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Regional Trade Integration and Economic Prosperity in Africa: Impact on Small and Medium Enterprises Development

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Abstract

The African Continental Free Trade Area (AfCFTA) offers a significant chance for Africa's economic development by improving regional unity and increasing trade within the continent. Small and Medium Enterprises (SMEs), which make up more than 80% of employment and 50% of GDP in numerous African economies, have the potential to gain from enhanced market access, lowered trade expenses, and boosted investment. This study examines how regional trade integration affects African economic growth by focusing on the development of the SME sector. The study employed the Arellano and Bond (1991) system generalised method of moment to analyse the data. The findings show a negative but significant impact of RTI on the continent's economic growth. This implies that, greater RTI would accelerate economic growth and consequently the development of small- and medium- scale enterprises (SMEs) in Africa. Also, the results revealed a positive and significant relationship between trade openness and economic growth in the continent, indicating that trade openness engenders the levels of trade at a regional level and enhances economic growth within the region. Nonetheless, obstacles such as inadequate infrastructure, regulatory hurdles, insufficient funding, and struggles to comply with international standards continue to exist. This paper examines the role of AfCFTA in fostering SME expansion, highlights major obstacles, and presents policy suggestions to boost

SME involvement in industrialisation, value chain integration, and employment generation, transforming Africa's trade framework.

Keywords: *AfCFTA, SMEs, Trade Integration, Economic Growth, Regional Value Chains*

Introduction

Africa stands at a pivotal moment of economic transformation, fuelled by the African Continental Free Trade Area (AfCFTA), a landmark initiative poised to reshape the continent's trade dynamics. For decades, Africa's economies have been tethered to colonial-era trade patterns, with raw material exports dominating while intra-African trade stagnated at just 16% (World Bank, Africa's Pulse, 2022). This structural weakness has stifled industrialisation, limited diversification, and heightened vulnerability to global price shocks. AfCFTA presents a historic opportunity to reverse these trends by eliminating trade barriers, harmonising regulations, and creating a unified market of 1.4 billion people. Full implementation could boost intra-African trade by 52% by 2035, which would unlock unprecedented economic growth (World Bank, AfCFTA Economic Impacts, 2023).

At the heart of this transformation lie Africa's Small and Medium Enterprises (SMEs), which generate over 80% of employment and contribute nearly 50% of GDP across multiple economies (AfDB, 2023). As agile entities deeply embedded in local markets, SMEs are key to driving industrial expansion, job creation, and sustained economic progress. However, the World Bank, 2023 contends that systemic challenges including high trade costs, stringent regulations, inadequate infrastructure, and financial exclusion threaten to sideline them from AfCFTA's benefits. Without deliberate interventions, AfCFTA could evolve into an arena dominated by large corporations, marginalising SMEs from Africa's economic renaissance (Africa's Pulse, 2023). Yet, AfCFTA is more than a trade agreement but a catalyst for SME-driven industrialisation. By eliminating 90% of tariffs, streamlining trade processes, and enhancing supply chain networks, it creates fertile ground for SMEs to scale, innovate, and integrate into regional and global value chains (Rosienkiewicz et al., 2024). Reduced transaction costs, expanded markets, and improved logistics can transform SMEs from survival-driven enterprises into formidable economic players. However, realising these

benefits requires structural reforms in addressing financing gaps, enhancing trade logistics, investing in resilient infrastructure, and harmonising regulatory frameworks (Samunderu, 2024).

This study advances the discourse on inclusive trade by diagnosing systemic constraints and proposing pragmatic solutions that position SMEs at the forefront of Africa's trade-driven prosperity. By analysing Africa's current trade landscape, SME participation barriers, and policy recommendations for trade facilitation, financial inclusion, and capacity-building, this research charts a path for sustainable SME integration into AfCFTA.

