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ROLE OF ECONOMIC INTEGRATION ON HUMAN WELFARE AND SOCIETAL ADVANCEMENT: INSIGHTS FROM SOUTH AFRICAN NATIONS

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ABSTRACT

The concept of human development in SADC countries has not been able to withstand immense challenges, even though the region is trying to enable its economies to work together. This paper will focus on determining whether economic integration will have any significant impact on the improvement of the Human Development Index (HDI) in the seven member states of SADC. The thesis aims at analyzing how trade openness, foreign direct investment, trade tax revenue, GDP per capita, demographic features, and dependency ratio relate to the outcomes of human development. The study uses the most common estimation techniques of pooled OLS and two-way random effects modelling using a balanced panel dataset over 20 years. The random effects model is selected based on the massive findings of both the LM test and the Hausman diagnostics. The findings indicate that trade openness has a strong negative correlation with HDI, with the coefficient of -0.0623, which means that when the openness increases by 1%, the HDI decreases by approximately 6%. The impact of GDP per capita is positive, and an increase in HDI by 1 per cent has an equivalent growth of 4 per cent. Trade tax is also observed to have a positive influence, and birth rate has a significant negative influence on HDI, resulting in a decrease of approximately 20% for each 1%. The research found that integration alone cannot enhance human development, other than powerful institutions, economic diversification and demographic management. It implies that governance structures must be enhanced, social investments and diversification to harness the benefits of economic integration to the maximum in terms of development.

Keywords: Globalization, Human Development Index, Trade Block, Economic Integration.

INTRODUCTION

Regional economic integration is an emerging trend among developing countries that have sought to enhance economic cooperation with the aim of improving their production and ensuring sustainable economic growth. In Africa, regional blocs have been collaborating increasingly over the last decade towards intra-regional trade facilitation, economic policy convergence, and long-term social development (UNECA, 2020; exemplified by the Southern African Development Community (SADC)). Although the establishment of larger markets to create economic efficiencies is the main cause of economic integration, its broader impacts to human development is a controversial issue, particularly in areas that are structurally weak, lack industrial diversification and institutional capacity to facilitate economic activities.

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It is theoretically true that economic integration is likely to lead to social welfare through such mechanisms as the further spread of technologies, the enhancement of investment processes, the creation of employment opportunities, and the increased access to the necessary goods and services (World Bank, 2018). Nevertheless, studies have indicated that these benefits are not identical across nations. There are economies where the quality of life, education, and health have been improving, and economies where inequalities, social disparities, and minimal gains in human development have been on the rise (Goldberg & Pavcnik, 2016; UNDP, 2022). This is the divergence that suggests that the relationship between integration and human welfare is conditional on country-related aspects, and these aspects are, but are not limited to, the quality of governance, the economic framework, the demographic movement, and the institutional ability.

These dynamics have been especially important in the case of SADC. Although this is an incredible success in terms of co-operation at regional levels, member states are faced with a myriad of problems, such as the high measure of dependency, unequal rates of growth, inadequate development of human capital and the underdeveloped states of institutions. Thus, the role of integration in the increase in Human Development Index (HDI) varies across the region (SADC, 2023). Furthermore, the recent global shocks, such as the COVID-19 pandemic, have also demonstrated the additional shortcomings in the social protection systems, healthcare systems, infrastructure, and economic resilience (OECD, 2021). This further intensifies the necessity of such a re-assessment of the degree to which integration facilitates or inhibits the outcomes of human development.

With this in the backdrop, a systematic review of the correlation between integration and HDI in the context of SADC is highly required among the policy makers who wish to find out whether regional integration will be converted to tangible changes in the lives of people. This paper is going to fulfill this requirement by examining the direct effects of integration and the internal processes that mediate the effects of integration styles.

Problem Statement

Although SADC countries have become more active in the arrangements of regional economic integration, it is not yet clear what impact such movements will have on human development. Although economic integration is supposed to bring about economic growth, efficiency in the operation of the market and improved accessibility to goods and services, empirical exercises have yielded mixed results regarding the effect of economic integration on welfare. In one way, integration has resulted in better health, education and living standards in some developing nations, and poorer living standards in other countries. On the other hand, it has increased inequality, decreased local industries and benefited society evenly (Goldberg and Pavcnik, 2016; UNDP, 2022).

