Index (ESI) by Yale and Columbia Universities, and later updated to Environmental Protection Index (EPI), Gender Inequality Index by UNDP, and Inclusive Wealth Index (IWI) by the UN.

The AfDB used four broad components in formulating its inclusive growth composite index. These include economic, social, spatial and political dimensions. The economic component encapsulates growth and productive employment, while the social dimension focus on health, education, social protection and gender. The economic and social components are together termed 'socio-economic pillars'. The spatial pillar captures social and environmental dimensions while the political component stands on its own. The current study adopted the AfDB's conceptualisation and composite measure of inclusive growth.

Some of the identified determinants of inclusive growth in the literature include general economic growth, productive employment, level of education (human capital), overall government expenditure as well as government expenditure on health, structural changes, trade openness, fixed investments and foreign capital inflows (Anand et al., 2013; AfDB, 2019; Kang & Martinez-Vazquez, 2022).

Control Variables

Creswell and Creswell (2018), define control variable as a particular type of independent variable that researchers measure because it can influence the dependent variable. The control variables used in this study include inflation, trade openness, and financial development.

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Inflation

Inflation refers to the general rises in the prices of goods and services which results in the reduction of the purchasing power of money (Barnes, 2021). Inflation therefore reflects macroeconomic policy, inadequacy, and instability of the macro-economic environment (Samouel, 2014). It is measured by changes in consumer price index. Inflation is usually caused by surges in the supply of money. Thus, more money would be available to chase fewer goods and services. Inflation was included in the current study because it can affect capital inflows, industrialisation and inclusive growth.

Inflation and Capital Inflows

The relationship between inflation and capital inflows is pivotal in understanding economic dynamics. High inflation often signals economic instability, making a country less attractive to foreign investors (Alpago, 2021). Studies suggest that foreign direct investment (FDI) and other forms of capital inflows prefer stable and predictable economic environments (Agudze & Ibhagui, 2021; Haque, Biqiong, & Arshad, 2022). High level of inflation affects capital inflows by reducing the value of amount invested and expected returns on investment. Investors would consequently be hesitant to invest in such an economy and may even withdraw their existing investment, leading to capital flight (Ekinc et al., 2020). High inflation rates can therefore lead to increased uncertainty and risk, prompting investors to demand higher returns or seek investment opportunities elsewhere. This will reduce the net inflows of capital into the country and reduce companies' accessibility to financial and capital market.

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Moreover, inflation can affect exchange rates, further influencing the attractiveness of a country for foreign investors. In contrast, countries with low and stable inflation are generally seen as safer and more predictable investment destinations, thereby attracting more capital inflows.

Inflation and Industrialisation

Industrialisation, a critical driver of inclusive growth, can be significantly affected by inflation. High inflation rates can create a volatile economic environment, which is detrimental to long-term industrial investments (Azolibe, 2021). Inflation erodes the value of currency, increases the cost of borrowing, and can lead to unpredictable fluctuations in input costs, all of which are challenging for industrial planning and investment (Ndiaya & Lv, 2018). Furthermore, high inflation can distort price signals, making it difficult for industries to make informed investment and production decisions (Amaglobeli, Hanedar, Hong, & Thévenot, 2022). However, moderate levels of inflation are not always harmful; they can sometimes stimulate economic activity by encouraging spending and investment before prices rise further (Adaramola & Dada, 2020).

Inflation and Inclusive Growth

Inclusive growth, aimed at equitable economic progress that benefits a broad segment of the society, can be hindered by high inflation. Inflation tends to disproportionately affect the lower-income groups, as they often have limited resources to hedge against the rising cost of living (Zouhar, 2021). High inflation can lead to increased living costs, reducing real income and purchasing power, particularly for those on fixed incomes or in lower-wage jobs (Ofori, Cantah, Afful Jr, & Hossain, 2022). This affects the citizenry by

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increasing the cost of living and reducing their standard of living which eventually affect their welfare. This dynamic aggravates income inequality, as the poor become relatively poorer compared to wealthier individuals who can better protect their wealth (Zouhar, 2021). Consequently, high inflation can be a significant barrier to achieving inclusive growth, where the benefits of economic progress are shared widely across all sections of society (Ofori, Osei, & Alagidede, 2022).

Summary of Channel through which Inflation impacts on Inclusive Growth through Capital Inflows and Industrialisation

High inflation can have a detrimental impact on the inflow of capital, which, in turn, affects industrialisation and subsequently influences inclusive growth. When inflation rates are elevated, they create uncertainty and reduce the real return on investments (Ekinci et al., 2020) . This deters foreign investors from channelling their capital into industrial projects and productive sectors of the economy, as they anticipate eroding purchasing power and higher production costs (Alpago, 2021). Consequently, reduced capital inflows limit the resources available for industrial expansion and innovation, hindering the growth of job-intensive sectors (Amaglobeli et al., 2022). As a result, inclusive growth is compromised, as fewer employment opportunities are generated, and the benefits of economic development become less accessible to marginalised and vulnerable groups in society.

Several empirical studies have shown that inflation has strong implication on capital inflows, industrialisation and inclusive growth (Azolibe, 2021; Ndiaya & Lv, 2018; Ndorieimpa, 2017; Samouel, 2014; Sawalha, Elian, & Suliman, 2016). Based on the above discussion, it is expected in this study

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that inflation will impact negatively on foreign capital inflows, industrialisation, and inclusive growth.

Trade Openness

Trade openness reflects the degree to which a nation is involved in international trade system and indicates degree to which a host nation is adaptable and open to foreign investors for such global trade (Gupta, Kaur, & Sarva, 2020). In other words, trade openness refers to the extent to which a country allows free trade with other nations. It is measured as the totality of a country's exports and imports as percentage of GDP (Opoku & Yan, 2019). Trade openness is included in this study as a control variable because it can impact on inclusive growth through capital inflows and industrialisation.

Trade Openness and Capital Inflows

The complex relationship between trade openness and capital inflows has been well established in the literature. Various studies have explored this relationship from different perspectives, providing insights into how trade openness can affect the inflow of capital (Braiton & Odhiambo, 2023; Leykun Fisseha, 2023). One prominent premise is the complementarity hypothesis, which posits that trade openness can be a magnet for capital inflows (Belke & Domnick, 2021). As a country opens its markets to international trade, it often becomes a more attractive destination for foreign investors. The rationale behind this lies in the potential for increased inclusive growth resulting from greater trade, which can lead to higher profits for firms and reduced risk for investors (Rathnayaka Mudiyanselage, Epuran, & Tescașiu, 2021). Consequently, capital inflows, in the form of FDI and portfolio investments,

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may flow into the country, drawn by the prospects of a growing and open economy.

Additionally, the export-led growth hypothesis sheds light on how trade openness can trigger capital inflows (Saleem, Shabbir, & Bilal khan, 2020). It suggests that as a nation becomes successful in exporting goods and services, it is likely to experience export-driven economic growth. This, in turn, can make it an appealing prospect for foreign investors who seek to participate in the growing export-oriented industries (Banday, Murugan, & Maryam, 2021). Capital inflows are often channelled into sectors closely aligned with a country's comparative advantages in international trade.

Nevertheless, it is recognised in the literature that the relationship between trade openness and capital inflows is influenced by a myriad of other factors including political stability, the strength of institutions, and the overall political climate (Calderón, Chuhan-Pole, & Kubota, 2019; Mashimbye & Fanta, 2021; Quy & HO, 2021). Countries with stable political environments and robust institutions tend to be preferred by foreign investors due to reduced risks. Additionally, the extent of financial integration with global markets plays a significant role in determining the scale and nature of capital inflows (Calderón et al., 2019).

Trade Openness and Industrialisation

Trade openness and industrialisation are two interrelated concepts that have garnered significant attention in the field of economics. Research has shed light on how trade openness can influence the process of industrialisation in various ways. Firstly, the concept of export-led industrialisation suggests that trade openness can be a catalyst for industrial growth (Udeagha &

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Ngepah, 2022). When a country opens up its markets to international trade, it gains access to larger consumer bases for its manufactured goods. This heightened demand incentivises domestic industries to scale up production, invest in advanced technologies, and enhance their competitive edge, consequently propelling the process of industrialisation (Naude & Nagler, 2015). Additionally, increased trade openness can expose domestic industries to foreign competition, leading to a process of "creative destruction" where less competitive sectors may decline, but resources are reallocated to more efficient and innovative industries (Udeagha & Ngepah, 2022). This reallocation process can be a powerful driver of industrialization, as it promotes efficiency and innovation within the economy (IMF, 2015).

Furthermore, trade openness can facilitate the transfer of technology and knowledge across borders, as international trade often involves the exchange of technological insights, contributing to productivity gains and industrial upgrading. Capital inflows attracted by trade openness, such as foreign direct investment, can also inject essential resources into domestic industries, fuelling their expansion and modernisation (Banday et al., 2021). However, the impact of trade openness on industrialisation is context-dependent and influenced by a country's policy framework. Effective industrial policies, including investments in infrastructure, education, and technology promotion, are crucial for harnessing the full potential of trade openness in promoting industrial development (AfDB, 2019b).

Trade Openness and Inclusive growth

The relationship between trade openness and inclusive growth represents a central theme in economic literature, with profound implications

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for policymaking and development strategies. Scholars have examined the mechanisms through which trade policies can either promote or hinder inclusivity in economic growth. One key avenue through which trade openness can contribute to inclusive growth is by positively impacting income distribution and poverty reduction (Bacchetta, Cerra, Piermartini, & Smeets, 2021). Engaging in international trade can stimulate economic growth, generating employment opportunities and raising income levels, thereby reducing poverty rates (IMF, 2015). Additionally, trade openness can encourage human capital development by exposing domestic workers to global markets and fostering skill acquisition (Nthangu & Bokana, 2022).

Increased trade can also lead to the development of industries that require skilled labor, providing better employment prospects for the workforce and contributing to inclusive growth (Braiton & Odhiambo, 2023). Moreover, trade openness can facilitate the transfer of technology and knowledge across borders, enhancing domestic innovation capabilities, improving productivity, and promoting the inclusion of more sectors in the growth process. However, to ensure that the benefits of trade openness are distributed inclusively, effective social safety nets and redistribution policies may be necessary (Bacchetta et al., 2021). These policies can mitigate the potential adverse effects of trade on certain segments of society and promote equitable growth. Jaiblai and Shenai (2019), for instance warn that too much openness can impact negatively on economic performance where the motive of foreign investors, particularly, FDI investors are market-seeking and not export oriented.

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Summary of Channel through which Trade Openness impact on inclusive Growth through Capital Inflows and Industrialisation.

Trade openness, characterised by reduced trade barriers and increased international commerce, can serve as a catalyst for inclusive growth. As a nation opens its markets to global trade, it attracts capital inflows, including foreign direct investment (FDI) and foreign portfolio investments (FPI), which can inject vital resources into domestic industries (Belke & Domnick, 2021; Braiton & Odhiambo, 2023; Leykun Fisseha, 2023). Industrialisation, spurred by trade openness, leads to the growth of manufacturing sectors, creating employment opportunities and income growth for diverse segments of society (Banday et al., 2021; Udeagha & Ngepah, 2022). Additionally, the transfer of technology and knowledge associated with trade enhances human capital development and innovation, furthering inclusivity (Opoku & Yan, 2019).

The literature has empirically shown that trade openness can impact greatly on capital inflows, industrialisation, and inclusive growth (Arabiyat et al., 2020; Belke & Domnick, 2021; Braiton & Odhiambo, 2023; Nthangu & Bokana, 2022; Opoku & Yan, 2019). From the above discussion, this study expects a positive relationship between trade openness with inclusive growth.

Financial Development

Financial development can be explained as the growth in the size, efficacy, and stability of the financial system, as well as its accessibility (Altay & Topcu, 2017). It therefore entails the creation and expansion of institutions, instruments, and markets that facilitate investment and growth. The above definition suggest that financial development reflects the fact that there are efficient and well-developed financial institutions, particularly, banking

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system in the country that foster proper financial resources to firms. Financial development is measured as the domestic credit to private sector as a percentage of GDP (Azolibe, 2021). Financial development was controlled in the current study because it can influence industrialisation and inclusive growth.

Financial Development and Capital Inflows

The relationship between financial development and capital inflows constitutes a cornerstone of economic literature, offering profound insights into the dynamics of economic growth and stability. Financial development, which encompasses the evolution and sophistication of a country's financial system, including institutions, markets, and regulatory frameworks, plays a pivotal role in attracting capital inflows. A well-developed financial system serves as an effective conduit for foreign investors, instilling confidence through efficient financial intermediation that reduces information asymmetry and transaction costs.

Furthermore, it offers critical risk mitigation mechanisms, such as insurance and hedging options, which alleviate potential risks associated with capital inflows. Strong legal and regulatory frameworks protect the rights of investors, bolstering trust in the safety of investments. In parallel, developed financial markets, including robust stock exchanges and bond markets, provide diverse investment opportunities, further enhancing the country's allure to foreign investors seeking profitable ventures.

Moreover, trade openness significantly amplifies a country's attractiveness to foreign investors, signifying increased economic activity and market access. Openness to trade creates an environment conducive to foreign

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investment, including foreign direct investment (FDI) and portfolio investment, due to the potential for accelerated economic growth, expanded market reach, and promising profit opportunities. When managed effectively, these capital inflows act as powerful catalysts for inclusive, including the strengthening of the financial sector, thereby reinforcing the overarching objective of capital inflow attraction.

Financial Development and Industrialisation

The interplay between financial development and industrialization constitutes a central theme in economic literature, offering profound insights into a nation's path to economic progress. Financial development, encompassing the maturity and efficiency of a country's financial system, plays a pivotal role in facilitating industrialisation. Studies have highlighted key mechanisms through which financial development fosters industrialisation. Firstly, it provides industries with improved access to capital, enabling investments in machinery, technology, and infrastructure, all of which are essential for the growth of manufacturing sectors and industrialization.

Additionally, well-established financial systems offer risk mitigation mechanisms, such as insurance and hedging options, which reduce the uncertainty surrounding industrial ventures, encouraging entrepreneurs to undertake capital-intensive projects. Furthermore, advanced financial systems facilitate research and development (R&D) activities by providing firms with the necessary funding. This fosters technological advancement, a critical factor in enhancing industrial productivity and competitiveness. Developed stock markets also enable firms to raise capital through equity financing,

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empowering them to fund expansion, research, and innovation. Lastly, financial development contributes to infrastructure development, including transportation and communication networks, which are indispensable for efficient industrial operations and market access.

Financial Development and Inclusive Growth

The nexus between financial development and inclusive growth represents a pivotal area of exploration within economic literature, offering profound insights into the dynamics of economic prosperity (Samouel, 2014). Financial development encompasses the evolution and sophistication of a nation's financial system, encompassing institutions, markets, and regulatory frameworks. Extensive research has unveiled multifaceted mechanisms through which financial systems can either bolster or hinder inclusivity within economic growth. Firstly, a well-developed financial system acts as a conduit for enhanced access to crucial financial services, including credit and savings mechanisms. This heightened accessibility empowers individuals and small enterprises, enabling investments in education, healthcare, and entrepreneurial endeavors, thereby fostering human capital development and job creation, fundamental components of inclusive growth.

Secondly, financial development optimizes the allocation of capital within the economy, efficiently directing funds from savers to productive investments, reducing resource misallocation, and catalysing the expansion of productive sectors. This, in turn, generates employment opportunities and income elevation for a broader spectrum of the population. Furthermore, advanced financial systems offer risk mitigation tools like insurance and hedging mechanisms, providing a safety net against economic uncertainties,

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safeguarding vulnerable groups from financial distress, and nurturing social inclusivity.

Moreover, financial development often intertwines with technological innovation, introducing transformative solutions such as mobile banking and digital payment systems, which democratize financial accessibility, particularly in underserved areas, propelling financial inclusion and, consequently, inclusive growth. Lastly, a well-functioning financial system can facilitate wealth redistribution by offering avenues for savings and investment to a broader population. Financial development has been well cited in literature as having an association with industrialisation and inclusive growth (Altay & Topcu, 2017; Eryigit & Dulgeroglu, 2017; Samouel, 2014; The World Bank Group, 2014, 2022). This study expects a positive of financial development with industrialisation and inclusive growth based on the above discussion.

Theoretical Relationship among Study Variables and Hypotheses Development

This section establishes how the relationships among the study variables are explained by the underlying theories.

IFRS Adoption Speed, Institutional Structures, and Capital Inflows

The current study employs a combination of three of the above concepts of information asymmetry namely 'private information', 'different information' and 'insufficient or lack of adequate information' to address objectives one and two in the current study. Firstly, information asymmetry in accounting originates from the fact that managers of firms are involve in daily operations of the firm, including financial reporting (Nejad et al., 2018). Since

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managers are mostly not owners and thus, act as agents, they may act in their selfish interest at the detriment of shareholders and other stakeholders by providing incorrect or incomplete financial information.

Non–disclosure of material financial information creates informational disparity between an organisation's insiders and its outsiders. External parties are unlikely to know the true state of the firm if managers prepare such incorrect or incomplete financial reports. Investors consequently face the problem of adverse selection because they are likely to base their decisions on inaccurate information. IFRS standards were thus developed to address informational disparities in financial reporting by establishing minimum information disclosure requirements in the financial statements (Gu et al., 2019). Through the provision of adequate financial information, financial reports are perceived as conduits between an organisation's internal and external stakeholders. The speedy adoption of IFRS standards therefore ensures that managers apply the standards early and disclose the required information to all stakeholders, especially investors for informed decision making.

Secondly, information asymmetry arises in accounting due to different accounting standards used by different capital markets in different jurisdictions. Thus, disparities in accounting standards among nations generate information asymmetry to foreign investors (Ahearne et al., 2004). This gives local investors who have better knowledge about accounting regulatory and reporting system competitive advantage over foreign investors who would have to incur huge cost in translating and aligning these standards to their foreign ones before grasping an understanding to make informed investment

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decisions (Expert Regulation, 2014). Unfamiliarity of foreign accounting standards therefore increase foreign investors perceived risk of adverse selection and subsequently make them home bias and hesitant in moving into foreign markets (Owusu et al., 2017). Accordingly, Fazzari & Variato (1994) avow that differences in information can trigger the rationing of credit and also hinder firms from attracting funding from external sources.

The globalisation of accounting standards therefore creates uniformity in accounting standards and financial reporting which enhances transparency, comparability, accountability and efficiency in the global capital market (IFRS Foundation, 2017). Leykun Fisseha (2023) hence posit that by increasing transparency and reducing information asymmetry, IFRS adopting countries earn the confidence and trust of foreign investors and subsequently attract them to invest because IFRS reduces their risks as well as their agency cost. This indicates that countries that speedily adopted the standards were recognised early as credible locations for investments by investors around the globe.

The central line of reasoning for the advocates of IFRS is that investors require reliable and comparable information to enable them to invest in foreign markets (Akisik & Mangaliso, 2020). In the absence of a unified standards that provide equitable ground for processing and understanding financial information that has been accurately and transparently prepared for easy comparability and informed decision-making, investors and other financiers would be hesitant in making an investment in a foreign market (Akisik & Mangaliso, 2020). Therefore, speeding the adoption of IFRS plays a

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significant role in reducing information asymmetry faced by investors as a result of differences in accounting standards since the standards fill these gaps.

The resultant reduction in information asymmetry post-IFRS speedy adoption theoretically reduces investors' perceived risk and enable them to consider investing in the standards adopted countries. This facilitates in the globalisation of capital and technological innovations. With single accounting standards, remote investments of foreign investors become more visible to investors and help them to be in full grasp of how their shares are performing.

H_{1a} : *IFRS adoption speed positively influence the inflow of capital in Sub-Saharan Africa*

Even the best accounting standards will be meaningless if they are not adequately enforced. If no action is taken when rules are broken, the rules will exist only on paper (Ball, 2016; Hope, 2003). The absorptive capacity theory suggests that a country adopting the international standards should have some underlying factors that fosters its proper implementations and enforcements to enjoy its benefits (Expert Group on the IAS Regulation, 2014; Onayemi, Olomola, & Alege, 2018). According to the ACCA (2012), and Ball (2016), developing countries such as those in Africa lack essential underlying factors such as strong legal framework, human capability, adequate capital markets as well as relevant supporting institutions that build effective financial infrastructure for proper enforcement of the adopted standards.

This presupposes that without appropriate institutions and enforcement systems in place to warrant the needed implementation, the adoption of the standards would not yield the expected result of enhancing corporate reporting and subsequent financial infrastructure in the adopting economies. Tawiah

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(2019), thus, intimated that, limitations in the professional and institutional capacity impede the successful implementation of IFRS in Africa. Noblet et al. (2011), submitted that the competitive advantages built from an enormous absorptive capacity for information last longer. This implies that a greater absorptive capacity from quality information generates a stable and lasting competitive advantage. Therefore, the study's premise is that a country with greater absorptive capacity for quality financial information will reap better competitive advantage in attracting cross-border capital.

H_{1b} : *Institutional structures have significant positive impact on the relationship between IFRS adoption speed and capital inflows in Sub-Saharan Africa.*

IFRS Adoption Speed, Capital Inflows, and Inclusive Growth

One of the risky decisions that investors make is making investments abroad, which necessitates that the investor have sufficient knowledge of the environment in the host country (Gu & Prah, 2020). The information asymmetry theory stipulates that when relevant information is withheld from investors, it results in asymmetric information and its associated problems of moral hazards, adverse selection and investors' home bias (Bergh et al., 2019; Zouita et al., 2019). This is because investors' perceived risks and transaction cost are high. Inversely, when there is transparency due to adequate disclosure of information about the business environment such as legal and accounting regulatory systems in the host nation, foreign investors' perceived risk and transaction costs are reduced (Lungu et al., 2017). This increases their readiness to invest in the host nation.

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According to the financial innovation theory, capital inflows promote economic growth and subsequently reduce inequality in the host countries through the accumulation of physical capital, diffusion of technology, job creation, human capital development, management skills as well as access to exports market (Akpan et al., 2017; Laeven et al., 2015). Technology advancement and capital accumulation are two key components for growing the economy and promoting inclusive growth. For instance, managerial skills and technology diffusion increase efficiency and effectiveness in production strategies leading to higher productivity and quality outputs that meets international competitive stand. This increases the exports for manufacturing value added products and improve the balance of payment to the host nation which results in inclusive growth (UNIDO, 2020b). Also, higher productivity would result in availability of goods at a lower cost to the citizenry due to economies of scale in production.

Job creation implies productive employment to a range of the population including the skilled, the semi-skilled and unskilled labour. It also suggests reduction of unemployment (Banks et al., 2016). Productive employment indicates a decrease in poverty and the related income inequality brought on by unemployment. It also infers that the employed would be paid wages or salaries which would increase their purchasing power. Enhanced purchasing power increases general expenditure and subsequent inclusive growth. This premise leads to this study's third hypothesis.

H_{2a} : *There is significant positive impact of capital inflows on inclusive growth in Sub-Saharan Africa.*

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The effectiveness of capital inflows in fostering inclusive growth is intricately linked to a country's financial infrastructure and regulatory frameworks and this is where IFRS adoption speed becomes pivotal. IFRS, as a global accounting framework, brings uniformity and transparency to financial reporting, thereby enhancing the credibility of financial information (Ball, 2016). This uniformity is crucial for international investors and stakeholders who rely on financial reports to make informed decisions (Manawadu, Che Azmi, Mohamed, CheAzmi, & Mohamed, 2019).

According to the absorptive capacity theory, the benefits of capital inflows, such as technological spillovers and improved market efficiency, are contingent on the host country's foundational capabilities, including the quality of its institutions and financial infrastructure (Onayemi et al., 2018). In this context, the speed of IFRS adoption becomes a significant factor. A rapid alignment with IFRS signals a robust and credible financial reporting system, which is a key component of the financial infrastructure. It assures international investors of the reliability of financial information, thus attracting more foreign capital. Moreover, a well-developed financial reporting system as guaranteed by IFRS adoption speed contributes to the efficient assimilation and utilisation of these capital inflows (Roy, 2021). This, in turn, facilitates inclusive growth by ensuring that the benefits of foreign investments are broadly distributed and contribute to the overall inclusive economic development. On this ground, the study hypothesises that:

H_{2b} : *IFRS adoption speed strongly influence the effect of capital inflows on inclusive growth.*

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IFRS Adoption Speed, Capital Inflows, and Industrialisation

The link between capital inflows and industrialisation has been well articulated by the growth models, particularly the Schumpeterian growth model. According to Schumpeter model (1911), funding innovative ideas has a favourable impact on inclusive growth. Nelson & Winter (1982) also maintained that innovative ideas are driven by technological advancement or changes through R&D. UNIDO (2020b), intimated that technology is at the heart of manufacturing (industrialisation), and for that reason, the manufacturing sector is recognised as the ambience for technological advancement. This implies that, the swell-up in industrial productivity has resulted from technological advancement. It also suggests that increases in productive activities and desire to produce new products that meet the demand for the current and future generation call for new technologies in producing the innovative products.

Gerschenkron (1962) agreed to Schumpeter's idea of financing innovative ideas by maintaining that increases in industrial productivity scale require the deployment of enormous resources and hence huge funding. Accordingly, Marwa (2014), Opoku & Yan (2019), Szirmai & Verspagen (2015), and the UN (2020) have opined that financing of industrial activities calls for massive capital formation and the contribution from the private sector is very essential. This presupposes that there is a direct link between capital inflows and manufacturing value added. This is explained by the fact that when foreign investors come along with managerial skills and technological know-how as well as establish R&D activities that boost the method of manufacturing and subsequently improve its value added.

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H_{3a} : *Capital inflows has a significant direct impact on industrialisation in Sub-Saharan Africa.*

In explaining the link between IFRS adoption speed, capital inflows and industrialisation, the study employs the concept of insufficient information and private information under information asymmetry. Analysis by the current study of listed firms on the African Stock Exchange reveals that the number of listed manufacturing companies in the region is relatively small (188 out of 1049,) and most of these (115 of 188) are in South Africa (41), Nigeria (38), Zimbabwe (22) and Kenya (14). This implies that there is not adequate financial information that highlight the potential of the manufacturing sector in Sub-Saharan Africa to foreign investors. This is substantiated by the claims of AfDB (2019) Africa Growth Initiative [AGI] (2016), and Gui-Diby and Renard (2015) that pre-matured de-industrialisation in Africa accounts for the low contribution of the manufacturing sector to GDP.