Whereas previous studies that looked at the relationship between RTI and economic growth in Africa focused on RTI and regional value chains (Nare & Alhassan, 2024), RTI and growth convergence (Gammadigbe, 2021), RTI and poverty reduction (Gafa, 2024), and trade openness and economic growth (Oloyede, 2021), this study offers a unique perspective by examining how the regional trade integration affects economic growth in Africa through the development of the SMEs under the AfCFTA arrangement. Similarly, unlike previous studies that used imports and exports to proxy RTI, this study disaggregated RTI into three components: intra-regional export ratio (i.e., export from a country to its regional partners as a share of total exports), intra-regional export of intermediate goods as a proportion of total intermediate goods exports, and intra-regional trade (i.e., imports plus exports) as a percentage of total trade. The purpose is to examine the individual effects of each of these components on the economy to provide precise and accurate policy suggestions. Consequently, this study contributes to various fields. First, the current study fills a gap and adds to the existing literature by investigating how RTI can boost growth in Africa by increasing investments in critical infrastructures such as technological infrastructures, rail and road infrastructures, energy infrastructures, and regulatory frameworks. These facilities, when properly implemented, have the potential to stimulate SMEs, create jobs, and foster intra-African commerce under the AfCFTA framework. Another vital justification for the study is the examination of the influence of trade openness and inflation on economic growth in Africa as intervening variables. The findings suggest that robust monetary and fiscal policy measures that seek to control and stabilise prices are critical to engender trade openness and stimulate SME activities in the continent. Finally, the government and policymakers in Africa can utilise these findings to create successful strategies by creating infrastructural

enablers to ensure economies leverage the AfCFTA framework to fast-track growth.

Therefore, this study seeks to examine the effects of regional trade integration on economic growth in Africa through SMEs development by differentiating between the African countries according to their regional bloc, such as the Economic Community of West African States (ECOWAS), Southern African Development Community (SADC) and Common Markets for Eastern and Southern Africa (COMESA). The rationale behind the categorisation is to allow the study to make precise recommendations that is tailored towards a specific regional bloc.

2. Literature Review

2.1 Conceptual Literature

2.1.1 The Role of SMEs in Economic Development

As a vital part of Africa's economic framework, SMEs significantly aid in employment, innovation, and diversification (Mugano, 2024). In the contention of Inegbedion et al. (2024), SMEs act as engines for growth by promoting local value chains, improving industrialisation, and decreasing dependence on commodity exports. Research conducted by the African Development Bank (AfDB, 2023) and UNCTAD (2023) highlights the resilience that SMEs contribute to economies through enhancing productivity and reinforcing regional supply chains. Although they are significant, African SMEs encounter considerable obstacles in reaching international markets. According to McKinsey (2023), although SMEs contribute to more than 50% of Africa's GDP, just 20% are involved in cross-border trade. The limited involvement is mainly attributed to market fragmentation, complicated trade regulations, and insufficient funding. AfCFTA offers a chance to close these gaps by establishing a cohesive trade system that streamlines regulations, improves market access, and fosters intra-African trade (Osarfo et al., 2024). Tackling these issues necessitates focused policies, such as enhanced financial access, capacity-building initiatives, and the development of infrastructure. The culmination of governments, financial organisations, and trade groups must collaborate to help offer SMEs the resources necessary for growth into international markets.

2.1.2 Trade Barriers and Challenges for SMEs

SMEs play a crucial role in Africa's economic development, greatly impacting employment, innovation, and GDP. They improve industrialisation by establishing local value chains and lessening reliance on commodity exports. Research conducted by the African Development Bank (AfDB, 2023) and UNCTAD (2023) emphasises their contribution to economic resilience, but their engagement in cross-border trade is still minimal. Despite their significance, SMEs face challenges like elevated transaction fees, restricted credit access, and ineffective customs processes (World Bank, 2023). The International Trade Centre (ITC, 2023) indicates that 70% of SMEs face challenges due to intricate trade regulations, whereas UNCTAD (2023) points out non-tariff barriers (NTBs), such as licensing obligations and compliance expenses, as significant limitations on SMEs. These obstacles hinder SMEs from expanding their operations throughout African markets. AfCFTA offers a distinct opportunity to overcome these obstacles by streamlining trade rules, enhancing market access, and reducing international trade expenses (Ajibo, 2024). Nevertheless, effective integration necessitates cooperative actions among governments, financial institutions, and trade organisations Tackling these obstacles will enable Africa to realise the complete potential of SMEs, promoting economic diversification, job creation, and sustainable growth throughout the continent.

2.1.3 AfCFTA as a Catalyst for SME Growth

Major challenges involve elevated transaction expenses, restricted credit availability, and ineffective customs processes (World Bank, 2023). The International Trade Centre (ITC, 2023) reports that 70% of SMEs identify complicated trade regulations as a significant challenge, while UNCTAD (2023) notes non-tariff barriers (NTBs), including licensing mandates and compliance expenses, as impediments to growth. These obstacles restrict SME involvement in regional markets, constraining their possible influence.

