



Journal of Sustainable Finance & Investment >

Volume 5, 2015 - [Issue 3](#)

692 | 15
Views | CrossRef citations to date | Altmetric

ARTICLES

Economic development and banking sector growth in Pakistan

Ahsin Shahid , Hibba Saeed & S. Muhammad Ali Tirmizi

Pages 121-135 | Received 14 Oct 2014, Accepted 16 Jun 2015, Published online: 31 Jul 2015

Cite this article <https://doi.org/10.1080/20430795.2015.1063976>

Check for updates

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

This study empirically analyzes the financial and economic development in Pakistan with reference to banking sector. Time series data of Pakistani banks from 1980 to 2012 have been employed. Statistical analysis including Augmented Dickey-Fuller, Johansen co-integration, ordinary least square (OLS) regression, and Granger causality tests have been applied on the data relating four indicators (i.e. Broad Money (M_2); Domestic Credit to Private Sector; Domestic Credit to by Banking Sector; and Banks Deposit Liabilities (BDL) – all taken as percentage of gross domestic product] which measured the level of financial development (FD) contributed by banking sector. The results revealed that a positive and statistically significant relationship exists between FD and economic growth. However, BDL are positive but statistically insignificant, and M_2 is negative and statistically insignificant. Moreover, unidirectional and bidirectional causality have been found between the variables. Hence, there is a dire need of sound

banking sector to ensure long-term sustainable economic growth that could be achieved if the Government takes concrete measures to reduce all kinds of deficits and borrowings that are the major causes of crowding-out private investment.

Keywords:

economic development

banking sector growth

financial development

Pakistan

JEL Classifications:

C22

E50

E51

E58

F10

F30

F40

G21

G28

G30

H62

O11

O43

Related research 

People also read

Recommended articles

Cited by
15

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



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