The fewer number of manufacturing listed firms also infers that majority of the companies in the manufacturing sector are mostly in the determination of the local investors who would want to keep their financial information private.

Lack of sufficient financial information undermines transparency and generates the problem of information asymmetry and subsequent investors' bias in other sectors such as the mining and financial services whose financial information is readily available on the stock market (Evoh, 2017). This is evidenced by the claims of Calderón et al. (2019) and the World Bank Group (2018) that capital inflows into the region landed in sectors like the natural resource-based industries which are capital intensive. Huang et al. (2021)

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intimated that the efficacy with which the allocation of scarce capital is made is a very essential basic factor to wealth creation. This denotes that scarce capital needs to be allocated to sectors that would warrant effective wealth creation. It also suggests that when capital inflows are not efficiently allocated to innovative and productive sectors that yields maximum result in creating jobs for the masses in the population, it will adversely affect wealth creation and widen the inequality gap between the rich and the poor.

The financial innovation theory explains that using financial innovation like IFRS to screen these manufacturers provide adequate financial information to investors for informed decision making on funding viable businesses (Laeven et al., 2015). It can therefore be inferred that IFRS serves as a financial link that connects the global capital markets where entrepreneurs and providers of funds meet. It assists investors to identify and assess successful entrepreneurs and jurisdictional sectors with viable business opportunities by analysing the financial reports of listed companies in that sector. this implies that as a financial innovation, IFRS adoption speed helps manufacturers secure funding for their innovative projects because necessitates them to provide investors with all pertinent information. Early adoption of IFRS hence, ensures rational allocation of capital by helping investors to identify locations with the best and viable investment opportunities through the provision of reliable, transparent and comparable financial information that enable investors assess the risk and opportunities associated with investing in the reporting businesses.

Accordingly, this study reasons that speeding up the adoption of IFRS in turn speeds up the enhancement of financial reporting in the manufacturing

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sector. When there is relevant financial information about the manufacturing sector, it would attract investors to the sector to enhance its activities and subsequently boosts the manufacturing value added.

H_{3b} : *IFRS adoption speed significantly enhances the effect of capital inflows on industrialisation in Sub-Saharan Africa.*

IFRS Adoption Speed, Industrialisation, and Inclusive Growth

According to the Kaldor's engine of growth hypothesis, there is a significant positive correlation between GDP growth and manufacturing output growth because manufacturing is a driving force of economic expansion (Boyer & Petit, 1991). This indicates that manufacturing output growth has a significant impact on GDP growth and that the two are linearly related. The theory explains the manufacturing sector has greater ease of incorporating technological progress and hence yields higher productivity than the other sectors (Cantore et al., 2017). UNIDO (2020) also explains that manufacturing activities promote the accumulation of human capital and innovative ideas through R&D and thus is a sector whose activities trigger technological improvements. The author also maintains that the ability of an economy to disengage itself from poverty is linked to its ability to rise above its dependence on agrarian productivity.

It is also argued that since it thrives on technological change, manufacturing sector yields higher productivity than other sectors (Chaturvedi & Saha, 2019). Higher productivity suggests efficiency and hence better wages and salaries for all categories of employees including skilled, semi-skilled and unskilled workforce. Better salaries imply better purchasing power for the household units. Better purchasing power infers increases in demand

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and supply and hence, total expenditure would increase. Increase in overall expenditure indicates an expansion in the overall economic activities which is an indication of growth. Higher productivity also suggests that availability of goods at affordable prices to all citizens and subsequent lower cost of living and improved standard of living and hence inclusive growth.

Kaldor's theory also postulates that the development of the manufacturing sector (industrial) provides a greater spillover effect to other sectors of the economy which results in higher sustainable inclusive growth (AfDB, 2018). For instance, expansion in manufacturing sector activities would boost the activities in the Agric sector by using its produce as raw materials for production (Opoku & Yan, 2019). In the same vein, the demand for professional services such as administration, accounting and auditing, security, and cleaning–shows how manufacturing activities spillover to the service sector (Cantore et al., 2017). This suggests that the manufacturing sector serves as a pivot around which the boosting of an inclusive and sustainable economy evolves since it fosters the expansion of activities in other sectors and, hence furthers the overall employment level of the economy.

Thus, apart from providing employment to different categories of the workforce, the manufacturing sector also helps to boost the provision of jobs in other sectors through its spillover effects in those sectors. From the above, the study advances that the manufacturing sector is a catalyst for inclusive growth.

H_{4a} : *There is direct significant impact of industrialisation on inclusive growth in Sub-Saharan Africa*

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According to ICAEW (2017), accounting played significant role in the industrial revolution through its management and financial reporting and served as a pillar for proving guidance that resulted better informed decision, higher productivity, and associated benefits to all stakeholders, including employees. The author also argues that this central role has become even more relevant and significant in our modern global economy. Both management and financial reporting provide relevant information for decisions for expansion and for seeking funding.

The Association of Certified Chartered Accountants [ACCA] (2012), affirmed that a good quality financial infrastructure is as crucial as physical infrastructure to economic development. It also maintained that the bedrock for a strong and quality financial infrastructure is a good financial reporting underpinned by highly recognised international standards. It further argued that if the resources invested in establishing the plumbing work for roads are not accounted for, then nothing will stop the road from going nowhere. Therefore, developing effective financial reporting and governance, is equivalent to building physical infrastructure.

This suggests that the pre-matured de-industrialisation in Africa (AfDB, 2019) might have been resulted from inappropriate financial reporting that failed to account for resources employed in the production activities within the manufacturing sector. By inference to the ACCA (2012) claim, this study also argues that without appropriate financial reporting underpinned by quality standards like IFRS that ensures disclosures of relevant financial information, nothing would prevent the agenda for boosting of the manufacturing sector from failing. Thus, if resources employed in

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manufacturing are not well accounted for, nothing would reveal the financial performance, financial position, cashflow, going concern status and hence the viability and survival of the sector to all stakeholders including employees, investors, customers, suppliers, bankers, and governments.

Without relevant financial information that reveals how resources have been allocated, nothing would reveal any misappropriation of funds and associated business failure. Failure of businesses implies loss of jobs by employees in the manufacturing sector, and cut-off of spillover benefits to other sectors which would results in layoffs of employees in those sectors as well, resulting in high level of unemployment. Loss of jobs would result in increased poverty and income inequality and hence reduced inclusive growth. Financial reporting underpinned by high quality accounting standards like IFRS is therefore key to modern economies because it provides quality information which facilitates the efficient allocation of economic resources amongst contending investment options (Akisik &, 2020). The need to speed up the adoption of IFRS can thus, not be overemphasised. The study consequently relays to the next hypothesis

H_{4b} : *IFRS adoption speed significantly influence the impact of industrialisation on inclusive growth*.

Capital Inflows, industrialisation, and Inclusive Growth

Kaldor's growth model and the financial innovation model (Laeven et al., 2015) assume a strong relationship between technological progress and capital inflows and economic growth. While Kaldor's theory stipulates that technological progress depends on capital accumulations, the financial innovation theory believe that technological progress and finance evolved

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together and to provide funding for technological advancement, there is the need to screen technological entrepreneurs in order to finance viable projects and avoid risk of adverse selection and moral hazards. Kaldor's theory also postulates that technological progress through R&D is part and parcel of manufacturing activities, indicating that manufacturing activities become more efficient to technological progress and technological progress becomes necessary due to manufacturing activities (Coad & Vezzani, 2019; Opoku & Yan, 2019).

It can be inferred from the above that there is a significant link between capital inflows, industrialisation, and inclusive growth. This can be explained by the fact that when adequate capital inflows are directed towards the manufacturing sector, it would boost technological progress, which would in turn expand manufacturing productivity. The dynamics will lead to the creation of productive employment and consequently enhance inclusive growth (UNIDO, 2020). It can also be inferred that when capital inflows combine with industrialisation, the spillovers associated with such inflows, such as managerial skills and access to foreign markets for the exports of manufacturing outputs, would be available to enhance international trade.

Increases in manufacturing exports imply more foreign currencies to pay for imported goods which will reduce balance of payments deficits and associated high exchange rate, inflation and depreciation of local currency, thus, improving macro-economic variables and ensuring inclusive growth (Olayiwola & Joseph, 2020). When macro-economic variables are improved or stabilised it enhances the purchasing power of the population since they can

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purchase more at lower cost, hence improving their standard of living and growth.

H_5 : *Capital inflows and industrialisation jointly impact significantly on inclusive growth in Sub-Saharan Africa.*

Chapter Summary

This chapter sought to review literature on related theories and concepts. The review of theories and concepts related to the study provides major issues on IFRS adoption that it can attract capital inflows to boost industrialisation towards inclusive growth. Firstly, the information asymmetry theory, the signalling theory and the financial innovation theory have shown that IFRS, as an innovative screening tool is critical in reducing the problem of information and associated problems of adverse selection and investor home bias by providing signal to the outside world about the credibility of the accounting and auditing system in the adopted countries.

The financial innovation theory also demonstrates that when investors can screen viables businesses using a financial screening tool like IFRS, then they would be willing to invest in the businesses of the adopted countries through financing. The absorptive capacity further revealed that when host countries have the underlying fundamentals such as credible accounting system, they could effectively absorb these capital inflows and their associated spillovers. Finally, Kaldor's engine of growth demonstrated that when capital inflows are directed to the industrial sector, it could boost industrialisation and subsequently affect inclusive growth.

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CHAPTER THREE

EMPIRICAL LITERATURE REVIEW

Introduction

The chapter reviews empirical studies related to the theories underpinning the current study and depiction of the conceptual framework of the study. The review was done thematically as used in the development of the study's hypotheses. The review begins with empirical studies on IFRS adoption, institutional qualities, and foreign capital inflows. This was sequentially followed by reviews on 'IFRS adoption, capital inflows, and inclusive growth', 'IFRS adoption, capital inflows, and industrialisation', and ‘IFRS adoption, capital inflows, industrialisation, and inclusive growth'. The chapter ends by presenting the study's conceptual framework which demonstrates the main concepts and the links among them.

IFRS, Institutional Structures and Foreign Capital Inflows

The central argument for the information asymmetry theory and the signalling theory is that private information, different information, and insufficient information creates barrier to foreign capital inflows and the adoption of IFRS fosters the removal of these barriers since it brings transparency, comparability, accountability and efficiency on the global capital markets. This hypothesis has been operationalised and tested empirically at both the micro and macro levels. Mameche and Masood (2021) examined the effect of IFRS on FDI in the Gulf Cooperation Council (GCC) region with data covering the period 1980-2017. By using the information asymmetry theory as a framework for explaining the relationship between the study variables, and, by employing the autoregression distributed lag (ARDL)

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model, coupled with the pooled mean group (PMG) estimation technique, the study arrived at the conclusion that adoption of IFRS positively influenced FDI inflows in the short run by 3% increase in FDI inflows while it negatively impacted the inflow of FDI in the long-term by reducing the inflows by 10.4%.

Akpomi and Nnadi (2017) also assessed the impact of IFRS on capital inflows of 48 countries in Africa by employing the fixed effect model as their estimation technique. Their study revealed a positive effect of IFRS adoption on inflows of FDI. In the same vein, Pricope (2017) established a positive influence of IFRS adoption on capital inflows when she undertook a study to investigate the effect of IFRS adoption on FDI inflows of 38 selected poor countries using the Propensity Score Matching techniques.

Owusu et al. (2017) likewise tested the macroeconomic impact of IFRS adoption on emerging economies by investigating the link between IFRS and FDI inflows using the Two-step System GMM estimation technique on dynamic panel data covering the period 1996-2013. The findings of the study indicated that mere adoption of the standards does not impact on the inflows of FDI. This suggest that just adopting the standards alone will not attract much fund into the developing countries. The study therefore suggested that a further study be undertaken to identify the conditions that would help developing countries yield the economic benefits of adopting the IFRS standards.

Yousefinejad et al. (2018) utilised the signalling theory to explain the relationship between IFRS adoption and capital inflows by examining the causal relationship between IFRS and FDI inflows of ASEAN countries by

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employing the dynamic OLS estimation techniques. The results of the study established a significant positive relationship between the two variables and showed a co-integration between them, indicating that in the long run FDI inflows can cause a country to adopt IFRS and vice versa.

Similarly, using a data covering the period 2001-2016 of 10 selected ASEAN countries, Nejad et al. (2018) utilised the Least Square Dummy Variable Corrected Equation model to assess the association between IFRS adoption and FDI inflows through the spectacle of the signalling theory, which resulted in a significant positive correlation between IFRS adoption and FDI inflows. The study however failed to indicate which direction of the relationship, whether it is IFRS that drives FDI or vice versa or both. Showing just an association between the two variables is not enough. There is the need to further investigate the level of influence that the variables wield on each other.

Alshamari et al. (2018) investigated the influence of Australian equivalent IFRS adoption on capital inflows to Australia by employing Bai and Perron multiple structural break test and the Autoregression Distributed Lag (ADL) model. The findings revealed that A-IFRS generates increase in foreign capital inflows. Mita et al. (2018) examined the incidental impact of IFRS adoption on investors' ownership across Europe, Asia, Africa and Australia by employing an unbalanced panel data covering a 12-year period from 2003-2013 and applying the international portfolio theory. The result of the study showed that by enhancing comparability of financial statements, IFRS indirectly impact on foreign investors' ownership.

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Lungu et al. (2017) applied the signalling theory and the information asymmetry theory to assess the relationship between IFRS adoption and FDI inflows which is an indicator for economic development, to emerging countries in Europe using data covering 1996-2014, and employing the Generalised Method of Moments estimation technique. Their findings revealed that IFRS adopting countries have high probability of attracting higher FDI inflows and that there is significant impact of IFRS adoption on FDI inflows to listed companies than unlisted ones in Europe.

Duenya and Tsegba (2020) assessed the effect of IFRS on FDI inflows of 4 selected Anglophone West African countries by employing the fixed-effect model and the t-test (test for equality) with data covering a ten-year period. The result of the study revealed that adoption of IFRS alone did not impact much on FDI inflows into the selected countries. However, the impact was significant when the relationship was moderated by regulatory quality serving as institutional capacity. (Accountability as institutional capacity wield positive but insignificant effect while Idofia (2018) in assessing the effect of IFRS on cross-border investment in Nigeria reveals that IFRS adoption alone does not drive cross-border capital inflows. There is the need to also consider other institutional factors which the study failed to consider in its analysis.

Zouita et al. (2019) assessed the influence of IFRS in the relationship between SMEs and the inflows of FDI in Algeria with a country-level data covering the period 1970-2017. Employing the ADRL bounds estimation method, the result of the study indicated that IFRS adoption negatively affected the relationship between SMEs and FDI inflows and that the adoption of IFRS could escalate the problem of information asymmetry. Contrarily, by

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employing a panel data analysis Akpomi and Nnadi (2017) reveal that IFRS causes a reduction in information asymmetry and hence impact positively on the inflows of FDI into the adopting countries.

This current study makes a distinctive contribution to the empirical literature on capital inflows by introducing a nuanced analysis that combines the concepts of institutional structures with the speed of IFRS adoption. Previous research in this domain has largely focused on the role of institutional qualities, such as governance and regulatory environments, in the relationship between IFRS adoption and capital inflows, but has notably overlooked the critical aspect of IFRS implementation frameworks. By amalgamating these two dimensions into a unified concept of 'institutional structures,' the study endeavours to explore how the intricacies of early implementation of IFRS, impact the effectiveness of capital inflows. This approach provides a more comprehensive understanding of the interplay between the institutional framework of a country and the pace at which it adopts IFRS, offering fresh insights into how these combined factors influence the efficacy and benefits of capital inflows.

IFRS Adoption Speed, Capital Inflows, and Inclusive Growth

The relationship between international capital inflows and economic growth has been studied extensively, with studies revealing an equivocal relationship. Munyanyi (2017) used an Autoregressive Distributed Lag (ARDL) co- integrated technique to examine the link between foreign direct investment and economic growth in Zimbabwe using time series data spanning from 1975 to 2007. The outcome demonstrated that foreign direct investment had a favourable impact on economic expansion. The author consequently

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suggested that, to secure long-term economic growth, a stable environment for business and investment should be established. Similarly, Ehigiamusoe and Lean (2019), investigated the effect of foreign capital inflows on economic growth of Nigeria. By employing the Autoregressive Distributed Lagged (ARDL) bound test and data covering the period 1980-2015, the authors reported a positive impact of portfolio on growth, a negative effect of loan on growth and insignificant impact of foreign direct invest and foreign aid on growth.

Agbloyor et al. (2014) examined how each component of private capital plays a role in resolving the problem of retarded growth in Africa, using data covering the period 1990-2007 and employing the instrumental variable GMM model as an estimation technique and applying the endogenous growth theory. The study found that private capital inflows can impact on economic growth only when there is an effective financial market. The authors reveal that in the absence of financial market, which serves as an absorptive capacity, there is rather a negative impact of FDI, FPI and Private Debt on economic growth. This indicates that a strong financial market mediates the relationship between private capital inflows and economic growth. Sokang (2018), also investigated impact of FDI on economic growth in Cambodia with data covering the period 2006-2016. By means of the multiple regression model, the author discovered that that FDI positively influence economic growth in Cambodia.

Similarly, Awad (2021) examined the long-term effect of capital inflows on economic growth of selected low-income countries in Sub-Saharan Africa with data covering the period 1990-2018. By utilising the dynamic least

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squares and modified ordinary least squares techniques the study found that trade and aid as capital inflows impact positively on growth rate of income per capita, indicating a positive effect on economic growth, while external debt had a negative influence on growth. Nyang`oro, (2017) too tested the impact of changes in total and aggregate capital inflows on economic growth in Sub-Saharan Africa (SSA) via the Generalized Method of Moment (GMM) estimation techniques on panel data from 1980 to 2011. The study found that portfolio equity has a favourable effect on economic growth, but private equity and debt have a negative effect on growth.

The study also discovered that volatility in stock and bond markets had no effect on economic growth, implying minimal degrees of financial integration in the studied countries and that the growth benefits of capital inflows can be realised by enhancing financial markets, ensuring macroeconomic stability, and putting good institutions in place. By implication, without absorptive capacity proxied by the above-mentioned indicators, a host cannot reap the benefits associated with foreign capital inflows. In their study on the role of institutional quality on the capital inflows and growth nexus, Ndiweni and Bonga-Bonga (2021), used the threshold regression model and a cross-sectional data covering the period 1995-2019 of 13 selected countries in Sub-Saharan Africa and revealed that once a specific level of absorptive capacity, defined by institutional quality, is reached, capital inflows have a significant positive influence on economic growth. The findings also indicated that no correlation exists between capital inflows and economic growth below that threshold level.

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In their study of how IFRS affect the relationship between the type of FDI and economic growth of 49 selected African countries over the period between 2003 and 2017, Akisik and Mangaliso (2020) employed the fixed effects and generalized method of moments (GMM) estimation techniques to provide evidence that IFRS wield significant influence in the relationship between greenfield FDI investment (GFDI) as well as Mergers and Acquisitions (M&As) and economic growth. This suggests that the type of FDI does not really matter when it comes to IFRS' influence on their impact on economic growth. The authors maintain that the degree to which FDI impacts on economic growth depends on institutional and other economic factors.

Similarly, Gu & Prah (2020) investigated the effect of IFRS adoption on the relationship between FDI and economic growth using the OLS and GLS estimation techniques, and employing panel data spanning between 1996 and 2018, from 12 selected countries in Africa. Their study revealed a positive impact of IFRS adoption on FDI inflows as well as a joint positive effect of IFRS and FDI on economic growth.

Ugwu and Okoye (2018) assessed the impact of FDI on economic growth in sampled Sub-Saharan African countries after the introduction of IFRS, using data from 1999 to 2015. Employing the Dummy Variable Regression model, the study discovered that, in the pre-adoption period, FDI had a significant positive influence on economic growth in Ghana and Nigeria but had a negative impact on economic growth in South Africa. Contrarily to the findings of Akisik and Mangaliso (2020) as well as Gu & Prah (2020), the study further revealed that, in the post-IFRS adoption period, FDI had a lower

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impact on growth in Nigeria, whereas no significant differences were seen in Ghana or South Africa. This implies that the adoption of IFRS did not in any way benefit these countries as far as cross-border capital investment is concerned.

Omotoso et al. (2022) examined the impact on IFRS adoption on FPI in Africa using the decision-usefulness theory. The authors employed a panel data covering the period 1994 to 2015. By means of the system GMM and considering the fixed and random effect models, the study revealed that the adoption of IFRS positively influenced the inflow of capital by increasing FPI inflows. the study however focused on only 15 African countries which makes the generalisation of result problematic. Onayemi et al. (2018) examined how absorptive capacity impact on the relationship between FDI and economic growth in Nigeria with data covering the period 1980-2016. By employing the OLS estimation method, the study found that FDI on its own does not wield influence on economic growth, but when mediated by the level of education serving as human capacity, FDI impact positively on economic growth in Nigeria.

Kotey and Abor (2019) examined the effect of FDI on economic growth moderated by technology as an absorptive capacity in Sub-Saharan Africa. the authors employed a 19-year data from 1990 to 2008 and utilised the fixed effect model for the analysis. The result of the study indicated that FDI alone adversely impact significantly on growth. However, this significant negative effect turned positive when moderated by technology. Ogundipe et al. (2020) investigated the influence of FDI on economic growth moderated by physical infrastructure as an absorptive capacity. By employing the system

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GMM estimator and data covering the period 1995-2017, the study found out that even though FDI wield influence on growth in the region, it is not as significant as when the relationship is moderated by physical infrastructure as an absorptive capacity.

Kang and Martinez-Vazquez (2022) investigated the circumstances through which FDI can foster inclusive growth of 67 selected countries with data covering the period 1990 to 2015. By employing the fixed effect model, the authors discovered that when the host country has a sufficiently large manufacturing sector coupled with infrastructure base, FDI effect positively on inclusive growth. i.e., FDI results in inclusive growth when the levels of manufacturing and infrastructure are high.

From the above, it is clear that there is a consensus in the literature that in the absence of absorptive capacity to foster better integration of capital inflows, a host country would not be able to benefit from the spill-overs associated with foreign capital inflows. However, while existing consensus acknowledges the necessity of absorptive capacity for a host country to benefit from foreign capital inflows, most studies have traditionally focused on factors human capacity, physical infrastructure, and technological advancement, sidestepping the critical aspect of financial reporting quality. Therefore, while existing works emphasise aspects like human and physical infrastructure, this study uniquely highlights the importance of financial reporting quality as indicated by IFRS adoption speed. Moving beyond the limited scope of previous research, it aims for a broader analysis to understand how robust financial reporting standards influence the benefits derived from foreign capital inflows. This perspective does not only offer a more comprehensive

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understanding of the factors affecting capital inflows but also provides valuable insights for policymakers and international investors.

IFRS Adoption Speed, Capital Inflows, Industrialisation, and Inclusive Growth

The relationship between IFRS adoption, capital inflows, industrialisation, and inclusive growth have received some scholarly attention but in disjointed manner. Some of these studies are discussed below. Olayiwola and Joseph (2020) examined the effect of capital inflows on manufacturing exports and economic growth in Nigeria. the authors used data covering the period 1981-2017 and employed the Autoregressive Distributed Lag (ARDL) technique to analyse the data. Findings of the study revealed that while capital inflows impact significant on economic growth, ($t= 4.42884$, $p< 0.005$), it insignificantly affected manufacturing export ($t= 0.73$, $p> 0.05$).

Similarly, Bardesi (2016) assessed the effect of FDI on the Saudi Arabian economy and in particular, its manufacturing sector. The author employed data covering the period 1996 to 2014 and used the OLS estimation techniques. Findings of the study disclosed a significant positive effect of FDI on the manufacturing sector. The result however indicated that notwithstanding the positive and significant link between FDI and the development of the manufacturing sector at 1% level for the study period, the coefficient value was rather low (0.19), indicating that limited amount of FDI went into the manufacturing sector. The author consequently recommended that additional incentives were required to draw FDI inflows that foster economic growth in the industrial sector.

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Furthermore, Duramany-Lakkoh et al. (2021) also examined the effect of FDI on the output of the manufacturing sector of the Sierra Leone using data from 1970 to 1981 and employing the Vector Autoregression method for data analysis. Findings of the study showed that FDI inflows significantly impact on the output of the manufacturing sector. On the other hand, Azeroual, (2016), employed the GMM technique to analyse the effect of foreign capital inflows from France and Spain on the Total Factor Productivity (TPF) of the manufacturing sector in Morocco over the period 1985-2012. The study used human capital as an absorptive capacity, arguing that when the host country already has a sizable human resource that is highly educated and skilled, it greatly impacts the level of assimilation and spreading of technological know-how brought by foreign investors.

The result indicated a positive and significant impact of the inflows from Spain irrespective of the level of technology. Contrarily, the effect was significantly negative regarding the inflows from France and this negative impact was high where technology level was relatively low. This infers that the source from which foreign capital flows can affect the rate of its influence on the manufacturing sector and the entire economy.

In their turn, Adekunle et al. (2020) used the two-step Engle and Granger estimation technique on data covering the period 1987-2017 to assess the effect of capital inflows on industrialisation in Nigeria. Findings of the study revealed that both FDI and FPI inflows significantly impact on industrialisation in Nigeria. Contrarily, Nnadozie et al. (2021) examined the impact of FDI inflows on industrialisation in Nigeria using the cointegration and error correction estimation technique on data covering the period 1981-

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2015. Findings of the study indicate that FDI has no significant impact on industrialisation. Similarly the result of a study by Etukafia et al. (2017), on the effect of FDI on the growth of the manufacturing sector in Nigeria, with data covering the period 1981-2015 and employing the bound test and autoregressive lag estimation technique showed that FDI has no significant impact on the manufacturing sector in Nigeria.

