The Impact Of Political Instability On Economic Growth In Southern African Countries

Mulenga E. C. Mpembele
(Institute of Distance Education, University Of Zambia, Zambia)

Abstract:
Political instability remains a persistent challenge that affects economic growth, particularly in developing regions where governance structures are fragile. Political instability involves frequent occurrence of leadership turnover, policy inconsistencies, election-related disputes and politically motivated unrest, all of which contribute to economic uncertainty. These governance challenges hinder long-term economic planning, weaken investor confidence and eventually disrupt macroeconomic stability. This study aimed to assess the impact of political instability on economic growth in selected countries in Southern Africa using a panel data econometric approach. The main findings alluded to the fact that trust in government and satisfaction in democracy are vital political variables that contribute to economic management, especially as it relates to inflation. Therefore, policymakers within the studied region must prioritize strengthening democratic institutions to improve macroeconomic stability. Stabilizing the political environments is beneficial but must equally be considered hand in hand with broader economic and structural indicators. Reforms should also include investment in human capital, infrastructure and innovation as well as economic diversification and regional trade integration.
Key Word: *Political Instability, Inflation, Gross Domestic Product, Foreign Direct Investment*

I. Introduction

Political instability has long been recognised as a critical factor influencing economic growth and development. It encompasses a range of governance disruptions, including frequent government turnover, policy inconsistencies, electoral disputes, civil unrest and violent conflicts (Aisen & Veiga, 2013). These elements contribute to economic uncertainty, deterring investment, weakening institutional frameworks, and disrupting long-term economic planning (Busse & Hefeker, 2007). Political stability fosters a conducive environment to economic growth by ensuring policy predictability and investor confidence (Acemoglu & Robinson, 2019). On the contrary, instability often leads to economic stagnation or decline, particularly in developing regions with fragile governance structures (Collier & Hoeffler, 2004).

Southern Africa has experienced varying degrees of political instability, with significant economic consequences. Countries such as Zimbabwe, South Africa, and Zambia have witnessed governance crises that have resulted in inflationary pressures, weakened investor confidence, and inconsistent economic policies (IMF, 2020). Zimbabwe, for instance, has endured prolonged economic mismanagement characterised by hyperinflation, capital flight, and erratic policy shifts (World Bank, 2023). South Africa has grappled with corruption scandals, politically motivated labour strikes, and policy inconsistencies that have dampened economic growth (OECD, 2021). Zambia, despite being one of the more stable nations in the region, has faced challenges related to leadership transitions, high public debt, and inconsistent fiscal policies, all of which have contributed to economic volatility (World Bank, 2022).

Empirical evidence suggests that political instability negatively affects key economic indicators such as GDP growth, foreign direct investment (FDI), and inflation rates. Studies show that countries experiencing governance instability often suffer from reduced investor confidence, capital flight, and increased inflationary pressures (Alesina, Ozler, Roubini & Swagel, 1996; Fosu, 2018).

Given the increasing economic vulnerabilities in Southern Africa, it is imperative to assess the extent to which political instability affects economic performance in the region. This study seeks to bridge the existing knowledge gap by providing a structured and comparative analysis of political instability and economic growth in selected southern African countries.

II. Literature Review

The definitions of economic growth all follow the same partner of leaning towards an increase in national income per capital, national economies, and other macroeconomic indications such as GDP per capital (Haller, 2012). The expedited growth of an economy is well necessitated in conditions requiring political, legislative and monetary stability. These conditions enhance effective decision making as well as planning in areas including production, investments, durable development, degree of education and resource utilisation. The absence of these enablers in a country can lead to decreased growth or inability to grow. One significant deterrent to economic growth is political instability, a condition that has riddled many African countries. This sentiment is echoed by Fosu (2021), highlighting that the presence of weak democratic practices and governance correlates with stunted growth trajectories, as well as a state of poor economic health as evidenced in many African nations.