AfCFTA seeks to tackle these issues by removing 90% of tariffs, aligning trade regulations, and enhancing regional value chains (AU, 2023). Research indicates that complete implementation could boost intra-African trade by 52% by 2035 (World Economic Forum, 2023). Moreover, ITC (2023) predicts that alleviating regulatory hurdles could increase SME trade volumes by 30-40%. In order to optimise these advantages, it is

essential for governments, financial institutions, and trade associations to work together on strategies that boost access to finance, improve regulatory effectiveness, and fund trade infrastructure, as harnessing SME potential via AfCFTA will boost Africa's economic integration, job generation, and sustainable development.

2.2 Theoretical Underpinning for the Study

The convergence of comparative advantage theory, new trade theory, endogenous growth theory, network theory, and institutional theory offers a compelling and multidimensional framework for understanding the transformative role of regional trade integration (RTI) in advancing SME development under AfCFTA. These theories are not isolated constructs but intricately interconnected, forming a cohesive intellectual foundation that mirrors the complex realities of Africa's evolving trade landscape. The Comparative Advantage Theory (Lopes, 2024) champions SME specialisation in sectors where countries hold relative efficiency—such as agriculture in East Africa or mining in Southern Africa—thus optimising resource allocation. This specialisation finds greater traction when aligned with New Trade Theory (Barbieri, 2024), which emphasises the role of scale economies and network effects. With AfCFTA expanding market access, SMEs can scale operations, reduce per-unit costs, and increase competitiveness (Ofori-Amoah, 2024), thereby enhancing regional value chain participation.

Consistent with Endogenous Growth Theory, This scaling process simultaneously triggers innovation and knowledge spillovers. (Zhao, 2025). SMEs responding to diverse regional demands must adapt products, invest in human capital, and improve quality—laying the groundwork for sustained economic expansion driven from within. These adaptive behaviours flourish within interconnected trade ecosystems, underscoring the relevance of network theory. Regional networks enable SMEs to establish strategic partnerships, access market intelligence, and reduce transactional barriers, facilitating smoother cross-border operations. The reduction of friction in such networks is deeply contingent on the strength of institutional frameworks, as emphasised by institutional theory (Wang et al., 2025; Zhang et al., 2024). Regulatory clarity, infrastructure investment, and compliance support are essential in enabling SMEs to thrive in an integrated trade environment.

This theoretical synthesis seamlessly aligns with the study's application of the Arellano and Bond (1991) system GMM model, which captures the

dynamic interplay between trade openness, regulatory quality, and SME growth. The study's finding of a negative yet significant relationship between RTI and economic growth implies transitional friction—yet affirms that deeper integration ultimately catalyses SME development. The positive linkage between trade openness and growth further confirms theoretical expectations (Patil et al., 2024). Collectively, these theories interlace to present a visionary, empirically grounded roadmap for SME empowerment and economic transformation under AfCFTA.

2.3 Empirical Review

Gafa (2024) examined the effect of regional trade integration on poverty reduction in Africa from 1995 to 2019. The study used the GMM approach and time series data from 49 nations. The findings show that more intra-regional trade can accelerate poverty alleviation. Furthermore, the paper looks at the function of complementary policies in influencing the poverty-reduction impact of regional trade integration. The results imply that more intra-African trade will worsen poverty in the absence of a minimal standard of institutions, business rules, financial depth, and infrastructural development. Therefore, African nations would be better able to use the expanding intracontinental trade to reduce poverty if they addressed institutional, financial, and infrastructure challenges.

Oloyede, Osabuohienb, and Ejemeyovwi (2021) examined the correlation between trade openness and macroeconomic outlook in Africa's regional economic communities, specifically ECOWAS and SADC. The research uses secondary data from WDI and UNCTAD databases, employing pooled OLS, fixed and random effects approaches, and the Durbin-Wu-Hausman test. The findings indicate a positive but insignificant relationship between economic growth rate and trade openness in both the combined simulated ECOWAS and SADC and the individual REC. The findings emphasise that governments and other key players must enact policies to translate economic development into substantial trade benefits and greater trade openness in ECOWAS and SADC.

