ABSTRACT

This aim of this study is to assess the impact of financial sector development on the economic growth of countries. For this purpose a panel of 69 countries is taken under consideration over a period of 17 years from 1996 to 2012.The panel data analysis shows a positive relation between economic growth and financial sector development. The test for convergence was performed in three parts- σ-convergence, β-convergence and conditional convergence. The countries show σ-convergence as well as β-convergence over the period under consideration. Following Solow-Romer-Weil (1992) with the conditioning information set comprising stock market and banking sector indicator variables it was found that the financial development variables play no role in economic growth convergence among countries.