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# Financial Deepening and Economic Growth Linkages: A Panel Data Analysis

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## Abstract

The paper examines whether a long-run relationship between financial development and economic growth exists employing panel integration and cointegration techniques for a dynamic heterogeneous panel of 15 OECD and 50 non-OECD countries over the period 1975–2000. Three different measures of financial deepening are used to capture the variety of different channels through which financial development can affect growth. Our findings support the existence of a single long-run equilibrium relation between financial deepening, economic growth and a set of control variables. Further, the evidence points to a bi-directional causality between financial deepening and growth.

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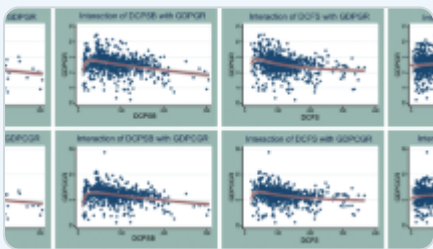
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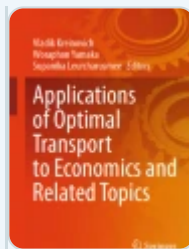
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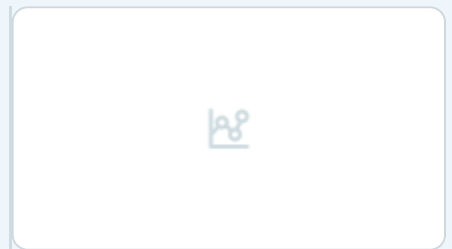
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