Financial Deepening Indicators And Economic Growth In

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KAEL PEREZ

Capital for the Future World Bank Publications
Shows a statistically significant and economically relevant effect of open capital accounts on financial deepness and economic growth in a cross-section of countries over the period 1986 to 1995.
Senegal International Monetary Fund
This paper examines how financial development affects the sources of growth—productivity and investment—using a sample of 145 countries for the period 1960-2011. We employ a range of econometric approaches, focusing on the CCA and MENA countries. The analysis looks beyond financial depth to capture the access, efficiency, stability, and openness dimensions of financial development. Yet even in this broad interpretation, financial development does not appear to be a magic bullet for economic growth. We cannot confirm earlier findings of an unambiguously positive relationship between financial development, investment, and productivity. The relationship is more complex. The influence of the different dimensions of financial development on the sources of growth varies across income levels and regions.
Domestic Resource Mobilization and Financial Development Edward Elgar Publishing
This paper examines the causal relationship between financial development and economic growth for the Albanian economy using the Granger causality test for five different proxies for financial development. For the non-stationary and non-cointegrated series, the VAR model has been constructed and later, the above test has been applied. For non-stationary series but with a cointegrating relationship, the Granger-causality test has been applied after the construction of the vector error correction model (VECM). The empirical findings of the study show that there is a positive

relation between all indicators measuring the financial development and economic growth in the long term. While in the short term, this relation is quite vague since different indicators provide different results. The data used in this paper belong to the period 1996-2007
Measuring Financial Development in Sub-Saharan Africa Routledge
Abstract: My dissertation explores the impact of financial development, as well as regulatory changes in the financial sector, on economic growth. Recent literature on growth has often focused on the importance of financial intermediation and institutional quality. Advocates of financial development say that the development of the banking sector and stock markets increase the financing available to firms, raising productivity. The "institutions hypothesis" proponents suggest that institutions jointly determine the growth rate and the policy choice, while policies themselves bear no causal connection to growth. Such hypothesis is difficult to test empirically because the change in institutional quality is, with a few historic exceptions, very slow. For the most part, therefore, a country's economic performance can end up being attributed to a random cause. Using a cross-country data set and numerous financial indicators, institutional quality variables and growth measures, I find that this is not true of financial development. Financial variables have a significant effect on growth that is distinct from that of institutions like private property and rule of law. I also consider this issue in the context of the fifty U.S. states. States differ with respect to financial indicators like the number of banks, assets, equity, loans and deposits. They also vary in terms of their regulatory environments. States like Delaware, Texas and Nevada have very high scores for economic freedom; Mississippi, New Mexico and West Virginia have very low ones. The results again underscore the importance of financial deepening in order to achieve economic growth. Taking up from this point, the final essay studies the impact of U.S. banking deregulation on growth. Many states relaxed restrictions on intra-state bank branching beginning in the early 1960s, both by allowing bank holding companies to convert subsidiaries into branches and by permitting statewide de novo branching. This increased competition in the banking sector forced banks to become more efficient. The existing literature suggests that one of the channels through which this worked was bank lending. Different industries have varying degrees of dependence on external financing, and industries that have greater dependence should grow faster in the post-deregulation period. Using a panel data set, I find this not to be the case for the U.S.; industries that borrow less from banks actually grew at a faster rate after deregulation. This could reflect commercial banks losing market share to other sources of external financing, the general decline in the U.S. manufacturing sector and the terms of trade moving in favor of agriculture. I also consider the effect of deregulation on various banking indicators and find the strongest impact to be on the number of commercial banks operating in the state. Contrary to existing research, these regulatory changes slowed down growth in the number of bank branches and offices, as well as other measures of bank performance like assets, equity, loans and deposits. This suggests that the gains from

deregulation are short-lived, and also indicate unprofitable smaller banks shuttering their operations and the emergence of credit unions and other alternatives to commercial banks.
New Financial Development Indicators
World Bank Publications
This study introduces an index for measuring financial development and a set of six indices representing key characteristics of the financial systems in 38 sub-Saharan African countries. The results show that these countries have made good progress in improving and modernizing their financial systems during the last decade, particularly with regard to financial liberalization and the adoption of indirect instruments of monetary policy. In many countries, however, the range of financial products remains extremely limited, interest rate spreads are wide, capital adequacy ratios are insufficient, judicial loan recovery is a problem, and the share of nonperforming loans is large.
Causuality Between Finance and Growth World Bank Publications
This enhanced review of Senegal’s financial sector is one of several pilot reviews called for by the Executive Board in May 2012. The purpose of the reviews is to go beyond the traditional surveillance focus on banking system soundness and solvency by analyzing in more depth the interplay between financial development, macroeconomic and financial stability, and effectiveness of macroeconomic policies in low-income countries. Senegal is a member of the West African Economic and Monetary Union; a number of key macroeconomic and financial policies are designed and implemented at the union level. This study focuses on Senegal-specific issues. Another pilot study, to be prepared in the context of the next annual consultation on regional policies in early 2013, will focus on union-wide issues.
Capital Account Liberalization, Financial Depth, and Economic Growth Springer
This study investigates the relationship between financial sector development and progress in reaching the Millennium Development Goals (MDGs). It assesses the contribution of countries' financial sector development to achieving the MDGs. The focus is on the relationships between financial development and economic welfare and growth, and the following four MDG-themes: Poverty, Education, Health, and Gender Equality. In doing so, the book reviews the theoretical channels, surveys existing empirical evidence - both cross-country and case study evidence, and provides new evidence. Financial Sector Development and the Millennium Development Goals finds that financial development is an important driver for economic welfare in that it reduces the prevalence of income poverty and undernourishment. In addition, new evidence is provided of a positive association between financial development and health, education, and gender equality.
Financial Structure and Economic Development Financial Development and Source of Growth
"While substantial research finds that financial development boosts overall economic growth, we study whether financial development disproportionately raises the incomes of the poor and alleviates poverty. Using a broad cross-country sample, we distinguish among competing theoretical predictions about the impact of financial development on changes in income distribution and