The relationship between political instability and economic growth continues to be debated in both economic and political literature. The majority of the literature argues that instability disrupts investment and reduces economic performance. Similarly, more recent empirical evidence agrees with these points, but equally demonstrates that the mechanisms through which political events influence economically aligned outcomes remain very complex and context specific. Therefore, rather than assume that the significance of political instability is a one-size-fits-all, it is necessary to study different countries within regions that display a similar but wide array of both political scenarios and corresponding economic outcomes. Take, for instance, the Southern African region which is the southernmost part of the African continent. Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, South Africa, Swaziland, Zambia, and Zimbabwe are among its member states. The region has been subjected to varying levels of instability, ranging from leadership turnover to policy unpredictability and politically motivated unrest. Many African countries have been destabilised for years as the detrimental impacts of authoritarian regimes, political power struggles, and coup d'etats persist (Thelma, Chitondo, Sylvester, Phiri & Gilbert, 2024). Notably, the diversity of the continent brings up a wide range of social, political, and economic situations that cause differing impact from one country to another (Thelma et al., 2024). These variations in instability outcomes raise the need for further study of African countries, also keeping in mind the possibility of spillover effects into neighbouring countries.

Global Empirical Review

Globally, empirical studies in developed economies consistently demonstrate a strong correlation between political instability and economic decline (Dirks & Schmidt, 2024). Both low-income and high-income countries face similar negative effects, but their significance can vary because the environmental conditions are unique. Each continent has had its fair share of politically related events that have led to economic shocks.

In Europe, the war in Ukraine and Brexit introduced negative economic outcomes and uncertainties across Europe that reduced both investment and trade flows (European Investment Bank, 2022). Instability often causes unpredictability in policy that can be a deterrent to both FDI and economic growth. Similarly, Alesina et al. (2020) examined the effects of unstable governance in European economies and concluded that fragmented governments and weak political coalitions can be destructive to the overall growth of an economy. This results in weaker economic performance due to policy inconsistency and investor scepticism.

Beyond Europe, research in Asia has also reinforced these findings. China and Singapore have shown the benefits of political stability in economic growth despite having highly centralised political systems (Xu, Abbas, Sun, Gilllani, Ullah & Raza, 2021). Despite the absence of democratic governance in these nations, their ability to maintain policy predictability and strong institutional structures has fostered sustained economic expansion. On the contrary, Latin America remains a region with prolonged political instability that has contributed to growing debt burdens and declining investor confidence, exacerbating macroeconomic challenges in countries such as Argentina and Brazil (IMF, 2022). This region has struggled to achieve sustainable economic growth because of limited policy continuity and political upheaval (De Bolle, 2022). Consequently, causing the region to be among the slowest growing in the world with GDP growth falling below 2% (De Bolle, 2022).

Although developed economies tend to mitigate political instability through strong financial institutions, diversified economies, and legal frameworks that ensure policy enforcement, the negative impact of governance disruptions on economic growth remains evident.

African Empirical Review

In Africa, political instability presents an even greater challenge to economic growth and remains a key issue in the impediment of the continent to economic development. In the recent annual Ibrahim Index of African Governance report, overall governance worsened in 2023 indicating that almost half of the continent's citizens live in a country with deteriorating progress (Ibrahim Foundation, 2024). This decline is indicative of increased political instability which included the occurrence of coups and conflicts that create long-term economic uncertainty. Empirical studies confirm that unstable political environments in Africa reduce GDP

growth, discourage investment, and contribute to inflation as well as currency depreciation. Countries in Sub-Saharan Africa depict greater sensitivity to political shocks, especially where electoral violence, leadership crises, and constitutional weakness exist (Fosu, 2021). However, some studies have suggested that peaceful political regime transitions with upheld institutional strength improve economic stability as noted in Botswana. At the other end of the spectrum, countries such as Nigeria, Zimbabwe, and Ethiopia facing extended unrest have suffered inflation, currency depreciation, and declining investor confidence.

Inconsistency in economic policies and leadership uncertainty continue to weaken economic performance. Africa remains vulnerable with several episodes of political fragility and unrest witnessed, challenging the implementation of necessary policy adjustments and reforms for development (IMF, 2024). Unrest has played a significant role in decreased economic output (Collier and Hoeffler,2022), specifically in countries like Sudan and the Democratic Republic of Congo. Within the region, political instability persists leading to sharp contractions of the GDP, hyperinflation, and mass capital flight.