Furthermore, Osu (2019) assessed the impact of foreign capital inflows on the manufacturing sector of Nigeria using the OLS estimation method and date covering the period 1980-2017. The author reported that, foreign capital inflows significantly influenced manufacturing sector output for the study's period. Opoku et al. (2018) also employed the GMM technique to investigate the effect of FDI on economic growth of 38 selected African countries for the period covering 1960-2014. The study found that in general, FDI significantly affect economic growth. However, a further analysis on which sector served as a right channel through which FDI can influence economic growth disclosed that whereas the agricultural sector and service sector showed a significant positive channel impact, that of manufacturing sector displayed a negative and insignificant effect. This suggests that when FDI moves to the manufacturing sector, it does not influence the sector's impact on growth in anyway but rather have the potential of negatively affecting its effect on economic growth.

From the above, it can be noted that there have been some studies on the relationship between capital inflows and industrialisation. However, these studies are scanty, with most of them focused on Nigeria. Besides, the role of a country's absorptive capacity in this relationship have not received much

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attention in extant literature. Moreover, it can be observed that the role of a country's accounting system has been neglected in literature. There appears to be no study that has looked at the interactive role of a country's financial reporting standards, serving as an absorptive capacity in the relationship between capital inflows and industrialisation.

The current study, which investigates the relationship between capital inflows and industrialisation, with a unique emphasis on a nation's accounting system, particularly its financial reporting standards, is poised to significantly enhance the existing body of empirical research. It addresses a notable research gap, as previous studies have been limited in number and often focused on specific regions, such as Nigeria, while neglecting the concept of absorptive capacity. By empirically examining how a country's financial infrastructure, especially its fast adherence to IFRS, functions as an absorptive capacity, the study introduces a fresh perspective to the understanding of the impact of capital inflows on industrialisation. This approach not only extends the geographical scope beyond prior studies but also incorporates a critical yet previously overlooked element - the accounting system - into the discourse on inclusive growth.

IFRS Adoption Speed, Industrialisation, and Inclusive Growth

The role of industrialisation in economic development can never be overstated. The engine of growth theory has received much attention from empirical literature to establish that developing the manufacturing sector brings about greater advantage to an economy both locally and internationally (Opoku & Yan, 2019; Szirmai, 2015; UNIDO, 2020). The industrial sector, specifically, that of manufacturing, is perceived to yield higher productivity to

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an economy than that of other sectors, such as, agricultural and service sectors (Szirmai, 2015). Empirical studies have shown that countries that have highly industrialised have experienced accelerated economic growth (Szirmai 2015). Fagerberg and Verpagen (1999), for instance regressed real growth rates of GDP on manufacturing growth rates and established that manufacturing is pivotal to economic growth in emerging economies in East Asia and Latin America but not in the developed countries.

Furthermore, Marconi et al. (2016) resting on Kaldor's theory of growth, assessed the effect of manufacturing on economic growth of 63 emerging and developed economies across the globe. The authors used data from 1990 to 2011 and employed the System GMM estimation approach. The result of the study showed that the growth in the manufacturing sector would spike an improvement in GDP growth particularly in emerging economies. Almosabbeh and Almoree (2018) also examined the relationship between the manufacturing sector's performance and economic growth in Saudi Arabia. By employing data covering the period 1980 to 2014 and using the Bound Test for cointegration technique for estimation, the authors found out that Kaldor's engine of growth hypothesis hold true that manufacturing is central to economic growth.

Similarly, Szirmai and Verspagen (2015) assessed the effect of industrialisation on economic growth of 88 advanced and emerging economies using the fixed effect model and Hausman Tailor estimator. Although they recorded a moderate impact of the manufacturing sector on economic growth in Africa, the authors admitted that the manufacturing sector in recent years appears to lose its weight as an engine of economic growth. Haraguchi et al.

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(2017) also reported that the manufacturing sector has the capacity to drive the economic growth of emerging economies irrespective of the current debate that manufacturing sector effect on economic growth has declined.

In investigating the determinants of the manufacturing sector of 53 countries through the system GMM estimation technique, Mijiyawa (2017) established that, for the study period between 1995 to 2014, the association between share of manufacturing sector's GDP and GDP per capita was U-shaped, indicating that the growth in manufacturing sector does not automatically follow an increase in income. Zhao and Tang (2018) too tested the causes of economic growth in China from 1995 to 2008 in comparison to Russia. They discovered that the rise in economic growth in China over the period was largely due to the manufacturing sector, and to a lesser extent, the service sector. However, in Russia, growth was primarily driven by the service sector, followed by the primary sector.

Mensah (2021) furthermore assessed the effect of IFRS adoption on the quality of financial reporting of listed manufacturing firms in Ghana with data covering the period 2001 to 2006 for the pre-adoption era, and 2007 to 2014 for post-adoption phase. By using the Fixed Effect model and employing the OLS technique of estimation, the study recorded increases in the quality of financial reporting post-IFRS adoption. The author consequently concluded that IFRS improves financial reporting quality of firms within Ghana which results in boosting the confidence of investors, and, hence attracting them.

In the same vein Ndiaya and Lv (2018) examined the effect of industrialisation on economic growth through the use of OLS estimation technique on secondary data covering the period 1960 to 2017 of Senegalese

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manufacturing firms. Their findings support the engine of growth postulation that industrialisation is central to economic growth. The study however focused on market level of manufacturing firms in Senegal and not country level. Besides, the focus was on the relationship between industrialisation and economic growth and not on how the supposed economic growth are distributed to include all citizens.

Opoku and Yan (2019) also analysed the effect of industrialisation on economic growth in Africa using the generalised method of moment estimation technique and data covering the period 1980 to 2014 on 37 countries. The authors opined that Africa need economic growth that is inclusive and sustainable, arguing that sustainable and inclusive economic growth is the only antidote that would bring transformation to livelihood and ensure rapid catchup with the rest of the world. Their study affirmed the engine of growth hypothesis that industrialisation is central to economic growth beside revealing that trade openness enhances the relationship between industrialisation and economic growth. Their study however focused on the relationship between industrialisation and economic growth, regressing economic growth on industrialisation instead of regressing inclusive growth and consequently failed to analyse the inclusiveness aspect of growth. Similarly, Ossadzifo (2018) found a significant positive effect of industrialisation on economic growth.

Cantore et al. (2017) examined the effect of manufacturing on economic of 80 selected countries across the globe using data from 1980 to 2010 and employing the GMM technique of estimation. The result disclosed that manufacturing remains the engine of growth; structural change focuses on

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enhancing manufacturing value added; it uses drivers that fortify the manufacturing industries; and it wields more impact of the sector's effect on economic growth than employment scale.

Chapter Summary/Lessons Learnt

The empirical review of the literature has presented insights to the degree to which the issue under consideration has been studied. It has also offered some methodological lessons including operationalisation of the various concepts, measurement of variables, study designs and techniques of data analysis. The outcome of the empirical review indicates that while the relationship between IFRS adoption and capital has received some scholarly attention, the role of institutional structures in the relationship is still budding. The result of the review also reveals that the capital inflows and economic growth has been extensively studied. However, it has been observed that studies were focusing mostly on economic growth and neglecting the inclusiveness aspect of the growth. Besides, it has been discovered that studies that considered the role of absorptive capacity in the capital inflows and growth nexus, neglected the role of accounting system of a country in these studies.

Again, the outcome of the review also suggests that there has been some scholarly attention given to industrialisation and inclusive growth, but most studies once again focused on economic growth and neglected the role of IFRS adoption in the relationship. Moreover, the review of empirical studies found no study that has considered the interaction of capital inflows and industrialisation on inclusive growth.

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The review also revealed that different authors employed different measures for the study variables based on how they operationalised the concepts under study. These different measures could however be grouped with different group of authors employing the same measure. For instance, some studies measured IFRS adoption using dummy variables [binary indicator] (Akpomi & Nnadi, 2017; Owusu et al., 2017a), others used measures such as levels of adoption (Lungu et al., 2017; Nejad, Ahmad, Mdsalleh, & Rahim, 2019), and count variable index (Oyerinde, 2019). No study, however, measured IFRS adoption by speed of adoption as used in the current study, taking into consideration the time dimension and backed by the theory of financial innovation. This study fills this methodological gap by focusing on the speed of IFRS adoption.

Different measures for industrialisation were observed such as value added of manufacturing (MVA), value added of industry (IVA) and share of manufacturing to GDP (Opoku & Yan, 2019). The current study measured industrialisation by MVA because that is most extensively used in the literature. The empirical review however showed that there was a common measure with regards to capital inflows, which was often the type of inflow scaled againt GDP. This study consequently follow suite.

The result of the review also indicates that several authors employed different estimation methods based on the nature of their data. For instance, while some studies used time series data and hence employed the OLS technique, others used cross country day and used either the dynamic OLS or autoregressive techniques. Studies that used dynamic panel data however

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employed the GMM estimation technique, suggesting that this technique would be more appropriate for future studies with such study design.

Conceptual Framework of the roles of IFRS adoption speed and institutions in the Relationship between Capital Inflows, industrialisation and Inclusive Growth

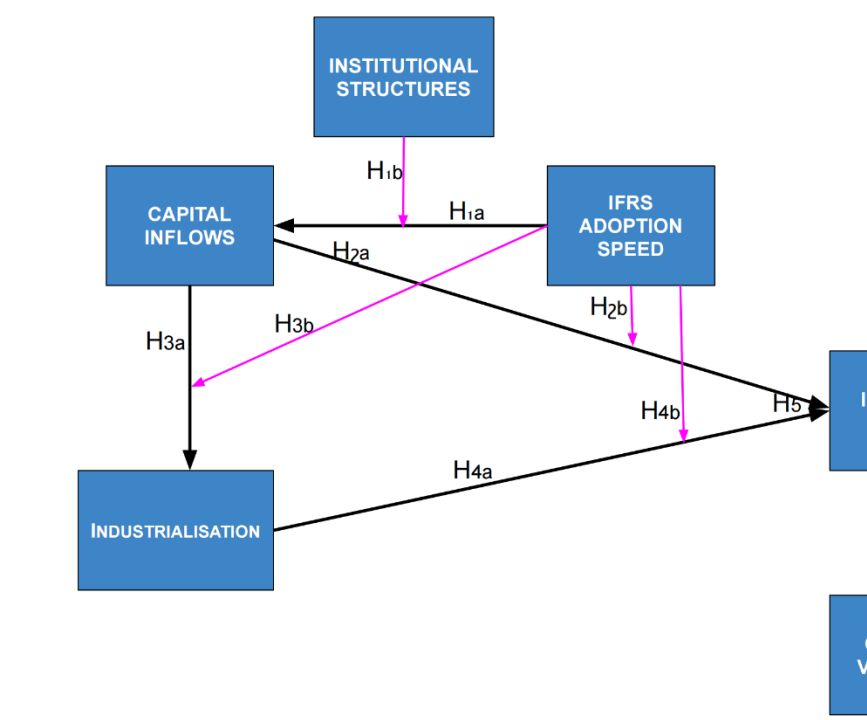

Figure 2: **Conceptual Framework**

Source: Author's Construct 2022

The conceptual framework was developed by the author based on review of literature to map the conduct of the study. The framework depicts the relationship between the study variables. It illustrates the direct relationship between IFRS adoption and capital inflows, between industrialisation and inclusive, as well as between capital inflows and inclusive growth. It also shows the moderating role of IFRS adoption in the relationship between capital inflows and inclusive growth, between capital inflows and industrialisation, and industrialisation and inclusive growth. The

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framework further depicts the interactive role of institutional structures in the relationships between IFRS adoption and capital inflows. Again, it portrays the combined effect of capital inflows and industrialisation on inclusive growth.

The relationship between IFRS adoption and capital inflows is explained by the information asymmetry theory; it also narrows it down to the signalling theory. The theory of information asymmetry postulates that disparities in accounting standards among nations generate information asymmetry to foreign investors (Ahearne et al., 2004). The presence of information asymmetry causes fear in investors that they might make an adverse selection, which consequently, dissuade them from moving into foreign markets (Owusu et al., 2017). IFRS adoption reduces information asymmetry by increasing transparency and comparability of financial information, as well as enhancing accountability and efficiency in the capital market (Lingu et al., 2017). IFRS adopting countries consequently earn the confidence and trust of foreign investors and attract them since adopting IFRS serves as a signal to the credibility of financial reporting system in the adopting countries.

The moderation of institutional structures in the relationship between IFRS adoption and capital inflows is explained by the absorptive capacity theory that postulates that without having the appropriate institutions that foster proper implementations and enforcements of IFRS, its mere adoption will not yield the expected benefits of attracting capital inflows. The link between capital inflows and industrialisation is explained by the innovation theory, particularly the financial innovation theory that suggest that funding

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innovative ideas has a favourable impact of enhancing manufacturing value added. This is because such technological innovations which often drives manufacturing activities are well screened by financial innovators for viability prior to financing results in the enhancement of manufacturing value added (UNIDO, 2020b).

The moderation by IFRS adoption in the relationship between capital inflows and industrialisation is explained by the financial innovation theory which explains that when investors have access to relevant financial information about the manufacturing sector, it will enable them to screen firms with viable projects for funding. By ensuring the preparation of transparent and comparable financial information, IFRS serves as a financial link that connects the global capital markets where entrepreneurs and funds providers meet.

The financial innovation theory also elucidates the connection between capital inflows and inclusive growth by claiming that capital inflows promote economic growth and subsequently reduce inequality in the host countries through the accumulation of physical capital, diffusion of technology, job creation, human capital development, management skills transfer as well as access to exports market (Akpan et al., 2017; Laeven et al., 2015). The absorptive capacity theory also explains the interaction of IFRS adoption in the relationship by reasoning that when the host country has some underlying fundamentals such as, financial reporting systems that support proper integration of the spillovers of capital inflows, it will increase the efficacy of such inflows in enhancing inclusive growth (Onayemi et al., 2018; Roy, 2021).

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Furthermore, the link between industrialisation and inclusive growth is explicated using Kaldor's engine of growth theory. The theory postulates a positive relationship between growth in manufacturing output and growth in GDP, explaining that manufacturing activities promote the accumulation of human capital and innovative ideas through R&D; hence, a sector whose activities trigger technological improvements. Since it thrives on technological change, manufacturing sector yields higher productivity than other sectors. It also provides a greater spillover effect to other sectors of the economy which results in higher sustainable inclusive growth.

The moderation of IFRS adoption in the relationship between industrialisation and inclusive growth is also explained by the absorptive capacity theory which suggests that if the underlying financial reporting system in the manufacturing sector is well established, it will improve its effectiveness in fostering inclusive growth. Thus, financial reporting system underpinned by high quality accounting standards like IFRS is key in the manufacturing sector, because it provides quality information which facilitates efficient allocation of economic resources that subsequently enhance productivity which impact on inclusive growth.

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CHAPTER FOUR

RESEARCH METHODS

Introduction

The aim of this study is to investigate the role of IFRS adoption speed 0n the link between industrialisation capital inflows and inclusive growth in SSA. This chapter deliberates the study's research methods. According to Leedy and Ormrod (2010), research method refers to the overall approach that a researcher takes when conducting research. Terre Blanche and Durrheim (1999), avow that method relates to how a researcher goes about finding out what he or she thinks may be known in a practical way; thus, methodology is explained in the same way as research methods. Sarantakos, (2005) asserts that research 'methodology' refers to the approach taken to translate ontological and epistemological principles into rules for conducting research. Research methods may reflect positivism, interpretivism, or a combination of the two, leading to the formation of distinct research approaches.

Consequently, this chapter describes the procedures that are considered in the conduct of the study. It begins with the research design which captures the study's philosophical perspective and the selected design. This is followed by the study design which specifies the nature of data used in addressing the study's objectives. Following that, the model specifications for testing the research hypotheses are outlined. Subsequently, information on data and sources of data are provided. Finally, the chapter presents procedures for data processing and analysis. A summary of the research methods and identified limitations conclude the chapter.

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Research Paradigm

Kuhn (1970) refers to research paradigm as the full constellation or cluster of views, ideals, and methods held by people within a community and which direct researchers in deciding what should be investigated and how results should be interpreted. Creswell and Creswell (2018) describe it as a basic philosophical viewpoint regarding the world and nature of research that a researcher takes to a study. According to Krauss (2005), it is critical to understand a study's overarching perspective, which is founded on philosophical assumptions or theoretical paradigms about the nature of reality.

Terre et al. (1999) describe research paradigm around three key dimensions: ontology, epistemology, and methodology. Fundamentally, ontology is a discipline of philosophy devoted to explaining the underlying principles that govern our experience of the universe. It outlines the shape and character of reality, as well as what can be learned about it, in explicit terms (Wand & Weber, 1993, p. 220). Epistemology refers to the link between the researcher (the knower) and the knowledge (known) (Hirschheim, Klein, & Lyytinen, 1995). According to Terre et al. (1999), when it comes to figuring out what you think you know, methodology is also an essential component of the process. Accordingly, a research paradigm influences the entire philosophy or strategy that underpins or guides a study.

Mack (2010) explains the link between the three philosophical foundations by declaring that the researcher's philosophical assumptions influence his epistemological assumptions which in turn impact on his methodologies and all together drives the methods for data collection. Grix (2004) and Mack (2010) argue that the best way to conduct research is to

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establish a clear link between an investigator's conception of what can be researched (their ontological position) and our current understanding of it (their epistemological stance), as well as how we can learn more about it (their methodological approach).

While ontology influences methodology as to what social research is designed to explore, epistemology does so by addressing the questions on what counts as a fact and where to look for knowledge. Finally, following the foregoing, methodologies build "packages" of relevant research designs for researchers to use, advising them on where to focus their research activities, and how to recognise and extract knowledge from their findings (Sarantakos, 2005). To assist researchers in comprehending belief systems and how such influence the research process, scholars have recognised positivism, interpretivism, post-positivism, and pragmatism as the four main research paradigms (Bryman, 2016; Creswell & Creswell, 2018; Jackson, 2009; Saunders et al., 2009).

From the preceding therefore, a brief discussion on each paradigm would be presented and the choices made for the conduct of this research study would be indicated.

Positivism Paradigm

The positivist framework for social reality is founded on the philosophical foundations of August Comte, a French philosopher who opines that the most effective methods for understanding human behaviour are observation and reasoning, and that true knowledge is determined by sensory experience acquired via observation and experimentation (Comte, 2009; Singer, 2005). Positivism therefore presupposes that human nature can be

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assured about knowledge only when scientific approaches such as observation and experimentation are applied in the discovery process. Al-Ababneh (2020) and Trochim (2022) maintain that positivists apply scientific approaches and quantify the process of knowledge generation in order to increase the precision with which parameters and their relationships are described.

Consequently, positivism is preoccupied with establishing truth and conveying it empirically. Empiricism is the process of acquiring knowledge by objective observation and sensory experiences (Jackson, 2009). This implies that before ideas can be deemed as knowledge, it must undergo rigorous testing. The empiricist thus acquires knowledge by sight, sound, taste, smell, and touch. Bryman (2016) posits that scientific explanation is the core principle of positivism. For this reason, objective facts exist independently of subjective thoughts or concepts that are guided by causal rules. The world according to positivism is deterministic, meaning that we could employ the unique approach of the scientific methods to deduce the principles of cause and effect followed by the cosmos. Causality and law-like generalisations are therefore the primary focus, coupled with simplifying phenomena to their most basic components which is the principle of reductionism.

The ontological perspective of the positivism paradigm is founded on objectivism whose principle requires the researcher to keep all personal values and perspectives out of the study process in order to minimise personal prejudice and biases. In a positivist worldview, science is viewed as the path to truth, as a means of comprehending the world sufficiently well to foresee and control it. The epistemological stance of positivism is that only things that can be seen or measured may supply reliable information. As a result, it

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asserts that the purpose of knowing is to merely describe the facts that we observe, and the objective of science is to restrict ourselves to what is observable and quantifiable. A positivist would therefore argue that knowledge of anything beyond the above is futile (Trochim, 2022).

According to positivist axiology, integrity, honesty, and truthfulness are essential to fostering trust in the study process. For a positivist, misrepresenting ideas or faking research methods or results is unacceptable, and researchers should always provide the actual data collected from respondents, not otherwise.

Post-positivism

The post-positivist follows the fashion of the positivist thinking and holds most of its assumptions, in that it ascribes to the underlying ontological belief of objectivity and epistemological principles of the positivist in acquiring knowledge. Post-positivism however differs from positivism epistemological belief that there is an absolute truth of knowledge, and hence, does not accept the principle of absolute reality. It challenges the positivist by claiming that as far as the study of human behaviour and actions are concerned, we cannot be absolutely positive about our assertions of knowledge (Phillips & Burbules, 2000). For instance, the post-positivist believes that yes, industrialisation can cause inclusive growth just as the positivist do.

Unlike the positivist however, the post-positivist holds that, as far as the study of human behaviour and activities are concerned, there cannot be 100% absolute truth about findings and therefore we cannot be 100% conclusive that what has worked for the advanced world and the East Asia and

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Pacific, would yield the same result in Africa. As such, it would call for critical examination of the African set up as well as review of policies, culture and implementation strategies in order to achieve our expected objectives of riding on industrialisation to achieve inclusive economic growth.

The assumptions of the post-positivists characterise the traditional method of doing research and these assumptions hold true for quantitative research method. For this reason, it is regarded as "the scientific method", "philosophy of science", or "doing science research" (Creswell and Creswell, 2018). Post-positivism like positivism, holds a deterministic view in that it believes causes (probably) defines results or outcomes (Creswell and Creswell, 2018). Among the most prevalent versions of post-positivism is the philosophy known as critical realism. A critical realist argues that science can examine a reality that exists independently of our perceptions of it, and this contrasts with a subjectivist, who would maintain that there is no external reality.

Interpretivism

Interpretivism is used to represent an alternative paradigm to the decades-old positivist orthodoxy. It is premised on the belief that a technique that considers the distinction between humans and natural science's objects is required; hence, there is the need for the social scientist to comprehend the subjective meaning of social action (Bryman & Bell, 2011). According to Bryman, (2016) and Bryman and Bell (2007), interpretivists standpoint is based on the belief that the social sciences' subject matter (i.e., people and their institutions) is essentially distinct from that of the natural sciences. Consequently, a specific logic of research technique that differentiate people

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from the natural order would be needed to enable the appropriate study of the social world.

Interpretivism opposes the positivist proposition that scientists can find reality objectively but stresses that human acts, knowledge, and understanding are socially formed (Iyamu, 2020). Interpretivism school of thought holds that reality constitute the personal experiences of people of the outside world, therefore they assume the ontological ideology that reality is socially constructed (Al-Ababneh, 2020). The ontological stance of the interpretivist is in support of subjectivism, also known as constructionism, whose belief is that social phenomena develop from the perceptions and acts of the social actors who are affected by them (Bryman, 2016; Saunders et al., 2009).

The epistemological approach of interpretivism focuses on subjective meanings. Meaning and social phenomena are hence at the centre of interpretivism, which places an emphasis on the small things that make up a big picture. Under interpretivism, behaviour is motivated by subjective meanings. The axiological position of the interpretivist focuses on the values of genuineness, reflexiveness, mutuality, rapport and honesty in interpreting the experiences of another person (Methens, 2010).

The ontological stance of pragmatism philosophical foundation is that as humans there is the need for us to act in the world that we live in and for this reason, the world cannot be basically seen as an object of observation, but something in which we have the goal of living the best out of our lives (Martela, 2015). The epistemological approach to pragmatism claims that either or both observable phenomena and subjective meanings can yield acceptable knowledge, depending on the research question. From an

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epistemological standpoint, what constitutes acceptable knowledge of a reality for a pragmatist is influenced by our encounters with that reality, and our understanding of what constitutes knowledge depends on our conceptual diagram. (Martela, 2015). Thus, whatever allows us to minimise our daily problem constitute acceptable knowledge.

Pragmatism

The pragmatist takes the view that as humans, the subject of our worry is what allow us to get our lives going in the best way that we can. We should only waste our time thinking on what enable us to solve our daily problems and for this reason, if an inquiry seems to have no potential to improve anything in practice, a pragmatist sees no point in engaging in such inquiry. The emphasis is on practical, applied research that incorporates a variety of viewpoints in order to better understand the results.

Philosophical Stands of the Current Study

This study is situated within the post-positivism viewpoint because it believes that in studying human behaviour, results cannot be 100% the same, taking into consideration different locations and culture, rule of law, economic, and political status. Thus, even though the study employs the underlying scientific principles typical of the positivist in acquiring knowledge, it does bear in mind that the same phenomenon being studied may yield different result due to underlying conditions surrounding different study area or locations. Besides, due to different methodologies or strategies employed, studying the same phenomenon may yield different results. Hence, typical of the post-positivist, the researcher believes that to understand the

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world better, there is the need to confirm and refine the existing laws or theories that guides our world.

Research Design

Research design is the broad plan that shows how the researcher intends to address the research questions and objectives (Saunders et al., 2019). It is an activity and time-based plan that is developed around research questions and hypotheses that serve as a guide for the research process (Cooper & Schindler, 2014). Creswell and Creswell (2018) refer to research design as styles of inquiry that fall within the qualitative, quantitative, and mixed methods techniques and provide a particular guidance for procedures in a research study. According to Saunders et al. (2019), research design include establishing one's research objectives from the research questions, indicating the sources of data and the data collection procedures as well as procedures for analysing the data collected. By implication, an effective and efficient research design is paramount in yielding the maximum information with the least amount of effort, time, and money.

Creswell and Creswell (2018) also intimate that the kind of philosophical assumptions the researcher holds inform his choice of the research approach which in turn influence his choice of research design and the specific research method for collection, analysis and interpretation of data. Cooper and Schindler (2014) add that such a choice is also influenced by the nature of the research problem, researcher's personal experience and the audience for the study. Scholars have identified three major approaches or strategies of research including the quantitative, qualitative and mixed method

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approaches (Bryman, 2016; Creswell & Creswell, 2018; Johnson & Christenson, 2014; O'Leary, 2017; Saunders et al., 2009).