The integration has had gaps in the distribution of HDI in SADC. The central aspects of integration on human development could be internal country factors, including governance institutions, demographic pressures, economic structure, and institutional quality. Nevertheless, extant literature does not provide much progress on the combination of such internal attributes with integration processes in order to

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influence social outcomes. Such a knowledge gap prevents policymakers from being sure of the strategies of development and how effective they are..

Research Objectives

- To assess the net impact of economic integration on human development in the SADC countries.
- To analyse the mediating effect of internal country characteristics on the relationship between integration and HDI
- To identify structural, economic, and institutional factors that promote the favorable welfare effects of economic integration in the developing regions.

LITERATURE REVIEW

The relationship between economic integration and human development has been an issue of debate within the literature of both the theory and the empirical research over the years. Unlike the agreeable fact that integration will enhance economic growth and productivity as well as better social frameworks, current studies point to individual findings whereby outcomes of integration in nations vary with reference to institutional, structural and demographic aspects. The theoretical reflections and the empirical evidence are synthesized in a review in order to offer an overall view of the nexus between economic integration and human development, with the focus on the developing countries and African regional blocs, including the SADC.

Theoretical Perspectives and Economic Integration and Development.

Classical and Neoclassical Underpinnings.

According to the ancient theories of trade, like the theory of Ricardo and the Heckscher-Ohlin (H-O) model, the integration among countries is influenced by the fact that countries benefit through specialization in those commodities in which they have a comparative advantage. The neoclassical models posit that openness to trade will result in the efficient allocation of resources, competition, and a long-term increase in income that might consequently translate into enhanced health, education and welfare (Krugman, 2012). According to these models, the increased income earned due to openness provides more chances to governments and households to invest more in building human capital.

The theories have, however, been criticized because of the assumptions made regarding perfect competition and full employment, neither of which is ever achieved in developing economies. The Stolper-Samuelson theory claims that trade may have winners and losers too, particularly in the technological change of skills, which benefits skilled over unskilled workers (Goldberg & Pavcnik, 2016). This process tends to make inequality even greater and may affect human development negatively in areas where social safety nets are not strong.

The New Growth and New Trade Theories.

Innovation, knowledge spillovers, and technological diffusion as a source of integration as a way of augmenting welfare are the subject of the endogenous growth models. These are models that bring together the economy, enhance the flow of foreign investment, enhance learning-by-doing, and boost the speed of productivity, which consequently amplifies the amount of resources at the disposal of the public services (Romer, 2019). New Trade Theory, which puts emphasis on the concept of increasing returns and imperfect competition, also suggests that integration results in industrial upgrading and the development of technology (Krugman, 2012).

Nonetheless, all these positive effects heavily rely on absorptive capacity - the ability of an economy to accommodate new technologies, accumulate human capital and maintain successful institutions (UNCTAD, 2020). Integration can entrap primary export dependence, differentiation, and inhibit structural change in the event of low capacities.

Theories of Structuralism and Institutionalism.

The structuralist economists indicate that the developing economies lack adequate diversification in production with regard to what it takes to enjoy global integration. Prebisch-Singer hypotheses are concerned with the deterioration of terms of trade of those who are primary commodities exporters and thus, integration is at risk of reinforcing underdevelopment unless accompanied by the strategies of industrialization.

The institutional theorists explain that the effectiveness of the integration greatly relies on the quality of governance, consistency of regulations and institutional power (Rodrik, 2011). In this opinion, the countries that are not institutionally ready to integrate with each other may lead to the negative social outcomes of inequality, loss of jobs, and low social mobility.

Economic Integration and Human Development: The World Evidence.

Favorable Effect of Integration on Human Development.

There is a substantial amount of literature that concludes that integration facilitates the enhancement of the areas of education, health and living standards, provided that they are properly coordinated with good governance and effective policies. According to research by Dreher et al. (2015), globalization - in terms of economic, social and political indicators - influences the HDI of countries positively to the extent that their institutions are strengthened. Equally, according to Meyer and Shera (2017), evidence shows that foreign direct investment (FDI) contributes to higher life expectancy and educational levels of the emerging economies, which contribute to capital deepening and productivity gains.