Compared to developed nations, African economies experience greater economic volatility due to political instability. The World Bank (2023) indicates that the effects of governance disruptions often manifest themselves through currency depreciation, rising inflation, and rising unemployment. This exacerbates economic hardship for populations already facing structural economic challenges. Unlike wealthier nations with diversified economies and strong legal frameworks, many African economies remain highly vulnerable to external shocks and internal political crises (World Bank, 2023). This consequently makes sustaining economic growth difficult in politically unstable environments.

Theoretical Framework

This study is based on three key economic and political theories that explain the relationship between political instability and economic growth.

i.   The Theory of Political Economy, proposed by Drazen (2002) speaks to how political decisions influence economic performance. The main argument being that unstable political environments weaken policy effectiveness that lead to inefficiencies and reduced growth. In Southern Africa, political instability often plays out in policy reversals, investor uncertainty and governance failures which affect macroeconomic indicators. T

ii. he Institutional Theory by North (1990) places emphasis on the role of strong institutions in economic development. Where nations with stable and well-functioning institutions tend to experience higher economic growth as a result of predictable governance structures that encourage investment and economic planning. However, unstable environments weaken institutions and bring about economic volatility, corruption and mismanagement (World Bank, 2023).

iii. Buchanan & Tullock (1962) developed the public choice theory that explored how political decision-making affects economic policies. Politicians will often act in self-interest, creating populist economic policies, corruption and decisions that undermine long-term economic growth. Governance decisions influenced by political instability have contributed to poor fiscal management, excessive public debt and inflationary pressures in regions such as Southern Africa (IMF, 2020).

III. Data And Methodology

The research employs both a quantitative and a descriptive longitudinal design based on secondary data analysis. This design facilitates the tracking of political and economic variables over a 10-year period (2014-2024). The variables include FDI inflows, GDP growth, inflation rate, political stability, policy volatility democratic satisfaction and trust in government. The analysis integrates descriptive and inferential statistical techniques, executed through the SPSS software. The process is undertaken in three main phases: descriptive analysis, correlation analysis and panel data regression analysis.

The main regression model takes the following form:
$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \mu_i + \lambda_t + \varepsilon_{it}$$
Where:
Y_{it} = Economic indicator (GDP, FDI, or Inflation) for country i at time t
X_1–X_3 = Political instability variables (policy volatility, democratic satisfaction, trust in government)
μ_i = Country-specific effect
λ_t = Time-specific effect
ε_{it} = Error term

A purposive sample of six countries: Zambia, Zimbabwe, South Africa, Namibia, Botswana, and Angola have been selected. The sampling rationale is based on three criteria, namely: availability and consistency of economic and governance data, variation in political stability indices as well as representation of

both relatively stable and unstable regimes. The data sources include the World Bank, the International Monetary Fund (IMF), Transparency International, the African Development Bank (AfDB), the Afrobarometer, and various national statistics agencies.

IV. Results And Discussion

Descriptive Analysis

The descriptive statistics highlight significant heterogeneity, particularly in the economic performance, across the six countries. The GDP growth was relatively low, at 1.87%, with a corresponding wide standard deviation of 4.05, indicating substantial volatility in economic output. The GDP spread range falling between -8.73% and 11.92% illustrates a period of both economic contraction and expansion among the countries studied. The inflation rates further highlight the economic instability in the region, with an average of 44.34% and attaining extreme values as high as 736.1%, reflecting hyperinflation. In comparison, low values reached a -2.43% decline, indicating occasional deflation.

The trend in FDI inflows is concerning; on average, the countries saw more money flowing out than coming in. The mean value stands at a large negative figure of -818.99 million USD, suggesting that countries experienced more disinvestment than investment during the period. This points to a broader issue likely driven by investor risk aversion linked to concerns of political and economic uncertainties. The massive range of FDI inflows, from net outflows of over $ 40 billion USD to inflows of over $ 8 billion USD, highlights disparities that are indicative of potential influences on investor confidence from varying levels of political risk across countries.

On the political front, the various factors that influence the perception of political stability reveal significant fragility in the political landscape. On average, perception of political stability is low at 40.32%, coupled with a much lower 9.97% on trust in government. These findings reveal widespread dissatisfaction with political leadership and institutions, which is further underscored by the average satisfaction with democracy score of 53.61%. An average value of 11.37 in the policy volatility index also indicates the frequency of policy changes, as well as their unpredictable nature. Inconsistency in policy can be detrimental to economic growth, as it may disrupt long-term economic strategies, development planning, and investment.

