



Financial Inclusion and Private Sector Development in ECCAS Countries

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Abstract

The objective of this study is to analyse the effect of financial inclusion on the development of the private sector in ECCAS countries. It considers a panel of eight (08) countries over the period 2005 - 2019. The data used are secondary and come from the World Development Indicators database. A regression using the fixed-effects method reveals, on the one hand, that available gross savings as a percentage of GDP has a positive effect on private gross fixed capital formation as a percentage of GDP and, on the other hand, that domestic credit to the private sector as a percentage of GDP has a positive effect on private gross fixed capital formation as a percentage of GDP. All in all, therefore, financial inclusion has a positive and significant effect on the development of the private sector in the eight ECCAS countries considered. It is therefore of the utmost importance to promote savings and access to credit on a large scale in order to finance the development of the private sector in the ECCAS countries, which will of course lead to economic growth.

Keywords: financial inclusion, private sector, gross fixed capital formation, credit, savings.

JEL Classification: G20, G21, O16, O55

I. Introduction

Financial inclusion is considered by the peers of the Sustainable Development Goals to be one of the factors in reducing poverty. Since the early 2000s, access to financial products and services has therefore become one of the pillars of the international development agenda. Since 2010, more than 55 countries have made commitments in favour of financial inclusion and more than 60 have already launched a national strategy or are in the design phase [World Bank, 2023]. The term financial inclusion was initially used (in the early 1990s) to emphasize access to bank branches with a view to liberalizing the financial sector [European Commission, 2008]. It is therefore defined as better access to and more intensive use of financial products and services, i.e. savings, credit, transfers, insurance, etc. [Guérineau and Jacolin, 2014].

Researchers have paid considerable attention to the direct link between investment and financial inclusion [Honohan, 2008; Beck & Demirgüç-Kunt, 2008]. However, it is important to note the importance of developing a financial system capable of enabling access to and use of financial products and services on a large scale. Schumpeter (1911) pointed out that the development of the financial sector through the banking system leads to an increase in investment and thus to economic growth through the allocation of savings. Meanwhile, the development of the financial sector has an indirect effect on the development of private sectors. Other theoretical studies suggest that an increase in the supply of and demand for financial services, particularly targeting disadvantaged groups and people on low incomes, can lead directly to an increase in investment [Jalilian & Kirkpatrick, 2002]. Similarly, the Banque de France (2014) stresses that access to financial services enables low-income populations to smooth their budget constraint and consumption, thus avoiding falling into "poverty traps" following an exogenous shock. However, to achieve this objective, we need more competitive financial markets that provide better access to all segments of the economy [Rajan & Zingales, 2003]. According to "Measuring financial inclusion", the global finex database (2017), a few figures illustrate the challenge of financial inclusion worldwide: almost 75% of adults earning less than two dollars a day do not have a bank account; just under half the population living in developing countries do not have a bank account, compared with 10% in rich, developed countries; of those who do have an account, only 43% use it to save; women are particularly disadvantaged, since in developing countries only 58% compared with 67% of men have a bank account.

Although Africa has made significant progress in financializing its economy, its private sector remains underserved in terms of access to finance, and finance is vital for the sector; without adequate finance, private investment and working capital are stifled, new businesses are not created, existing businesses struggle to grow and economic growth suffers (AfDB, 2011). The financial system (banks and stock exchanges) plays a decisive role in mobilising resources from surplus agents. It plays a central role in coordinating the savings and investment decisions of households and investors, respectively (Wicksell, 1935). This direct and indirect financial intermediation should, on the one hand, enable households to save efficiently and, on the other, enable businesses to find the sufficient funds they need. Financial development therefore translates into increased mobilisation of savings to finance the economy, but particularly in Central Africa, there is still room for development. Schumpeter (1911) points out that credit serves industrial development and is a prerequisite for the creation and development of innovation, and therefore for economic growth. The ratio of private sector credit to GDP is low in ECCAS, although it has risen in recent years. This ratio illustrates the poor access of businesses to financing. In 2000, it increased from 1.2% to 21.8% in Angola. The ratio remains relatively low in Chad (6.2%), the DRC and Congo (less than 8% in 2011), and in Equatorial Guinea it is only 7.5%. It should therefore be said that in ECCAS, the difficulty of accessing finance stems from the weakness of a financial system with a very limited range of financial products and services. Non-bank financing for private companies is virtually non-existent. This problem of financing or credit rationing can also be explained by the asymmetry of information on companies, which increases lenders' risk aversion. Finally, this difficulty stems from regulatory and institutional frameworks that do not sufficiently guarantee the protection of creditors' rights (AfDB, 2013).

