

Financial deepening in economic development

Oxford University Press - Analysis: The importance of financial deepening in Indonesia

...very convincing. When one considers that the main function of the Turkish banking sector during the late 1990s was to channel deposits into the Treasury (Dozler et al., 2000), it becomes clear why an increase in financial depth may lead to a slowdown in final GDP per capita as those funds had mainly been used for rent distribution purposes by the governments. In that sense, this study shows that financial development does not always lead to economic growth and the conditions under which financial deepening occurs are crucially important when contributions of financial intermediaries to economic activity are discussed. It is likely that the somewhat dominant role of state banks in the banking sector during the 1990s differentiates Turkey from other countries that have been studied in the literature (such as Spain or the U.S.). A possible divergence in the effects of private banking sector vs. public banking sector development on economic growth still remains to be investigated, as government ownership of banks may distort the incentives in the banking sector.

It should be noted here that the goal of this study is to investigate the link between financial deepening and short-term economic activity ("short-run economic growth"). The relatively short time-span of the data set (accommodated by data availability), implies that limited conclusions can be reached concerning the link between financial development and long-run economic growth.⁵ Nevertheless, the impact of financial development on day-to-day economic activity at a regional level is an understudied topic and this is where the main contributions of this study lie.

The rest of the study is as follows: Section 2 presents a brief overview of the Turkish Banking Sector and explains the features of the financial deepening that took place during the 1990s. Section 3 introduces the data set and the empirical methodology used. The results of the empirical analysis and robustness tests are discussed in Section 4. Finally, Section 5 concludes.

⁵Although the data set covers a significantly shorter time span compared to the cross-country studies, its time horizon is nevertheless more comparable to the few existing studies of financial development and regional growth. Perhaps due to limited space, data sets used by Yilmaz et al. (2003) and Banerjee (1994) only cover the periods 1986-1998 and 1995-1999 respectively.

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Description: -

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Poets, Japanese -- 1185-1600 -- Biography.
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Underdeveloped areas -- Finance.Financial deepening in economic development
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Economic development seriesFinancial deepening in economic development
Notes: Includes bibliographical references.
This edition was published in 1973



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McKinnon, R. and Shaw, E. (1973) Financial Deepening in Economic Development. Brookings Institution, Washington DC.

This line of argument would support a large role for central banks in supervision, since they have traditionally played a large role in macro-prudential analysis and the preservation of financial stability and they have acquired a strong expertise in this field.

Financial Deepening and Economic Growth: The Turkish Experience

Bank of England Quarterly Bulletin 2010 Q4, 277-291 King M.

Money and Capital or Financial Deepening in Economic Developments?

Financial deepening and international monetary stability, IMF Staff Discussion Note, October, pp. To catch up with its peers, Indonesia needs accelerated transformation in capital and money markets to increase liquidity through more participation as its foremost barrier is the lack of structural investors in the Indonesian economy. RBI revamps priority sector lending norms.

McKinnon, R. and Shaw, E. (1973) Financial Deepening in Economic Development. Brookings Institution, Washington DC.

Financial deepening can have an effect on both individuals' and societies' economic situations. This paper uses an unbalanced panel data analysis of 126 countries for the period 1963—2002 to analyze the effects of financial deepening on inequality.

Financial deepening in economic development : By Edward S. Shaw. (New York: Oxford University Press, 1973. Pp. xii + 269. Cloth [UK pound]3.45, paper [UK pound]1.60.)

Greece became the twelfth EU Member State to adopt the single currency on 1 January 2001. The paper also shows the extent of financial deepening of markets in India vis-a vis other Asia Pacific economies. Both market and bank-based financial systems have their own comparative advantages.

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