Table no 1: Shows descriptive analysis of political instability and economic growth

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
GDP Growth (%)	59	-8.73	11.92	1.87	4.05
FDI Inflows (USD bn)	59	-40.56	8.75	-0.82	5.93
Inflation Rate (%)	59	-2.43	736.1	44.34	139.32
Perception of Political Stability (%)	59	27.7	75.6	40.32	13.54
Satisfaction with Democracy (%)	59	39.2	75.5	53.61	12.21
Trust in Government (%)	59	3.7	22.7	9.97	5.68
Policy Volatility Index	59	3.7	22.7	11.37	5.62
Valid N (listwise)	59				

Correlation Analysis

The correlation is weakly negative (r = -0.121), indicating that higher FDI inflows do not necessarily lead to sudden GDP growth. This is echoed by Asiedu (2006), who emphasises the need for investor-friendly climates and a sectoral composition of FDI to realise growth in resource-rich economies. It also shows a moderate negative correlation (r = -0.332, p < .05), indicating that higher inflation is associated with lower economic growth. The effects of inflation on investment and consumption can be very detrimental. Consistent with classical macroeconomic theory, which suggests that inflation not only erodes purchasing power but also undermines investor confidence and thereby, overall economic performance (Fosu, 2018). This is also evident

in the negative correlation between inflation and FDI, as a rise in inflation tends to deter foreign investors, who often seek stable economic environments.

From a political perspective, inflation exhibited a weak relationship with public perceptions (r = 0.182), indicating that inflation alone may not significantly alter perceptions. A strong positive correlation (r = 0.811, p < .01), indicative of the perceived strong coincidence with greater satisfaction with democracy. Outputs validating the institutionalist theories and reiterating both democratic legitimacy and interdependence of stability (Afrobarometer, 2022). The relationship between perception of political stability and satisfaction with democracy is moderate (r = 0.360, p < .01), and near zero with satisfaction with democracy (r = 0.086). This suggests that trust is more sensitive to short-term institutional performance and policy implementation compared to broader satisfaction with democratic processes. Additionally, the policy volatility index depicted a strong positive correlation with democracy satisfaction (0.893), which is rather counterintuitive at first glance. Ideally, high political volatility is associated with instability; however, these results suggest that citizens may perceive policy changes as a sign of a government that is adaptive and responsive. This can also be viewed as perceptions of democracy and policy changes evolving simultaneously. The finding diverges from the prevailing literature (Aisen & Veiga, 2013; World Bank, 2023), which typically reports a negative relationship.

The negative but weak association (r = -0.189) supports the expectation that erratic policy making undermines democratic satisfaction, in accordance with governance theory. Inflation is negatively correlated with satisfaction with democracy (r = -0.222) and trust in government (r = -0.247), reemphasising the erosive impact of macroeconomic uncertainty on political legitimacy (IMF, 20202). A positive modest relationship exists between political stability and GDP growth (r = 0.182), but weak with FDI inflows (r = 0.054), revealing that certainty supports economic activity. This may not alone be sufficient to attract or sustain investment where other factors are absent, such as quality regulatory frameworks and infrastructure. Trust in government has a weak negative correlation with inflation (r = -0.247) and FDI inflows (r = -0.156), indicating that lower government trust may be associated with higher inflation and declining foreign direct investment. Essentially, the correlations suggest that it could be possible for public trust in government to influence economic perceptions and associated outcomes.

Table no 2: Shows correlation among all variables										
	Mean	Std. Deviation	N	1	2	3	4	5	6	7
GDP Growth (%)	1.87	4.05	59	--						
FDI Inflows (USD bn)	-0.82	5.93	59	-0.121	--					
Inflation Rate (%)	44.34	139.32	59	-.332*	0.046	--				
Perception of Political Stability (%)	40.32	13.54	59	0.182	0.054	-0.182	--			
Satisfaction with Democracy (%)	53.61	12.21	59	0.162	0.009	-0.222	.811**	--		
Trust in Government (%)	9.97	5.68	59	0.064	-0.156	-0.247	.360**	0.086	--	
Policy Volatility Index	11.37	5.62	59	-0.024	-0.07	-0.23	0.145	-0.189	.893**	--

Panel Regression Analysis

Table no 3 represents regression with GDP growth (%) as output. The F-statistics for all models (ranging from 0.641 to 1.952) were below the significant thresholds. Indicative that none of the model specifications offered a statistically significant improvement over a null model.

