

Abstract

The nexus between economic globalisation and financial development is one of the most widely discussed issues in international trade and finance. The economic outlook varies across countries in developing world due to differences in trade and finance. As a result, some developing countries take the greater advantage of economic integration and international finance while other countries in the developing region do not experience the same. Therefore, understanding the nexus between economic globalisation and financial development is essential for developing regions in achieving the sustainable development goals. In this vein, the thesis explores the nexus between economic globalisation and financial development for the top and bottom globalised developing regions. The thesis includes institutional quality, government investment, economic growth and inflation as control variables in economic globalisation and financial development functions. Further, thesis empirically tests economic globalisation and financial development convergences in top and bottom globalised developing regions.

The secondary data for this study are drawn from various published sources, Konjunkturforschungsstelle (KOF) Swiss Economic Institute, International Monetary Fund (IMF), International Country Risk Guide, and World Development Indicators (WDI). These data sources have been used for the empirical analysis. However, the study period from 1984-2016 and 1984-2019 is not uniform for the four objectives covering a sample of 15 European and Central Asian (ECA) and 4 South Asian (SA) countries as top and bottom globalised developing regions.

The study finds economic globalisation promotes financial development in both the developing regions but the effect of economic globalisation on financial development is higher in top region than the bottom region. The study also finds financial development promotes (impedes) economic globalisation for the top (bottom) globalised developing region. Interestingly, the speed of financial development convergence is high in top region than the bottom region. However, economic globalisation convergence is evident in both the developing regions. Surprisingly, the speed of economic globalisation convergence is high in bottom region than the top region. The findings suggest that economic globalisation-led financial development hypothesis and vice-versa should receive more attention from the policymakers of developing regions while aiming at greater growth in financial system, trade and financial openness.

Keywords: Economic globalisation; Financial development; Convergence analysis; Developing regions