The quantitative research approach submits to the realist or objectivist ontological assumptions that social entities exist in realities external to the social actors that deal with their existence. It also subscribes to the positivist and post-positivist's epistemological stance which claims that only things that can be seen or measured may supply reliable information and hence the scientific method is the acceptable technique of acquiring knowledge (Creswell & Creswell, 2018). The deductive reasoning is applied in generating knowledge using the quantitative method as characterised by the positivist. This follows the traditional scientific method whereby the researcher develops theory and hypotheses and then design appropriate specific research strategy for collecting, analysing, and interpreting data in order to test the hypotheses for subsequent confirmation or negation or modification of the theory (Creswell & Creswell, 2018; Saunders et al., 2009).

The quantitative approach is thus, used to test theories through the examination of the relationship among variables which are measured using instruments in order to analyse numbered data with the use of statistical procedures (Cooper & Schindler, 2014).

The qualitative research approach corresponds to the subjectivist ontological viewpoint that there is no independent real or social reality, rather the known world is a social and discursive production that occurs within the framework of a particular time or culture. This approach also follows the epistemological position of the interpretivist who believe that the most acceptable means to acquire knowledge is through subjective meaning. The

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qualitative approach therefore uses the inductive method of reasoning in acquiring knowledge. Qualitative research tries to depict meanings or qualities that are not quantifiable including feelings, thoughts, and experiences (Johnson & Christenson, 2014; Saunders et al., 2009b).

According to Saunders et al. (2009), qualitative research relies on non-numerical data, which is often collected over an extended period to explain, grasp, and analyse concepts. The researcher consequently interprets data in the form of words, rather than numbers, in order to make sense of it (Creswell & Creswell, 2018).

The mixed method follows the pragmatist epistemological perspective that claims what constitutes acceptable knowledge of a reality is determined by our encounter with that reality, and our understanding of what constitutes knowledge depends on our conceptual diagram. Creswell and Creswell, (2018) maintain that the mixed method approach falls in the middle of the continuum, where it does not cling to either side, but joins the features of both quantitative and qualitative methods. This approach to investigations therefore concerns the collection and integration of both quantitative and qualitative data and then employ distinctive designs characterised by their ideological assumptions and theoretical framework (Adams et al., 2007; Creswell & Creswell, 2018; Saunders et al., 2019; Greener, 2008). According to Saunders et al., (2019), the central postulation of the mixed method of investigation is that the combination of qualitative and quantitative data yields additional insight beyond the provision of information.

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As a result, if the researcher's research orientation is positivist, the research design would be quantification of the phenomenon under investigation, resulting in a quantitative research approach. If, on the other hand, the researcher favours symbolic interactionism, the research design must qualify the research phenomenon, resulting in a qualitative research approach. Nonetheless if the researcher is oriented toward positivism and interpretivism, the research phenomenon will be quantified and qualified, resulting in a mixed methods approach or mixed research (Creswell & Creswell, 2018; Saunders et al., 2019). Consequently, social research can take one of three approaches: quantitative, qualitative, or mixed methods.

The current study employs the quantitative approach because the quantitative approach corresponds to the epistemological position of the post-positivist ideology of what constitute acceptable knowledge and the acceptable procedures required for generating such knowledge. The post-positivist follows the scientific method of generating knowledge using deductive reasoning. whereby theories are tested by examining the relationship between variables (Cooper & Schindler, 2014). The current study is using the quantitative approach since it seeks to establish the relationship among the study variables in order to test the underlying theories of the study.

The quantitative approach is also selected because it appropriately fits the study's explanatory research design which seeks to establish a cause-and-effect relationship among the study variables (Saunders et al., 2019; Saunders et al., 2016). According to Creswell and Creswell (2018), when the research problem focuses on identifying factors that impact on an outcome, then the best approach to use is quantitative. The issue being addressed in this study is

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focused on finding out how IFRS interact with capital inflows and industrialisation to achieve inclusive growth which justifies the choice of the quantitative approach.

Further, the quantitative approach is employed on the account that the final report of the study follows the structure typical of a quantitative approach which include introduction, theoretical, conceptual, and empirical review of literature, methods, results, and discussion.

Several types of research designs have been identified by scholars and these have been grouped according to whether the research approach is quantitative, qualitative, or mixed method approaches (Creswell & Creswell, 2018). The authors further maintain that the research objectives which inform the type of data also influence the choice of design for a study. Informed by the chosen research approach, the research design for the current study is explanatory design. Saunders et al. (2019) define explanatory research design as research that identifies causal relationships between variables. The current study employs explanatory design because it seeks to address the research objectives that aims at establishing the cause-and-effect relationship among the study variables. The focus is on analysing a situation or a problem in order to understand the relationships between variables.

Study Design

The study design employed in this study was panel. Panel data is a data set in which the behaviour of entities is observed across time (Wooldridge, 2019). Panel data set is one that follows a given sample of individuals over time, and thus provides multiple observations on each individual in the sample (Hsiao, 2003). According to Wooldridge (2016), using panel data may have

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two main reasons. Most importantly, panel data allows a researcher to analyse several economic questions that cannot be addressed using cross-sectional or time-series data sets.

Panel data helps to control for individual heterogeneity (i.e., differences across the individual units), and facilitates in analysing changes over time. Panel data also provides more information about the units within each panel, which helps in reducing the problem of collinearity among the variables, enhancing degree of freedom and improving efficiency (Jed Frees, 2014; Riddell, 1982; Wooldridge, 2019). Furthermore, the use of panel data set allows the transformation of data for each member in the cross-section (each country) throughout the study's specified time period. Panel data hence helps in getting several observations on the same units which provide space for the control of certain unobserved features of each country. Again, panel data set structure permits the examination of major lag in behaviour or outcome of a decision.

Longitudinal design was utilised because the study employed a combination of both cross-sectional and time series data set to meet its objectives. This study design is useful and fitting in addressing the objectives of the study through the quantitative approach. It was also expedient to use a panel data regression model for the study because the data in this study cuts across several years and countries. The combination of time series with cross-sections, can therefore enhance the quality and quantity of data in ways that would be impossible using only one of the two dimensions (Gujarati, 2003). It is further established that panel analysis can provide a rich and powerful study

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on a set of phenomena if the researcher is willing to consider both the space and time dimensions of the data, hence the use of panel data for the study.

The nature of the current study's panel was 'macro-unbalanced' because it is a country level panel with some missing observations (gaps in the data) due to unavailability of data. It is also equally time spaced because it follows consecutive years from the start year to the cut off year without missing any year. Hence, the data follows all the years.

Population

According to Cooper and Schindler (2011), a population is a set of elements about which inferences can be made. Thus, in statistics, a population is defined as the totality of people, objects, or phenomena that are the subject of study and from which conclusions can be drawn (Saunders et al., 2019). The population for this study comprises the entirety of Sub-Saharan Africa (SSA), encompassing all 48 countries within the region (World Bank, 2022). Sampling is the process of selecting some elements of a population for study in order to draw conclusions based on the findings of the selected elements (Zikmund et al., 2013). Taylor et al. (2006) propose that a census of the study population, defined as a thorough examination encompassing the entire population of interest rather than partial coverage or surveying, serves as an alternative to conventional sampling methods.

The current study opted to used census instead of sampling. Adopting a census approach, the study sought to incorporate the entire region to ensure a thorough understanding of the intricate dynamics at play within each nation and their collective impact on inclusive growth. The inclusion of all Sub-Saharan African countries is particularly crucial given the diversity of

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economic structures, governance frameworks, and developmental challenges across the region. By employing census data, the research meant to capture a nuanced perspective on the intersections of capital inflows, industrialisation, and inclusive growth, allowing for a granular analysis of how these factors interact within individual countries and contribute to the overarching regional narrative.

The study population's breadth facilitates the identification of commonalities and disparities, enabling a more accurate assessment of the moderating roles of IFRS adoption speed and institutions structures in shaping the observed patterns. Ultimately, the inclusive nature of the study population enhances the study's external validity, ensuring that the findings are not only academically robust but also directly applicable to the diverse economic landscapes found within Sub-Saharan Africa.

Data and Data Sources

According to Zikmund et al. (2013), data refer to facts or recorded measure of occurrences. As reflected in the conceptual framework and the research objectives, data were required to address the issues of IFRS, institutional structures and capital inflows nexus, the interaction roles of IFRS in the relationship between capital inflows and inclusive growth, between capital inflows and industrialisation, and between industrialisation and inclusive growth. Also, data was needed to address the issue of the joint effect of capital inflows and industrialisation on inclusive growth. The source of data for a scientific work of this nature can be primary or secondary (Saunders et al., 2019).

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The study employed secondary data to address the research objectives and hypotheses. Data were collected on the variables from all the 48 countries in Sub-Saharan Africa over a period of fifteen years, from 2005 to 2019. The year 2005 was used as the starting point for the study because 2005 is the base year of the study, following the adoption of IFRS by many jurisdictions across the globe including those in Sub-Saharan Africa. Likewise, the year 2019 was chosen as the data collecting cut-off point because the most recent data for majority of the study variables were only available up to that year at the time of the study.

Saunders et al. (2019), assert that the source and the method by which secondary data are collected determine its reliability and validity. The authors maintain that the source of data can be assessed by looking at its authority and reputation. Five recommendations by Dectaigh (2012) for the initial assessment of authority source can be significant to this study. Firstly, discovering the entity responsible for the data and obtaining information through which the reliability of the source can be evaluated. For example, the continual existence of the organisation which reflects the credibility of its data. Also examining the procedure for collecting and compiling the data would reveal the precision required by the original user (Saunders et al., 2019).

Secondly, checking for copyright statement as well as searching for an existing published document that relates to the data. According to Dechartaigh (2012), the existence of copyright would indicate the person or organisation responsible for the data while the published document provides reinforcement of the validity of the data. Thirdly, examining the website for email or other ways by which the author can be contacted for comments and

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clarification. Saunders et al. (2019) however draw caution that this option may not always be the case since those that have the highest authority do not often see the need to exhibit them. Thus, they are often silence about it.

Data was mainly sourced from the World Development Indicators (WDI) and other credible sources including Organisation for Economic Co-operation and Development (OECD), Transparency International, African Securities and Exchange Association (ASEA), and UNESCO. The WDI is the agency that compiles development indicators from officially recognised international sources. The credibility of the source is evidenced by its wide use in the published literature (Owusu et al., 2017, Opoku et al., 2019). The WDI also provides metadata which gives clear description on how each data was derived, making it very reliable.

In the same vein, the International Labour Organization (ILO) is a tripartite agency of the UN that sets labour standards, develop policies, and device programs for promoting decent work and its data is widely used by researchers. Transparency International is also relevant to this study because it is a global movement working in over 100 countries to end the injustice of corruption. Similarly, the other sources of data were examined for their reliability and validity following the prescription by Dechartaigh (2012) and Saunders et al. (2019) as outlined above.

Data Collection Procedures

The data collection process for this study commenced with a comprehensive review of relevant literature to identify key variables. Subsequently, the researcher sought to access this information through the World Development Indicators (WDI) and other sources via the internet.

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Navigating the WDI Statistics home page, a meticulous search for various items revealed that the study variables were dispersed across publications, monthly data, and indices data. To ensure the data's relevance, the researcher delved into the Metadata of each identified item, gaining a nuanced understanding of the data description. Applying filters, the search was refined to datasets published within the study period, and after careful scrutiny, the researcher successfully located the dataset germane to the study.

The next phase involved a detailed examination of the dataset's suitability, achieved by scrolling through the data table. Once satisfied, the identified data were downloaded and securely stored as an Excel spreadsheet on the researcher's computer, with additional copies safeguarded on the cloud using Google Drive for accessibility and backup. The geographical scope of data collection encompassed Sub-Saharan African countries, and the process was finalised in June 2022. The dataset covered the timeframe from 2005 to 2019, with 2005 selected as the study's starting point due to the availability of data on institutional quality measures and its significance as the base year following the European Union's adoption of IFRS. The year 2019 served as the data collection cutoff point, aligning with the most recent available data for most of the study variables. This meticulous and transparent procedure ensures the integrity, reliability, and contextual relevance of the collected data for the study's analytical objectives.

Data Processing and Analysis

After the collection of data, a checklist was developed for each variable based on the measurement criteria. Microsoft Excel was then used to organise the data into a panel format. The study employed multiple regression

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analysis and used the dynamic panel data estimators also known as the Generalised Method of Moment (GMM) for its estimation technique. Before proceeding with the panel data analysis, the Breusch Pagan Lagrange Multiplier (LM) test was first run to check the appropriateness of the use of Panel data technique over OLS. The GMM estimators were introduced by Arellano and Bond (1991), Arellano and Bover (1995), and Blundell and Bond (1998); they have been extensively employed in recent years as a result of its superiority as an estimation method (Owusu et al., 2017).

The Generalised Method of Moments (GMM) is an econometric technique used for estimating parameters in statistical models. It is particularly useful in situations where the model involves a large number of parameters or when the data are not normally distributed. GMM is based on the idea of using moment conditions (relations between observed data and model parameters) to derive estimators. This method is favoured for its flexibility and consistency in handling models with endogeneity issues (where explanatory variables are correlated with the error term) and heteroskedasticity (non-constant variance in the error term).

The GMM is designed for situations where i) there is fewer time period (T) compared to the cross-section dimension (N); ii) there is a linear functional relationship; iii) the dependent variable is dynamic (i.e., the current value of a variable is dependent on the past value); iv) the independent variable in the model is not strictly exogenous and hence there is a possible correlation between the explanatory variables and the past or current error term; v) there is fixed individual effect, meaning that we are unable to observe some fixed constants of the individual units; and vi) we have

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heteroscedasticity and autocorrelation problems. The dynamic GMM consents to incorporating the lags of the dependent variables as regressors to cater for their dynamic features. Roodman (2006) claims that the main motivation for the design of the GMM is to handle panel data analysis where present realisation of the dependent variables is impacted by previous ones.

The GMM estimators consequently reduce dynamic panel bias and also effectively manage essential modelling concerns such as fixed effects and endogeneity of explanatory factors (Owusu et al., 2017). The GMM uses instrumental variables (IV) techniques to deal with the problem of endogeneity by using endogenous variables as instruments. Two types of instruments are employed: "internal instruments" which are variables that cannot be seen in the dataset, and "external instruments" which are variables that are visible in the dataset. In employing the technique of IV, GMM requires that the number of instruments should be equal to or greater than the exogenous variables (i.e., Z ≥ # exogenous variables). It also requires that the number of instruments (Z) should be less than or equal to the number of groups in the panel (i.e., Z ≤ # groups [individuals/countries]).

The GMM technique is advantageous because it facilitates in controlling i) endogeneity of lagged dependent variables in a dynamic panel data (i.e., if past values of the variable are correlated with the error term); ii) omitted variables bias; iii) unobserved panel heterogeneity (i.e., where there are differences across the panel [μ_i]); and vi) any measurement errors in the data.

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Highlighting some limitations of the GMM technique will help this study to eschew any bias. First and foremost, it is a very complex technique and can easily provide invalid estimates if the right specifications of the model are not made. Secondly, the choices that are available can lead to manipulations by the researcher (i.e., the researcher may choose specifications that are convenient to meet his or her specifications and not the reality of what is being investigated). Thirdly, GMM does not account for cross-sectional dependences, meaning that if there is relationship among the units within the panel, GMM does not control that. Finally, GMM is not conducive for panels with longer time period.

The study employed the GMM method because it is a longitudinal study with dynamic dependent variables like capital inflows and inclusive growth (i.e., it is using dynamic data modelling). GMM allows for the treatment of the study's dependent variables (capital inflows, industrialisation, and inclusive growth) as dynamic. The data also consist of longer units of 48 countries (all the countries in Sub-Saharan Africa) and shorter time period of 15 years (From 2005-2020) which is suitable for the application of GMM technique. Even though the instrumental variables facilitate in addressing the problem of endogeneity, finding the appropriate instruments that correlate uniquely with the exogenous variable and not the error term is very challenging (Owusu et al., 2017). The GMM overcomes this challenge by using forms that are confined inside the panel itself rather than those outside the immediate data set.

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Specifically, the system GMM is used for the study because it is suitable for the nature of the panel, which is unbalanced, meaning that there are some gaps in the panel data of the study. Unlike the difference GMM, the system GMM minimises the loss of data through orthogonal deviations. Thus, rather than subtracting previous observation from the concurrent one as done by the difference GMM, the system GMM deducts the average of all future available observations of a variable. This makes it possible to compute for all observations irrespective of the number of gaps for each unit except for the last observation, therefore reducing the amount of data loss. In summary, the study employs GMM technique for its analysis on the grounds that it would facilitate in avoiding inaccurate conclusions, address the problem of heteroscedasticity and improve the robustness and validity of the study's result.

The GMM estimation approach was also utilised to carefully examine the assumption of autoregression in the dependent variables. This involved a detailed analysis of the correlation between each dependent variable and its respective lagged values to test for persistence, as suggested by Asongu & Acha-Anyi (2019) and Asongu & Nnanna (2019). For a GMM estimate to be considered persistent, it is essential that the coefficient of the lagged dependent variable is not only statistically significant but also falls within the absolute value range of 0 to 1. Accordingly, this study set a benchmark correlation coefficient of 0.800 as the minimum threshold to ascertain sufficient persistence. This rigorous testing ensured that only when the correlation between a dependent variable and its lag surpassed this threshold, the variable could be confidently deemed persistent. This methodological rigor

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was pivotal in validating the autoregressive nature of the dependent variables, thus reinforcing the reliability and precision of the econometric analysis in my study.

The study employed the Hansen (1982) *J* test and Sargan test to diagnose the validity of the instruments. The study utilised the statistical software package called "Stata 13.0" for the processing of data.

Justification for the Use of the Two-Step System GMM Estimation Technique for Each Objective

In addressing the first objective of the study, which focuses on analysing the moderating role of institutional structures in the relationship between IFRS adoption speed and capital inflows in Sub-Saharan Africa, the two-step system GMM estimation technique was chosen for its enhanced efficiency and robustness in handling the complexities of this analysis. The two-step system GMM is particularly advantageous in this context as it effectively addresses the potential endogeneity that could arise from both unobserved country-specific effects and the reverse causality between IFRS adoption speed and capital inflows. Additionally, this approach allows for the inclusion of lagged variables as instruments, improving the reliability of the results.

The technique also corrects for any potential biases that might occur in the standard one-step GMM, especially in the presence of heteroskedasticity. This is crucial in examining the nuanced interactions between institutional structures, IFRS adoption speed, and capital flows, where standard econometric methods may not suffice. By employing the two-step system GMM, the study ensures a more reliable and nuanced understanding of how

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institutional quality influences the efficacy of IFRS adoption speed in attracting capital inflows, thereby offering a comprehensive insight into the economic dynamics within Sub-Saharan Africa.

For the objective of assessing the influence of IFRS adoption speed on the relationship between capital inflows and inclusive growth in Sub-Saharan Africa (SSA), the two-step system GMM estimation technique is an ideal choice. This method is particularly effective in addressing the dynamic nature of the data and potential endogeneity concerns, which are common in studies examining economic relationships over time. The two-step system GMM is adept at managing issues such as simultaneity bias and unobserved heterogeneity, ensuring that the estimated effects of IFRS adoption speed are not confounded by these factors. Additionally, its ability to incorporate instruments derived from the lagged values of the variables enhances the robustness of the results. This approach is crucial in accurately capturing the complex dynamics between IFRS adoption speed, capital inflows, and inclusive growth in SSA.

To investigate the impact of IFRS adoption speed on the relationship between capital inflows and industrialisation in Sub-Saharan Africa (SSA), the two-step system GMM estimation technique is utilised, offering a robust and effective approach for this analysis. The two-step system GMM is particularly suitable for this study due to its proficiency in handling potential endogeneity and autocorrelation, common challenges in dynamic economic analyses. This method ensures that the estimation is not biased by simultaneous relationships between the variables or unobserved heterogeneity. By using lagged values as instruments, the two-step system GMM effectively controls for the influence

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of past values on current observations, providing a more accurate and reliable assessment of the causal impact of IFRS adoption speed on the interplay between capital inflows and industrialisation in SSA. This approach is critical for producing meaningful insights that can inform policy decisions aimed at enhancing inclusive growth in the region.

In examining the effect of IFRS adoption speed on the relationship between industrialisation and inclusive growth in Sub-Saharan Africa (SSA), the two-step system GMM estimation technique is carefully employed. This method is particularly advantageous for its ability to effectively manage potential endogeneity, a crucial consideration given the likelihood of reciprocal influences between IFRS adoption speed, industrialisation, and inclusive growth. The two-step system GMM addresses this by using lagged variables as instruments, thereby mitigating the bias that could arise from simultaneous causality or unobserved heterogeneity. Moreover, this approach is adept at handling the dynamic nature of the panel data used in the study, ensuring that temporal effects and persistence are appropriately accounted for. The reliability and robustness provided by the two-step system GMM in analysing complex relationships in dynamic settings are indispensable for deriving credible and policy-relevant conclusions about the economic dynamics within SSA.

Pre-and-Post-Estimation Diagnostics of the Two-Step System GMM

In conducting the analysis using the two-step system GMM, rigorous pre- and post-estimation diagnostics were essential to ensure the validity and reliability of the results. Pre-estimation diagnostics involved confirming the correct model specification, including the functional form and inclusion of

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relevant variables, along with unit root tests like the Augmented Dickey-Fuller test to ensure data stationarity. The identification of potential endogeneity issues was crucial, justifying the use of GMM over other techniques, and the validity of the chosen instruments (such as lagged values) was thoroughly assessed.

One such pre-estimation diagnostic was the Breusch-Pagan Lagrange Multiplier (LM) test, used to detect heteroskedasticity, a condition where the variance of the errors in a regression model is not constant. The LM test involves regressing squared residuals from the original regression on the independent variables and calculating the LM statistic, which follows a chi-square distribution. The rejection of its null hypothesis (constant error variance) suggests heteroskedasticity, which necessitates adjustments to standard errors to maintain the reliability of the regression results.

In the post-estimation phase of the study, a thorough diagnostic process was undertaken to validate the reliability of our GMM estimation. Key diagnostics included the Kleibergen-Paap rk LM statistic for testing instrument restrictions and the Arellano-Bond tests for detecting serial correlation in error terms. Particularly crucial were the Hansen J Test and the Sargan Test, both employed to affirm the validity of our instruments. The Hansen J Test calculates a J statistic to check if the instruments are uncorrelated with the error term and correctly excluded from the model, operating under the null hypothesis that posits the instruments' validity.

Similarly, the Sargan Test assesses the validity of over-identifying restrictions, also following a chi-square distribution. The rejection of the null hypotheses in these tests would indicate potential instrument invalidity, thus

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questioning the robustness of the GMM model. For this study, these tests were instrumental in confirming the appropriateness of the selected instruments, thus ensuring the integrity of the GMM analysis in exploring the moderating roles of IFRS adopting speed and institutional structures in the capital inflows, industrialisation, and inclusive growth nexus. Additionally, the robustness of standard errors to heteroskedasticity and autocorrelation was confirmed, and the model's overall fit was evaluated using measures like adjusted R-squared. Finally, sensitivity analyses were performed to ensure the robustness of the findings, re-estimating the model with different data subsets and alternative specifications.

Basic Panel Estimation Model of the Study

In the context of examining the relationship between capital inflows, industrialisation, and inclusive growth, this study employs a panel data model that integrates moderating variables and control variables to provide a comprehensive understanding of the underlying dynamics. The model seeks to explore the relationships between capital inflows, industrialisation, and inclusive growth, and how these relationships are moderated by IFRS adoption speed and institutional structures. The basic panel model is specified as follows:

$$IG_{it} = \alpha + \beta_1 CAPI_{it} + \beta_2 INDUS_{it} + \Sigma\gamma_k X_{kit} + \mu_i + \lambda_t + \varepsilon_{it}$$

IG_{it}: The dependent variable representing inclusive growth for country *i* at time *t*.

$CAPI_{it}$: Vector of capital inflows variables, including FDI inflows, FPI inflows, and Foreign Aid for country *i* at time *t*.

$INDUS_{it}$: Industrialisation measures for country *i* at time *t*.

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X_{it}: Control variables that might affect inclusive growth.

μ_{it}: Unobserved individual (country) effect.

λ_{it}: Unobserved time effect.

ε_{it}: Error term.

The above basic model aims to capture the direct effect of capital inflows and industrialisation on inclusive growth, controlling for other relevant factors. To understand how the relationship between capital inflows, industrialisation, and inclusive growth is influenced by IFRS adoption speed and the institutional structures, the study extends the basic model to incorporate the moderating variables as follows:

$$IG_{it} = \beta_1 CAPI_{it} + \beta_2 INDUS_{it} + \beta_3 IFRS_{it} + \beta_4 PSE + \beta_5 LS_{it_{it}} + \beta_6 ITL_{it} + \beta_7 INST_{it} + \Sigma\gamma_k X_{kit} + \delta_1 (CAPI * IFRS)_{it} + \delta_{12}(CAPI * PSE)_{it} + \delta_3 (CAPI * LS)_{it} + \delta_4 (CAPI * ITS)_{it} + \delta_5 (CAPI * INST)_{it} + \delta_6 (INDUS * IFRS)_{it} + \delta_7 (INDUS * PSE)_{it} + \delta_8 (INDUS * LS)_{it} + \delta_9 (INDUS * ITL)_{it} + \delta_{10} (INDUS * INST)_{it} + \mu_i + \lambda_t + \varepsilon_{it}$$

$IFRS_{it}$: IFRS adoption speed in country *i* at time *t*.

$INST_{it}$: Composite index of governance indicators for country *i* at time *t*

$(CAPI * IFRS)_{it}, (CAPI * PSE)_{it}, (CAPI * LS)_{it}$ $(INDUS * PSE)_{it}, (INDUS * IFRS)_{it}, (INDUS * PSE)_{it}, (INDUS * LS)_{it}, (INDUS * ITL)_{it}, (INDUS * INST)_{it}$:Interaction terms to assess the moderating effects of IFRS adoption speed and institutional quality on the relationships between capital inflows, industrialisation, and inclusive growth.

