THE ROLE OF FINANCIAL DEVELOPMENT AND FINANCIAL OPENNESS IN THE GROWTH OF ASEAN NATIONS

Mazhar Mahmood¹ and Kashif-ur-Rehman²

Abstract

This study aims at ascertaining the impact of financial development and financial openness on the growth of ASEAN nations. Panel data of six ASEAN nations (Indonesia, Malaysia, Singapore, Thailand, Vietnam and the Philippines) were taken and results were obtained through Mean Group Estimation. Our results show that by and large trade openness and stock market development played a significant role in the growth of ASEAN nations in the short-run as well as in the long-run. However financial openness and credit market development were not found significant for growth. Cross-sectional results show that only Indonesia and Malaysia witnessed a positive role of financial development in the short run, while Singapore witnessed a significant role of trade channel and credit market development. Philippines did not observe any role of financial development, financial openness and trade openness in their growth. Thailand experienced a positive role of financial openness in growth.

Keywords: Financial Development, Financial Openness, Trade Openness, Pool Mean Group Estimation, Dynamic Heterogeneous Panel.

JEL Classification: G390

¹ General Manager, Pakistan Electronic Media Regulatory Authority (PEMRA), Islamabad, Pakistan. Email: mahmood.mazhar07@gmail.com
² Vice Chancellor, City University of Science & Technology, Peshawar, Pakistan. Email: drkashif14@gmail.com