ECCAS thus remains one of the regions of Africa where the level of financial inclusion is very low. The gross savings rate as a percentage of GDP remains very low on

average in ECCAS. It averaged just 25.61% over the period 2005-2019. The rate of domestic credit to the private sector represents only 11.76% of GDP on average over the same period. Yet promoting an inclusive financial system is an economic policy priority in many countries (Yorulmaz, 2018). The financial system is thus underdeveloped in ECCAS, even though there has been a slight increase in the number of financial institutions, the coverage rate is unsatisfactory. According to a study assessing the CEMAC financial sector carried out by the International Monetary Fund and the World Bank in 2016, despite recent advances, the financial sector remains "shallow, weakly inclusive and essentially dominated by Banks". Guerineau and Jacolin (2014) note that countries with sufficiently developed financial systems, for example in South-East Asia, enjoy higher long-term growth than countries where financial depth is lower, particularly those in sub-Saharan Africa. In most low-income countries such as those in ECCAS, financial inclusion has become a major concern. In 2015, Cull observed that African banking systems are less inclusive than those of other countries. After leaving high-income countries behind, they find that 21% of businesses claim to have a line of credit and 16.5% of households have an account with a formal financial institution in the median African country, whereas the figures are 43% and 21% respectively in the non-African median. Mlachila *et al* (2013) point out that the development of the financial sector has helped to improve the investment process, but that financial services are clustered around large urban areas. There are, however, current developments that may favour or at least transform the situation of financial inclusion in developing countries with the emergence of microfinance institutions, mobile banking and economic growth in many of these countries. In the European Union and the United States, the overall rate of access to banking services is over 90%, while in Brazil and Argentina it is around 40% and in sub-Saharan Africa it is under 10%. There are still 2.455 billion people in the world who do not have access to banking services (Chaia & *al*, 2009). The majority of unbanked people are in underdeveloped countries, countries with low living standards where 80% of the world's population lives (World Bank, 2016). 80% of adults in sub-Saharan Africa, 67% in the Middle East, 65% in Latin America, 59% in East and South-East Asia and 58% in South Asia are currently unbanked.

To this end, Becket and Cull (2014) noted four specific factors that have held back banking development in Africa relative to other developing regions. First, the small size of many economies does not allow financial service providers to take advantage of economies of scale. Secondly, a large number of economic agents operate in the informal sector and lack the formal documentation required for financial transactions. Third, volatility both at the individual level, linked to fluctuations in the income flows of large numbers of micro-enterprises and households, and at the aggregate level, linked to the dependence of many African economies on commodity exports, further increases costs and risks for financial service providers. Fourthly and finally, governance problems continue to weaken many private and public financial institutions. So, while it is true that financial inclusion can contribute effectively to the development of the private sector, individuals still need to have access to financial services and know how to use them effectively. We therefore need to look at the components of financial inclusion that affect the private sector. To do this, we will seek to answer the following question: what are the financial inclusion indicators that contribute most to the development of the private sector in ECCAS countries?

The main aim of this article is to analyse the impact of financial inclusion on private sector development in ECCAS countries. We assume, however, that the various factors identified constitute the levers for private sector development in the ECCAS countries.

These variables are of two types, namely domestic credit to the private sector and available gross savings. We can formulate the following hypotheses, which we will seek to verify through our study:

- H1: Access to credit has a positive effect on private gross fixed capital formation in ECCAS countries.
- H2: Savings contribute to gross private fixed capital formation in ECCAS countries.