- Model 1 - the model only included the perception of political stability as a predictor. The coefficient of perception of political stability is B = 0.055 and a standard error of SE = 0.039. Although the coefficient was positive, it was not statistically significant, which explained a variation of 3.3% in GDP growth (R^2 =0.033). The adjusted R^2 was low at 0.016, indicating a minimal improvement over a model without predictors.
- Model 2 - in this model, satisfaction with democracy was introduced (B = 0.014, SE = 0.076), suggesting a very weak positive relationship with GDP growth, as the coefficient remained small and insignificant. The R^2 value increased slightly to 0.034, showing a marginal improvement in explanatory power.
- Model 3 - has trust in government, as indicated by a coefficient of 0.007 and a standard error of 0.113, suggesting a negligible effect on GDP growth. R^2 remained at 0.034, identical to the previous models, and the addition of this variable did not significantly enhance the model's explanatory power.

- Model 4 - all four predictors are included; the addition of the policy volatility index yields a coefficient (B = -0.254) and standard error (SE = 0.275), indicating a negative relationship with GDP growth. Despite taking on a negative value, this finding aligns with the hypothesis that policy instability reduces GDP growth and is statistically significant. R^2 increased to 0.049 accounting for 4.9% of the variance in GDP growth.

Table no 4 represents hierarchical regression with FDI inflows (USD) as output. Across all models, F statistics (ranging from 0.166 to 1.330) are well below levels that would indicate statistical significance, confirming that the combination of predictors does not meaningfully improve prediction over a model with no predictors.

- Model 1- this model begins with the perception of political stability, B = 23,524,000.00, with a standard error SE = 577,440,000.00. The R^2 value of 0.003 indicates that it only explains 0.3% of the variance in the dependent variable. The adjusted R2 of -0.015 suggests that the model is not statistically significant.
- Model 2 - the model introduces satisfaction with democracy, where B = -49,916,000.00 and SE = 110,760,000.00, but again, the result is nonsignificant. R^2 increases slightly to 0.007 while adjusted R^2 drops to -0.029, depicting a minimal change in explanatory power.
- Model 3 - in this model, trust in government comes with B = -278,900,000.00, SE = 160, 380,000.00. The general explanatory power improves (R^2 = 0.058 and adjusted R^2 = 0.007).
- Model 4 - the policy volatility index is added to the model; unexpectedly, the coefficient turns positive (B = 530,080,000.00, SE = 388,280,000.00). This result misaligns with theoretical expectations that changes in policies often deter FDI inflows; nonetheless, the effect remains non-significant. The model's fit improves, with R^2 = 0.090 (adjusted R^2 = 0.022), which explains 9% of the variance in the dependent variable.

Table no 5 represents regression with inflation (%) as output. Across all models, F statistics (ranging from 0.166 to 1.330) are well below levels that would indicate statistical significance, confirming that the combination of predictors does not meaningfully improve prediction over a model with no predictors.

- Model 1- with only the perception of political stability as a predictor, the resulting coefficient and standard error landed at B = -1.046 and SE = 0.749, respectively. This suggests that higher political stability may be associated with lower inflation; however, the relationship is not statistically significant. The R-squared value of the model is 0.033, accounting for 3.3% of the variance in the dependent variable.
- Model 2 - satisfaction with democracy is introduced, yielding B = -1.396 and SE = 1.427, which fall equally short of achieving significance. R^2 increased marginally to 0.049, showing little additional explanatory power from the inclusion of democratic satisfaction.
- Model 3 - the trust in the government variable is added, the model indicates that a more substantial negative relationship emerges (B = -4.221, SE = 2.045). These findings suggest that, controlling for other variables, greater public trust in the government is significantly associated with lower inflation rates.The model improved with R^2 increasing to 0.118 and adjusted R^2 to 0.070.
- Model 4 - in this model, the policy volatility index was included, with a coefficient of B = -7.965 and a standard error of SE = 4.918. The results differ from norms, aligning with higher policy volatility leading to higher inflation, as it undermines predictability and investor confidence. In the model with all predictors present, the effect of democracy satisfaction became more statistically significant, with a coefficient of B = -7.965, standard error of 1.689, and a p-value of less than 0.05. Therefore, greater satisfaction is associated with lower inflation rates, even when other predictors are controlled.