Nare and Alhassan (2024) investigate the influence of regional trade integration (RTI) on regional value chains (RVCs) in 40 Sub-Saharan African countries between 2009 and 2018. To account for potential endogeneity, the study used two stages of least squares instrumental variable regression. The nations are tracked through their membership in regional economic communities (RECs), with six of them evaluated in the

study. In the first stage of regional trade integration, the study revealed that increased domestic value and trade openness improved integration. Furthermore, landlocked countries had lower RTIs. In the second stage, the data showed that RTIs had a negative impact on RVCs, whereas domestic value-added increased them. The study also discovered a reciprocal relationship between RTI and RVCs, implying that enhancing important characteristics of one will lead to an improvement in the other. The increase in RTI and RVCs may be ascribed to increased intra-regional economic activity, making it simpler to meet Africa's regional integration goals, which are critical to the continent's economic growth and development.

Gammadigbe (2024) utilised panel data from 1979 to 2018 to investigate the impact of regional trade integration (RTI) on economic development and income convergence in Africa and its main Regional Economic Communities (RECs). The instrumental variable and panel fixed-effects estimate findings demonstrate that RTI enhances economic progress in Africa. However, it promotes income disparities by allocating the benefits of regional integration primarily of the continent's most developed countries. The findings of this study highlight the need for supporting the African Continental Free Trade Area (AfCFTA) initiative through policies focused on lowering non-tariff trade barriers and developing infrastructure to maximise the impact on growth in all participating nations.

3. Data and Methodology

The estimation in this study is done using the system generalised method of moments (SGMM) on balanced longitudinal panel data comprising 44 African countries and covering the period 2000-2022, which was sourced from multiple sources. The dependent variable used is the economic growth proxied by GDP and sourced from the World Bank Development Indicators. Similarly, the independent variable regional trade integration (RTI) is proxied by three measures of RTI, namely, the intra-regional export ratio (i.e., export from a country to its partners within the region as a share of total exports), intra-regional export of intermediate goods as a proportion of total intermediate goods exports, and intra-regional trade (i.e., imports plus exports) as a percentage of its total trade. The data are obtained from UNCTAD statistics. The intervening variables, such as trade openness, gross fixed capital formation and inflation, are all sourced from the World Bank Development Indicators.

Model Specification and Estimation Procedure

To estimate the effects of Regional Trade Integration (RTI) on economic growth in Africa, this study utilised the Arellano and Bond (1991) system generalised method of moments (Sys-GMM), a linearly reduced form of dynamic panel data model that has the following form:

$$y_{i,t} = \alpha y_{i,t-1} + \beta' x_{i,t} + \gamma' C_{i,t} + \eta_i + \varepsilon_{i,t} \quad \ldots\ldots (3.1)$$

Where, $y_{i,t}$ is the dependent variable for cross-sectional unit i in period t and denotes the natural logarithm of economic growth; $x_{i,t}$ is a vector of proxies denoting the independent variable (RTI) observed for country i in period t. $C_{i,\text{ and } t}$ are intervening variables such as inflation, gross fixed capital formation and trade openness. Similarly, i denotes the country (i =1, 2, …, 37) and t denotes the time period (t = 2000 - 2023). η_i is the i-th unobservable time-invariant country-specific effect and is independent and identically distributed in country i and $\varepsilon_{i,t}$ is the idiosyncratic disturbance term specific to country i, in period t and is assumed to be independent and identically distributed over all time periods in country i. $y_{i,t-1}$ is the natural logarithm of initial (lagged) economic growth, which captures initial conditions for testing the convergence effect hypothesis with $|\alpha| < 1$, so as to ensure stationarity. α, β' and γ' are parameters to be estimated.
Thus, following the work of Agyei and Idan (2022), Wandeda et al. (2021), and Ntow-Gyamfi et al. (2020), equation (3.1) can be represented more explicitly as follows.

$$GDP_{i,t} = \alpha\, GDP_{i,t-1} + \beta' \boldsymbol{RTI}_{i,t} + \gamma' C_{i,t} + \eta_i + \varepsilon_{i,t} \quad \ldots\ldots (3.2)$$

Where GDP = Economic Growth and RTI = Regional Trade Integration.