II. Literature review

The review of the literature in this article is divided into two parts: the theoretical part, which shows the importance of access to financial products and services for investment, and the empirical part, which identifies the results of the work actually carried out on the implication of financial inclusion for economic development in general and private sector development in particular.

1. Theoretical framework

Studies show that access to and use of appropriate financial products and services enable individuals to enjoy a better quality of life and businesses to grow better (IMF, 2019). More specifically, promoting household access to deposit accounts leads to growth in savings, productive investment, consumption, poverty reduction (Beck, Demirguc-Kunt and Levine, 2004; Honohan, 2004) and women's empowerment (AFI, 2020).

Investment is one of the important quantities at the centre of economic analysis. Khan and Reinhart (1990) distinguish between private and public investment in the case of developing countries, arguing that it is private investment that determines or plays the main role in determining economic growth in developing countries. The way in which investment is financed has been the subject of controversy in economic theory. For classical economists such as Jean B. Say (cf. "law of outlets"), according to market theory, the interest rate balances savings and investment. But savings are pre-existing and, depending on their size, will favour the financing needs of the company to a greater or lesser extent. Savings must be encouraged to finance investment. To this end, any rise in the interest rate will encourage households to increase their savings. Keynes (1936) opposed this analysis. For him, it is not the interest rate that determines savings but income, an increase in which leads to an increase in the propensity to save. Furthermore, he believes that saving does not stimulate investment but, on the contrary, reduces it. The higher the level of savings, the lower the level of consumption and the lower the incentive for entrepreneurs to invest and create jobs. In his view, investment should be financed by credit. He challenges the dichotomy theory, which considers the neutrality of money on the real sphere of the economy. The new financial macroeconomics considers this assertion by demonstrating the importance of a financial system on economic growth.

Gurley and Shaw (1955) showed that an efficient financial system promotes economic growth. For them, the main contribution of the financial system to economic growth lies in the fact that it ensures the operation of an efficient and evolving payment system that mobilises savings and improves their allocation to investment thanks to positive real interest rates. By providing a deposit service to savers and achieving a judicious mix between liquid and illiquid assets, the bank improves the well-being of depositors by guaranteeing them a return that is independent of the state of the world experienced by the borrower (Bencivega and Smith, 1991).

Deeply inclusive finance is a consequence of a developed financial system. Since a well-developed financial system that is accessible to all reduces information and transaction costs, it influences savings rates, investment decisions, technological innovation and the long term (Beck & *al.* 2009). According to Binswanger and Khandker (1995) and Pande and Burgess (2003), one of the main objectives of development economics is to find ways and means of lifting low-income populations out of poverty, reducing economic inequality and encouraging domestic investment. Access to finance has been identified as a key factor in enabling small businesses to transform their production and employment activities (Aghion & Bolton, 1997).

But according to the World Bank, half the world's adult population has no access to basic financial products and services. According to Claessens (2006) and Peachey (2006), the average rate of use of financial products and services is only 26% in developing countries, far behind that of the most developed countries, where it is 90%. Less than one household in five in Africa has an account with a formal financial institution (Ashcroft, 2008; World Bank, 2008). Added to this is the major problem of financing the private sector in Africa. A company may be refused a bank loan even if it is prepared to pay a high interest rate. This phenomenon, known as "credit rationing", is difficult to assess because the demand for and supply of credit are not directly observable. However, there is some evidence to suggest that this rationing was significant in the 1990s (Aubier and Cherbonnier, 2007). According to Christen et al (2004), of the 500 million micro-entrepreneurs in the world, at best only 85 million have access to financial services. Yet by enabling investment and protecting their holders from the vagaries of life, credit, savings, insurance and means of payment are essential tools for economic development (Coetzee and Yepes, 2014).