poverty alleviation. We find that financial development reduces income inequality by disproportionately boosting the incomes of the poor. Countries with better-developed financial intermediaries experience faster declines in measures of both poverty and income inequality. These results are robust to controlling for other country characteristics and potential reverse causality"--National Bureau of Economic Research web site.

Financial Development, Institutions, Growth and Poverty Reduction World Bank Publications

Financial depth in Sub-Saharan Africa (SSA) has been uneven over the last two decades. The WAEMU countries are lagging behind other regions, particularly the High Growth Non-oil Exporters (HGNOEs) group. We use two complementary methodologies to compare the two groups of countries. In a panel of 16 countries over 1997–2009, we find that the financial gap between the two groups of countries can be explained by institutional factors. In a benchmarking exercise comparing the major economy in the WAEMU (Côte d’Ivoire) with the most structurally similar in the control group (Mozambique), we show that Côte d’Ivoire underperformed relative to Mozambique and to its estimated potential. We then identify policy and institutional asymmetries between the two countries that could explain the gap in performance.

Taming Financial Development to Reduce Crises International Monetary Fund

There is a vast body of literature estimating the impact of financial development on economic growth, inequality, and economic stability. A typical empirical study approximates financial development with either one of two measures of financial depth – the ratio of private credit to GDP or stock market capitalization to GDP. However, these indicators do not take into account the complex multidimensional nature of financial development. The contribution of this paper is to create nine indices that summarize how developed financial institutions and financial markets are in terms of their depth, access, and efficiency. These indices are then aggregated into an overall index of financial development. With the coverage of 183 countries on annual frequency between 1980 and 2013, the database should offer a useful analytical tool for researchers and policy makers.

A New Database on Financial Development and Structure Nigerian Institute of Social and Economic Research (NISER), University of Ibadan

This new database of indicators of financial development and structure across countries and over time unites a range of indicators that measure the size, activity, and efficiency of financial intermediaries and markets.

The Influence and Effects of Financial Development on Economic Growth Springer Nature

The employment of financial development indicators without due consideration to country/regional specific financial development realities remains an issue of substantial policy relevance. Financial depth in the perspective of money supply is not equal to liquid liabilities in every development context. This paper introduces complementary indicators to the existing Financial Development and Structure Database (FDSD). Dynamic panel system GMM estimations are applied. Different specifications, non-overlapping intervals and control variables are used to check the consistency of estimated coefficients. Our results suggest that from an absolute standpoint (GDP base measures), all financial sectors are pro-poor. However, three interesting findings are drawn from measures of sector importance. (1) The expansion of the formal financial sector to the detriment of other financial sectors has a disequalizing income effect. (2) Growth of informal and semi-formal financial sectors at the expense of the formal financial sector has an income equalizing effect. (3) The positive income redistributive effect of semi-formal finance in financial sector competition is higher than the corresponding impact of informal finance. It unites two streams of research by contributing at the same time to the macroeconomic literature on measuring financial development and responding to the growing field of economic development by means of informal financial sector promotion and microfinance. The paper suggests a practicable way to disentangle the effects of the various financial sectors on economic development. The equation of financial depth in the perspective of money supply to liquid liabilities has put on the margin the burgeoning informal financial sector in developing countries. The phenomenon of mobile banking is such an example.

Financial Development and Growth in the Middle East and North Africa World Bank Publications

This book explores country case studies and works that detail the exact transmission mechanisms through which financial development can enhance pro-poor development in order to derive best practices in this field. This is an important companion for professionals and policymakers, and also a vital reference source for students.

