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Abstract

ABSTRACT:

Mobilizing sufficient domestic and external resources to finance development goals is an intimidating task globally, especially in conjunction with the shortfalls in traditional resources that are no longer enough to bridge the ongoing financing gap in emerging and developing countries. This fact explains the scaled up interest in innovative financing for development as a new pragmatic approach to meet the sustainable development plans. Financing for development and the optimal exploitation of financing resources in boosting economic growth became a priority for developed and developing nations. In this regard, this study aims at testing the efficient utilization and exploitation of finance resources in a small open economy – namely Lebanon, with particular focus on the effect of these resources on economic activity represented by the central bank of Lebanon Coincident Index. The study exploits monthly data covering the period January 2002–June 2017 for: banking sector credit to resident private sector, FDI, remittances, government credit transfers, trade, government tax revenues, government expenditures, and public debt, as explanatory variables. Using a Vector Autoregressive framework, the empirical results reveal that both bank credit to resident private sector and government tax collections lower economic growth, while FDI promotes this growth. On the other hand, remittance inflows, government credit current transfers, external trade, government expenditures, and public debt do not affect significantly economic performance. The feedback effect running from economic growth to the exploited independent variables shows the following: (1) economic growth boosts bank credit supply firstly, then lowers the demand for these credit; (2) a slowdown of economic activity may boost foreign direct investment as the costs of capital and labor decline; (3) an improvement in economic performance allows the

government to collect more taxes, and rely less on (or maybe become less illegible for) foreign grants and donations; (4) an increase in national output results in a lower reliance on importation, resulting in a decline in external trade.

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EXPLORING THE EFFECTIVENESS OF FINANCING RESOURCES IN PROMOTING ECONOMIC GROWTH IN LEBANON

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ABSTRACT

Mobilizing sufficient domestic and external resources to finance development goals is an intimidating task globally, especially in conjunction with the shortfalls in traditional resources that are no longer enough to bridge the ongoing financing gap in emerging and developing countries. This fact explains the scaled up interest in innovative financing for development as a new pragmatic approach to meet the sustainable development plans. Financing for development and the optimal exploitation of financing resources in boosting economic growth became a priority for developed and developing nations. In this regard, this study aims at testing the efficient utilization and exploitation of finance resources in a small open economy – namely Lebanon, with particular focus on the effect of these resources on economic activity represented by the central bank of Lebanon Coincident Index. The study exploits monthly data covering the period January 2002-June 2017 for: banking sector credit to resident private sector, FDI, remittances, government credit transfers, trade, government tax revenues, government expenditures, and public debt, as explanatory variables. Using a Vector Autoregressive framework, the empirical results reveal that both bank credit to resident private sector and government tax collections lower economic growth, while FDI promotes this growth. On the other hand, remittance inflows, government credit current transfers, external trade, government expenditures, and public debt do not affect significantly economic performance. The feedback effect running from economic growth to the exploited independent variables shows the following: (1) economic growth boosts bank credit supply firstly, then lowers the demand for these credit; (2) a slowdown of economic activity may boost foreign direct investment as the costs of capital and labor decline; (3) an improvement in economic performance allows the government to collect more taxes, and rely less on (or maybe become less illegible for) foreign grants and donations; (4) an increase in national output results in a lower reliance on importation, resulting in a decline in external trade.

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