According to other studies, trade openness has caused a reduction in the price, providing a broader selection of goods and more job opportunities, which result in welfare gains (World Bank, 2018). Integration in East Asia has been linked to faster

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human capital and a reduction in the poverty rate due to technology and export-based growth investments (ADB, 2020).

Undesirable and Inequality Effects of Integration.

Although there are some advantages, integration has been linked to greater inequality and social inequalities in most developing nations as well. According to Goldberg and Pavcnik (2016), globalization is prone to cause the inequality of wages when the skilled workers are advantaged by the technological change that is skill-biased. One of the studies by UNDP (2022) notes that nations with weak and fragile institutions, as well as those with a small economic base, do not convert integration into human development benefits.

The economies of Africa, especially those that rely on commodity exports, have unstable sources of income; thus, they are likely to restrict social expenditures and long-term investments in human welfare (UNECA, 2020). Equally, in some instances, economic integration has resulted in low fiscal ability of social programs because of the decrease in tariffs and lost revenue (OECD, 2021).

Empirical Evidence from Africa & SADC

Integration and Growth Results in Africa

Studies on African regional integration show mixed results. Some studies argue that integration boosts growth by means of economies of scale, better market access, and investor flows (Kouassi & Koffi, 2020). However, lack of infrastructure, non-tariff barriers and weak institutions undermine these benefits. For example, according to the African Development Bank (2020), intra-African trade has been low with an average of less than 20%, indicating a state of low integration, which may not have completely manifested in economic/social gains yet.

Integration and Human Development in SADC

Recent assessments of SADC reveal that human development outcomes widely differ from member state to member state. Countries such as Mauritius and South Africa have high scores in the HDI, and are said to be better diversified, have greater institutional stability, and invest in human capital. In contrast, some countries, such as Malawi or Madagascar, also suffer from certain structural constraints that prevent them from improving their welfare, despite partaking in regional integration initiatives (SADC, 2023).

Empirical studies point to the fact that SADC trade openness has tended to bring modest growth effects and limited outcomes in human development unless this is paired with investment by SADC countries in health, education, and governance reforms (Moyo & Khobai, 2018). Another study from Kouassi and Fouda (2021) finds that integration makes a positive contribution to welfare if it is in line with social expenditure, infrastructure investment, and effective regulatory frameworks.

Role of Internal Factors

Several studies focused on Africa underscore the important role of mediating conditions, i.e., internal conditions, in integration outcomes. The quality of governance is referred to repeatedly as a determining factor. Nations that have more sound institutions convert gains from trade into social development better (Rodrik, 2011; UNDP, 2022). Demographic pressures such as high dependency ratios and rapid growth of population also undermine welfare results as they burden public services (World Bank, 2020). Moreover, economic structure - with many SADC countries based on primary commodities - limits the ability of integration to drive high-value economic activities.

Study Hypotheses

H_1: Economic integration has a statistically significant impact on the Human Development Index (HDI) of the SADC countries.

H_2: Trade openness has a significant impact on the Human Development Index of SADC countries.

H_3: Foreign direct investment (FDI) has a significant impact on the Human Development Index (HDI) of SADC countries.

H_4: GDP per capita has a significant impact on human development in SADC countries.

H_5: Trade taxes have a significant relationship with the Human Development Index in SADC countries.

H_6: Birth rate has a significant relation with the Human Development Index in the SADC countries.

H_7: The level of dependency ratio has a strong impact on the human development levels of SADC countries.

H_8: Internal country characteristics (quality of governance, effectiveness of institutions, economic structure, and demographic pressures) moderate the relationship between economic integration and human development.

RESEARCH METHODOLOGY

Research Design

This study uses a quantitative research design and panel data analysis to examine the relationship between economic integration and human development in selected SADC countries. Quantitative research is suitable in that it enables an objective determination of the economic integration indicators and the statistical relationship between them and the Human Development Index (HDI). Panel data analysis is popular in Development Economics because it combines cross-sectional and time-series dimensions, which implies greater variability, more degrees of freedom, and better estimator efficiency (Baltagi, 2021). It also allows for evaluating

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the country-specific characteristics that do not change over time. The study takes an explanatory design because the main objective is to find the direction and significance of the causal influence of economic integration on human development by considering the internal nature of countries.