An Empirical Reassessment of the Relationship Between Finance and Growth International Monetary Fund

First published in 1999, this volume examines the role and effects of financial liberalisation in ten deregulated Asian developing countries including Indonesia, Malaysia, Myanmar, Nepal, the Philippines, Singapore, South Korea, Sri Lanka, Taiwan and Thailand. These areas experienced significant financial and economic changes between the ‘financially repressed economies’ of the 1970s through to the 1990s. Muzafar Shah Habibullah approaches this issue in two parts. Part 1 provides empirical evidence of relationships between monetary aggregates, nominal income and price level. In part 2, he offers an early attempt to evaluate the Divisia monetary aggregate as an alternative to the Simple-sum aggregate as an indicator for the financial and economic situation of Asian developing countries.

Financial Deepening, Terms of Trade Shocks, and Growth Volatility in Low-Income Countries World Bank Publications

Master's Thesis from the year 2009 in the subject Business economics - General, grade: A, Vanderbilt University (Graduate Program in Economic Development), course: Masters in Economics, language: English, abstract: This study explores the relationship between financial growth and economic development in India using time series data over the period 1950-2007. The majority of the previous studies on this subject have used cross-sectional data, which may not address country specific issues. In addition, many studies used either OLS technique of estimation or bi-variate causality test and may, therefore suffer from the omission-of variable bias. This study attempts to examine the dynamic relationship between financial growth and economic development by including a range of financial variables like, quasi money for monetization, domestic credit for financial intermediation activities and bank asset for financial intermediary institutions. The casual relationship between economic development and financial growth indicators was examined with the help of Granger-Causality procedure based on Unrestricted Vector Auto Regression using the error correction term. The result from the cointegration tests indicates that financial development has a long-run equilibrium with economic growth. The financial sector and real sector move and evolve together in the same direction. The error correction model suggests that, in the short-run, the output variable is the only effective adjustment factor in the system that responds to the fluctuations of financial measures and domestic capital formation. On the other hand, the response of financial intensities and investments are sluggish adjustments that correct the deviation from equilibrium. In nutshell, this study shows that India's financial development and economic growth are positively correlated; the process of economic development is not sustainable without the contributions of the financial sector and vice versa.

Financial Deepening and Stock Market Development in Nigeria □□□□□□□□□

This paper assesses whether and how financial development triggers the occurrence of banking crises. It builds on a database that includes financial development as well as financial access, depth and efficiency for almost 100 countries. Through estimation of a dynamic logit panel model, it appears that financial development, from an institutional dimension and to a lesser extent from a market dimension, triggers financial instability within a one- to two-year horizon. Additionally, whereas financial access is destabilizing for advanced countries, it is stabilizing for emerging and low income ones. Both results have important implications for macroprudential policies and financial regulations.

Introducing a New Broad-based Index of Financial Development World Bank Publications

A country's level of financial development and the legal environment in which financial intermediaries and markets operate critically influence economic development. In countries whose financial sectors are more fully developed and whose legal systems protect the rights of outside investors, economies grow faster, industries dependent on external finance expand more quickly, new firms are created more easily, firms have more access to external financing, and firms grow faster.

Three Essays on Financial Intermediation and Growth World Bank Publications

" The empirical literature on finance and development suggests that countries with better developed financial systems experience faster economic growth. Financial development-as captured by size, depth, efficiency, and reach of financial systems-varies sharply around the world, with large differences among countries at similar levels of income. This paper argues that governments play an important role in building effective

financial systems and discusses different policy options to make finance work for development."--World Bank web site.
The Global Findex Database 2017
Ebooks2go Incorporated
This book provides insights into the evolving debate regarding the mobilization of domestic resources and the crucial role that financial development can and should play in this regard, exploring aspects of the financial development–domestic resource mobilization nexus, including country case studies.
Financial Development and Economic Growth International Monetary Fund
The purpose of this present research is to explore the relationship between fina ncial sector development and economic growth. Since financial development is a m ultifaceted concept, the question of whether the development of financial market s leads to economic growth or whether it is more of a consequence of a growing eco nomy is addressed. Moreover, this project examines this central relationship in the context of one economy, that of Lebanon. The project utilizes secondary theoretical and emp irical literature to draw general conclusions on the existing state of thought o n the emphasis of the role of financial development in generating sustained growth. The trend in the literatur e is that the development of financial markets and institutions and a financial system that does a good job of delivering essential services, is a critical part of the growth process and not just a passive response to economic development. Furthermore, Lebanon is specifically examined in terms of its financial structur e, level of financial sector development and economic performance. Primary resea rch is carried out empirically through regression analysis of the effect financi al development plays on the economic development of Lebanon. The results show that in the Lebanese context, financial sector develop ment does in fact have an impact on economic growth. The indicators of financial sector development used in the tests collectively impacted the observed changes in econ omic growth. However, not all of the financial development indicators used were significant, which does not completely conform to the results of the majority of cross- country studies carried out in the literature. Thus, the findings of this paper can be r egarded as being a preliminary step to further investigations. Lastly, the study proposes areas for further research and policy recommendations that the Lebanes e government and key financial sector players should consider in order for the full effects of financial development measures to take form.