Financial market imperfections are a brake on economic development. They have their roots in the new theories of development. Poverty and income inequality can be caused by imperfections in financial markets. Financial market imperfections associated with theories of capital accumulation also explain the extent to which the poor can borrow to invest in their schooling or physical capital. Finance influences not only the efficiency of resource allocation but also the economic opportunities of rich and poor alike. The importance of finance has been highlighted by studies of the links between economic growth and income inequality. For example, Galor and Zeira's (1993) model highlighted the frictions in financial markets that prevented poor people from investing in their education. Furthermore, in Banerjee and Newman's (1993) model, individuals' occupational choices are limited by their initial endowments. These models clearly show that lack of access to finance may be the key mechanism for generating persistent income inequality or poverty traps, as well as lower growth.

III. Empirical framework

Empirical studies have highlighted the relationship between the variables of financial inclusion and private sector development through private investment. These studies aim to justify the importance of access to financial products and services for financing private investment. Some have shown that the low level of savings is one of the causes of low investment and therefore low growth (Sodokin, 2000). Others, such as the "credit channel" school, defend the idea that changes in the supply of credit and activity are closely correlated, without providing irrefutable empirical validation. However, some empirical work has demonstrated a positive relationship between access to credit and the financing of private investment, and hence the performance of the private sector.

Using panel data, Feldstein and Horioka (1980) regressed the investment rate on the savings rate using the between estimator. The coefficient of the regression is called the national savings retention coefficient, representing the share of savings available within national borders to finance national investment. They arrive at the result that there is a positive correlation between national savings and investment. Using Feldstein and Horioka's model, based on a heterogeneous fixed-effects panel to analyze the relationship between the private investment rate and the household savings rate in the Canadian provinces, Gouedard and Vaillancourt (2011) showed that if household savings increase, it offers a source of domestic financing, except that the coefficients are small since a variation of 1 in the first difference of the household savings rate only has an impact of 8.5% on the first difference of the private investment rate. The result is a positive relationship, but of minimal importance. Vermandel (2010) also used the Feldstein and Horioka (1980) model for a study of the OECD and proves a positive correlation between savings and investment. Tesar (1991) shows that the high positive correlation between savings and investment is a robust result on more or less large samples for OECD countries. The neoclassical two-country model of Baxter and Crucini (1993) is an exception in that it seeks to take account of international interdependence. They show, in a context of perfect mobility of real and financial capital, that there is a positive correlation between investment and savings rates and that the correlations observed are not contradictory to the model's predictions. Furthermore, the model predicts that correlations should be higher for large countries than for small countries, in line with the empirical observation already reported. Maveyraud-Tricoire (2006), in his study of the "heterogeneity of the savings-investment relationship as an indicator of the dynamics of economic integration" applied to the European case, approves this relationship. He proposes a method that is robust to the heteroscedasticity of the residuals from the regression of the investment rate on the savings rate and, using an intertemporal macroeconomic model, chooses the samples according to the institutional criterion. Three samples are taken into account (an OECD group, a Eurozone group and a group comprising the countries "signatories to the 1975 Treaty"), and he arrives at the result that the savings-investment relationship for the countries considered in the study still responds to hidden national specificities.

Using US data, Kashyap et al (1993) observed that changes in the ratio of bank loans to (bank loans + commercial paper) are correlated with the economic cycle. This ratio, which they call the "mix" ratio, falls during periods of economic slowdown and rises during periods of economic recovery. Joeveer et al (2006) highlighted the relationship between bank credit and SME performance indicators in the transition countries of Eastern Europe (Bulgaria, Georgia, Russia and Ukraine). Generally speaking, seven performance indicators are used. These are investment rate, survival rate, revenue, profit, labour costs, employment and market share. They conclude that bank credit has a positive and significant effect on most of these SME performance indicators, particularly investment, revenue, employment and market share. Niyonsaba and Ngoa Tabi (2012) showed in a study based on a sample of 413 SMEs using a multinomial logit model that SMEs with access to bank credit survive longer than others in Cameroon. However, using random effects models and instrumental variables to demonstrate the influence of bank debt on firms, Tioumaneng (2011) arrives at the result that bank debt adversely affects the performance of Cameroonian SMEs. A study on the impact of shocks affecting the supply of credit (bank credit, on investment rates at the aggregate level in order to capture the importance of these shocks in GDP fluctuations was developed by Amiti and Weinstein (2013). The authors observe credit dynamics in Japan