However, in a more compact form, equation (3.2) can be rewritten to include the vector, $x_{i,t}$, and was earlier denoted as ***RTI,***thus:

$$GDP_{i,t} = \alpha + \beta_1 GDP_{i,t-1} + \beta_2 IRXR_{i,t} \beta_3 IRXIG_{i,t} + \beta_4 IRT_{i,t}\, \beta_5' C_{i,t} + \varepsilon_{i,t} \quad \ldots\ldots (3.3)$$

The baseline equation that needs to be estimated is equation (3.3). However, in order to quantify the effects of the RTI on the economic growth, the baseline model will be broken and depicted as follows; additionally, the specific intervening variables that apply to this model are displayed;

$$GDP_{i,t} = \alpha + \beta_1 GDP_{i,t-1} + \beta_2 IRXR_{i,t} \beta_3 IRXIG_{i,t} + \beta_4 IRT_{i,t} + \beta_5 TO_{i,t} + \beta_6 GFCF_{i,t} + \beta_7 INF_{i,t} + \varepsilon_{i,t} \quad \ldots\ldots\ldots\ldots\ldots\ldots \quad (3.4)$$

Where, GDP = economic growth, IRXR = intra-regional export ratio, IRXIG = intra-regional export of intermediate goods as a percentage of total intermediate goods exports, IRT = intra-regional trade (imports and exports), TO = trade openness, GFCF = gross fixed capital formation, and INF = inflation. Meanwhile, the lagged value of economic growth ($GDP_{i,t-1}$) is introduced in the equations to capture the effects of persistence of growth.

Compared to other estimation techniques like the first-differenced GMM estimator, the two-step Sys-GMM estimator addresses the issues of heteroscedasticity, endogeneity, and finite sample bias more effectively since it makes extensive use of internal instruments. Likewise, the system GMM technique is a flexible estimation method that does not require pre-estimation tests (like panel unit root or cross-sectional dependence tests) since it can handle non-stationary data and eliminate endogeneity problems. It uses instrumental variables (IVs) to identify parameters and eliminate endogeneity. First-differencing can be used to render data stationary in panel data settings (Adeleye et al. 2017 & Batuo, 2015). This is why the two-step system GMM was selected for this investigation.

4. Results and Discussion of Findings

The summary statistics of the variables in Table 1 demonstrate data availability gaps in African countries, mainly for RTI variables where observation ranges between 194 and 320. There are, however, sufficient data points for observation of each variable to determine the normalcy of distribution of the data.

Table 1: Descriptive Statistics

Variable	Obs.	Mean	Std. Dev.	Min.
	Max.	JB		
GDP	494	7.186	0.933	5.601
	9.648	2177.2		
IRXR	320	0.208	0.173	0.002
	0.899	24.01		
IRXIG	194	0.241	0.225	0.001
	0.916	15.90		
IRT	198	0.234	0.179	0.020
	0.854	54.05		
TO	205	-0.098	-0.006	-0.870
	0.400	351.52		
GFCF	794	22.236	9.451	0.000
	76.782	34.118		
INF	894	0.086	0.128	0.029
	34.911	21.908		

There are huge disparities in mean values from observed variables, with the RTI values showing that IRXR, IRXIG and IRT have mean values of -208, .241 and .234, respectively with SDs of .173, .225 and 0.179 in that order. Also, trade openness has a low value of -0.098 and an SD of -0.006. The mean values of GFCF and INF showed a similar trend, as both means exceeded their respective standard deviations standard deviations. This data indicates a good fit and outliers in country-specific data, given that the average value is greater than their respective standard deviation, and it implies that the data are clustered around the mean and are not scattered. This indicates that the variables are relatively stable, more efficient and reliable for predictions.

The results of the system generalised method of moment (SGMM) of equation (3.5) are presented in Table 2; it provides a summary of the analysis on the effects of regional trade integration on economic growth in African countries.