Population and Sample Selection

The population of the study is all the 16 member states of the Southern African Development Community (SADC). However, owing to the limited availability and consistency of data for several countries during the chosen period, only seven countries have been considered: South Africa, Mauritius, Madagascar, Malawi, Namibia, Lesotho, and Tanzania. The choice of the sample selection is given by data completeness and reliability over the study period, reflecting that a methodological choice in empirical economic research studies can lead to valid estimation (Wooldridge, 2020). These seven countries represent varied economic structures and demographic characteristics and thus are suitable to assess the variations in the integration-HDI relationship in the region.

Data Type and Sources

This research is conducted using secondary and quantitative data, collected over a period of twenty years. The variables are HDI, trade openness, Foreign Direct Investment (FDI), GDP per capita, dependency ratio, tax on trade and the birth rate. Data is drawn from reliable international sources, including the United Nations Development Program (UNDP), World Bank Development Indicators (WDI), and SADC regional statistical publications. These sources are acknowledged for the issuance of valid and comparable data for economic and social indicators (UNDP, 2022; World Bank, 2021). Use of secondary data enables the assessment of longitudinal data and creates consistency in the measurement of variables across countries and years.

Model Specification

To empirically examine the relationship between economic integration and human development, the panel model of regression is applied in this study. The dependent variable is the Human Development Index (HDI), and the important independent variables are trade openness, FDI, GDP per capita, a tax on trade, the dependency ratio, and the birth rate. The general form of the model is:

$$HDI_{it} = \beta_0 + \beta_1 OPEN_{it} + \beta_2 FDI_{it} + \beta_3 TT_{it} + \beta_4 BR_{it} + \beta_5 GDPPC_{it} + \beta_6 DEPEN_{it} + \mu_{it}$$

Where *i* represents country and t represents time. This model employs the multivariate approach because human development is affected by several economic and demographic factors in line with support for the development literature (McGillivray, 2018). Inclusion of multiple predictions ensures that the estimated effect of economic integration is isolated from the effects of confounding influences.

Estimation Techniques

Panel data models can be estimated either with pooled OLS, with the fixed effects method or with the random effects method. To ascertain the best estimator, the study is carried out in a structured statistical testing process. First, the Breusch-Pagan Lagrange Multiplier (LM) test is used to choose between pooled OLS and random effects. A significant LM test means that random effects give a better fit than pooled OLS (Baltagi, 2021). Next, the Hausman specification test is performed to select between fixed effects and random effects models. A non-significant Hausman statistic(al) is a right of random effects and suggests that all the unobserved country-specific characteristics are uncorrelated with the regressors(al). This systematic method of decision-making is a common recommendation in econometric analysis of regional economic integration.

Diagnostic Tests

To try to guarantee the validity and the reliability of the model, several diagnostic tests are conducted. A test for multicollinearity is performed with Variance Inflation Factors (VIF) to ensure that the independent variables are not too highly correlated. Heteroskedasticity is examined by using the Breusch-Pagan test, and autocorrelation by using the Durbin-Watson statistic. The paper also uses a Jarque-Bera test to investigate normality of residuals, which is critical to efficient parameter estimation (Gujarati & Porter, 2017). By conducting these diagnostic tests, the credibility of the findings improves, and the possible biases are reduced.

Measurement of Variables

HDI is taken as the dependent variable, and it is a composite indicator of human development consisting of health, education and standard of living. Economic integration is represented by trade openness (ratio of total trade to GDP), tax on trade and FDI inflows. GDP per capita is included as a control variable since it has a significant relationship to human development outcomes (UNDP, 2022). Dependency ratio/birth rate are demographic variables that reflect population pressures that impact social services and welfare (World Bank, 2021). All variables are measured in standardized units to enable comparability across countries and time.

Ethical Considerations

As the study is purely based on secondary data available in the public domain, there is no need to address human subject-related ethical issues. However, the research retains academic integrity by ensuring correct citation of sources of data and sticking to pre-established methodology. Ethical research practices also mean that the results should be reported in a transparent way, without manipulation or selective interpretation (Resnik, 2020).