between 1990 and 2010. The high degree of concentration among financial institutions means that individual banks are relatively large compared with the size of the economy. Observation of lending activity in Japan suggests that credit supply shocks are a major determinant of investment by credit-dependent firms, particularly listed firms, i.e. those with access to market financing. Shocks specifically affecting large financial institutions can profoundly affect lending and investment. Indeed, the study suggests that 40% of fluctuations in these variables can be explained by these 'granular' shocks. The specific fates of large financial institutions ultimately appear to be an important determinant of investment and real economic activity.

IV. Data and study methodology

1. Data and justification of variables

The data in this study are secondary data from the WDI database taken over a period of fifteen (15) years from 2005 to 2019. They concern a panel of eight (08) of the eleven (11) ECCAS countries. The other three (03) are not taken into account due to the unavailability of data concerning them over the study period.

Endogenous variable: the rate of private investment measured by GFCF as a percentage of GDP is a variable of vital importance in economic analysis. It is used in this study to measure the size of the private sector. According to the World Bank (WDI), it is the measure of private investment financing the gross expenditure of the private sector with additions to its fixed domestic assets. The data comes from the World Bank's national accounts database and the OECD's national accounts data files. The figure below shows the trend for each of the eight countries considered.

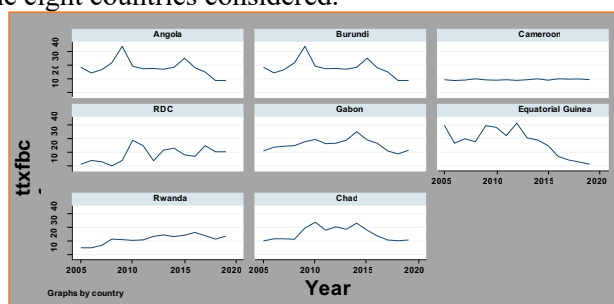


Fig. 1. Gross fixed capital formation as a percentage of GDP from 2005 to 2019 for eight (08) of the eleven (11) ECCAS countries.

Exogenous variables: these are gross savings as a percentage of GDP and domestic credit to the private sector as a percentage of GDP. Gross savings as a percentage of GDP is taken as an indicator of financial inclusion. It is a financial resource that can be mobilised to finance investment (Bohm-Bawerk, 1851-1914). According to the World Bank (WDI), gross savings are calculated as gross national income minus total consumption plus net transfers. The data used come from the World Bank's national accounts data and the OECD's national accounts files. The figure below shows its evolution in the region for each of the eight (08) countries considered.

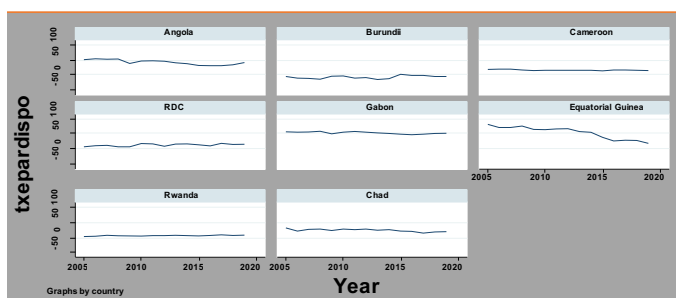


Fig. 2. Gross savings as a percentage of GDP 2005 - 2019 for eight (08) of the eleven (11) ECCAS countries

(Source: author's contribution)

Domestic credit to the private sector as a percentage of GDP is also an indicator of financial inclusion. It provides information on the rate of access to domestic financing for the private sector. According to the World Bank (WDI), it refers to the financial resources granted by financial institutions to the private sector. The data is extracted from the World Bank, IMF and OECD databases. Its evolution from 2005 to 2019 for each of the eight countries can be seen in the figure below.

