

The Linkage between Economic Growth and Openness: Does Financial Development Matter?

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<p>Keywords: International Trade Trade Openness Economic Growth Financial Development</p> <p>Received 15 September 2018 Revised 19 January 2019 Accepted 25 January 2019</p> <p>Article Classification: Research Article</p>	<p>Purpose: Even though, the impact of trade openness on economic growth overwhelmingly has been analyzed by researchers; the real effect still remains inconclusive and controversial in the literature. The main objective of this study is therefore to find out whether the financial development has any role in determining the impact of trade openness on economic growth</p> <p>Method: The study has employed dynamic panel data of 41 developing countries for the period 1995-2014.</p> <p>Findings: this study could not find any effect of trade openness or financial development on economic growth. Rather, the study has found that interaction term representing the joint effect of financial development and openness has a negative effect on economic growth. Furthermore, the study has empirically proved that human capital and investments have positive effects on economic growth while inflation rate and global financial crisis worsen the economic growth.</p> <p>Discussion: The study has attributed this result to the willingness of investors to transfer their financial capital outflows as trade barriers lowers and financial system gets deeper.</p>

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