Justification of Methodological Choices

The use of panel data and a random effects form of estimation is suitable for taking cross-national differences in the effects of economic integration on human development. Panel methods provide for richer analytical insights than purely cross-

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sectional or time series approaches because they both capture temporal and spatial variations (Baltagi, 2021). Moreover, SADC countries present a diverse range of development paths, leading to panel analysis being an adequate framework for such analyses on the underlying pattern. The chosen variables capture key factors that determine human development, in line with findings in globalization and development literature (Goldberg & Pavcnik, 2016). Therefore, the methodology used serves as an effective and comprehensive way of analyzing the objectives of the study.

ANALYSES AND INTERPRETATIONS

Table 01: Pooled Ordinary Least Squares (SADC)

Indicators	Coefficient	σ_M	T-Statistic	P-value
C	1.1666	0.0935	12.4831	0.0000
FDI	0.0009	0.0010	0.8867	0.3769
LOPEN	-0.0623	0.0084	-7.3966	0.0000
DEPEN	4.60E-05	0.0005	0.0899	0.9285
TT	0.0013	0.0003	4.3447	0.0000
LGDPPC	0.0421	0.0048	8.8520	0.0000
LBR	-0.2030	0.0176	-11.5493	0.0000

R^2	0.943843	F-value	372.5610
R^2 Adjusted	0.941310	Prob-F	0.000000
Dependent Variable	HDI	Durbin-Watson stat	0.2618

Source: Author's Estimation

Table 01 shows the outcome of the Pooled Ordinary Least Squares (OLS) estimation for the SADC countries. The model describes the relationship between the variables of economic integration and the Human Development Index (HDI). The constant term is positive and significant, and that means that there is a good level of HDI even when we hold the explanatory variables constant. FDI has a positive coefficient, but this effect is not statistically significant (the p-value). Trade openness shows a strong and significant negative coefficient, indicating that the more trade a country is open to, the lower the human development in the region will be. The dependency ratio does not have any meaningful effect on HDI, as given by the value of the coefficient, which is nearly 0, and its p-value is very high. Tax on trade has shown a high positive impact, indicating the contribution of tariff revenue to social development. GDP per capita is seen to have a large positive coefficient, which again strengthens the well-established relationship between income growth and increased welfare. The birth rate has a large and heavily significant negative coefficient, which confirms that rapid population growth is one of the enemies of human development. R2 value of the model has been calculated as 0.9438, indicating that the combination of all the explanatory variables explains almost 94% of the variations in HDI. The extremely low value of the Durbin-Watson statistic, however, indicates possible autocorrelation among the residuals.

Table 02: LM Tests for Random Effects (SADC)

	Cross-section	Period	Both
Breusch-Pagan	26.6605 (0.0000)	16.8481 (0.000)	43.5087 (0.000)

Source: Author's Estimation

Table 02 shows the results of the Breusch-Pagan Lagrange Multiplier (LM) test used to determine whether a model with random effects is more appropriate than a pooled OLS model. The test statistics for the cross-section period and both effects are all large and statistically significant at the 1% level. This means that the null hypothesis of the lack of random effects is rejected for each of the three dimensions. In practical terms, these results suggest that there are differences across countries and differences across years, which are not random and cannot be ignored. Therefore, a pooled OLS model is unsuitable, and a random effects specification is preferred when the SADC data is analyzed.

Table 03: Method: Panel EGLS Two-Way Random Effects (SADC)

Indicators	Coefficient	σ_M	T-Stats	Probability
C	1.1666	0.0935	12.4831	0.000
FDI	0.0009	0.0010	0.8867	0.3769
LOPEN	-0.0623	0.0084	-7.3966	0.0000
DEPEN	4.60E-05	0.0005	0.0899	0.9285
TT	0.0013	0.0003	4.3447	0.0000
LGDPPC	0.0421	0.0048	8.8520	0.0000
LBR	-0.2030	0.0176	-11.5493	0.0000

R^2	0.9438	F-value	372.5610
R^2 Adjusted	0.9413	Prob-F	0.000000
Dependent Variable	HDI	Durbin-Watson stat	0.2618