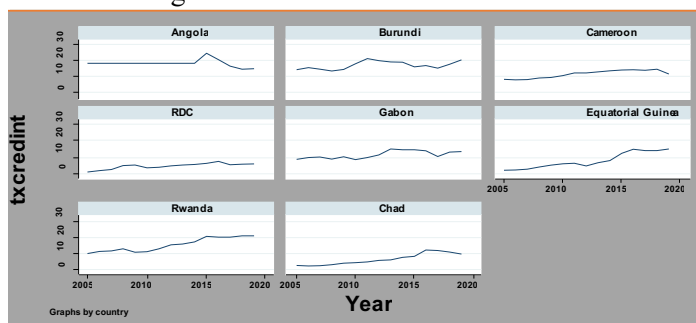


Fig. 3. Domestic credit to the private sector as a percentage of GDP from 2005 to 2019 for eight (08) of the eleven (11) ECCAS countries.

2. Methodology

The aim is to show that there is a relationship between financial inclusion and the development of the private sector in ECCAS countries. The classic factors of financial inclusion retained are gross savings as a percentage of GDP and domestic credit to the private sector as a percentage of GDP. The private sector will be captured by private investment, which is practically measured by gross fixed capital formation as a percentage of GDP.

The model used by Feldstein and Horioka (1980) to explain the strong correlation between savings and investment over 16 OECD countries at regular time intervals, the aim of which is to show that this strong correlation is explained by economic integration between these countries, is of particular interest in the context of this study. The model is as follows:

$I/Y(t) = \alpha + \beta S/Y(t) + \varepsilon(t)$ otherwise $i_t = \alpha + \beta s_t + \varepsilon_t$ where i_t is the national investment rate (ratio of national investment to national income), s_t is the national savings rate (ratio of national savings to national income), α the constant, β the estimation coefficient and ε_t the specification error of the model.

They assume that if :

$\beta = 1$, there is no integration and therefore national investment is financed exclusively by national savings (classic view: $I = S$)

$\beta = 0$, there is integration and therefore national investment is financed by foreign capital

They conclude that β is close to 1 ($\beta = 0.8$) and therefore reject the hypothesis $\beta = 0$, which justifies the absence of economic integration between the 16 OECD countries considered in their study, a situation that is described as the Feldstein-Horioka "paradox". National investment is financed by national savings. This model used by Feldstein and Horioka is limited by the fact that it does not take into account the temporal and individual dimensions in order to account for the specific effects that also explain the heterogeneity hypothesis. This is an econometric advance in panel data that allows us to consider both the temporal and individual dimensions at the same time in order to take into account the specific effects that explain the heterogeneity of the individuals studied. The model is in the form of the following static equation:

$$\mathbf{txfbcf}_{it} = \alpha_i + \lambda_t + \beta_1 \mathbf{txepardispo}_{it} + \beta_2 \mathbf{txcredint}_{it} + \varepsilon_{it}$$

Where $\mathbf{txfbcf}$ is the rate of private gross fixed capital formation, $\mathbf{txepardispo}$ is the rate of gross disposable savings, $\mathbf{txcredint}$ is the rate of domestic credit to the private sector and ε is the specification error of the model.

α_i and λ_t are constants that account for individual and time effects respectively, and β_1, β_2 are estimation coefficients for each of the explanatory variables.

To avoid spurious regression, we performed the unit root tests of Levin Lin and Chu (2002) and the test of Im, Pesaran and Shin (2003) to ensure the stationarity of the series.

The method of estimating the panel data model is chosen only after the Hausman specification test has been carried out, in order to avoid biased estimators. We can either expect within estimation if the individual fixed effect (FE) is retained, since it is unbiased and of minimal variance, or expect GCM estimation if the individual random effect (RE) is retained, in which case the GCM estimator is unbiased and of minimal variance. The Hausman (1978) test, which is a specification test for individual effects, is used to discriminate between fixed and random effects.

