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Financial development and economic growth in Australia: An empirical analysis

| Published: May 2004

| Volume 29, pages 247–260, (2004) [Cite this article](#)[Empirical Economics](#)[Aims and scope](#) →[Submit manuscript](#) →[Shandre M. Thangavelu](#) ¹, [Ang Beng Jiunn](#)¹ & [James](#)¹ **1785** Accesses [Explore all metrics](#) →

Abstract.

The paper empirically examines the dynamic relationship between financial development and economic growth in Australia in terms of bank-based and market-based financial structure. A time-series approach using the VAR Model is used to provide evidence for the dynamic relationship. The paper provides empirical evidence on the causal impact of the financial market on the economic growth of the Australian economy. The results suggest that financial intermediaries and financial markets have different impacts on economic growth given their diverse roles in the domestic economy. In particular there is evidence of causality from economic growth to the development of the financial intermediaries. On the other hand, development in the financial markets causes economic growth but there is no evidence of any causality from economic growth to financial markets. The sensitivity test using different interest rates does not change the results.

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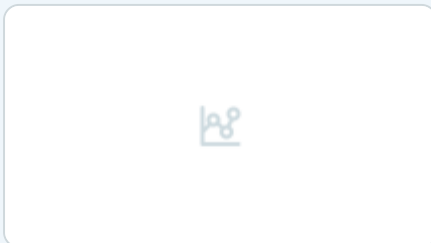
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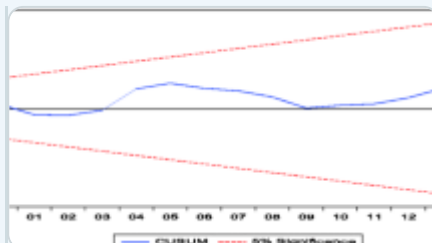
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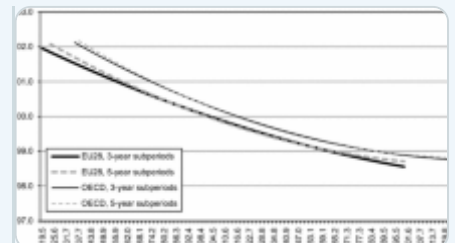
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Additional information

I Jel classification: O16, G18, G28

I We would like to thank Tilak Abeysinghe and Rajagurn Gunasekaran for their helpful comments on the first draft. Also, we would like to thank the Editor, Prof. Baldev Raj, and two anonymous referees for their helpful comments.

First version received: October 2001/Final version received: October 2002

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Cite this article

Thangavelu, S., Beng Jiunn, A. & James Financial development and economic growth in Australia: An empirical analysis. *Empirical Economics* **29**, 247–260 (2004). <https://doi.org/10.1007/s00181-003-0163-7>

Issue Date

May 2004

DOI

<https://doi.org/10.1007/s00181-003-0163-7>

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