Source: Author's Estimation

Table 03 shows the estimates from the two-way random effects model that help to explain variations between both countries and time periods. The results confirm what was found earlier using OLS but are more reliable as they control unobserved heterogeneity. Again, FDI has a small positive but statistically insignificant effect on HDI. Trade openness is also still negative and significant, reinforcing the notion that the exposure to trade detracts from human development in the sample. The dependency ratio is not statistically relevant, as is demonstrated by its coefficient and p-value. Tax on trade maintains its significant and positive relationship with HDI. It is indicated that the welfare improvement is supported by fiscal income derived from trade. GDP per capita continues to have a strong and significant positive impact on HDI. The birth rate continues to be a dominant negative factor, as shown by a large negative coefficient that suggests that population pressures continue to hamper development outcomes. The R-squared and adjusted R-squared results of this model are about 94% and the low Durbin-Watson value again shows serial correlation in the residuals.

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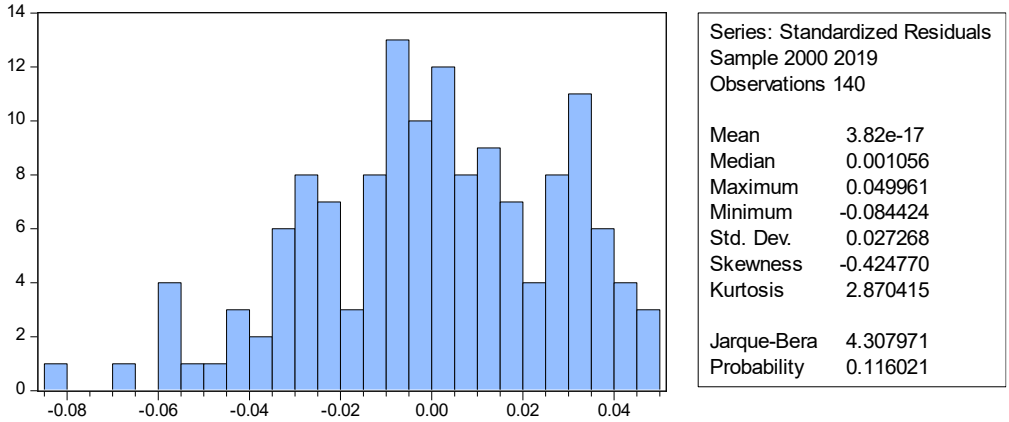
Table 04: Hausman Test (SADC)

Test	Chi2 Stats	Chi2 d.f.	P-value
Random cross-section	0.00	6	1.00
Random Period	0.00	6	1.00
Cross-section and period random	0.00	6	1.00

Source: Author's Estimation

Table 04 shows the results of the Hausman specification test used to select between the fixed effects and the random effects model. The statistics for chi-square, period and test combining reveal that all the statistics are zero with a p-value of 1.00 for cross-section. These results suggest that there is no systematic difference in the coefficients of the fixed and random effects models. As a result, the null hypothesis of the consistency of the random effects model cannot be rejected. This makes sense from a statistical point of view to adopt the random effects model as the right estimator to analyse the effect of economic integration on human development in the SADC Region.

Figure 01: Histogram for Normality (SADC)



Source: Author's Estimation

The J-B test determines whether data have skewness and kurtosis that are like a normal distribution. Jarque Bera has a null hypothesis that the distribution of the series is normal. In all cases, the result of the test is negative. It shows that data distribution is not normal if they are distant from and far from zero. Normality tests are also used to investigate if a data collection is well modeled as being normally distributed and to compute the probability that a random variable underlying the data set is normally distributed. In short, the tests are some forms of model selection, based on how well a normal model fits the data, and it is possible to interpret them in a variety of ways. Without making a judgment on any underlying variable, if the fit is inadequate, the data is not well described in that sense by a normal distribution. The result of the Jarque-Bera test confirms the Normal distribution.

DISCUSSION

The results of this study give vital insights into the role of economic integration on human development amongst SADC countries. The results show that Trade openness has a statistically significant negative impact on the human development index (HDI), while factors such as GDP per capita and tax on trade have a positive impact. Foreign direct investment (FDI) is also found to be positively, statistically weakly, related to human development. These outcomes reflect the complex and context-specific nature of regional integration in the developing world and are consistent with and relate to larger debates on development economics.