β Coefficients: Reflect the direct effect of capital inflows and industrialisation on inclusive growth.

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δ Coefficients: Indicate how the relationship between capital inflows or industrialisation and inclusive growth is influenced by IFRS adoption speed and institutional quality.

γ Coefficients: Assess the impact of control variables on inclusive growth.

Model Specification

The model specifications for testing the hypotheses of study were developed based on the theories underpinning the study. The first model addressed the objective that examined the role of institutional structures on the relationship between IFRS adoption and capital inflows in Sub-Saharan Africa. This model was informed by the signalling dimension of the information asymmetry theory and the absorptive capacity theory. The signalling theory explains how information asymmetry can be reduced. The theory postulates that countries that adopt IFRS enhance the transparency and comparability of financial information and consequently attract foreign capital inflows by sending signal to investors about the credibility of the accounting system in the adopted countries. The theory therefore establishes a positive linear relationship between IFRS adoption and foreign capital inflows.

The absorptive capacity theory however postulates that without the existence of underlying fundamentals to enhance the diffusion/integration of IFRS into the adopted countries, it will limit the efficacy of IFRS in attracting capital inflows into the adopting countries. The theory hence explains the interactive role of adopting countries' quality institutions in enhancing IFRS ability in attracting capital inflows. This informed the inclusion of institutional structures in the model 1 to address the first objective as shown in below:

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$$\Delta CAPI_{it} = \Delta\tau CAPI_{it-1} + \Delta\beta IFRS_{it} + ITL + \Delta\beta INST + \Delta\beta LS + \Delta\beta PSE + \Delta\beta\Delta\delta(IFRS * LS)_{it} + \Delta\delta(IFRS * PSE)_{it} + \Delta\delta(IFRS * ITL)_{it} + \Delta\delta(IFRS * INST)_{it} + \Delta\gamma X_{it} + \Delta\mu_{_it}$$

(1)

Where:

CAPI refers to vector of capital inflows variables comprising FDI inflows, FPI inflows and Foreign Aid.

IFRS represents IFRS adoption speed measured as age of adoption/base year.

PSE represents the presence of stock exchanges.

LS represents legal support for IFRS adoption.

ITL means insider trading laws, and

INST represents the composite of six governance indicators constructed using a principal component analysis.

X is vector of control variables made up of inflation, trade openness, and financial development.

$\Delta\mu_{_it}$ is the disturbance term

Breaking down the above model to write models for each interaction we have the following:

$$\Delta CAPI_{it} = \Delta\tau CAPI_{it-1} + \Delta\beta IFRS_{it} + \Delta\beta LS + \Delta\delta(IFRS * LS)_{it} + \Delta\gamma X_{it} + \Delta\mu_{_it}$$

$$\Delta CAPI_{it} = \Delta\tau CAPI_{it-1} + \Delta\beta IFRS_{it} + \Delta\beta PSE + \Delta\delta(IFRS * PSE)_{it} + \Delta\gamma X_{it} + \Delta\mu_{_it}$$

$$\Delta CAPI_{it} = \Delta\tau CAPI_{it-1} + \Delta\beta IFRS_{it} + \Delta\beta ITL + \Delta\delta(IFRS * ITL)_{it} + \Delta\gamma X_{it} + \Delta\mu_{_it}$$

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$$\Delta CAPI_{it} = \Delta\tau CAPI_{it-1} + \Delta\beta IFRS_{it} + \Delta\beta INST + \Delta\delta(IFRS * INST)_{it} + \Delta\gamma X_{it} + \Delta\mu_{-it}$$

The second model addresses the second objective that examines the influence of IFRS adoption speed on the link between capital inflows and inclusive growth in SSA. According to the financial innovation theory, capital inflows foster economic growth and subsequently lessen inequality in the host countries by increasing physical capital, diffusion technology, creating jobs, developing human capital, management skills, and opening up export markets (Akpan et al., 2017; Laeven et al., 2015). The theory thus, proposes a direct linear relationship between capital inflows and inclusive growth. The absorptive capacity theory explains the interaction of IFRS adoption speed in the relationship between capital inflows and inclusive growth, suggesting that the presence of quality financial reporting standards that signify the quality of a country's accounting system, enhances the impacts that capital inflows have on inclusive growth. The second model is specified below:

$$\Delta IG_{it} = \Delta\tau IG_{it-1} + \Delta\beta CAPI_{it} + \Delta\beta IFRS_{it} + \Delta\delta(CAPI * IFRS)_{it} + \Delta X_{it} + \Delta\mu_{-it} \quad (2)$$

Where:

IG means inclusive growth.

CAPI refers to vector of capital inflows variables comprising FDI inflows, FPI inflows and Foreign Aid.

IFRS represents IFRS adoption speed measured as age of adoption/base year.

X is vector of control variables comprising inflation, trade openness, and financial development

$\Delta\mu_{-it}$ is the disturbance term.

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When capital inflows move into a host country, they promote manufacturing sector growth through the transfer of technology, managerial skills, human capital development and industrial restructuring (Azolibe, 2021). The second model was consequently generated to achieve the second objective that sought to investigate the effect of capital inflows on industrialisation. The link between capital inflows and industrialisation is explained by the innovation theory, particularly the financial innovation theory that suggest that funding innovative ideas has a favourable impact of enhancing manufacturing value added. This is because when foreign investors come along with managerial skills and technological know-how as well as establish R&D activities that boost the method of manufacturing, it increases productivity scale, reduce cost of production due to economies of scale and enhances quality. The theory therefore suggests a direct and positive link between capital inflows and industrialisation.

The absorptive capacity theory however argues that without the existence of healthy and credible accounting system with innovative and internationally recognised accounting standards like IFRS that underpins the financial reporting of the manufacturing sector, little financial information will be available to investors. Less information would scare investors away from the sector to other sectors and inversely affect manufacturing value addition. Thus, the theory postulates a positive moderating role of IFRS adoption speed on the relationship between capital inflows and industrialisation. Founded on the above theoretical discussions, the third model was developed as shown below to address the second objective which investigates the effect of IFRS adoption speed on the impact of capital inflows on industrialisation in SSA:

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$$\Delta INDUS_{it} = \Delta\tau INDUS_{it-1} + \Delta\beta CAPI_{it} + \Delta\beta IFRS_{it} + \Delta\delta(CAPI * IFRS)_{it} + \Delta\gamma X_{it} + \Delta\mu_{_it} \quad (3)$$

Where:

INDUS represents industrialisation.

CAPI refers to vector of capital inflows variables comprising FDI inflows, FPI inflows and Foreign Aid.

IFRS represents IFRS adoption measured as the age of adoption/base year.

X is vector of control variables comprising inflation, trade openness and financial development.

$\Delta\mu_{_it}$ refers to the disturbance term.

When adequate capital inflows are directed to the manufacturing sector, it boosts technological progress, which expands manufacturing productivity, creates productive employment, and improves inclusive growth (UNIDO, 2020). The fourth and the fifth models attend to the fourth and the fifth objectives that examined the moderating of IFRS adoption speed on the relationship between industrialisation and inclusive growth, and the joint effect of capital inflows and industrialisation on inclusive growth respectively. The model was informed by Kaldor's engine of growth theory, and the absorptive capacity theory.

Kaldor's engine of growth theory suggests a positive linear relationship between industrialisation and inclusive growth on the grounds that the manufacturing sector has greater ease of incorporating technological progress and hence yields higher productivity than the other sectors, aside creating jobs and having positive spillovers to other sectors (AfDB, 2018).

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As previously discussed, the absorptive capacity theory elucidates how the rate at which IFRS is adopted influences these connections. It proposes that the existence of high-quality financial reporting standards, which serve as indicators of a country's robust system, amplifies the effects that industrialisation exerts on inclusive growth. The third models are thus specified below:

$$\Delta IG_{it} = \Delta\tau IG_{it-1} + \Delta\beta INDUS_{it} + +\Delta\beta IFRS_{it} + \Delta\delta(INDUS * IFRS)_{it} + \Delta\lambda X_{it} + \Delta\mu_{-it} \quad (4)$$

$$\Delta IG_{it} = \Delta\tau IG_{it-1} + \Delta\beta CAPI_{it} + \Delta\beta INDUS_{it} + \Delta\partial(CAPI * INDUS)_{it} + \Delta\lambda X_{it} + \Delta\mu_{-it} \quad (5)$$

Where:

IG means inclusive growth.

CAPI refers to vector of capital inflows variables comprising FDI inflows, FPI inflows and Foreign Aid.

IFRS represents IFRS adoption speed measured as age of adoption/base year.

INDUS represents industrialisation.

X is vector of control variables comprising inflation, trade openness, and financial development

$\Delta\mu_{-it}$ is the disturbance term.

The interaction between a variable and another is specified using $*$. In the models, i represents the individual cross-sections (countries) while t is the time series.

Measurement of Variables

The table below indicates the various study variables, their operational definition, measurement, and the sources of data.

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Table 2: Variables Description, Measurement and Data Sources

VARIABLE	DIMENSION	MEASUREMENT	DATA SOURCE
Dependent:			
Inclusive growth	Economic Growth	GDP/Capita growth	WDI
	Labour force & Employment	Wage and salaried (% of total employment).	
		Employment to population ratios (% of 15+)	ILO
		Employment to population ratios (% of 15-24)	
	Health & demographics	Life expectancy at birth	WDI
		Mortality rate Under-5 (per 1,000)	WDI
		Public health expenditure (% of GDP)	
	Education	Ratio of female to male secondary enrolment (%)	UNESCO
		Public spending on education (% of total)	
	Gender	Gender inequality index	
	Environment	Environmental protection index	
	Inequality & poverty	Gini inequality index	WID
		Poverty gap at $2 a day	WDI
	Governance	Corruption perception index	Transparency International

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Independent:			
Industrialisation	Manufacturing value added	MVA/GDP; MVA/per capita	UNIDO
IFRS Adoption	Speed of adoption	Year of adoption/base year	www.ifrs.org
Capital inflows	FDI	FDI (net inflows)/GDP	WDI
	FPI	FPI (net inflows)/GDP	WDI
	Foreign AID	Foreign Aid/GDP	OECD
Moderating:			
IFRS Adoption	Speed of adoption	Age of adoption/base year	www.ifrs.org
Capital inflows	FDI	FDI (net inflows)/GDP	WDI
	FPI	FPI (net inflows)/GDP	WDI
	Foreign AID	Foreign Aid/GDP	OECD
Institutional Structures	Institutional quality	Control of corruption	WGI
		Government effectiveness	WGI
		Political stability	WGI
		Regulatory quality	WGI
		Rule of law	WGI
		Voice and accountability	WGI
	Implementation structures	Presence of stock exchange	ASEA
		Legal support	
		Insider trading laws	
Control:			
Inflation		Changes in consumer price index (annual %)	WDI
Trade openness		(Exports +imports)/GDP	WDI
Financial development		Domestic credit to private sector/GDP	WDI

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Measuring IFRS Adoption Speed

IFRS adoption speed refers to the pace at which a country aligns its accounting practices with the International Financial Reporting Standards (IFRS) following the reference point adoption by the European Union (EU) in 2005. IFRS adoption speed is measured as the age of adoption/the base age. The information on IFRS adoption speed was retrieved from the IFRS official website via its jurisdiction profile. Considering the year of adoption to be one year, we have a total of fifteen years (15yrs) between 2005 to 2019. Hence, the speed of adoption was estimated as age of adoption of each country divided by the total number of years (15 yrs.) as the base age. This implies that, countries that adopted in the same year as the EU will reach a perfection of one (1) while countries that adopted earlier than the EU will be expected to have an index greater than 1 as at 2019.

This measurement was informed by the financial innovation theory, where Laeven et al. (2015) constructed a measure to assess the speed at which each country implemented a specific method for enhancing the screening of entrepreneurs. They examine whether the pace of financial innovation affects the rate at which an economy converges toward the growth trajectory of the leading economy.

Measuring Inclusive Growth

Inclusive growth is measured by a five-component index developed by Hakimian in a working paper for the African Development Bank (AfDB) in 2016. The index covers a wide range of economic, social, spatial, political, and environmental issues that explain both the majority's participation in the economic growth process and the even distribution of economic growth. This

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dimension is expanded to include eight broad components, as shown in Table 2. The study chose this measure of inclusive growth because it reflects the African geographical context of the concept of inclusive growth.

Aggregation, Weighting and Scoring Based on different indicators

Additive or multiplicative aggregation methods have been extensively studied and widely employed in the literature to construct inclusive growth index (Garriga & Foguet, 2010). The multiplicative method calculates an all-inclusive score for each country based on the geometric mean of its various indicators, whereas the addictive method considers the arithmetic mean. Following the lead of Hakimian (2016), this study computes the inclusive growth index using the arithmetic mean method. The arithmetic mean approach is computed by averaging the sum of the normalized values of each indicator in Sj County i with each component and indicator within that component being weighted equally.

$$IG_i = \sum_{i=1}^{m} W_j * S_{ji} \qquad (6)$$

where:
i=1…, m: country i included in the dataset
j=1…, n: indicator j included in the data set
and S_{ji} is the standardized score computed for each indicator j and country i as:

$$S_{ji} = 100 * \left(\frac{m_j - r_j}{mj-1}\right) \qquad (7)$$

In the computation of the standardized scores, m_j reflects the number of countries with available data on the indicator, and r_j represents the countries' rank with respect to a specific indicator in descending order.

After aggregating based on equation 1, the maximum score for an index is 100. The closer the outcome is to 100, the greater the inclusiveness of economic growth. Using the additive method, the composite index is calculated using a weighted average score between 0 and 100 based on the

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performance of a country on each of its component measures. Each of the eight components receives 12.5 percent of the total score (as shown in Table 2). 12.0% of the total is dispersed among components with multiple indicators.

Table 3: Aggregation methods based on different indicator weights.

Components	Individual indicator(s)	Weights (%)
Growth	Real per capita GDP growth.	12.5
Labour Force & Employment	Wages and salaries (% of total employment).	4.17
	Employment to population ratios (% of 15+)	4.17
	Employment to population ratios (% of 15-24)	4.17
Health & demographics	Life expectancy at birth	4.17
	Mortality rate Under-5 (per 1,000)	4.17
	Public health expenditure (% of GDP)	4.17
Education	Ratio of female to male secondary enrolment (%)	6.25
	Public spending on education (% of total)	6.25
Gender	Gender inequality index	12.5
Environment	Environmental performance index	12.5
Inequality & poverty	Gini index	6.25
	Poverty gap at $2 a day	6.25
Governance	Corruption perception index	12.5
Total		100

Construction of Inclusive Growth Composite Index

According to the AfDB (2016), certain criteria should guide the construction of the composite index including comparability, accuracy, flexibility, transparency, and completeness of data used in constructing the index.

The AfDB, following the prescription by the OECD on the steps required in constructing a composite index, outline the steps in constructing the index. They stipulate sound theoretical framework that will ensure that the indicators marked for aggregation pass 'the fitness-for-purpose principle' (Nardo et al, 2005). For the sake of appropriateness of data, certain concerns to address include measurability, coverage of country, significance of the data

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to the phenomenon being measured, and the relationship to each other. The steps are as follows:

1) Ensuring that the concept is clear to provide evidence of sound basis for the selection of indicators for the index construction
2) Selecting relevant data that would help build a sound composite index.
3) Carrying out an exploratory analysis of data to examine the structure of the indicators, the suitability of the data set, and explanation of the method chosen such as aggregation and weighting;
4) Addressing missing values;
5) Normalising data to ensure compatibility of indicators;
6) Carefully deciding on the weighting and aggregation method; and
7) Carrying out robustness check and sensitivity analysis to examine the relevance of each sub-component as well as each indicator in the overall performance of country.

These criteria were followed in the construction of the inclusive growth composite index for the current study.

Institutional Quality Index

The data for the construction of institutional quality index was sourced from database of the World Governance Indicators developed by Daniel Kaufmann and the World Bank's Economic Research Group and published by the World Bank Group (Kaufmann et al., 2010).

The index is made up of six components of the global governance indicators including control of corruption, government effectiveness, political stability, regulatory quality and voce and accountability. Data on the afore-mentioned dimensions for all the countries under study over the study period

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were collected to construct a composite index. The composite measure was derived by calculating a simple average of the six dimensions or indicators (Owusu et al. 2017). This gave a single measure for institutional qualities of the various countries.

Limitations

Availability of data limited the study's period to 15 years. Originally the study's period span a period of twenty years from 2001 to 2020. However, it was observed that most countries in SSA had not adopted the standards as of 2001 and thus there was no data available. Again, due to the COVID-19 pandemic, most macroeconomic variables were distorted and as such were not available. Besides the reduction in the original study period, there were gaps in some of the data for some countries. In the absence of all these limitations, the study's analysis would have been more enriched,

Chapter Summary

This chapter explains the methodological issues that were considered in collecting and analysing data to achieve the stated research objectives. The method applied in this study was based on a quantitative and explanatory approach. The study used secondary data which were collected from credible sources and covered a period of fifteen years, from 2005 to 2019. The dependent variables employed in the study are inclusive growth, capital inflows and industrialisation. The independent variables include IFRS adoption speed, capital inflows and industrialisation. The moderating variables in the study are IFRS adoption speed and institutional structures. Other control variables include inflation, trade openness and financial development.

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CHAPTER FIVE

EMPIRICAL RESULTS AND DISCUSSION

Introduction

The objective of this study was to investigate the role of IFRS adoption speed on the relationship between capital inflows and industrialisation towards inclusive growth in Sub-Saharan Africa. In this accord, this chapter presents a thorough analysis and discussion of the results of the study. The chapter is organised into thematic sections.

The first section discussed the results of the first objective which sought to examine the role of institutional structures on the relationship between IFRS adoption speed and capital inflows in Sub-Saharan Africa. The discussion of the first section was followed by the second section that centred on analysing the second objective assessing the interactive role of IFRS adoption speed on the relationship between capital inflows and industrialisation. Ensuing the analysis of the second objective, the results on the third objective that focused on examining the moderating role of IFRS adoption speed on the relationship between capital inflows and inclusive growth were analysed. Similarly, the fourth section discussed the results of the fourth objective which looked at the role of IFRS adoption speed on the relationship between industrialisation and inclusive growth. Lastly, the results on the fifth objective that considered the joint effect of capital inflows and industrialisation on inclusive growth was analysed.

In each section, the discussion initially considered the descriptive statistics of the variables and the correlation between the variables. This was followed by the analysis of the two-step system GMM results. The analysis

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was done by first examining the findings, ensued by diagnostic test of the models, and finally discussion of the empirical findings.

IFRS Adoption Speed, Institutional Structures, and Foreign Capital Inflows

Table 4: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
FDI	693	4.918	8.606	-11.199	103.337
FPI	553	.407	8.733	-80.337	105.199
Aid	415	4.114	4.512	.024	28.141
Speed	720	.187	.328	0	1.5
ITL	675	.644	.479	0	1
PSE	675	.644	.479	0	1
LS	675	.756	.43	0	1
INST	714	-.538	1.396	-2.449	18.574
Trade	644	71.395	34.231	1.219	225.023
INF	668	8.569	20.608	-8.975	380
FD	641	20.631	22.616	.498	142.422
GDPG	695	1.736	4.702	-47.591	18.066

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; PSE means Presence of Stock Exchange; LS means Legal Support for IFRS; INST represents Institutional Quality computed as an average of six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG represents Gross Domestic Product Per Capita Growth

Table 4 reports the descriptive statistics of the variables employed in the study. It can be observed that the average level of foreign capital inflows (expressed as a percentage of GDP) to the SSA countries are quite low and varies among the countries. Amongst these, FPI net inflows appears to be the lowest in the region while the average level of FDI inflows was the highest. However, the latter is less than 5% of GDP. It can also be observed that SSA countries adopted IFRS at fairly low speed on average. In addition, it is reported that about 64% of the countries have stock exchanges and have adopted insider trading laws. Moreover, approximately 76% of the countries have provided legal support for IFRS. However, the quality of their institutional framework (INST) appears to be weak.

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Table 5: Pairwise Correlation

Variables	(FDI)	(FPI)	(Aid)	(Speed)	(LOA)	(ITL)	(PSE)	(LS)	(INST)	(Trade)	(INF)	(FD)	(GDPG)
FDI	1.000												
FPI	0.002	1.000											
Aid	0.324***	-0.011	1.000										
Speed	-0.179***	0.009	-0.063	1.000									
LOA	-0.066*	0.036	-0.215***	0.385***	1.000								
ITL	-0.087**	0.015	-0.197***	0.239***	0.284***	1.000							
PSE	-0.087**	0.015	-0.197***	0.239***	0.284***	1.000***	1.000						
LS	-0.143***	0.016	-0.259***	0.138**	0.739***	0.334***	0.334***	1.000					
INST	0.027	0.034	-0.089*	-0.128**	0.072*	-0.055	-0.055	0.113***	1.000				
Trade	0.429***	0.050	0.055	-0.004	-0.020	-0.002	-0.002	-0.183***	0.075*	1.000			
INF	0.016	-0.010	0.034	0.130**	-0.078*	-0.110***	-0.110***	-0.215***	-0.069*	-0.073*	1.000		
FD	-0.041	0.051	-0.144***	0.101	0.145***	0.253***	0.253***	-0.059	0.074*	0.153***	-0.100**	1.000	
GDPG	0.056	0.015	-0.066	-0.014	0.065*	0.116***	0.116***	-0.013	-0.032	0.057	-0.143***	0.037	1.000

Standard errors in parentheses * *p<0.10*, ** *p<0.05*, *** *p<0.010*

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; LOA refers to the Level of adoption; PSE means Presence of Stock Exchange; LS means Legal Support for IFRS; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG represents Gross Domestic Product Per Capita Growth

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Table 5 exhibits the pairwise correlation estimates among the variables employed in the study. This presents a preliminary glance of the pairwise relationship between the variables employed in the study and, also provides a means to assess whether there could be potential multicollinearity issues, the presence of which can bias the regression estimates, in the regression model. The relationship among the independent variables presents no problems of multicollinearity as the magnitude of their correlations do not exceed 0.8, a value suggested by Kennedy (2008) to arouse suspicion of potential multicollinearity issues. Beyond that, Table 5 shows that the pairwise relationship between each Speed of adoption, presence of insider trading laws, presence of stock exchanges, quality of institutions and capital inflows are either insignificant or significantly negative. However, insignificant correlations do not imply no correlation.

Findings and Discussion of the Two-step System GMM Estimates for Objective 1

Table 6, Models 1 to 3 report the direct (unconditional) estimates of the two-step system GMM on the effect of speed of adoption on foreign capital inflows (i.e., FDI, FPI, and foreign aid). Tables 7 to 9, Models 4 to 15 also report the findings of the conditioning role of institutional structures on the effect speed of adoption on foreign capital inflows. From Table 6, the study documents a significant positive influence of speed of adoption in attracting foreign capital inflows to the region. Across Models 1 to 3, it is observed that the coefficients of speed of adoption is positive and statistically significant at 1%. Further, the study finds that institutional quality (INST) mostly exhibits a significant positive influence on capital inflows.

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Table 6: System GMM Estimates of the Effect of IFRS Adoption Speed on Capital Inflows

	(1) FDI	(2) FPI	(3) Aid
L.FDI	0.616*** (0.00503)		
L.FPI		-0.353*** (0.0130)	
L.Aid			0.750*** (0.0127)
Speed	0.406*** (0.0887)	4.227*** (0.329)	0.104*** (0.0198)
INST	0.0150*** (0.00323)	-6.786* (3.427)	0.0476*** (0.00738)
Trade	0.0511*** (0.00241)	-0.0478** (0.0206)	0.0299*** (0.000584)
INF	-0.0201*** (0.000284)	-0.0149*** (0.00462)	-0.00507*** (0.00117)
FD	-0.105*** (0.00442)	0.0314 (0.0195)	-0.0360*** (0.00184)
GDPG	0.00486 (0.00402)	0.0869*** (0.0210)	-0.0498*** (0.00381)
_constant	0.941*** (0.176)	0.170 (1.373)	-0.363*** (0.0959)
Observations	194	181	146
No. of instruments	35	35	34
No of cross-sections	48	48	48
AR1 (p-value)	0.108	0.278	0.0295
AR2 (p-value)	0.766	0.352	0.999
Hansen-J (p-value)	0.512	0.986	0.559
Sargan(p-value)	0.602	0.299	0.449

Standard errors in parentheses * p<0.10, ** p<0.05, *** p<0.010

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; PSE means Presence of Stock Exchange; LS means Legal Support for IFRS; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG represents Gross Domestic Product Per Capita Growth.

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To address the first objective, two hypotheses were formulated. The first hypothesis tested that "*IFRS adoption speed has a significant positive effect on the inflows of capital to Sub-Saharan Africa".* This hypothesis was executed with the two-step system GMM and found a significant positive influence of IFRS adoption speed on foreign capital inflows. These findings signify that those Sub-Saharan African countries that adopted IFRS earlier attracted higher levels of foreign direct investments, foreign portfolio investments, and foreign aid. The finding suggests that foreign private investors (portfolio and direct investors) are attracted to Sub-Saharan African countries that adopts IFRS. This is not startling because firms in such countries smoothen out opacity arising from non–disclosure of material financial information. This is because the adoption of IFRS standards improves financial reporting quality (Bassemir & Novotny-Farkas, 2018; Agyemang, Gbettey, Gatsi & Acquah, 2019; Gu et al., 2019) and reduces the agency problems that could exist between investors and corporate insiders.

In addition, since IFRS are an international standards, SSA countries that have adopted them could be seen as more integrated with the global economy and therefore creates uniformity in accounting standards and financial reporting which enhances transparency, comparability of investment portfolios, accountability and efficiency in the global capital market (IFRS Foundation, 2017). Thus, early adoption of IFRS can send signals that a country is transparent and indicative that such a country wants to attract foreign investors. By increasing transparency and reducing information asymmetry, IFRS-adopting SSA countries earn the confidence and trust of

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foreign investors and subsequently attract them to invest because IFRS reduces their risks as well as their agency cost (Langu et al., 2017).