V. Results and discussion

1. Descriptive statistics

The average private gross fixed capital formation rate is 24.07%. The minimum rate is 10.85%, corresponding to the rate achieved by the DRC in 2008. The maximum rate is 42.82%, corresponding to the rate achieved by Angola in 2009. This average rate already shows that private investment is very low in the region. The average savings rate is 25.61%, the minimum rate achieved is -13.78%, corresponding to the rate achieved by Burundi in 2013, which only recorded negative rates during the study period, and the maximum rate is 83.28%, corresponding to the rate achieved by Equatorial Guinea in 2005. The average rate estimates that savings are also very low in the region. The average rate of domestic credit to the private sector is 11.76%, the minimum rate is 1.20% achieved by the DRC in 2005 and the maximum rate is 25.24% corresponding to the rate achieved by Angola in 2015. The rate is also low on average in the region.

Table no 1.

Correlation matrix between variables

Variable	Mean	Std. Dev.	Min	Max
Gross fixed capital formation as a percentage of GDP	24.07282	6.550983	10.8571	42.82085

Gross available savings as a percentage of GDP	25.61683	22.83134	-13.7809	83.28704
Domestic credit to the private sector as a percentage of GDP	11.76648	5.768936	1.201066	25.24011

(Source: author's contribution)

This correlation matrix verifies the degree of linear relationship between the variables in the study. Here we can clearly see that savings and private investment are positively correlated. Credit to the private sector and private investment are also positively correlated, but very weakly, since the coefficient is close to zero.

Table no 2.

Correlation matrix between variables

	txfbcf	txepardispo	txcredint
txfbcf	1.0000		
txepardispo	0.4008	1.0000	
txcredint	0.0639	-0.2596	1.0000

(Source: author's contribution)

2. Unit root tests

We performed the most common panel data unit root tests proposed by Levin, Lin and Chu (LLC) and Im, Pesaran and Shin (IPS) under STATA14 to check the order of integration of the series in order to determine whether the variables may have a long-run relationship. We found that the **txfbcf** and **txepardispo** series are stationary at level in the llc and ips tests at 1% and therefore have a long-run relationship due to their identical order of integration while the **txcredint** series is stationary at level in the llc test at 10% but had to be differentiated once to make it stationary in the ips test at 1%, suggesting that it cannot have a long-run relationship with the **txfbcf** series.

3. Estimation results

We ran a regression of the fixed-effects model and a regression of the random-effects model. The appropriate model is the fixed effects model specified by the Hausman test, for which the estimators are unbiased. The estimation shows that savings have a positive and significant effect on private investment. Credit also has a positive and significant effect on private investment.

Table no 3.

Description statistics

Description statistics				
txfbcf	Coef.	Std. Err.	t P>t	[95% Conf. Interval]
txepardispo	.4055429	.0585034	6.93 0.000	.2896029 .5214829
txcredint	.2975255	.1634874	1.82 0.071	-.0264682 .6215192
cons	10.18326	3.020764	3.37 0.001	4.196819 16.16971
sigma u	7.7344282			
sigma e	4.7092392			
rho	.72954402	(fraction of variance due to u i)		
F test that all u i=0: F(7, 110) = 10.90 Prob > F = 0.0000				

(Source: author's contribution)

However, it should be noted that these effects are not really significant, since the coefficient for estimating savings is strictly less than one ($0.4 < 1$) and the coefficient for

estimating credit is also strictly less than one ($0.3 < 1$). Financial inclusion therefore has a positive impact on the development of the private sector in ECCAS countries.

Table no 4.

Description statistics					
Txfbcf	Coef.	Std. Err.	z P>z	[95% Conf.	Interval]
txepardispo	.2594286	.0445617	5.82 0.000	.1720892	.3467679
txcredint	.1645601	.1427202	1.15 0.249	-.1151664	.4442865
_cons	15.49078	2.737268	5.66 0.000	10.12584	20.85573
sigma_u	3.3733377				
sigma_e	4.7092392				
Rho .33911346 (fraction of variance due tou_i)					

(Source: author's contribution)

Table no 4.