Table no 3: Regression with GDP growth (%) as output

	Model 1			Model 2			Model 3			Model 4			VIF
	B	*SE*		*B*	*SE*		*B*	*SE*		*B*	*SE*		
Perception of Political Stability (%)	0.055	0.039		0.045	0.068		0.042	0.079		0.055	0.08		3.999
Satisfaction with Democracy (%)				0.014	0.076		0.016	0.082		-0.026	0.094		4.449
Trust in Government (%)							0.007	0.113		0.229	0.265		7.414
Policy Volatility Index										-0.254	0.275		7.854
R	.182[a]			.184[b]			.184[c]			.221[d]			
R square	0.033			0.034			0.034			0.049			
Adjusted R square	0.016			-0.001			-0.019			-0.022			
R square Change	0.033			0.001			0			0.015			
F	1.952			0.977			0.641			0.694			
F change	1.952			0.036			0.004			0.855			

Table no 4: Regression with FDI Inflows (USD) as output

	Model 1			Model 2			Model 3			Model 4			VIF
	B	*SE*		*B*	*SE*		*B*	*SE*		*B*	*SE*		
Perception of Political Stability	23,524,000.00	577,440,0 00.00		59,800,00 0.00	993,000,00 0.00		157,160,0 00.00	112,480,00 0.00		130,060,00 0.00	113,350,000. 00		4
Satisfaction with Democracy				- 49,916,00 0.00	110,760,00 0.00		- 126,950,0 00.00	117,480,00 0.00		- 385,270,00 0.00	1,333,500,00 0.00		4. 45
Trust in Government							- 278,900,0 00.00	160,380,00 0.00		- 741,610,00 0.00*	374,430,000. 00		7. 41
Policy Volatility Index										530,080,00 0.00	388,280,000. 00		7. 85
R	.054[a]			.081[b]			.241[c]			.300[d]			
R square	0.003			0.007			0.058			0.09			
Adjusted R square	-0.015			-0.029			0.007			0.022			
R square Change	0.003			0.004			0.052			0.031			
F	0.166			0.183			1.135			1.33			
F change	0.166			0.203			3.024			1.864			

Table no 5: Regression with Inflation Rate (%) as output

	Model 1			Model 2			Model 3			Model 4			VIF
	B	*SE*		*B*	*SE*		*B*	*SE*		*B*	*SE*		
Perception of Political Stability (%)	-1.046	0.749		-0.032	1.28		1.442	1.434		1.849	1.436		3.999
Satisfaction				-1.396	1.427		-2.562	1.498		-3.891	1.689*		4.449

with Democracy (%)									
Trust in Government (%)					-4.221	2.045*	2.731	4.743	7.414
Policy Volatility Index							-7.965	4.918	7.854
R	.182a		.222b		.343c		.398d		
R square	0.033		0.049		0.118		0.159		
Adjusted R square	0.016		0.015		0.07		0.096		
R square Change	0.033		0.016		0.068		0.041		
F	1.95		1.453		2.445		2.543		
F change	1.95		0.957		4.259		2.622		

The application of hierarchical regression models provided a more rigorous test of these relationships. Across all model specifications, institutional variables such as perception of political stability, trust in government, policy volatility index, and satisfaction with democracy did not yield statistically significant effects on GDP growth or FDI inflows. The explanatory power of the models was limited, with R^2 values rarely exceeding 10%. The results suggest that institutional dimensions account for only a marginal proportion of the variation in growth and investment patterns between countries during the study period. However, with inflation, both trust in government and satisfaction with democracy emerged as significant negative predictors in specific model configurations. This finding reinforces the institutionalist arguments that the legitimacy and effectiveness of political institutions are closely linked to the quality of macroeconomic management, particularly in the realm of price stability.