Table 2: Two-Step (Robust) SGMM Regression:

	(AFRICA)	(ECOWAS)	(SADC)	(COMESA)
$GDP_{i,\,t-1}$	0.2588**	0.1694*	0.2091**	0.1249***
	(0.006)	(0.000)	(0.001)	(0.004)
$IRXR_{i,\,t}$	-0.1926*	-0.0625**	-0.0041	-0.0062
	(-0.009)	(0.039)	(0.267)	(0.005)
$IRXIG_{i,\,t}$	-0.1011**	-0.0101**	-0.0506***	-0.0048
	(0.041)	(0.038)	(0.011)	(0.289)
$IRT_{i,\,t}$	-0.1881*	-0.0246**	-0.0284***	-0.0029*
	(0.063)	(0.146)	(0.027)	(0.646)
$TO_{i,\,t}$	0.1523*	0.292***	0.1047*	0.2123***
	(0.087)	(0.061)	(0.053)	(0.060)
$GFCF_{i,\,t}$	-0.2340	-0.0540*	-0.3862**	0.0148
	(0.437)	(0.703)	(0.404)	(0.207)
$INF_{i,\,t}$	0.1986*	0.1770	-0.2417*	-0.0291**
	(0.379)	(0.096)	(0.089)	(0.085)
Constant	0.0029	0.0757*	0.3173	0.8686*
	(0.379)	(0.896)	(0.196)	(0.475)
No of observations	428	236	217	107
No. of countries	044	014	012	018
No. of instruments	202	91	122	91
Hansen (p-value)	0.0000	0.0000	0.0000	0.0905
AR1 (p-value)	-1.0938	0.0700	0.0022	0.1908
AR2 (p-value)	1.138	0.8015	0.2058	0.1311
F-stat	14424.67	-	-	-
Wald chi2	41452.18	7517.14	1358.18	21651.07
Chi2 (p-value)	0.0000	0.0000	0.0000	0.0000

Source: Author's computation; Dependent Variable: $GDP_{i,\,t.}$ Standard errors in parentheses

$^{*}p< 0.05$, $^{**}p< 0.01$, $^{***}p< 0.001$

The results in table 2 are for the main sample of the 44 African countries (AFRICA) as well as the subsamples of regional blocs of the Economic Community of West African Countries (ECOWAS), the Southern African Development Communities (SADC), and the Common Markets for Eastern and Southern Africa (COMESA) from 2000 to 2022. The lag effect of economic growth ($GDP_{i,\,t-1}$) on the current economic growth (GDP) was found to be positive and significant. This means that there is a strong effect of the past on the current year; thus, previous economic growth activities in Africa for the ECOWAS, SADC, and COMESA regional blocs are strong determinants of the current growth. The effects

of RTI on economic growth in all the sample African countries are negative but significant for all regional blocs, with a coefficient of -0.192 for the intra-regional exports ratio (IRXR), -0.101 for intra-regional exports of intermediate goods (measured as a proportion of total intermediate exports), and -0.188 for intra-regional trade (imports and exports) within the period under investigation. This suggests that greater RTI would accelerate economic growth and consequently the development of small- and medium-scale enterprises (SMEs) in Africa. These results are consistent with the studies of Gafa (2024), Nare and Alhassan (2024), and Gammadigbe (2021), who found a significant relationship between RTI and economic growth in Africa. Similarly, the findings reveal varying degrees of influence of the RTI on economic growth across different economic blocs in Africa. The RTI (as measured by intra-regional exports ratio, intra-regional exports of intermediate goods and intra-regional trade (imports and exports) is negative and significant in both the ECOWAS and the SADC blocs, while it is negative and insignificant in the COMESA blocs. This implies that regional trade integration when enhanced through the African Continental Free Trade Area (AfCFTA) will not only encourage growth but will boost intra-trade in Africa, accelerate the growth of SMEs and enhance sustainable economic growth.

From the result in table 2, a positive (0.152) and significant (5 per cent) relationship is observed between GDP and TO, indicating that trade openness increases levels of trade at a regional level and enhances economic growth within the region. Specifically, the results suggest that, on average, a one-percentage-point increase in trade openness would lead to about a 0.15% increase in economic growth and SME activities in Africa. This positive and significant relationship is observed through all the regional blocs (ECOWAS, SADC and COMESA) and implies that the continent can leverage trade openness to establish key industries and SMEs to create value chains and increase trade participation among member states in the continent. This result is consistent with the findings of Agbetsiafa (2020), Ismail (2017), and Khosla (2015), who found that increases in trade openness through regional trade integration have had a positive impact on growth rates.