Regression of the random effect model			
	(b)	(B)	(b-B)
	fixed	random	Difference
txepardispo	.4055429	.2594286	.1461143 .0379065
txcredint	.2975255	.1645601	.1329654 .0797438

(Source: author's contribution)

b = consistent under H_0 and H_a ; obtained from xtreg

B = inconsistent under H_a , efficient under H_0 ; obtained from xtreg

Test: H_0 : difference in coefficients not systematic

$\chi^2(2) = (b-B)'[(V_b - V_B)^{-1}](b-B) = 19.28$ Prob> $\chi^2 = 0.0001$

4. Discussion

Financial inclusion and private sector development are two phenomena of such great importance in the current economic context that researchers, international institutions and governments are making them a particular priority in the fight against extreme poverty, the promotion of decent employment and the reduction of inequalities.

The issue of access to and use of financial products and services on a large scale has been the subject of several publications. Some have demonstrated its effects on GDP growth, others have shown its involvement in reducing inequality, and still others its importance in reducing poverty. This paper has analysed its effect on private sector development. The regression of the fixed-effects model shows that there is indeed a positive and significant relationship between financial inclusion and the development of the private sector in ECCAS countries over the period 2005-2019. Available savings as a percentage of GDP and domestic credit as a percentage of GDP positively and significantly affect gross fixed capital formation as a percentage of GDP. It should be noted, however, that these effects are not at all significant since the coefficients are strictly less than one (1). This suggests other sources of private sector financing. This result corroborates that obtained by Gouedard and Vaillancourt (2011). Yet financial inclusion fosters economic development by enabling a growing share of households and SMEs to access a wide range of financial services at a reasonable cost (Guerineau, 2014). However, according to the Banque de France report (2013), access to financial services in developing countries is limited by several specific constraints (low population density, lack of transport and communication infrastructure, high costs of financial services, limited capacity of households to provide collateral) which require innovative responses adapted to the specific context of these regions. Despite

commitments to inclusive finance, the situation is still worrying in ECCAS. In reality, less than 20% of households have access to formal financial services, and the poorest households do not have full access. These people are the most vulnerable to shocks (climatic hazards, death, illness, etc.) that directly affect their income. In such an environment, it is useful to know the different strategies used by the populations affected by such chaos to maintain their consumption, the effectiveness of such strategies and their effects on individual behaviour. Businesses are also complaining of difficulties in obtaining financing from banks, which are in a situation of "excess liquidity" (the amount of deposits exceeds the amount of loans); this situation has several explanations: a legal credit environment that does not encourage banks to increase their loan portfolios (because of the difficulty of enforcing collateral), and SMEs that are considered (rightly or wrongly) to be a high-risk clientele (CEEAC, 2014). Thus large sections of the ECCAS population do not participate in economic activity, the restriction of small and medium-sized enterprises to the credit necessary for their development. According to the national strategy for financial inclusion in Haiti drawn up by the BRH in collaboration with the World Bank, financial products (savings, credit, etc.), when they are accessible, competitive and adapted to the daily needs of economic agents, can make a major contribution to improving their quality of life, reducing inequalities and promoting economic and social growth and development. All the more reason to promote access to and use of financial products and services on a large scale, with a view to boosting the development of the private sector in ECCAS countries, which is of course a guarantee of economic growth and job creation.

VI. Conclusion

The objective of this work is to analyse the effect of financial inclusion on private sector development in ECCAS countries over the period 2005-2019. Using a fixed effects model regression, we arrived at the results that available savings as a percentage of GDP has a positive and significant effect on private gross fixed capital formation as a percentage of GDP on the one hand, and on the other hand, domestic credit as a percentage of GDP positively and significantly affects private gross fixed capital formation as a percentage of GDP. In short, financial inclusion has a positive and significant effect on the development of the private sector in ECCAS countries, but the effect is not really significant. This suggests that the private sector in ECCAS countries is struggling to find the external resources it needs to finance its development. It is therefore necessary to develop specific strategies to promote access to and use of financial products and services with a view to mobilising sufficient resources from households and granting them to SMEs to finance their development. Financial education, a review of the conditions under which financial services and products are offered, financial governance and regional integration must therefore form a matrix of actions by ECCAS stakeholders that will enable highly inclusive finance capable of ensuring the development of the region's private sector.

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