V. Conclusion

The primary conclusion of the research is that institutional and political variables remain important elements of the region's political economy, although their direct and short-term effects on economic growth and FDI inflows appear to be limited. Despite the theoretical literature in other contexts suggesting that improvements in institutional quality promote growth and attract investment, the results of this study did not reveal significant associations between these institutional variables and GDP growth or FDI inflows. This finding highlights the complexity of economic processes in the Southern African region, where exogenous shocks, commodity price cycles, and the pace of economic diversification may have more pronounced effects on economic performance than formal political metrics.

The analysis revealed that institutional quality plays a significant role in anchoring macroeconomic stability by influencing inflation. Countries with stronger political legitimacy and greater satisfaction with democratic governance were found to experience lower inflation rates, consistent with international experience and the broader institutionalist literature (Fosu, 2018; IMF, 2022).

Furthermore, the findings indicate that the volatility of the policy and the perception of political stability did not demonstrate consistent or significant effects on macroeconomic indicators in the regression models. Despite existing theories predicting that erratic policy environments undermine investor confidence and disrupt economic activity, the study outcomes here suggest a more complex and potentially time-lagged relationship. It is also possible that broader economic shocks overshadow such effects.

In essence, the research supports a qualified version of the institutional hypothesis. Although institutional quality remains a vital component of macroeconomic management, particularly about price stability, it may not be sufficient on its own to drive economic performance. Rather, strong institutional structures must operate in tandem with structural reforms, economic diversification, and integration into both regional and global markets. Once again, the complexity of the findings underscores the need for multidimensional policy frameworks that combine governance reforms with economic strategies aimed at mitigating structural vulnerabilities.

References

[1]. Acemoglu, D., & Robinson, J. A. (2019). The Narrow Corridor: States, Societies, And The Fate Of Liberty. Penguin Books.
[2]. Aisen, A., & Veiga, F. J. (2013). How Does Political Instability Affect Economic Growth? European Journal Of Political Economy, 29, 151-167. Https://Doi.Org/10.1016/J.Ejpoleco.2012.11.001
[3]. Alesina, A., & Tabellini, G. (2020). The Political Economy Of International Spillovers. Journal Of International Economics, 125, 103324. Https://Doi.Org/10.1016/J.Jinteco.2020.103324
[4]. Alesina, A., Özler, S., Roubini, N., & Swagel, P. (1996). Political Instability And Economic Growth. Journal Of Economic Growth, 1(2), 189–211. Https://Doi.Org/10.1007/BF00138862

[5]. Asiedu, E. (2020). Foreign Direct Investment In Africa: The Role Of Natural Resources, Market Size, Government Policy, Institutions, And Political Instability. World Economy, 43(6), 1421-1458. Https://Doi.Org/10.1111/Twec.12914

[6]. Buchanan, J. M., & Tullock, G. (1962). The Calculus Of Consent: Logical Foundations Of Constitutional Democracy. University Of Michigan Press.

[7]. Busse, M., & Hefeker, C. (2007). Political Risk, Institutions, And Foreign Direct Investment. European Journal Of Political Economy, 23(2), 397–415. Https://Doi.Org/10.1016/J.Ejpoleco.2006.02.003

[8]. Collier, P., & Hoeffler, A. (2004). Greed And Grievance In Civil War. Oxford Economic Papers, 56(4), 563–595. Https://Doi.Org/10.1093/Oep/Gpf064

[9]. Collier, P., & Hoeffler, A. (2022). Military Expenditure, Governance, And Economic Growth: The Role Of Political Instability. Defence And Peace Economics, 33(5), 551-570. Https://Doi.Org/10.1080/10242694.2022.2034371

[10]. De Bolle, M. (2022). Decades Of Political Upheaval Have Hampered Latin American Economic Growth. PIIE. Retrieved 10 April, 2025 From Https://Www.Piie.Com/Research/Piie-Charts/Decades-Political-Upheaval-Have-Hampered-Latin-American-Economic-Growth

[11]. Dirks, M. W., & Schmidt, T. (2024). Political Instability And Economic Growth: Causation And Transmission. European Journal Of Political Economy, 85, 1-19. Https://Doi.Org/10.1016/J.Ejpoleco.2024.102586

[12]. Drazen, A. (2002). Political Economy In Macroeconomics. Princeton University Press.

