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???: Financial structure and development/Raymond W. Goldsmith. -- 1969. -- ???: ??...?

This paper examines the empirical relationship between long–run growth and the degree of financial development, proxied by the ratio of bank credit to the private sector as a fraction of GDP. We find that this proxy enters significantly and with a positive sign in growth regressions on a large cross–country sample, but with a negative sign using panel data for Latin America. Our findings suggest that the main channel of transmission from financial development to growth is the efficiency of investment, rather than its volume. We also present a model where the negative correlation between financial intermediation and growth results from financial liberalization in a poor regulatory environment.

Scientific Study from the year 2011 in the subject Economics - Economic Cycle and Growth, grade: none, Universite de Cocody, Abidjan (The UFR of Economics and Management), course: Teacher's publication, language: English, abstract: The present paper analyzes theoretically and empirically the link between financial development and economic growth in the Ivorian economy. To that end, the contribution of financial development to economic growth is assessed through the broad money (M2) as percentage of GDP ratio (M2/GDP), private credit on domestic credit (CE/CJ), liquid liability of out of gross domestic product (DQM/M2), indicating the banking system's expansion in the mobilization of saving. The analysis is carried through a VAR model. Key words: Financial development, Economic growth, Velocity of money, risk.

JEL Classification: C32, F41, F43*

Financial sector liberalization was high on the agenda of policymakers during the last quarter of the twentieth century. But there were significant differences in the pace and scale of reform. This pamphlet examines the factors triggering-or impeding and even reversing-financial reform in 35 economies, both industrial and developing.

The most successful economies have the best working financial markets. While causation obviously runs in both directions, current research has increasingly emphasized the role of finance in promoting growth. Here seven leading financial economists explore the links between financial development and growth. The book seeks to answer the question of the role of finance in promoting sustainable growth and in the reduction of poverty, for example via micro-financial institutions.

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 bivariate 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.

Tiivistelmä.

The global financial crisis experience shone a spotlight on the dangers of financial systems that have grown too big too fast. This note reexamines financial deepening, focusing on what emerging markets can learn from the advanced economy experience. It finds that gains for growth and stability from financial deepening remain large for most emerging markets, but there are limits on size and speed. When financial deepening outpaces the strength of the supervisory framework, it leads to excessive risk taking and instability. Encouragingly, the set of regulatory reforms that promote financial depth is essentially the same as those that contribute to greater stability. Better regulation—not necessarily more regulation—thus leads to greater possibilities both for development and stability.

Rethinking Financial DeepeningStability Growth in Emerging MarketsInternational Monetary Fund

We propose a coherent unified approach to the study of the linkages among economic growth, financial structure, and inequality, bringing together disparate theoretical and empirical literature. That is, we show how to conduct model-based quantitative research on transitional paths. With analytical and numerical methods, we calibrate and make tractable a prototype canonical model and take it to an application, namely, Thailand 1976-1996, an emerging economy in a phase of economic expansion with uneven financial deepening and increasing inequality. We broadly replicate the actual data, test the model formally, and identify anomalies. This paper reexamines the empirical relationship between financial development and economic growth. It presents evidence based on cross-section and panel data using an updated dataset, a variety of econometric methods, and two standard measures of financial development: the level of liquid liabilities of the banking system and the amount of credit issued to the private sector by banks and other financial institutions. The paper identifies two sets of findings. First, in contrast with the recent evidence of Levine, Loayza, and Beck (2001), cross-section and panel-data-instrumental-variables regressions reveal that the relationship between financial development and economic growth is, at best, weak. Second, there is evidence of nonlinearity in the data, suggesting that finance matters for growth only at intermediate levels of financial development. Moreover, using a procedure appropriately designed to estimate long-run relationships in a panel with heterogeneous slope coefficients, there is no clear indication that finance spurs economic growth. Instead,
for some specifications, the relationship is, puzzlingly, negative. A theoretical framework to guide empirical analysis of how land registration affects financial development and economic growth. A large theoretical and empirical literature has focused on the impact of financial deepening on economic growth throughout the world. This paper contributes to the literature by investigating whether this impact differs across regions, income levels, and types of economy. Using a rich dataset for 150 countries for the period 1975–2005, dynamic panel estimation results suggest that the beneficial effect of financial deepening on economic growth in fact displays measurable heterogeneity; it is generally smaller in oil exporting countries; in certain regions, such as the Middle East and North Africa (MENA); and in lower-income countries. Further analysis suggests that these differences might be driven by regulatory/supervisory characteristics and relate to differences in the ability to provide widespread access to financial services. The reasons of economic growth have been always one of the most controversial issues in economic science. One of the probable effective factors on economic growth which has been declared about one century ago is financial development. Despite of this long history, there are different opinions among economists about the cause and effect relationship between financial development and economic growth. However, most economists argue that economic growth has been strongly influenced by financial sector. At the same time, evidences of different countries are also very different in this case. In the modern economic system, financial system operates like the heart and bank networks like the vessels for the economy. The efficiency of economic system is involved in the correct function of banking system. The results revealed that in the case of Iran, there is a two-way long-run causality relationship between multilateral index of financial development and economic growth. These analyses and findings should help shed some light on the literature of finance-growth nexus in developing countries, and should be especially useful to anyone who may be interested in financial economics. This book is concerned with the role of financial intermediation in economic development and growth in the context of Malaysia. Using an analytical framework, the author investigates the Malaysian economy from 1960 onwards to examine how far financial development has progressed in the course of economic development, and whether it has been instrumental in promoting economic growth. A significant improvement in the Malaysian financial system, coupled with rapid economic growth and a rich history of financial sector reforms, makes Malaysia an interesting case study for this subject. The author shows that some government interventions seem to have impacted negatively on economic growth, whereas repressionist financial policies such as interest rate controls, high reserve requirements and directed credit programmes seem to have contributed positively to financial development. The analysis concludes that financial development leads to higher output growth via promoting private saving and private investment. Shedding light on the evolutionary role of financial system and the interacting mechanisms between financial development and economic growth, this book will be of interest to those interested in economic and financial development, financial liberalization, saving behaviour and investment analysis and Asian Studies. 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. This collection brings together a collection of theoretical and empirical findings on aspects of financial development and economic growth in developing countries. The book is divided into two parts: the first identifies and analyses the major theoretical issues using examples from developing countries to illustrate how these work in practice; the second part looks at the implications for financial policy in developing countries. 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.

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