The findings therefore affirm the postulations of the information asymmetry theory, particularly, the signalling theory dimension, that the adoption of IFRS removes information barriers arising from differences in accounting standards, which subsequently reduce information asymmetry and provides signal to investors about the credibility of accounting system in the host country. The results also support the claims by the financial innovation theory that the availability of financial innovative tool like IFRS ensures detail disclosure of all relevant financial information to investors and thus removes the problem of information asymmetry.

The significant positive influence of IFRS adoption speed on foreign aid is probably because foreign donors may require recipient countries to comply with certain requirements and countries that adopts IFRS early are seen as more transparent and accountable, making them more attractive. The findings are consistent with the study of Agyemang et al. (2019) who found that strength of auditing and reporting standards has a significant positive influence on foreign direct investments. Similarly, the study is consistent with the findings of Akpomi and Nnadi (2017) as well as Golubeva (2020) who discovered that IFRS significantly influenced FDI inflows of selected countries in Africa. Furthermore, the findings are in line with the study of Pricope (2017), who revealed a positive impact of IFRS on the capital inflows of 38 sampled poor economies. In the same vein, the results agree with the studies of Yousefinejad et al. (2018) and Nejad et al. (2018) who found a

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positive relationship between IFRS adoption and FDI inflows of ASEAN countries.

Tables 7 to 9 Models 4 to 15 presents the conditioning effect of institutional structures on the relationship between IFRS adoption and capital inflows in Sub-Saharan Africa. The study interacts speed of IFRS adoption with presence of insider trading laws (ITL), presence of stock exchanges (PSE), legal support for IFRS (LS) and institutional quality (INST) to test the argument that a country's absorptive capacity augments IFRS adoption Speed to attract more foreign capital inflows. For all the results, the net effect of the interactions was established through differentiation with respect to IFRS adoption speed. The findings reveal that the net effect of all the interaction terms between speed of adoption and institutional structures are positive and statistically significant.

For all the control variables, the study reports that the effect of inflation on foreign capital inflows is mostly negative and significant. This implies that countries with high inflation do not attract enough foreign capital inflows. Moreover, domestic credit to private sector also mostly exhibits a significant negative influence on foreign capital inflows. In addition, the study finds that the influence of trade openness on foreign capital inflows is mixed but mostly positive and GDP growth mostly has a significant positive influence on capital inflows.

The second hypothesis of objective one sought to test that "*Institutional structures significantly conditions the influence of IFRS adoption on capital inflows in Sub-Saharan Africa.*"

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Table 7: System GMM Estimates of the Effect of Countries Institutional Structure on IFRS Adoption Speed and Capital Inflows

	(4) FDI	(5) FDI	(6) FDI	(7) FDI
L.FDI	0.561*** (0.00438)	0.561*** (0.00438)	0.576*** (0.00363)	0.616*** (0.00381)
Speed	0.578*** (0.0945)	0.578*** (0.0945)	8.001*** (1.334)	0.579*** (0.0740)
INST	0.0237*** (0.00193)	0.0237*** (0.00193)	0.0333*** (0.00143)	0.720*** (0.123)
Trade	0.0374*** (0.00166)	0.0374*** (0.00166)	0.0384*** (0.00156)	0.0499*** (0.00279)
INF	-0.0166*** (0.000180)	-0.0166*** (0.000180)	-0.0169*** (0.000370)	-0.0238*** (0.000939)
FD	-0.0912*** (0.00329)	-0.0912*** (0.00329)	-0.0861*** (0.00552)	-0.106*** (0.00577)
GDPG	0.0300*** (0.00362)	0.0300*** (0.00362)	0.0308*** (0.00303)	0.00225 (0.00189)
1.ITL#c.Speed	0.331*** (0.0657)			
1.PSE#c.Speed		0.331*** (0.0657)		
1.LS#c.Speed			7.697*** (1.393)	
1.INST#c.Speed				2.869*** (0.509)
_constant	1.534*** (0.141)	1.534*** (0.141)	1.341*** (0.141)	0.903*** (0.264)
Observations	193	193	193	194
No. of instruments	35	35	35	35
No of cross-sections	48	48	48	48
AR1 (p-value)	0.108	0.108	0.107	0.110
AR2 (p-value)	0.722	0.722	0.732	0.763
Hansen-J (p-value)	0.666	0.666	0.731	0.701
Sargan(p-value)	0.320	0.320	0.360	0.709

Standard errors in parentheses * p<0.10, ** p<0.05, *** p<0.010

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; PSE means Presence of Stock Exchange; LS means Legal Support for IFRS; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG means Gross Domestic Product Per Capita Growth,

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From Models 4 to 15, the study reports that the coefficient of the interaction terms are positive and significant, and their net effect are also positive, signifying that Sub-Saharan African economies that provide legal support for IFRS, institute insider trading laws, establishes stock markets, and institutionalise robust governance framework to augment the adoption of IFRS attracts higher levels of capital inflows. The findings conform to the claims of the absorptive capacity theory that a country adopting the international standards should have some underlying factors that fosters its proper implementations and enforcements to enjoy its benefits (Expert Group on the IAS Regulation, 2014; Onayemi et al., 2018). The findings indicate that without enforcement and implementation systems in the form of robust institutional structures in place, the adoption of the standards would not yield the maximum results in attracting foreign capital inflows.

Thus, limitations in the legal and institutional capacity, and absence of capital markets can impede the successful implementation of IFRS in Sub-Saharan Africa (Tawiah, 2019) which, in turn, constraints its benefits in attracting foreign capital inflows. The findings are in line with the study of Owusu et al. (2017) who disclosed that mere adoption of the standards does not impact on the inflows of FDI. Likewise, the findings corroborate the results of Idofia (2018) who discovered that without quality institutions in place, IFRS adoption alone does not drive cross-border capital inflows.

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Table 8: System GMM Estimates of the Effect of Countries Institutional Structure on IFRS Adoption Speed and Capital Inflows

	(8) FPI	(9) FPI	(10) FPI	(11) FPI
L.FPI	-0.311*** (0.00886)	-0.311*** (0.00886)	-0.313*** (0.00716)	-0.382*** (0.00816)
Speed	4.565*** (0.687)	4.565*** (0.687)	13.68* (7.858)	2.075*** (0.281)
INST	10.46*** (2.232)	10.46*** (2.232)	13.00*** (1.788)	1.506 (4.159)
Trade	-0.105*** (0.0167)	-0.105*** (0.0167)	-0.0749*** (0.0240)	-0.0396 (0.0344)
INF	-0.00222 (0.00204)	-0.00222 (0.00204)	-0.000163 (0.00230)	0.0248*** (0.00588)
FD	0.0891*** (0.0197)	0.0891*** (0.0197)	0.0280** (0.0118)	0.0458*** (0.0119)
GDPG	0.111*** (0.0276)	0.111*** (0.0276)	0.0800* (0.0405)	0.160*** (0.0294)
1.ITL#c.Speed	7.534*** (0.985)			
1.PSE#c.Speed		7.534*** (0.985)		
1.LS#c.Speed			15.30* (7.545)	
c.Speed#c.INST				21.22*** (3.319)
_constant	3.923** (1.478)	3.923** (1.478)	4.006* (2.161)	0.879 (2.338)
Observations	181	181	181	181
No. of instruments	35	35	35	35
No of cross-sections	48	48	48	48
AR1 (p-value)	0.310	0.310	0.312	0.327
AR2 (p-value)	0.324	0.324	0.321	0.305
Hansen-J (p-value)	0.941	0.941	0.s993	0.997
Sargan(p-value)	0.888	0.888	0.893	0.902

Standard errors in parentheses * p<0.10, ** p<0.05, *** p<0.010

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; PSE means Presence of Stock Exchange; LS means Legal Support for IFRS; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG means Gross Domestic Product Per Capita Growth.

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Furthermore, the findings are consistent with the study of Duenya and Tsegba (2020) who found that the adoption of IFRS alone did not impact much on FDI inflows into the selected countries. However, the impact was significant when the relationship was moderated by regulatory quality serving as institutional capacity. The results however contradict the study of Zouita et al. (2019) whose findings indicate that moderating IFRS adoption adversely affected the relationship between SMEs and FDI inflows. The differences may result from differences in units of analysis, estimation techniques, and data coverage.

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Table 9: System GMM Estimates of the Effect of Countries Institutional Structure on IFRS Adoption Speed and Capital Inflows

	(12) Aid	(13) Aid	(14) Aid	(15) Aid
L.Aid	0.752***	0.752***	0.539***	0.749***
	(0.00919)	(0.00919)	(0.00839)	(0.0108)
Speed	0.616***	0.616***	21.95***	0.0975***
	(0.208)	(0.208)	(5.580)	(0.0351)
INST	0.0676***	0.0676***	0.0222***	0.393**
	(0.00409)	(0.00409)	(0.00622)	(0.160)
Trade	0.0241***	0.0241***	0.0291***	0.0296***
	(0.00199)	(0.00199)	(0.000656)	(0.000468)
INF	-0.00711***	-0.00711***	-0.00657***	-0.00561***
	(0.000917)	(0.000917)	(0.000777)	(0.00114)
FD	-0.0288***	-0.0288***	-0.0312***	-0.0365***
	(0.00346)	(0.00346)	(0.00340)	(0.00391)
GDPG	-0.0495***	-0.0495***	-0.0747***	-0.0501***
	(0.00250)	(0.00250)	(0.00428)	(0.00348)
1.ITL#c.Speed	0.985***			
	(0.216)			
1.PSE#c.Speed		0.985***		
		(0.216)		
c.Speed#c.LS			21.87***	
			(5.559)	
c.Speed#c.INST				0.143***
				(0.0313)
_constant	-0.206	-0.206	0.427***	-0.318**
	(0.208)	(0.208)	(0.0986)	(0.122)
Observations	145	145	145	146
No. of instruments	34	34	34	34
No of cross-sections	48	48	48	48
AR1 (p-value)	0.0294	0.0294	0.0333	0.0297
AR2 (p-value)	0.990	0.990	0.860	0.998
Hansen-J (p-value)	0.515	0.515	0.387	0.502
Sargan(p-value)	0.105	0.105	0.164	0.370

Standard errors in parentheses* p<0.10, ** p<0.05, *** p<0.010

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; PSE means Presence of Stock Exchange; LS means Legal Support for IFRS; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG is Gross Domestic Product Per Capita Growth.

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Diagnostics of the Model

Asongu and Acha-Anyi (2019) and Asongu and Nnanna (2019) propose that persistence in a standard GMM estimate result is established when the coefficient of the lag dependent variable is significant, and the absolute value of the coefficient is within the interval of 0 to 1. From Model 1 to Model 15, the lagged estimate for foreign capital inflows supports the intuition that capital inflows are persistent, justifying the use of a dynamic model. In testing the validity of instruments, both the Sargan and Hansen tests for most of the models are insignificant (p>0.1). Thus, the study fails to reject the null hypothesis that the instruments are valid. Further, AR2 is used to assess the absence of serial/autocorrelation. Similarly, the study fails to reject the null hypothesis of no autocorrelation as the p-values of AR2 are all greater than 10%. Due to the absence of instrument proliferation and autocorrelation, it can be concluded that the findings are reliable.

IFRS Adoption Speed, Capital Inflows, and Inclusive Growth

Table 10: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
IGa	705	23.602	9.607	6.303	60.188
FDI	693	4.918	8.606	-11.199	103.337
FPI	553	.407	8.733	-80.337	105.199
Aid	415	4.114	4.512	.024	28.141
Speed	720	.187	.328	0	1.5
INST	714	-.538	1.396	-2.449	18.574
Trade	644	71.395	34.231	1.219	225.023
INF	668	8.569	20.608	-8.975	380
FD	641	20.631	22.616	.498	142.422

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; LOA represents Level of Adoption; PSE means Presence of Stock Exchange; LS means Legal Support for IFRS; INST represents Institutional Quality computed as an average of six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG represents Gross Domestic Product Per Capita Growth

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Table 10 presents the descriptive statistics of the variables used in analysing objective 2 empirically. It can be observed from the table that inflows of capital to the region ranges between a minimum of approximately 0.41% and 5% of GDP, with FDI being the highest and FPI being the lowest, and these vary across the countries. This provides an insight into the low level of capital inflows within the region for the period under the study. Table 10 also discloses that the average inclusive growth within the region is approximately 24% which is very low, with significant variations among the nations. Table 10 further indicates that the average speed at which countries within the region adopted the standards was about 18.7% which is an indication that countries within the region on average, did not adopt early. Again, Table 10 shows that the countries have weak institutional structures (INST).

Table 11 provides pairwise correlation of the variables employed in the study. This gives a quick overview of the pairwise relationships between the variables used in the study and, also, gives a way to determine whether the regression model may have multicollinearity problems, the presence of which can skew the regression estimates. Given that the magnitude of the correlations between the independent variables do not surpass 0.8, a value Kennedy (2008) indicated to raise suspicion of potential multicollinearity difficulties, the relationship between the independent variables does not reveal multicollinearity problems. Table 11 also demonstrates that the pairwise correlation between each of capital inflows, speed of adoption, and institutional structures are either insignificant or negative, even though insignificant associations do not denote no associations.

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Table 11: Pairwise Correlation

Variables	(IGa)	L.IGa	(INDUS)	(FDI)	(FPI)	(Aid)	(Speed)	(INST)	(Trade)	(INF)	(FD)
IGa	1.000										
L.IGa	0.946***	1.000									
INDUS	0.034	0.026	1.000								
FDI	0.039	0.038	-0.182***	1.000							
FPI	0.092**	0.065	0.024	0.002	1.000						
Aid	-0.106**	-0.098**	-0.189***	0.324***	-0.011	1.000					
Speed	0.212***	0.253***	0.069	-0.179***	0.009	-0.063	1.000				
INST	0.180***	0.169***	-0.068*	0.027	0.034	-0.089*	-0.128**	1.000			
Trade	0.313***	0.305***	0.052	0.429***	0.050	0.055	-0.004	0.075*	1.000		
INF	-0.131***	-0.117***	-0.063	0.016	-0.010	0.034	0.130**	-0.069*	-0.073*	1.000	
FD	0.614***	0.612***	0.082**	-0.041	0.051	-0.144***	0.101	0.074*	0.153***	-0.100**	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development proxied Domestic Credit to Private Sector; and GDPG represents Gross Domestic Product Per Capita Growth

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Findings of the Two-step System GMM Estimates for Objective 2

Table 12 presents the results of the two-step System GMM of the direct and conditional impact of capital inflows on inclusive growth in Sub-Saharan Africa. Model 1 shows the direct effect of capital inflows on inclusive growth while Models 2 to 4 report on the moderating effect of IFRS adoption speed on the relationship between capital inflows and inclusive growth. The results from Model 1 discloses that the coefficients of FDI, FPI, and Aid are positive and significant at 1%, 10% and 1% respectively. It is also observed that the coefficient of institutional structures is positive and significant, indicating that quality institutions play significant role on inclusive.

The results in Model 1 also reveals a positive and significant coefficient of financial development (FD), a negative and significant coefficient of trade openness (trade), and negative but insignificant relationship between inflation (INFL) and inclusive growth. This means that the level of a country's financial development greatly impacts positively on inclusive growth. It also denotes that trade openness can greatly reduce the level of inclusive growth (this can be explained by the fact that, countries in the region do not have the knack for better competitive and winning pricing in the international market, have balance of payments deficits. Besides, expatriates repatriate their profits back to their home countries).

Models 2 to 4 report the results of the interaction terms between IFRS adoption speed and capital inflows on inclusive growth. For all the results, the net effect of the interactions was determined by differentiating with respect to each category of capital inflows.

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Table 12: System GMM Estimates of the Effect of IFRS Adoption Speed on Capital Inflows and Inclusive Growth.

	(1) IGa	(2) IGa	(3) IGa	(4) IGa
L.IGa	0.496*** (0.0224)	0.507*** (0.0644)	0.548*** (0.0528)	0.467*** (0.0339)
FDI	0.303*** (0.0518)	0.423*** (0.0696)	0.291*** (0.0544)	-0.321** (0.117)
FPI	0.00391* (0.00223)	0.00637 (0.00657)	0.565*** (0.124)	0.00921*** (0.00170)
Aid	0.443*** (0.0889)	0.369*** (0.0795)	0.461*** (0.110)	0.806*** (0.108)
Speed	0.510 (0.994)	1.771 (1.091)	0.619 (0.917)	-0.304 (1.300)
INST	12.89*** (3.357)	13.85*** (4.487)	8.524* (4.724)	21.16*** (5.456)
Trade	-0.0750** (0.0271)	-0.0748** (0.0291)	-0.0554 (0.0374)	-0.0277 (0.0224)
INF	-0.00640 (0.00895)	-0.00804 (0.0117)	-0.00354 (0.0157)	0.0150*** (0.00475)
FD	0.186*** (0.0109)	0.188*** (0.00955)	0.182*** (0.0202)	0.136*** (0.0277)
c.FDI#c.Speed		-0.499** (0.217)		
c.FPI#c.Speed			-0.690*** (0.156)	
c.Aid#c.Speed				-0.775*** (0.143)
_cons	12.69*** (2.394)	11.99*** (3.602)	9.822*** (3.467)	14.31*** (3.645)
Observations	148	148	148	148
No. of instruments	38	38	38	34
No of cross-sections	48	48	48	48
AR1 (p-value)	0.00499	0.00558	0.00201	0.00479
AR2 (p-value)	0.366	0.417	0.215	0.710
Hansen-J (p-value)	0.982	0.973	0.984	0.921
Sargan(p-value)	0.0101	0.0119	0.0796	0.0583

Standard errors in parentheses * *p<0.10*, ** *p<0.05*, *** *p<0.010*

Note: FDI represents Foreign Direct Investment Net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG represents Gross Domestic Product Per Capita Growth

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From Model 2, the net effect of the interaction between FDI and speed of adoption report a positive and significant coefficient (0.423-0.499*0.187=0.330). It is also observed from Model 3 that the interactive term yielded a positive and significant net effect (0.565-0.690*0.187=0.436). Moreover, Model 4 discloses that the net effect of the interaction between foreign aid (Aid) and IFRS adoption speed is positive and significant (0.806-0.775*.187=0.661). The results from Models 2 to 4 denotes that the speed at which a country adopts IFRS enhances its attraction of capital inflows and simultaneously improves their efficacy to foster inclusive growth.

Discussion of the Empirical Findings

Two hypotheses were developed to meet objective two of the study. The first hypothesis tested that "*There is significant positive impact of capital inflows on inclusive growth in Sub-Saharan Africa".* The test was carried out using the two-step system GMM estimation technique. Findings of the test shows a significant positive influence of all the three categories of capital inflows on inclusive growth. This implies that both private and public capital inflows impact positively on inclusive growth. The results thus affirm the study's prediction that capital inflows significantly impact on inclusive growth. The findings also affirm the stipulation of the financial innovation theory that capital inflows are catalysts for inclusive growth. This can be explained by the fact that inflows of foreign private capital enhance physical capital accumulation, diffusion of technological progress, job creation, human capital development, availability of managerial expertise and access to exports markets (Akpan et al., 2017; Laeven et al., 2015).

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The advancement of technology and the accumulation of capital are two essential elements for expanding the economy and fostering inclusive growth. For example, managerial skills and technology diffusion increase the efficiency and effectiveness of production strategies, resulting in higher levels of output productivity and quality that meet international competitive standards. This results is consistent with the findings of several empirical studies (Awad, 2021; Munyanyi, 2017; Sokang, 2018;). For instance, the findings are in line with the outcome of a study by Munyanyi (2017) who used the Autoregressive Distributed Lag (ARDL) co-integrated technique on data spanning from 1975 to 2007 and discovered that FDI had a favourable impact on economic expansion.

Likewise, the result is consistent with the findings of Awad (2021) who utilised the dynamic least squares and modified ordinary least squares techniques to discover that trade and aid as capital inflows impact positively on growth rate of income per capita, indicating a positive effect on economic growth. The result also affirms the study by Sokang (2018), who found that FDI positively influence economic growth in Cambodia. Moreover, the findings corroborate that of Nyang`oro, (2017) who employed the Generalized Method of Moment (GMM) estimation techniques on panel data from 1980 to 2011 and found that portfolio equity has a favourable effect on economic growth.

The second hypothesis tested that "*IFRS adoption speed strongly influence the effect of capital inflows on inclusive growth*". The test was performed using the two-step system GMM. The net result of the interaction term indicates that when a country adopts IFRS early, it magnifies the

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potential of capital inflows to impact on inclusive growth. The results can be explained by the reason that IFRS require detailed disclosure of financial information that assist investors to assess the reporting entities and consequently make informed decision of investment. The result is consistent with the prediction of the study that IFRS adoption significantly impact on the relationship between capital inflows and inclusive growth.

The findings also confirm the notion of the absorptive capacity theory that the spillover benefits associated with capital inflows will only be realised if there are some underlying factors in the host country that support proper assimilation or integration of those spillovers. Thus, the quality of a country's financial infrastructure of which financial reporting standards is central does not only provide signal to attract capital inflows, but also facilitates or engenders the proper assimilation of their spillover benefits to enhance inclusive growth. This is achieved by ensuring that management prepare transparent and comparable financial reports that promote accountability and credibility, which resultantly reduce the problem of information asymmetry and enhance investor confidence. (This is because, early adopters become more experienced with its applicability and thus earn the confidence of investors).

The results agree with the findings of Ndiweni and Bonga-Bonga, (2021) who discovered that once a specific level of absorptive capacity is reached, capital inflows have a significant positive influence on economic growth. They however proxied their absorptive capacity generically by 'quality of institutions'. Similarly, the finding is in line with the findings of Ogundipe et al. (2020) who utilised the system GMM estimator and data

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covering the period 1995-2017 to discover that even though FDI wield influence on growth, it is not as significant as when the relationship is moderated by physical infrastructure as an absorptive capacity. This gives a clear indication that when the underlying fundamentals such quality financial reporting system, quality institutions and physical infrastructure are in place, foreign capital inflows can significantly enhance inclusive growth as postulated by the absorptive capacity theory.

Likewise, the results agree with the findings of Agbloyor et al. (2014) who revealed that in the absence of financial market, which serves as an absorptive capacity, there is rather a negative impact of FDI, FPI and Private Debt on economic growth. In the same vein the findings are consistent with that of Akisik and Mangaliso (2020) who employed the generalized method of moments (GMM) estimation techniques to provide evidence that IFRS wield significant influence in the relationship between FDI inflows and economic growth. Furthermore, the results correspond to the findings of Gu & Prah (2020 who revealed a positive impact of IFRS adoption on FDI inflows as well as a joint positive effect of IFRS and FDI on economic growth by using the OLS and GLS methods.

The findings are however inconsistent with that of Ugwu and Okoye (2018) who found that in the post-IFRS adoption period, FDI had a lower impact on economic growth of Nigeria, whereas no significant differences were seen in Ghana or South Africa. Their study however employed the Dummy Variable Regression model which is less rigorous than the dynamic panel model employed in the current study.

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Diagnostics of the Model

A standard GMM estimate is said to be persistent if and only if the coefficient of the lag dependent variable is statistically significant and the absolute value of the coefficient is between 0 and 1 (Asongu & Acha-Anyi, 2019; Asongu & Nnanna, 2019). In Models 1–4 the lagged estimate for inclusive growth agrees with the insight that inclusive growth is persistent which provide further justification for the adoption of a dynamic modelling approach. The validity of instruments was tested using the Hansen J test and the result for all the models show that p>0.1 which implies that the Hansen test for the models is insignificant. Consequently, the study fails to reject the null hypothesis that the instruments are valid. In the same vein the AR2 test provide that p-values are more than 0.1, therefore the study fails to reject the null hypothesis that there is no serial/autocorrelation. In the absence of instrument proliferation and serial/autocorrelation, the reliability of the findings can be established.

IFRS Adoption Speed, Capital Inflows, and Industrialisation

Table 13: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
INDUS	644	10.351	5.688	.233	35.215
FDI	693	4.918	8.606	-11.199	103.337
FPI	553	.407	8.733	-80.337	105.199
Aid	415	4.114	4.512	.024	28.141
Speed	720	.187	.328	0	1.5
INST	714	-.538	1.396	-2.449	18.574
Trade	644	71.395	34.231	1.219	225.023
INF	668	8.569	20.608	-8.975	380
FD	641	20.631	22.616	.498	142.422
GDPG	695	1.736	4.702	-47.591	18.066

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; PSE means Presence of Stock Exchange; LS means Legal Support for IFRS; INST represents Institutional Quality computed as an average of six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG represents Gross Domestic Product Per Capita Growth.

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Table 13 displays the characteristics of the variables employed in the empirical analysis for objective 3. The result indicates substantial variations in the minimum and maximum capital inflows to GDP. It is observed that while the total FDI net flows to Sub-Saharan Africa averaged approximately 5% of GDP, and Aid averaged approximately 4% of GDP, FPI net inflows to the region averaged 0.41% to GDI. This indicates that on average, the total capital inflows to Sub-Saharan Africa within the study period were fairly low, with FDI being the highest and FPI the lowest. The result also shows that the countries within the region who have adopted IFRS did so fairly early at a speed little above average (0.531). Table 13 further reveals that the average manufacturing value added as percentage of GDP was approximately 10% with significant variations among the countries.

Table 14 reports the correlations for the study variables. Given the low degree of correlation among the independent variables, the pairwise correlation results show that generic multicollinearity is not a significant problem. Exception to this correlation matrix is the INDUS and L. INDUS which show a high correlation of 0.973 since the same indicator was logged.

