

The impact of financial liberalization policies on financial development: evidence from developing economics

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Abstract

We collect data on a number of financial restraints, including restrictions on deposit and lending interest rates and reserve and liquidity requirements, from central banks of six developing countries. We estimate the effects of these policies on financial development, controlling for the effect of economic development and using standard econometric techniques. We find that the effects of financial policies vary considerably across our sample of countries. Our findings demonstrate that financial liberalisation is a much more complex process than has been assumed by earlier literature and its effects on financial development are ambiguous. Copyright © 2002 John Wiley & Sons, Ltd.

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