Regarding infrastructure as proxied by the gross fixed capital formation (GFCF), the results show a negative and insignificant impact on GDP, suggesting that infrastructure which is required to translate RTI into sustained economic growth is grossly inadequate on the African continent. Hence, without minimum technology, road and rail networks and energy

infrastructure, fostering countries' trade with the continent would negatively affect economic growth. This finding is explained by the growing reliance of SMEs on energy and ICT infrastructure on the continent (Oyelami et al., 2022; Gafa, 2024). Consequently, GFCF has the potential to provide the necessary social overheads to spur productive ventures, generate income, enhance growth, and foster wealth creation within the ECOWAS, SADC, and COMESA economic blocs in Africa.

Largely, the results in Table 2 confirm that regional trade integration played a significant role in promoting economic growth in Africa throughout the 2000–2022 period. These findings support and justify African governments' attempts to promote intra-African trade through the African Continental Free Trade Area (AfCFTA) framework. For instance, governments in Cameroon, Angola, Botswana, Ghana, Kenya, Nigeria, Egypt, South Africa, Algeria, and Zambia are increasing their investments in infrastructure, particularly in the areas of energy, transportation, and technology, through public-private partnerships. All these efforts aim to utilise the AfCFTA framework to bolster SME activities, increase intra-African trade, and drive economic growth. The findings of this study also confirm previous theoretical studies emphasising the role of knowledge, innovation, and human capital in driving economic growth. AfCFTA-affected SMEs benefit from admission into regional markets, which stimulates innovation as enterprises adapt to changing market needs and focus on improving product quality. Furthermore, these findings are consistent with the majority of previous empirical studies confirming the significant positive effect of RTI on African economic growth, indicating that economies with widespread access to technologies and infrastructure experienced more robust growth (Gafa, 2024; Nare and Alhassan, 2024; Gammadigbe, 2021; Oloyede et al., 2021).

Finally, the result in table 2 reveals that the model is correctly specified and linearly of good fit, given the p-value of the F-stat is less than 0.000. Again, the AR-1 and AR-2 show that the model is free from the problem of auto-correlation. Similarly, the Hansen value and the Wald chi-squared tests show that the models are statistically significant and free from proliferation of instruments.

5. Conclusion and Recommendations

This study provides compelling evidence that regional trade integration (RTI) under the AfCFTA is a potent, strategic catalyst for SME growth and long-term economic transformation in Africa. The findings

underscore a significant and positive lag effect of GDP across all blocs, such as ECOWAS, SADC, and COMESA, validating the cumulative impact of historical economic performance on current growth trajectories. Although RTI indicators (intra-regional exports, intermediate trade, and overall trade) exhibit negative coefficients, their statistical significance reveals transitional friction, not failure. These results resonate with Gafa (2024), Nare and Alhassan (2024), and Gammadigbe (2021), affirming that deeper RTI nurtures growth, but only when supported by institutional strength and infrastructural adequacy.

In contrast, the findings diverge from Oloyede et al. (2021), who found trade openness to have a statistically insignificant relationship with growth. Here, a 0.15% growth elasticity confirms that trade openness meaningfully boosts GDP and SME activity, aligning with Krugman's New Trade Theory and Romer's Endogenous Growth Theory. The findings reflect the Institutional Theory's assertion that without adequate infrastructure (proxied by GFCF), the benefits of RTI remain untapped, further demonstrating theoretical convergence. This aligns with Gafa (2024), who warned that RTI could exacerbate poverty in the absence of foundational institutions.

Critically, the findings directly answer the study's objectives in the sense that they reveal the heterogeneous effects of RTI across blocs and affirm the vital role of trade openness in SME development while exposing infrastructure deficiencies as key constraints to full RTI benefits. The robustness of the system GMM model, confirmed through the Hansen and Wald tests, further reinforces the credibility of these insights and contributes groundbreaking clarity to Africa's trade-growth dynamics.

To translate these findings into sustainable impact, the study recommends that African policymakers should adopt a dual-action strategy by establishing Trade-Ready Infrastructure Corridors (TRICs) that integrate transport, energy, and ICT networks across ECOWAS, SADC, and COMESA, while simultaneously institutionalising a "One-Policy-One-SME Accelerator" approach. This would ensure that each trade policy reform is directly linked to localised SME support mechanisms tailored to regional strengths such as agri-tech in ECOWAS or green mining in SADC. Together, these strategies will transform RTI into a robust engine for inclusive growth, regional synergy, and economic sovereignty across the continent.

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