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Table 14: Pairwise correlations

Variables	(INDUS)	L.INDUS	(FDI)	(FPI)	(Aid)	(Speed)	(INST)	(Trade)	(INF)	(FD)	(GDPG)
INDUS	1.000										
L.INDUS	0.973***	1.000									
FDI	-0.182***	-0.186***	1.000								
FPI	0.024	0.032	0.002	1.000							
Aid	-0.189***	-0.190***	0.324***	-0.011	1.000						
Speed	0.069	0.069	-0.179***	0.009	-0.063	1.000					
INST	-0.068*	-0.061	0.027	0.034	-0.089*	-0.128**	1.000				
Trade	0.052	0.061	0.429***	0.050	0.055	-0.004	0.075*	1.000			
INF	-0.063	-0.104**	0.016	-0.010	0.034	0.130**	-0.069*	-0.073*	1.000		
FD	0.082**	0.089**	-0.041	0.051	-0.144***	0.101	0.074*	0.153***	-0.100**	1.000	
GDPG	-0.090**	-0.077*	0.056	0.015	-0.066	-0.014	-0.032	0.057	-0.143***	0.037	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development proxied Domestic Credit to Private Sector; and GDPG represents Gross Domestic Product Per Capita Growth.

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Findings of the System GMM Estimates for Objective 3

Table 15 presents the results of the dynamic panel estimation by means of the System GMM estimator. The results show four different regressions. The initial result as indicated by (Model 1), discloses the direct effect of capital inflows on industrialisation in Sub-Saharan Africa while Models 2 to 4 report the conditional effect of IFRS adoption on the relationship between capital inflows and industrialisation. It is noted from Model 1 that the coefficients of FDI and FPI are positive and statistically significant at 1% and 5% respectively. The result from Model 1 also indicates that there is no statistically significant relationship between foreign aid and industrialisation. It further shows a positive and significant relationship between speed of adoption and industrialisation at 5%.

This is an indication that countries who adopts IFRS early are able to attract foreign capital to enhance their industrialisation activities than countries that have not adopted. This implies that, in line with our prediction (H3a), the inflows of capital to the manufacturing industrial sector improves the manufacturing value added to GDP. It also suggests that it is only private capital inflows that influence industrialisation and not Aid.

For the control variables, Model 1 reveals that Trade openness and Inflation have significant positive association with Industrialisation at 1% significant level, while Institutional Structures and Financial Development have no significant bearing on Industrialisation.

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Table 15: System GMM Estimates of the effect of IFRS Adoption Speed on Capital Inflows and Industrialisation

	(1) INDUS	(2) INDUS	(3) INDUS	(4) INDUS
L.INDUS	0.973*** (0.0437)	0.717*** (0.0607)	0.944*** (0.0418)	0.878*** (0.0687)
FDI	0.0642*** (0.0161)	0.149** (0.0617)	0.0325* (0.0162)	0.116* (0.0639)
FPI	0.00427** (0.00196)	-0.00436* (0.00215)	0.120** (0.0534)	0.00348** (0.00161)
Aid	0.0256 (0.0447)	0.0888 (0.108)	0.0856** (0.0368)	-0.133 (0.133)
Speed	0.819** (0.321)	-0.804* (0.438)	0.832** (0.316)	0.0469 (0.412)
INST	-0.695 (1.144)	-9.537*** (2.669)	0.276 (0.682)	-4.716*** (1.545)
Trade	0.0305*** (0.00874)	0.0465* (0.0232)	0.0193* (0.0109)	0.0398*** (0.00791)
INF	0.0262*** (0.00209)	0.0280*** (0.00312)	0.0271*** (0.00316)	0.0113 (0.00816)
FD	-0.0213 (0.0187)	0.0401** (0.0145)	-0.0227 (0.0135)	0.0121 (0.0190)
GDPG	-0.00231 (0.0108)	0.0510 (0.0429)	0.0167 (0.0101)	-0.0579* (0.0326)
c.FDI#c.Speed		0.539*** (0.176)		
c.FPI#c.Speed			-0.156** (0.0722)	
c.Aid#c.Speed				0.355** (0.164)
_cons	-1.939** (0.798)	-2.168 (2.230)	-0.868 (0.930)	-2.321*** (0.608)
Observations	147	147	147	147
No. of instruments	38	38	38	34
No of cross-sections	48	48	48	48
AR1 (p-value)	0.0595	0.0557	0.0497	0.0643
AR2 (p-value)	0.658	0.840	0.859	0.545
Hansen-J (p-value)	0.938	0.932	0.951	0.918
Sargan(p-value)	0.667	4.08e-11	0.904	0.934

Standard errors in parentheses * *p<0.10*, ** *p<0.05*, *** *p<0.010*

Note: FDI represents Foreign Direct Investment Net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG represents Gross Domestic Product Per Capita Growth.

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This indicates that the level of a countries openness to international trade and how a country manages its inflation play significant role in attracting FDI and FPI inflows to the manufacturing sector (i.e., the rate at which investors are willing to fund manufacturing activities).

Model 2 to 4 submit the results of the interaction terms between speed of adoption and capital inflows. For all the results, the net effect of the moderating variables was determined by differentiating with respect to each category of capital inflows. From Model 2, the net effect is indicating that there is a positive interaction (0.149+0.539*0.187= 0.250) between FDI and speed of adoption on industrialisation. Model 3 also shows a positive and significant interacting net effect between FPI and speed of adoption (0.120-0.156*0.187=0.091). Further, Model 4 presents a positive net moderating effect of Aid and speed of adoption (-0.133+0.355*0.187=0.067) on industrialisation. Findings of the interaction terms between capital inflows and speed of adoption indicates that if a country adopts IFRS early, it enhances the attraction of capital inflows to improve or promote industrialisation/ manufacturing value added.

Discussion of Findings

Two hypotheses were formulated to address the third objective. The first hypothesis tested that "*capital inflows have significant positive impact on industrialisation in Sub-Saharan Africa*". The two-step system GMM estimation technique was used to perform the test and the findings showed a significant positive effect of the private capital inflows (FDI and FPI) on industrialisation while foreign Aid had no significant impact. The results imply that when capital flows to the industrial sector, it increases the level of

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industrialisation. In other words, when private investors invest in the manufacturing sector, they help boost the productivity of the manufacturing sector and subsequently enhance manufacturing value added, which is a gauge for industrialisation. The findings indicate that Sub-Saharan African countries that can attract foreign private investors into their manufacturing sector are able to improve their level of manufacturing valued added to GDP.

The above assertion can be explained by the fact that foreign investors come along with managerial skills and technological know-how as well as establish R&D activities that boost the method of manufacturing and subsequently improve its value added (UNIDO, 2020b). The findings can also be explained by the fact that the industrial (manufacturing) sector can integrate technological progress easily to increase productivity (Cantore et al., 2017). Moreover, R&D activities results in innovative ideas that enhance productivity scale, therefore improving efficiency and increasing economies of scale. Thus, the findings confirm the postulation of the innovation theory that a direct link exists between capital inflows and manufacturing value added due to the many innovative ideas that trigger technological progress through R&D activities within the manufacturing sector (Nelson & Winter, 1982 Schumpeter, 1911; UNIDO, 2020b).

The result however indicates that foreign Aid, does not have direct significant relationship with industrialisation and hence failed to support the study's hypothesis. This may be because donors of foreign aid may require specific use of their donation which may not be the development of the manufacturing sector. Besides, since governments have numerable competitive expenditure needs, these inflows may have been channelled to

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meet other needs such as building physical infrastructure instead of the expansion of the manufacturing sector.

The findings agree with the study of Bardesi (2016) who found a significant positive effect of FDI on the manufacturing sector of the Saudi Arabian economy. Similarly, the findings are consistent with the study of Adekunle et al. (2020) who discovered a significant positive impact of both FDI and FPI on the manufacturing sector of Nigeria. Again, results of the study is in line with the results of Duramany-Lakkoh et al. (2021), who revealed that FDI inflows significantly influenced the manufacturing sector output in Sierra Leone. Furthermore, the outcomes agree with the findings of Osu (2019) that capital inflows exert significant influence on the growth of the manufacturing sector.

Findings of the study however contradicts the results of the studies by Nnadozie et al. (2021) and Etukafia et al. (2017), who both recorded no significant impact of FDI on the manufacturing sector of the Nigerian economy. This difference in findings can be attributed to differences in estimation techniques employed, period of study, the study design and unit of analysis. Whereas the above studies employed the error correction approach and autoregressive lag technique respectively, the current study used the system GMM estimation technique which gives better results than the above approaches due to the superiority of estimation and its ability to handle the issues of heteroscedasticity and autocorrelation.

Besides, both studies employed a time series data spanning the period 1981-2015 whereas the current study used a dynamic panel data covering the period 2005-2019, which is more current and provide a more robust results

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because panel data can control for individual heterogeneity, reduce collinearity issues, improve the degree of freedom and efficiency which time series cannot. Also, the conflicting studies focused on Nigeria whereas the current study takes a broader and wholistic view of Sub-Saharan Africa, therefore making its findings more reliable due to the quantum of data used and the resultant number of observations made for each analysis.

The second hypothesis stipulates that "*IFRS adoption speed significantly enhances the effect of capital inflows on Industrialisation*". Results from the system GMM estimation indicate that the interaction of IFRS adoption with capital inflows enhances the effect of these inflows on industrialisation. The findings therefore confirm the prediction of the study that availability of relevant financial information about the manufacturing sector would attract investors to the sector to enhance its activities and subsequently boosts the manufacturing value added. This indicates that when the financial reporting of manufacturing activities/sector is well understood by investors, it enhances their willingness to provide funding by investing in them. In other words, the ability of the financial reporting system to disclose relevant information about industrial activities is a key factor in attracting investors to the manufacturing sector.

The findings also support the postulation of the of the information asymmetry theory that sufficient relevant financial information about the manufacturing industry would resolve the problem of information asymmetry and associated investors' perceived risk, and thus provide signal to the investors about the credibility of financial information of the sector. The results similarly confirm the claim by the financial innovation theory that

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IFRS serves as a financial link that connects the global capital markets where entrepreneurs and providers of funds meet. It ensures rational allocation of capital by helping investors to identify locations with the best and viable investment opportunities through the provision of reliable, transparent, and comparable financial information that enable investors to assess the risk and opportunities associated with investing in the reporting businesses.

Thus, serving as a means through which these financial reports are made, IFRS is a financial innovation screening tool that help investors to assess the viability of investees (Laeven et al., 2015). The findings further corroborate the assertion by the absorptive capacity theory that the underlying fundamentals within the manufacturing sector such as the financial reporting system are key to the successful integration of capital inflows into the manufacturing sector to enhance its value added. This can be explained by the fact that quality financial reporting system facilitates timely transparent and comparable reporting about the performance and position of the firm to investors.

The findings of study validate the study of Azeroual (2016) that when there are quality fundamentals in the manufacturing sector such as quality and efficient financial reporting system and effective human capital, capital inflows to the manufacturing sector would enhance the sector's value added. Thus, the study is in line with Azeroual (2016) findings that availability of absorptive capacity in the host nation greatly impacts the level of assimilation and spreading of technological know-how brought by foreign investors to boost the manufacturing industry's output. Azeroual (2016), however, proxied

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absorption capacity by human capital while the current study focuses of financial reporting system proxied by speed of IFRS adoption.

Diagnostics of the Model

According to Asongu and Acha-Anyi (2019) and Asongu and Nnanna (2019) persistence in a standard GMM estimate result is established when the coefficient of the lag dependent variable is significant, and the absolute value of the coefficient is within the interval of 0 to 1. From Model 1 to Model 4, the lagged estimate for industrialisation supports the intuition that capital inflows are persistent, justifying the use of a dynamic model. Thus, based on the various specification tests listed in Table 15, the estimated model is correctly specified. Using the Hansen test of over-identifying restrictions and the Arellano and Bond test for second-order serial correlation in the error term, checks for consistency of the estimates for the regression results produced very satisfactory results. The results of the Hansen test for over-identifying restrictions agree with the null hypothesis ($p>0.1$).

This indicates that the estimations' instruments are reliable and that there is no relationship between them and the error term. The study resultantly fails to reject the null hypothesis that the instruments are valid. The findings of the Arellano-Bond (AR2) autocorrelation test also confirm that the regression model does not contain any second order serial correlation ($p>0.1$), and that the number of instruments did not exceed the number of groups.

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IFRS Adoption Speed, Industrialisation, and Inclusive Growth

Table 16: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
IGa	705	23.602	9.607	6.303	60.188
INDUS	644	10.351	5.688	.233	35.215
Speed	720	.187	.328	0	1.5
INST	714	-.538	1.396	-2.449	18.574
Trade	644	71.395	34.231	1.219	225.023
INF	668	8.569	20.608	-8.975	380
FD	641	20.631	22.616	.498	142.422

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development proxied Domestic Credit to Private Sector; and GDPG represents Gross Domestic Product Per Capita Growth

Table 16 discloses the features of the variables used in the study for objective 4. From the table, it is observed that the average level of inclusive growth from a range of 0-100, lies at approximately 24. This is very low and reflects the level of poverty and inequality in the region. It is also observed that industrialisation, proxied by manufacturing value added constitute approximately 10.4% of GDP in the region. Table 16 further reveals that the average speed at which countries within the region adopted is at 0.187 and this varied among the countries with a minimum value of 0 and a maximum of 1.5 and a standard deviation of 0.328. The average speed of 18.7% is low and indicates that for the period under consideration, most countries within Sub-Saharan Africa adopted the standard late.

The minimum speed of 0 is an indication that some of the countries within the region have still not adopted the standards. The maximum speed value of 1.5 reflects the fact that some countries within the region adopted IFRS earlier before the official adoption by the European Union in 2005, which is the base year of the study. The table moreover shows that on average, countries have weak institutions. Of all the variables, trade had the most

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variation in data, with a standard deviation of approximately 34.23 while speed of adoption recorded the lowest variation with a standard deviation of 0.328.

Table 17: Pairwise correlations

Variables	(IGa)	(INDUS)	(Speed)	(INST)	(Trade)	(INF)	(FD)
IGa	1.000						
INDUS	0.034	1.000					
Speed	0.212***	0.069	1.000				
INST	0.180***	-0.068*	-0.128**	1.000			
Trade	0.313***	0.052	-0.004	0.075*	1.000		
INF	-0.131***	-0.063	0.130**	-0.069*	-0.073*	1.000	
FD	0.614***	0.082**	0.101	0.074*	0.153***	-0.100**	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development proxied Domestic Credit to Private Sector.

Table 17 displays the results of the pairwise correlation estimates between the variables used in addressing objective 4 of the study. This provides an initial scan of the pairwise association between the study variables and a mode of assessing the possibility of issues concerning multicollinearity whose presence could render the regression estimates bias in the model. From Table 17, it can be observed that, in line with the suggestion of Kennedy (2008), the correlation among the independent variables does not exceed 0.8 to rouse any suspicion with regards to multicollinearity issues. Table 17 indicates that the pairwise correlation between each of industrialisation, speed of adoption, and institutional qualities are either insignificant or negative.

Findings of the System GMM Estimates for objective 4

The results of the two-step System GMM of the direct and conditional impact of industrialisation on inclusive growth in Sub-Saharan Africa are presented in Table 18. While Model 1 shows the direct effect of industrialisation on inclusive growth, Model 2 exhibits the interaction of

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industrialisation and speed of adoption on inclusive growth. It can be observed from Model 1 that the coefficient of industrialisation is positive and significant at 1%. This implies that industrialisation greatly impact on inclusive growth. The result also shows that the coefficient of institutional qualities is positive and significant, which indicates that quality institutions impact on inclusive growth. Model 1 further discloses that there is a significant positive relation between IFRS adoption and inclusive growth at 1% significant level. This is an indication that countries who adopt IFRS early can improve their level of inclusive growth than those who do not adopt the standards or adopt late.

For the control variables, Model 1 also reveals a positive and significant coefficient of trade openness and financial development (FD) at 1%, but negative and significant coefficient of inflation (IFL) on inclusive growth. This means that a country's trade openness (trade liberalisation) and financial development has a significant positive impact on inclusive growth. It also implies that inflation, as a macro-economic variable inhibits the rate of inclusive growth due to the inverse relationship between the two variables. Models 2 presents the outcome of the interaction terms between IFRS adoption speed and industrialisation on inclusive growth. The net effect of the interactions was calculated by differentiating with respect to industrialisation.

According to Model 2, the net effect of the interaction between industrialisation and speed of adoption is positive and significant (0.300+0.490*0.187=0.392). This implies that when a country adopts IFRS and implement it in the manufacturing sector, it enhances the sector's ability to impact on inclusive growth.

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Table 18: System GMM Estimates of the Effect of IFRS Adoption Speed on Industrialisation and Inclusive Growth.

	(1) IGa	(2) IGa
L.IGa	0.486*** (0.00965)	0.562*** (0.0107)
INDUS	0.187*** (0.0442)	0.300*** (0.0360)
Speed	2.309*** (0.120)	2.588*** (0.448)
INST	0.165*** (0.0124)	0.184*** (0.00964)
Trade	0.103*** (0.0108)	0.0387*** (0.00750)
INF	-0.0183*** (0.00214)	-0.0404*** (0.00249)
FD	0.123*** (0.00567)	0.0843*** (0.00334)
c.INDUS#c.Speed		0.490*** (0.0432)
_cons	1.090* (0.571)	3.137*** (0.461)
Observations	193	193
No. of instruments	34	34
No of cross-sections	48	48
AR1 (p-value)	0.00215	0.00261
AR2 (p-value)	0.0974	0.187
Hansen-J (p-value)	0.471	0.490
Sargan(p-value)	0.0654	0.0241

Standard errors in parentheses
* p<0.10, ** p<0.05, *** p<0.010
Note: Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; IG refers to Inclusive Growth; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; and FD means Financial Development.

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It also indicates that when a country adopts IFRS, it enhances the transparency of its industrial sector that draws investors to the sector to boost its activities and subsequently impacts on inclusive growth.

Discussion of Empirical Findings

To address objective four, the study developed two hypotheses. The first hypothesis examined was that "*industrialisation significantly impact on inclusive growth".* This test was carried out employing the two-step system GMM. Findings of the study show that industrialisation significantly impact on inclusive growth at 1%. This implies that a 1% increase in industrialisation can boost up inclusive growth by 0.187 or 18.7%. This suggests that an improvement in industrialisation, in this case enhancement in the manufacturing sector, has a possible impact of improving inclusive growth. The findings of the study are thus consistent with Kaldor's engine of growth hypothesis and adds to the assertion that manufacturing (industrialisation) is central to sustainable and inclusive economic growth.

This can be explained by the fact that the manufacturing sector has greater ease of incorporating technological progress and hence yields higher productivity than the other sectors. Besides, industrialisation has the potential of creating employment to all categories of work force within a country which includes skilled, semi-skill and unskilled (Opoku and Yan, 2019). Moreover, the development of the manufacturing sector (industrialisation) provides a greater spillover effect to other sectors of the economy which results in higher sustainable inclusive growth (AfDB, 2018, Cantore et al., 2017). Industrialisation can further increase inclusive growth by enhancing value-added exports to earn more foreign currency (UNIDO, 2020).

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The results of the study correspond to the findings of Opoku and Yan (2019) who found that industrialisation is a significant booster of economic growth of 34 sampled countries in Africa. Similarly, the findings are consistent with the findings of Szirmai and Verspagen (2015) and Haraguchi et al. (2017) who record a significant positive effect of industrialisation on economic growth. The results also agrees with the findings of Marconi et al. (2016), who revealed that the growth in the manufacturing sector spikes an improvement in GDP growth particularly in emerging economies. In the same vein the findings are in line with the study of the Almosabbeh and Almoree (2018), who found that Kaldor's engine of growth hypothesis hold true that manufacturing is central to economic growth. Moreover, the results are in harmony with the study of Zhao and Tang (2018), who discovered that the rise in economic growth in China was largely due to the manufacturing sector.

The second hypothesis tested that "*IFRS adoption significantly influence the impact of industrialisation on inclusive growth".* The study used the two-step system GMM to conduct this test. The study interacted the speed of IFRS adoption and industrialisation to establish how the accounting system of a country enhances the ability of its manufacturing sector to spike inclusive growth. The net effect of the interaction produced a significant positive result (0.392) at 1% significant level and ($p<0.05$). This indicates that a 1% increase in industrialisation as a result of applying IFRS will increase inclusive growth by 0.392%. Compared to the baseline result of 0.187% as discussed above, it can be observed that the net effect of the interaction yielded a higher coefficient.

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This confirms the study's hypothesis that when a country adopts the international financial reporting standards, it enhances the potentiality of its manufacturing sector to improve inclusive growth. This is because, accounting plays a central role in industrialisation through the provision of financial reports which facilitates in scanning the financial performance and status of the firms by management and finance providers for informed decision making (ICAEW, 2017).

Thus, in line with the absorptive capacity theory, when a country's manufacturing sector has the underlying fundamentals in place such as quality financial infrastructure, it can provide quality and transparent financial reports that enhance decisions which results in higher productivity and subsequent inclusive growth. This is because a good financial reporting underpinned by highly recognised international standards like IFRS form the bedrock for a strong and quality financial infrastructure (ACCA, 2012). Similarly, consistent with the financial innovation theory, the findings affirms that IFRS serves as a financial innovation tool that assists investors to assess the viability of manufacturing firms for possible investment (Akpan et al., 2017; Laeven et al., 2015) .

The findings agree with findings of Mensah (2021) who recorded a positive impact of IFRS on the quality of financial reporting of Ghanaian manufacturing firms post-IFRS adoption. Similarly, the result is in line with the findings of Opoku and Yan (2019) who discovered that trade openness, serving as an absorptive capacity, enhances the relationship between industrialisation and economic growth.

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Diagnostics Test of the Model

A standard GMM estimate is said to be persistent if and only if the coefficient of the lag dependent variable is statistically significant and the absolute value of the coefficient is between 0 and 1 (Asongu & Acha-Anyi, 2019; Asongu & Nnanna, 2019). In Models 1–2 the lagged estimate for inclusive growth agrees with the insight that inclusive growth is persistent which provide further justification for the adoption of a dynamic modelling approach. Using the Hansen test of over-identifying restrictions and the Arellano and Bond test for second-order serial correlation in the error term, all regression estimates were examined for consistency.

The results of these two specification tests indicate conclusively that each of the regressions is adequately specified. The Hansen test for over-identifying restrictions failed to reject the null hypothesis in all the regressions, as shown in Table 18 ($p>0.1$) [the Hansen test was performed under the null hypothesis that the instruments were valid]. This means that the instruments used were accurate in all estimations and that there is no relationship between the instruments and the error term. As exhibited in Tables 18, the results of the Arellano-Bond test for autocorrelation in the first difference of residuals at the first and second orders confirm the absence of a second order serial correlation ($P>0.1$).

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Joint Effect of Capital Inflows and Industrialisation on Inclusive Growth

Table 19: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
IGa	705	23.602	9.607	6.303	60.188
INDUS	644	10.351	5.688	.233	35.215
FDI	693	4.918	8.606	-11.199	103.337
FPI	553	.407	8.733	-80.337	105.199
Aid	415	4.114	4.512	.024	28.141
Speed	720	.187	.328	0	1.5
INST	714	-.538	1.396	-2.449	18.574
Trade	644	71.395	34.231	1.219	225.023
INF	668	8.569	20.608	-8.975	380
FD	641	20.631	22.616	.498	142.422

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development proxied Domestic Credit to Private Sector; and GDPG represents Gross Domestic Product Per Capita Growth

Table 19 displays the characteristics of the variables employed in the empirical analysis for objective 5. The result indicates substantial variations in the minimum and maximum capital inflows to GDP. It is observed that while the total FDI net flows to Sub-Saharan Africa averaged approximately 5% of GDP, and Aid averaged approximately 4% of GDP, FPI net inflows to the region averaged 0.41% to GDI. This indicates that on average, the total capital inflows to Sub-Saharan Africa within the study period were fairly low, with FDI being the highest and FPI the lowest. The result also shows that the countries within the region who have adopted IFRS did so late at a speed of 0.187 (18.7%). Table 19 further reveals that the average manufacturing value added as percentage of GDP was approximately 10% with significant variations among the countries.

Table 20 displays the pairwise correlation estimates among the variables used in the study. This provides a preliminary look at the pairwise relationship between the variables used in the study, and as a means to assess

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whether there are any potential multicollinearity issues in the regression model, the presence of which can bias the regression estimates. The relationship between the independent variables is free of multicollinearity issues because the magnitude of their correlations does not exceed 0.8, a value suggested by Kennedy (2008) to raise suspicion of potential multicollinearity issues. Table 20 also shows that the pairwise relationship between industrialisation, capital inflows, speed of adoption, and quality institutions is either insignificant or significantly negative. However, insignificant correlations do not suggest the absence of correlations.

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Table 20: Pairwise correlations

Variables	(IGa)	L.IGa	(INDUS)	(FDI)	(FPI)	(Aid)	(Speed)	(INST)	(Trade)	(INF)	(FD)
IGa	1.000										
L.IGa	0.946***	1.000									
INDUS	0.034	0.026	1.000								
FDI	0.039	0.038	-0.182***	1.000							
FPI	0.092**	0.065	0.024	0.002	1.000						
Aid	-0.106**	-0.098**	-0.189***	0.324***	-0.011	1.000					
Speed	0.212***	0.253***	0.069	-0.179***	0.009	-0.063	1.000				
INST	0.180***	0.169***	-0.068*	0.027	0.034	-0.089*	-0.128**	1.000			
Trade	0.313***	0.305***	0.052	0.429***	0.050	0.055	-0.004	0.075*	1.000		
INF	-0.131***	-0.117***	-0.063	0.016	-0.010	0.034	0.130**	-0.069*	-0.073*	1.000	
FD	0.614***	0.612***	0.082**	-0.041	0.051	-0.144***	0.101	0.074*	0.153***	-0.100**	1.000

**** p<0.01, ** p<0.05, * p<0.1*

Note: FDI represents Foreign Direct Investment net Inflows; FPI means Foreign Portfolio Investment net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development proxied Domestic Credit to Private Sector; and GDPG represents Gross Domestic Product Per Capita Growth.

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Findings of the System GMM Estimates for objective 5

Table 21 displays the results of the two-step System GMM analysis of the joint effect of capital inflows and industrialisation on inclusive growth in Sub-Saharan Africa. Model 1 illustrates the direct effect of capital inflows and industrialisation on inclusive growth. Model 2 to 4 further demonstrate the interaction between capital inflows and industrialisation on inclusive growth. Model 1 reports that the coefficient of industrialisation is positive and significant at 5%. It also shows that the coefficients of FDI, and Aid are positive and significant at 5% and 1% respectively, while FPI bears no significant impact on inclusive growth. The result in Model 1 further discloses that financial development has a positive and significant coefficient, indicating a positive influence, while trade openness shows a negative and significant coefficient, implying that liberalisation of trade in the region can hinder the progress of inclusive growth.