[13]. European Investement Bank. (2022). New Report: The Impact Of The War On Europe's Economic Recovery. European Investment Bank. Retrieved 24 February 2025 From Https://Www.Eib.Org/En/Press/All/2022-268-New-Report-The-Impact-Of-The-War-On-Europe-S-Economic-Recovery?Utm_Source=Chatgpt.Com

[14]. Fosu, A. K. (2018). Growth, Inequality, And Poverty Reduction In Developing Countries: Recent Global Evidence. Research In Economics, 72(4), 316-324. Https://Doi.Org/10.1016/J.Rie.2018.07.005

[15]. Fosu, A. K. (2021). Democracy And Development In Africa. In Research Handbook On Democracy And Development, 174-193. DOI: 10.13140/RG.2.2.24344.14086

[16]. Haller, A. (2012). Concepts Of Economic Growth And Development ,Challenges Of Crisis And Of Knowledge. Economy Transdisciplinarity Cognition, 15(1), 66-71. Retrieved 18 March 2025 From Https://Www.Researchgate.Net/Publication/309577823_Concepts_Of_Economic_Growth_And_Development_Challenges_Of_Crisis_And_Of_Knowledge/Link/58184cec08aeffbed6c35407/Download?_Tp=Eyjjb250zxh0ijp7imzpcnn0ugfnzsi6inb1ymxpy2f0aw9uiiwicgfnzsi6inb1ymxpy2f0aw9uin19

[17]. Ibrahim Foundation. (2024). 2024 Ibrahim Index Of African Governance – Index Report. Ibrahim Foundation. Retrieved 14 April 2025 From Https://Mo.Ibrahim.Foundation/Sites/Default/Files/2024-10/2024-Index-Report.Pdf

[18]. International Monetary Fund (IMF). (2020). Regional Economic Outlook: Sub-Saharan Africa. IMF. Retrieved 24 February 2025 From Https://Www.Imf.Org/En/Publications/REO/Issues/2020/10/20/Regional-Economic-Outlook-October-2020-Sub-Saharan-Africa-A-Difficult-Road-To-Recovery-49787

[19]. International Monetary Fund (IMF). (2022). Regional Economic Outlook: Sub-Saharan Africa. IMF. Retrieved 24 February 2025 From Https://Www.Imf.Org/En/Publications/REO

[20]. International Monetary Fund (IMF). (2024). Regional Economic Outlook: Sub-Saharan Africa. IMF. Retrieved 24 February 2025 From Https://Www.Imf.Org/En/Publications/REO/SSA/Issues/2024/10/25/Regional-Economic-Outlook-For-Sub-Saharan-Africa-October-2024

[21]. North, D. C. 1990. Institutions, Institutional Change And Economic Performance. Cambridge, U.K.: Cambridge University Press.

[22]. Organisation For Economic Co-Operation And Development (OECD). (2021). Economic Outlook For South Africa: Policy And Governance Challenges. OECD. Retrieved 24 February 2025 From Https://Www.Oecd.Org/Economy/Sa-Economic-Outlook

[23]. Thelma, C. C., Chitondo, L., Sylvester, C., Phiri, E. V., & Gilbert, M. M. (2024). Analyzing Sources Of Instability In Africa: A Comprehensive Review. International Research Journal Of Modernization In Engineering Technology And Science, 6, 23-39. DOI : Https://Www.Doi.Org/10.56726/IRJMETS49115

[24]. World Bank. (2022). Global Economic Prospects. World Bank. Retrieved 24 February 2025 From Https://Www.Worldbank.Org/En/Publication/Global-Economic-Prospects

[25]. World Bank. (2023). Global Economic Prospects. World Bank. Retrieved 24 February 2025 From Https://Www.Worldbank.Org/En/Publication/Global-Economic-Prospects

[26]. Xu, X., Abbas, H. S. M., Sun, C., Gillani, S., Ullah, A., & Raza, M. A. A. (2021). Impact Of Globalization And Governance Determinants On Economic Growth: An Empirical Analysis Of Asian Economies. Growth And Change, 52(2), 1137-1154. Https://Doi.Org/10.1111/Grow.12475