It turns out that the negative relation between trade openness and HDI is consistent with findings from various empirical studies conducted in the developing regions. Researchers argue that while trade liberalization may increase the opportunities for trade, there is a tendency that benefits will be distributed in an uneven way in countries with low industrial capacity, low institutional structures, and high-level import reliance (Goldberg & Pavcnik, 2016). Many SADC countries depend on primary commodity exports and inputs that are traded at low prices, putting them at the mercy of fluctuations in the world price as well as competition among themselves relative to more industrialized countries (UNECA, 2020). As a result, growing openness could undermine domestic industries, cut employment in local sectors, and hamper the ability of governments to invest in health and education, and thus reduce results on HDI. This pattern is in accordance with results obtained by Moyo and Khobai (2018), who reported that oversubscribing to trade openness in the SADC region has historically always resulted in limited welfare gains stemming from past structural weaknesses.

In contrast, the effect of GDP per capita is powerful enough to have a positive effect on human development. This relationship supports the classical and contemporary development theories, which argue that the rising levels of income improve the ability of households to invest in health, education, and improved living conditions (UNDP, 2022). Higher national income also increases fiscal space, meaning the government can expand the provision of social services and public healthcare, schooling facilities, and welfare programs. The positive relation of GDP per capita in this study is consistent with the evidence across the world, which shows that national income is one of the most reliable predictors of improvements in HDI, especially in low- and middle-income countries (McGillivray, 2018).

The positive relation between tax on trade and human development is interesting and is in line with recent literature highlighting the importance of trade revenues in developing economies. In many African countries, tariffs and trade taxes are a high share of government income, particularly in countries with weak or underdeveloped tax administration systems (OECD, 2021). Higher revenues from trade taxes could thus strengthen governments' capacity to fund public programmes to improve HDI components such as schooling, immunization, and income support. This result implies that, contrary to those in favour of setting aggressive tariff reduction, SADC countries may continue to rely on trade taxes as a crucial source of development financing.

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The negative impact of birth rate on HDI is not an anomaly for existing demographic theory. Higher fertility rates put huge strains on health systems, education facilities, and public services, and so limit increases in human welfare. Rapid population growth and lack of economic growth result in the dilution of resources and loss in terms of investments per capita in human capital (World Bank, 2021). This matters especially to several SADC countries, where young populations and high dependency ratios are persistent challenges. The findings are a stark vindication of the need for demographic policies that focus on family planning, maternal health, and the education of young women, which are shown to improve HDI outcomes significantly (UNFPA, 2020).

While FDI is found to be positively associated with human development, its effect is found to be statistically small. This result is reflective of open discussions on the quality, sectoral pattern, and absorptive capacity of developing economies in receiving foreign investment. Research shows that FDI is more important for welfare with a focus on sectors that create jobs, promote technology transfer and skills development (Meyer & Shera, 2017). However, within many African countries, the FDI is concentrated in extractive industries with limited job creation opportunities as well as minimal linkages to the domestic economies (UNCTAD, 2020). Thus, the weak relationship in this study could suggest that SADC countries are not fully utilising FDI in promoting social development and diversifying the structure of production.

A broader interpretation of the results also suggests the importance of internal country characteristics. Institutional quality, effectiveness of governance and economic structure play a role in whether integration enhances or undermines human development. Countries with diversified economies - such as Mauritius and South Africa - are more successful in converting the flows of trade and investment into improved welfare outcomes than the low-income SADC members, which are structurally vulnerable. This is in line with Institutional Theory, which calls for policy coherence and good governance as being integral to the incorporation of economies to convert gains into human development (Rodrik, 2011). Therefore, weaknesses in governance, corruption and inefficiency in public administration are likely to exacerbate the negative impact of trade openness for several SADC members.

Taken together, the results underscore the importance of emphasizing that economic integration is not enough to improve human development. Instead, integration must be accompanied by domestic reforms strengthening institutions and diversifying economic structures, improving the delivery of social services, and managing demographic pressures. This finding reverberates across the world by assessing developmental achievements not solely based on economic openness but also emphasizes shifting policies of inclusiveness in such regards, and an equitable distribution of developmental gains achieved. For the SADC region, this implies the urgent need for industrialization strategies, investment in human capital, social protection systems, and governance reforms to maximize the developmental benefits of regional integration.