The results in Models 2 to 4 present the product of capital inflows and industrialisation on inclusive growth. For each outcome, the net effect of the interactions was determined by differentiating between each category of capital inflows and industrialisation. It can be observed from Model 3 that the net effect of the interaction between FPI inflows and industrialisation is positive and significant (0.321+0.112*0.407=0.367). This suggests that African countries that can attract FPI to the industrial sector can enhance inclusive growth. It also implies that for FPI to promote inclusive growth, it needs industrialisation to serve as an absorptive capacity. i.e., when a country is well industrialised, it serves as a means through which FPI inflows can function well to promote inclusive growth.

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Table 21: System GMM Estimates of the joint Effect of Capital Inflows and Industrialisation on Inclusive Growth

	(1) IGa	(2) IGa	(3) IGa	(4) IGa
L.IGa	0.441***	0.329***	0.530***	0.279***
	(0.120)	(0.0716)	(0.0848)	(0.0696)
INDUS	0.204**	0.575**	0.321**	0.478*
	(0.0948)	(0.240)	(0.147)	(0.274)
FDI	0.190**	0.459**	0.392***	0.268***
	(0.0708)	(0.173)	(0.0964)	(0.0677)
FPI	0.00567	-0.0196***	-1.535**	0.00761*
	(0.00814)	(0.00613)	(0.591)	(0.00395)
Aid	0.568*	0.573**	0.273	0.931**
	(0.300)	(0.267)	(0.241)	(0.337)
INST	15.98	23.71***	8.615	31.87***
	(11.62)	(6.324)	(9.728)	(7.128)
Trade	-0.108**	-0.144**	-0.129***	-0.109***
	(0.0400)	(0.0627)	(0.0296)	(0.0318)
INF	-0.0140	-0.0358	-0.0108	-0.0131
	(0.0248)	(0.0317)	(0.00745)	(0.0191)
FD	0.183***	0.0996***	0.0832*	0.144***
	(0.0400)	(0.0174)	(0.0447)	(0.0431)
c.INDUS#c.FDI		0.00617		
		(0.0256)		
c.INDUS#c.FPI			0.112**	
			(0.0429)	
c.INDUS#c.Aid				-0.00887
				(0.0576)
_cons	14.83***	17.13***	13.56***	16.23***
	(5.024)	(3.859)	(2.834)	(2.789)
Observations	147	147	147	147
No. of instruments	38	30	30	30
No of cross-sections	48	48	48	48
AR1 (p-value)	0.00579	0.0104	0.00191	0.00957
AR2 (p-value)	0.381	0.247	0.261	0.289
Hansen-J (p-value)	0.993	0.791	0.958	0.908
Sargan(p-value)	0.104	0.287	0.355	0.166

Standard errors in parentheses * p<0.10, ** p<0.05, *** p<0.010

Note: FDI represents Foreign Direct Investment Net Inflows; FPI means Foreign Portfolio Investment Net Inflows; Aid represents Foreign Aid; Speed refers to the Speed at which countries adopt IFRS; INDU means Industrialisation; INST represents Institutional Quality computed using a principal component analysis of the six governance indicators; Trade means Trade Openness; INF represents Inflation; FD means Financial Development; and GDPG represents Gross Domestic Product Per Capita Growth.

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As can be seen from model one, FPI on its own did not have any significant influence on inclusive growth. However, when interacted with industrialisation, it yielded a significant positive impact.

Discussion of Findings

The fifth objective was achieved by testing the hypothesis that "*Capital inflows and industrialisation jointly impact significantly on inclusive growth*". The two-step system GMM estimation technique was employed to conduct the test. The results revealed that when FPI combine with industrialisation, it yields a significant positive net effect on inclusive growth. On the other hand, the interaction of both FDI and Aid with industrialisation yielded no significant impact, indicating that attracting FDI and Aid to the manufacturing sector for the purpose of achieving inclusive growth is not a better option. Contrarily, the result indicates that the type of capital inflows that can combine with manufacturing to achieve inclusive growth in Sub-Saharan Africa is rather FPI. This can be explained by the reason that FPI is a kind of investment that does not invoke direct involvement with the management of the firm. It therefore does not have much controlling interest which also implies less of the returns of the sector to be repatriated to the investors' home countries.

In other words, since investors in FPI hold relatively less shares, hence less interest, they do not involve directly in the management of the business and, also do not carry substantial amount of the profits of the business to their home country. This indicates that the management of the manufacturing businesses are in the hands of the local people and policies made concerning profits and staffing would remain in the host nation. It also suggests that when

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the local people can tap into the world's technological frontier and apply them in manufacturing operations, it will be more beneficial than attracting FDI and Aid into the manufacturing sector to boost inclusive growth. This also implies that local manufacturers are capable but lack funding. Thus, when local entrepreneurs are encouraged to invest in manufacturing activities while attracting FPI to augment the local funding, it will result in improving inclusive growth.

Contrarily, the joint effect of FDI and industrialisation yielded no significant result because FDI investors, by virtue of their direct involvement in management due to their high stake in the businesses, may make decisions and company policies that meet their hidden commercial motives of repatriating almost all the returns to their home country. For instance, payment of salaries of foreign directors and recruiting staff from their foreign countries to the host country at the expense of local staff, all in the name of technical know-how. Thus, FDI investor may be operating in the host country, but substantial portion of the benefits are transported from the host country to their home country, therefore negating the associated theoretical spillover benefits.

Findings from the test also show that the coefficient of joint effect of Aid and industrialisation on inclusive growth is negative and insignificant, indicating that when foreign aids are directed to the manufacturing sector to improve inclusive growth, it will prove futile. In other words, directing foreign aid to the manufacturing sector will worsen the condition of poverty and inequality in the region. This may be explained by the reason that foreign aid usually come as a public funding from a donor institution for a specific purpose and is disbursed by the government.

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Therefore, by its nature, disbursement of foreign aid come along with a lot of political agenda and cumbersome bureaucratic processes which impede the successful operations of manufacturing businesses. For instance, the ruling government may direct the funds to only its political affiliates who may not qualify at the expense of more qualifying and promising manufacturing business, thus creating inequality and subsequently worsening the condition of poverty as jobs would be denied to those who would have been employed should the funds have been directed to the right businesses.

Diagnostics test of the Model

Asongu and Acha-Anyi (2019) and Asongu and Nnanna (2019) suggest that persistence in a standard GMM estimate result is established when the coefficient of the lag dependent variable is significant, and the absolute value of the coefficient is within the interval of 0 to 1. From Model 1 to Model 4, the lagged estimate for inclusive growth supports the intuition that capital inflows are persistent, justifying the use of a dynamic model. All regression estimates were checked for consistency using the Hansen test of over-identifying restrictions and the Arellano and Bond test for second-order serial correlation in the error term.

The results of these two specification tests indisputably demonstrate that each regression is fully described. The Hansen test for over-identifying restrictions did not reject the null hypothesis in any of the regressions, as displayed in Table 21 ($p>0.1$) [the Hansen test was conducted under the null hypothesis that the instruments were valid]. This indicates that the instruments employed in all estimations were correct and that there is no correlation between the instruments and the error term. The Arellano-Bond test for

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autocorrelation in the first difference of residuals at the first and second orders confirms the absence of a second order serial correlation (P>0.1), as shown in Tables 21.

Chapter Summary

This chapter focused on the study's analysis and results discussion. The chapter was organised into five thematic sections. In each section, the study considered the descriptive statistics of variables, correlation among study variables, and discussion of the two-step system GMM results. The study used the statistical software package called "Stata 13" to analyse the data collected. Results of the correlation matrix indicated that there was no significant correlation between the independent variables, thus ensuring that there was no issue of multicollinearity. The findings of the regression analysis showed that IFRS adoption speed attracted more inflows of foreign capital and that this ability to attract foreign capital inflows was enhanced where appropriate institutional structures were present. The regression results also showed that early adoption of IFRS enhanced the efficacy of the effect of capital inflows and industrialisation on inclusive growth.

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CHAPTER SIX

SUMMARY, CONCLUSION, AND RECOMMENDATION

Overview

The purpose of the current study was to investigate the role of IFRS adoption speed on the relationship between capital inflows and industrialisation towards the achievement of inclusive growth in Sub-Saharan Africa. For achieving the above main objective, the following five specific objectives were stated:

1. To analyse the moderating role of institutional capacities on the relationship between IFRS speed and capital inflows in Sub-Saharan Africa
2. To investigate the impact of IFRS adoption speed on the relationship between capital inflows and industrialisation in Sub-Saharan Africa
3. To assess the influence of IFRS adoption on the relationship between capital inflows and inclusive growth in sub–Saharan Africa
4. To examine the effect of IFRS adoption on the relationship between industrialisation and inclusive growth in sub–Saharan Africa
5. To test the joint effect of capital inflows and industrialisation on inclusive growth in sub–Saharan Africa

The study developed nine hypotheses for testing towards the achievement of the above research objectives. Its philosophical paradigm was post-positivist which explained the choice of the quantitative research approach and the explanatory research design. The panel or longitudinal study design was used since the study employed a combination of both cross-sectional and time series data set to meet its objectives. The study area was

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Sub-Saharan Africa; the region's forty-eight countries served as the study's population. Data type was secondary and was sourced from credible sources after ensuring that all the necessary rubrics have been followed satisfy validity and reliability of the dataset. The two-step system GMM estimation technique was utilised to analyse data.

Summary of Findings

The first and second hypotheses which sought to address the first objective tested the direct effect of IFRS adoption speed on capital inflows and the interactive effect of institutional structures on the relationship between IFRS adoption and capital inflows respectively. Findings of the two-step system GMM estimation disclosed a direct significant impact of IFRS adoption speed on capital inflows. Also, the study discovered a significant positive influence of institutional structures on capital inflows. Moreover, the findings revealed a positive and significant net effect of the interaction terms between speed of adoption and institutional structures on capital inflows.

The third and fourth hypotheses which addressed the second objective, sought to assess the direct effect of capital inflows on industrialisation and the moderating effect of IFRS adoption in the relationship between capital inflows and industrialisation respectively. The results displayed a positive significant effect of FDI and FPI on industrialisation while Aid had no statistical relationship with industrialisation. The result also revealed that the net effect of the moderation by IFRS adoption speed on the relationship between each of the capital inflows and industrialisation was positive and significant.

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The fifth and sixth hypotheses, which were developed to address objective three tested the unconditional influence of capital inflows on inclusive growth and the conditioning of the relationships by IFRS adoption. Findings of the study presented a significant positive coefficient of all categories of capital inflows indicating a positive significant impact on inclusive growth. Furthermore, the findings showed a positive significant effect of the interaction term between IFRS adoption and capital inflows on inclusive growth.

The seventh and the eighth hypotheses were developed to provide answer to objective four. While the seventh hypothesis tested the direct effect of industrialisation on inclusive growth, the eighth hypothesis tested the moderation effect of IFRS adoption on the relationship between industrialisation and inclusive growth. The results of the two-system GMM revealed a significant positive effect of industrialisation on inclusive growth. The result further disclosed that the net effect of the interaction between IFRS adoption and industrialisation on inclusive growth was positive and significant.

The ninth hypothesis, which was developed to address the fifth objective tested the joint effect of capital inflows and industrialisation on inclusive growth. Findings of the test showed that the net effect of the interaction between FPI and industrialisation yielded a significant positive impact on inclusive growth. The results however revealed that the interaction of FDI and industrialisation as well as the interaction of aid and industrialisation did not bear any influence on inclusive growth.

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Conclusions

The study's findings provide significant support for both the first and second hypotheses which suggests that the speed of IFRS adoption positively influences the inflows of capital in Sub-Saharan Africa, and that institutional structures significantly impact the relationship between IFRS adoption speed and capital inflows in the region. These conclusions significantly contribute to the theoretical landscape of IFRS and their role in inclusive growth. Firstly, the confirmation of the first hypothesis aligns with the information asymmetry theory, particularly its signalling theory aspect. The study validates the idea that the early adoption of IFRS serves as a credible signal to international investors about the robustness and reliability of a country's accounting system. This finding underscores the theory that transparency and comparability in financial reporting, as facilitated by IFRS, are crucial factors in attracting foreign capital inflows.

Secondly, the affirmation of the second hypothesis enhances the understanding of the absorptive capacity theory. The study reveals that while IFRS adoption speed independently influences capital inflows, this effect is significantly augmented by the presence of strong institutional structures. This highlights that the benefits of rapid IFRS adoption are maximised in environments where quality institutional frameworks are in place, thereby supporting the theory that a country's underlying fundamentals, such as effective institutions, are key to enhancing the impact of financial innovations like IFRS on economic inflows. The study therefore successfully demonstrates that IFRS adoption speed, especially when supported by robust institutional

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structures, is an effective financial innovation tool for fostering cross-border capital allocation.

Findings of the study also disclosed that while capital inflows inherently influence inclusive growth, this impact is markedly increased when conditioned by the IFRS adoption speed. This finding underscores the importance of quality financial reporting systems as a form of absorptive capacity. The swift adoption of high-quality financial reporting standards not only improves the effectiveness of capital inflows but also ensures their optimal integration and utilisation within the adopting economies. This, in turn, amplifies the spillover effects of these inflows, leading to more pronounced inclusive growth.

Theoretically, the findings of the study notably align with and expand upon the absorptive capacity theory. The theory posits that a country's ability to benefit from foreign capital inflows is contingent upon its underlying fundamentals, which enhance the efficacy of these inflows. This study contributes to this theoretical framework by demonstrating that the speed of IFRS adoption is a critical underlying factor that significantly influences the impact of capital inflows on inclusive growth. Thus, the second hypothesis set out at the beginning of this study is confirmed. The speed at which IFRS is adopted plays a pivotal role in influencing the positive impact of capital inflows on inclusive growth. This conclusion extends the theoretical framework of absorptive capacity by identifying and highlighting the specific role of financial reporting standards within it.

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The results of this study further provide significant insights into the dynamics of capital inflows and industrialisation in Sub-Saharan Africa, offering a nuanced understanding in the context of both financial innovation theory and absorptive capacity theory. The study's results regarding hypothesis H_{3a} demonstrate a direct and significant impact of capital inflows, specifically Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI), on industrialisation, aligning with the tenets of financial innovation theory. This theory suggests that foreign investors not only bring in capital but also managerial expertise and technological know-how, which can lead to the establishment of R&D activities and improved manufacturing methods, thus enhancing the sector's value addition.

Likewise, the results of the study relating to hypothesis H_{3b} reveal that the speed of IFRS adoption notably amplifies the effect of these capital inflows on industrialisation. This supports the absorptive capacity theory, which posits that the presence of underlying fundamentals, such as a robust financial reporting system, is crucial for a country to effectively utilise foreign capital for development purposes. The study illustrates that when the relationship between capital inflows and industrialisation is moderated by the swift adoption of IFRS, even foreign aid, which initially showed no direct relationship with industrialisation, becomes significantly impactful.

Thus, it can be concluded that the adoption of IFRS at a rapid pace is a critical factor that enhances the effectiveness of all forms of capital inflows - FDI, FPI, and foreign aid in fostering industrialisation in Sub-Saharan Africa. This is achieved by providing a transparent and reliable financial reporting system, which not only attracts foreign investment but also ensures its efficient

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allocation and utilisation in the manufacturing sector, leading to improved industrial outputs and value addition. The study's findings, therefore, validate the hypotheses and contribute to the theoretical understanding of how financial innovation and absorptive capacity work in tandem to facilitate industrialisation in emerging economies.

The outcomes of this study further offer a profound understanding of the relationship between industrialisation, inclusive growth, and the role of IFRS adoption speed in Sub-Saharan Africa, aligning with Kaldor's engine of growth theory and the absorptive capacity theory. Regarding hypothesis H_{4a}, the study finds a direct and significant impact of industrialisation on inclusive growth in the region, echoing the principles of Kaldor's engine of growth theory. This theory, as articulated by Boyer & Petit (1991), posits a strong positive correlation between GDP growth and manufacturing output growth, underlining the role of the manufacturing sector as a key driver of economic expansion. Kaldor's theory further suggests that the development of the manufacturing sector leads to spillover effects in other sectors, resulting in broader and more sustainable inclusive growth. The study's findings reinforce this view, demonstrating that industrialisation in Sub-Saharan Africa significantly contributes to inclusive growth, reflecting the critical role of the manufacturing sector in the overall economic development.

Hypothesis H_{4b}, which proposes that the speed of IFRS adoption significantly influences the impact of industrialisation on inclusive growth, is also supported by the study's results. This aligns with the absorptive capacity theory which emphasises the importance of underlying fundamentals in a country to maximise the benefits of developmental initiatives. The study

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reveals that when industrialisation is coupled with IFRS adoption speed, there is a noticeable increase in its positive influence on inclusive growth. This suggests that a transparent and efficient financial reporting system, as ensured by swift IFRS adoption, enhances the ability of a country to effectively utilise the benefits of industrialisation, leading to more inclusive economic growth.

In conclusion, the study validates both hypotheses, linking industrialisation's direct impact on inclusive growth to Kaldor's engine of growth theory and the amplifying role of IFRS adoption speed to the absorptive capacity theory. It demonstrates that while industrialisation is a key driver of inclusive growth, its impact is significantly strengthened when supported by rapid adoption of IFRS, thereby providing a more effective framework for leveraging the benefits of industrialisation for inclusive growth in Sub-Saharan Africa.

The findings of the study additionally reveal the nuanced interaction between capital inflows, industrialisation, and inclusive growth in Sub-Saharan Africa, offering intriguing insights in the context of Kaldor's engine of growth theory and the financial innovation theory. The hypothesis that capital inflows and industrialisation jointly and significantly impact inclusive growth finds partial support in the study. Specifically, the positive and significant net effect on inclusive growth is observed only when Foreign Portfolio Investment (FPI) is combined with industrialisation. Contrary to expectations, combining Foreign Direct Investment (FDI) or Aid with industrialisation does not show a significant statistical relationship with inclusive growth. This outcome suggests a selective effectiveness of capital inflows in tandem with industrialisation in driving inclusive growth,

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highlighting that not all forms of capital inflows are equally conducive to this goal.

This selective effectiveness resonates with Kaldor's engine of growth theory and the financial innovation theory. Kaldor's theory, which posits that technological progress and economic growth are driven by capital accumulation in the manufacturing sector, implies that the type of capital inflow matters. It suggests that only those inflows that effectively contribute to capital accumulation and technological advancement in manufacturing can drive inclusive growth. On the other hand, the financial innovation theory, as described by Laeven et al. (2015), argues that technological progress and finance evolve together, necessitating a discerning approach to financing technological ventures. This theory implies that not all capital inflows are equally effective in promoting technological progress, particularly in the manufacturing sector; instead, they need to be strategically directed towards viable and technologically progressive projects.

The study's findings, therefore, underline the importance of aligning certain types of capital inflows, particularly FPI, with industrialisation efforts to achieve inclusive growth. This alignment is crucial as it ensures that the capital is invested in ways that foster technological advancement and economic expansion, as advocated by both Kaldor's and financial innovation theories. The unique contribution of this research lies in its revelation that FPI, in conjunction with industrialisation, is a key combination for promoting inclusive growth in Sub-Saharan Africa, offering valuable insights for policymakers and investors in the region.

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The overall conclusion of this study is significant and multifaceted, offering valuable insights into the complex interplay between capital inflows, industrialisation, IFRS adoption speed, institutional structures, and inclusive growth in Sub-Saharan Africa. The study successfully achieves its objective of elucidating the moderating roles of IFRS adoption speed and institutional structures in this dynamic relationship, with findings that are coherent with the estimated models, marking a noteworthy accomplishment in this field of research.

A key revelation of this study is the pivotal role of IFRS adoption speed in attracting appropriate capital inflows that align with the industrialisation goals of Sub-Saharan African nations and the African Development Bank (AfDB) to foster inclusive growth. One of the most striking findings is that only Foreign Portfolio Investment (FPI), when synergized with industrialisation efforts, effectively contributes to inclusive growth. This highlights the selective efficacy of different types of capital inflows in achieving inclusive growth objectives.

Moreover, the study underscores the advantage of early IFRS adoption in attracting more foreign capital inflows, especially for countries with strong institutional frameworks that support the implementation of these standards. This finding emphasises the necessity of not just adopting IFRS speedly, but also ensuring its effective implementation, particularly in the industrial sector. When IFRS is well-implemented in manufacturing, it significantly boosts the sector's efficiency, thereby enhancing its contribution to inclusive growth. The methodology employed in this study in measuring IFRS adoption speed represents a novel approach in academic research. This innovative perspective

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offers a more meaningful understanding of IFRS adoption's impact compared to traditional methods using dummy variables or levels of adoption. This methodological contribution is a unique addition to the academic discourse on financial innovation.

In essence, the study provides critical insights into how inclusive growth can be enhanced through industrialisation by strategically attracting FPI into the industrial sector, rather than relying solely on Foreign Direct Investment (FDI) and Aid. It also emphasises the importance of establishing and reinforcing institutional structures that support the effective implementation of IFRS in the financial reporting within the manufacturing sector. This study not only contributes substantially to academic knowledge but also offers practical implications for policymakers and stakeholders in Sub-Saharan Africa, guiding them on how to leverage financial standards and capital inflows for sustainable economic development and inclusive growth.

Recommendations

Based on the findings of the study, the following recommendations are made to key stakeholders. These recommendations together, present a multi-faceted approach for stakeholders in Sub-Saharan Africa, focusing on rapid adoption and implementation of financial reporting standards, attracting the right types of investment, and building institutional and human capacity. This comprehensive strategy is essential for realising the full potential of capital inflows and industrialisation in driving inclusive growth.

In the first place, governments and policymakers in Sub-Saharan Africa have a critical role in driving the region towards inclusive. To leverage the benefits of capital inflows and foster inclusive growth, a speedy and

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effective adoption of IFRS is essential. This goes beyond mere adoption; it requires a commitment to thorough implementation and integration into the financial reporting landscape. Governments must also focus on strengthening the institutional frameworks that support this adoption. This involves enhancing the capabilities of regulatory bodies, refining legal systems, and investing in education and training programs centered on international accounting standards. Additionally, strategic policies should be developed to specifically attract Foreign Portfolio Investment (FPI), given its proven positive impact on industrialisation and inclusive growth. By doing so, governments can create a conducive environment for sustainable economic progress.

Secondly, financial regulators play a pivotal role in ensuring the integrity and effectiveness of financial reporting. They must enforce strict compliance with IFRS among companies, particularly in the industrial sector, to ensure transparency and reliability in financial disclosures. This enforcement is crucial for attracting foreign investments and fostering investor confidence. Regulators should also focus on capacity-building initiatives, offering comprehensive training programs for accountants and auditors. These programmes should aim to enhance understanding and proficiency in implementing IFRS, ensuring that financial reports meet international standards and accurately reflect the financial health of businesses. Such initiatives will not only uphold the quality of financial reporting but also contribute to the overall financial literacy and expertise in the region.

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Thirdly, international investors and financial institutions have a significant opportunity to contribute to Sub-Saharan Africa's inclusive economic development. Their investment strategies should prioritize Foreign Portfolio Investment (FPI), which has been identified as particularly effective in promoting industrialisation and inclusive growth in the region. When making investment decisions, employing financial innovation models is crucial for screening and funding technologically viable projects. This approach ensures that investments are strategically directed towards sectors and projects with the highest potential for growth and development. By focusing on investments that align with the region's economic objectives and technological advancement needs, international investors can play a transformative role in driving sustainable inclusive growth.

Fourthly, entities within the industrial sector must recognise the importance of aligning their financial reporting with IFRS standards. Adopting and implementing these standards is not just a regulatory requirement but a strategic move to attract more investment and enhance operational efficiency. Companies should ensure their financial reporting is transparent, reliable, and in line with international norms. This adherence to high-quality reporting standards can significantly increase investor confidence and capital inflows. Furthermore, industrial entities should actively promote research and development activities. Focusing on innovation and technological advancements within the manufacturing process is key to boosting productivity and competitiveness, ultimately contributing to the sector's growth and its role in achieving inclusive growth.

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Finally, the findings of the study are relevant to academia. Academic and research institutions have a vital role in furthering the understanding of economic dynamics in Sub-Saharan Africa. They should engage in ongoing research to explore the impacts of different types of capital inflows on various sectors, considering the nuanced effects highlighted by this study. Such studies can provide deeper insights and inform policy decisions. Additionally, these institutions should develop educational programs that focus on IFRS and related fields. Tailoring these programs to the specific needs of the financial and industrial sectors in Sub-Saharan Africa is crucial. By equipping students and professionals with relevant knowledge and skills, these institutions can contribute to building a robust talent pool that can effectively navigate and leverage the complexities of financial reporting and inclusive economic growth in the region.

Suggestions for Future Research

Notwithstanding that the study recommends the development of policies that encourage local entrepreneurs to engage in manufacturing sector, the study did not collect study focused only on foreign capital inflows without considering the inflow of private local investors whose fundings can also be mobilised and directed to the industrial sector to boost its activities towards inclusive growth. It is therefore recommended that future studies consider the role of internal capital mobilisation on industrialisation towards inclusive growth. Future studies can also investigate how FPI can effectively combine with local private funding to boost industrialisation towards inclusive growth.

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The study also proxied industrialisation by only manufacturing value added, limiting the measurement of manufacturing/industrialisation by manufacturing value added whereas there are other measures that could have been incorporated such as the share of industry to GDP. Besides, the study only used manufacturing to represent industrialisation, leaving other aspects of industrialisation such as the contribution by the small-scale industries. The study consequently suggests that future studies broaden the operationalisation of industrialisation to include other industrial sectors so that a clear comparison can be made as to which sub-sector of industrialisation fosters inclusive growth. Besides, future studies can include other methods of measuring manufacturing to check robustness of results.

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