



Applied Financial Economics >

Volume 24, 2014 - [Issue 7](#)

788 | 52 | 0  
Views | CrossRef citations to date | Altmetric

Original Articles

# Does banking sector development affect economic growth and inflation? A panel cointegration and causality approach

Rudra P. Pradhan , B. Mak Arvin, Neville R. Norman & Yasuyuki Nishigaki

Pages 465-480 | Published online: 04 Mar 2014

 Cite this article  <https://doi.org/10.1080/09603107.2014.881968>



Sample our  
Economics, Finance,  
Business & Industry Journals  
>> **Sign in here** to start your access  
to the latest two volumes for 14 days

 Full Article

 Figures & data

 References

 Citations

 Metrics

 Reprints & Permissions

Read this article

 Share

## Abstract

Many studies investigate relationships between economic growth in specific economies and the development of its banking sector or between its growth rate and its rate of inflation. Advancing on earlier work, this article uses panel cointegration and causality tests applied to 34 OECD countries over the period 1960–2011. Our novel panel-data estimation procedure offers more robust estimates by utilizing variations between countries as well as variation over time. We identify important long-run causal links among the variables and show their implications for economic policy.

Keywords:

banking-sector development

economic growth

inflation

panel cointegration tests

panel Granger causality tests

OECD countries

JEL Classification:

O43

O16

E44

E31

## Notes

- <sup>1</sup> The large literature focusing on the various determinants of growth is not surveyed here. See, for example, Barro and Sala-i-Martin ([1995](#)), the May 1992 issue of the Economic Journal, and the various issues of the Journal of Economic Growth.
- <sup>2</sup> See also FitzGerald ([2006](#)) for an excellent survey which also calls attention to the significance of the topic we study here. The author warns against seeking simple relationships and opines that many connotations of financial development may not be measurable.
- <sup>3</sup> Financial development may be interpreted as banking-sector development and/or stock market development. See, for example, Ang ([2008a](#)) for discussion.

## Related research

People also read

Recommended articles

Cited by  
52

## Information for

[Authors](#)

[R&D professionals](#)

[Editors](#)

[Librarians](#)

[Societies](#)

## Opportunities

[Reprints and e-prints](#)

[Advertising solutions](#)

[Accelerated publication](#)

[Corporate access solutions](#)

## Open access

[Overview](#)

[Open journals](#)

[Open Select](#)

[Dove Medical Press](#)

[F1000Research](#)

## Help and information

[Help and contact](#)

[Newsroom](#)

[All journals](#)

[Books](#)

## Keep up to date

Register to receive personalised research and resources by email



Sign me up



Copyright © 2026 Informa UK Limited [Privacy policy](#) [Cookies](#) [Terms & conditions](#)

[Accessibility](#)

 Taylor and Francis Group

Registered in England & Wales No. 01072954  
5 Howick Place | London | SW1P 1WG