This study covers the effects of economic integration on human development in selected SADC countries in a twenty-year span. The results showed that trade openness has a significant negative impact on the Human Development Index (HDI), while the factors of GDP per capita and tax on trade have a positive impact on human

development. Foreign direct investment (FDI): FDI has a positive but statistically weak effect, which again implies that FDI is not fully exploited about social welfare. Demographic pressures and especially the high birth rates were found to hugely dampen HDI, emphasising population-related constraints. Overall, the present study illustrates that economic integration as an agreement is not sufficient to ensure human development, rather its functionality is contingent upon internal country characteristics such as institutional quality, governance, economic diversification, and demographic management. These results highlight the importance of the policies of integration that should, at the same time, tackle structural, fiscal, and social dimensions to turn integration into meaningful welfare gains (UNDP, 2022; Rodrik, 2011).

RECOMMENDATIONS

Strength Volumes Institutional and Governance Frameworks

SADC member states should develop and improve governance, the effectiveness of regulation, and mitigate corruption to ensure that economic gains through integration are channeled to social welfare programs (UNDP, 2022).

Encouraging Economic Diversification

Governments should pursue industrialization and diversification policies to lower the dependency on primary commodities export, be more resilient to external shocks, and facilitate greater employment and income distribution (UNECA, 2020).

Maximize the Impact of FDI on Development

FDI should be invested in sectors that generate employment, transfer of technologies, and human capital. Investment in manufacturing, services and renewable energy can offer a wider social benefit than the extractive industries (UNCTAD, 2020).

Employ Trade Taxes to Enhance Social Development

Tariff revenues continue to play an important role in the funding of health, education, and public services. SADC countries should use the power strategically by taxing their trade to fund their development programs while checking their trade competitiveness (OECD, 2021).

Solve the Demographic Challenges

High birth rates have negative impacts on human development consequences. Policies should be directed toward family planning, reproductive health services and education for women and young people to ease dependency pressures (UNFPA, 2020).

Enhance Regional Cooperation

Lowering non-tariff barriers, bettering regional infrastructure, and aligning labor and trade policies are ways to increase the benefits of the economy of integration to the people's welfare (UNECA, 2020).

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LIMITATIONS OF THE STUDY

Limited Sample Size

Only 7 SADC countries were analyzed because of the availability of data, which restricts the ability to generalize the results to other countries in this region.

Reliance on Secondary Data

The research has secondary data from international sources. Differences in how data is collected in each country may affect the accuracy and comparability of results (World Bank, 2021)

Exclusion of Some of the Relevant Variables

Key factors such as governance indexes, inequality measures and environmental variables were not included due to a lack of consistent data and potentially will affect the comprehensiveness of the analysis.

Possible Omitted Variable Bias

Human development is affected by several contextual factors, such as political stability, the quality of an infrastructure, and technology, which were not specifically modelled.

Regional Heterogeneity

SADC countries vary in terms of size, income levels, and economic structures, which may imply that the effects of integration can vary, and all these factors may not be reflected in any single panel model.

SIGNIFICANCE OF THE STUDY

Empirical Contribution

For the first time, the study offers one of the few recent analyses on the direct relationship between economic integration and human development in SADC countries, using the HDI as a multidimensional measure against the sole measure of GDP (Goldberg & Pavcnik, 2016; UNDP, 2022).

Policy Relevance

The findings provide policymakers with information on under what types of conditions economic integration can result in improved human welfare, and thus, the importance of governance, fiscal management, and demographic interventions.

The research provides some practical lessons for SADC and similar regional blocks on how to construct trade and integration policies that maximize social welfare and reduce potential adverse effects.

Theoretical Contribution

The paper skillfully shows that the development outcomes of integration are shaped by both exogenous growth, institutional, and structural change theories, and it depends not only on external economic engagement but also on internal country features (Rodrik, 2011; McGillivray, 2018).

Foundation of Future Research

The present study has paved the way for future studies that involve consideration of other socio-economic and governance variables, as well as a qualitative understanding of the processes by which integration influences human development.

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