# 主論文の要約

（Abstract of Dissertation）

論文題目：**Financial Development, Institutions, and Economic Growth: Evidence from Asian Economies and Case Studies of Nepal**

氏　名：PANTHI Pradeep

論文内容の要約：

The acquisition, retention, and interaction of production factors and technological transformations explain the countries' variances in economic growth and productivity. Besides this, financial development and institutions are also evolving as critical elements of economic growth and productivity in the present globalized world where labour and capital are rapidly moving across the countries (Demetriades and Law, 2006). Therefore, this dissertation's overall objective is to analyze some of the critical issues surrounding financial and institutional development and their significance in channelling internal and external financial sources to promote economic growth. The dissertation has seven chapters, including four analytical chapters, which examine various evidence from cross-country level to panel of Asian economies and a few time-series evidence of Nepal. The secondary data obtained from World Development Indicators (WDI) and World Governance Indicators (WGI) of the World Bank, International Country Risk Guide (ICRG) of Political Risk Services (PRS) group, and United Nations Conference on Trade and Development (UNCTAD) are used.

After accessing and reviewing some existing literature on the significance of financial and institutional development on economic growth, the dissertation has tried to answer the below-listed questions through quantitative analysis using traditional and contemporary dynamic estimations methods.

1. Do the causal effects of financial development on economic growth differ significantly concerning the economic development stages of economies?
2. How do the institutional differences determine the economic growth effects of financial development across the economies?
3. Does financial development enhance economic growth in Asian economies? Or vice versa?
4. How do the institutions intermediate the relationship between financial development and

economic growth of Asian economies?

5. Does financial development spur economic growth in Nepal? Or vice versa?
6. Does the remittance inflow spur economic growth in Nepal?
7. How does financial and institutional development separately enhance the efficiency of remittance inflows on economic growth in Nepal?
8. Does foreign direct investment (FDI) spur economic growth in Nepal? Does economic growth attract foreign direct investment in Nepal?
9. How does financial development foster the impact of foreign direct investment on Nepal's economic growth?
10. How does institutional development intermediate the relationship between FDI and the economic growth of Nepal?

The chapter specific abstracts, as mentioned below, answers these questions.

Chapter 2 reviews the previous literature on how financial and institutional development is essential for economic growth. This chapter suggests that financial development and institutions are emerging as critical means of achieving economic growth in many countries. The significance of these two elements on economic growth is raising greater attention among researchers especially following the literature of the production function of Cobb and Douglas (1928), endogenous growth theory of Romer (1990) and determinants of economic growth of Barro (1996) etc. These pieces of literature are connected with the growing significance and attention of financial and institutional development. The study of King and Levine (1993b) and Levine (1997) in the case of financial development and North (1989, 1991) in the case of institutional development present sufficient literature and empirical pieces of evidence. This study suggests that financial development and institutions are crucial strategic means to achieve sustainable development goals (SDGs). This chapter concludes that the recent trends in the financial and institutional development of Asian economies are inconsistent and are under pressure which is mainly affected by Asian financial crises and global financial crises.

Chapter 3 examines the relationship between financial development and economic growth, evaluating the intermediation role of institutions. First, the cross-sectional estimation of sixty economies from 1985 to 2016 under the panel least square fixed effects model gauges the previous literature benchmarks and reveals that financial development is positively correlated with economic growth. However, the effects are comparatively better in middle-income economies but weakest in low-income economies. It suggests that the economic growth effects of financial development significantly differ according to countries' economic development stages. Moreover, institutions serve as a mechanism to foster the effects of financial development on economic growth, especially for the upper-middle-income economies, where the institutional quality is comparatively better. Second, this chapter evaluates the dynamic relationship between financial development and economic growth, evaluating institutions' intermediation role on their course in fifteen Asian economies. The pooled mean group (PMG) estimations under the autoregressive distributed lag (ARDL) model reveal that financial development and economic growth are cointegrated with bi-directional causality in Asia. However, the causal effects directing from economic growth to financial development are more potent. More particularly, the institutions do not serve as a mechanism to foster the causal effects running from financial development to economic growth; instead, it encourages the reverse direction effects. Therefore, policymakers should prioritize improving institutional quality to benefit from financial sector development in Asia.

Chapter 4 examines the country-specific dynamic relationship between Nepal's financial development and economic growth using annual time series data for 32 years from 1985 to 2016. Economic growth is measured by real GDP per capita. The financial development is measured by domestic credit to the private sector, domestic credit to the private sector by banks, broad money (M2) and net domestic credit, separately. All are ratios to GDP. The bound test approach of cointegration under the autoregressive distributed lag (ARDL) model reveals that Nepal's financial development and economic growth are cointegrated with bi-directional causality in the long-run. Thus, the study concludes that financial development and economic growth positively and significantly impact each other. The causal effects running from financial development to economic growth are portent then economic growth to financial development. However, the speed of adjustment towards the long-run equilibrium of financial development is reasonably higher than the economic growth if a shock happens. There is one-directional reverse causality running from economic growth to financial development in the short-run. Therefore, the study suggests that policymakers prioritize policies to develop a well-functioning financial sector to benefit from economic growth, especially for developing countries like Nepal.

Chapter 5 primarily examines the impact of remittance inflows on economic growth using annual time series data from 1993 to 2018 of Nepal. The chapter further investigates whether financial and institutional development separately fosters the impact of remittance inflows on economic growth or not. Bound test approach and error correction model (ECM) is the estimation techniques under the autoregressive distributed lag model (ARDL). The study finds that remittance inflow is significant and positive to cause economic growth in Nepal, although remittance is used in primary consumptions. Besides this, this study finds that financial development is significant to foster the impact of remittance inflow on economic growth, but the influence is low. In contrast, institutional development is not significant to foster the impact of remittance inflow on economic growth. So, the government should formulate long-term policies which should focus on channelling remittance inflow into investment activities, improving institutional quality. The growth impact of remittance through investment activities would be higher than consumption. The scenario shows that the financial sector benefits from remittance inflows, but the financial sector does not influence migrants to enhance their investment activities. So, the government should formulate policies that promote entrepreneurial activities of returnee migrants through inclusive and well-diversified financial institutions. Policymakers should set a clear objective to develop and diversify Nepal's financial sector by which migrants can benefit from their business activities. Besides this, Nepal should give greater attention to improving institutional quality, taken as a social technology for steady economic growth. A better investment environment is a prerequisite condition for mobilizing remittance income in an economy.

Chapter 6 investigates the relationship between Nepal's foreign direct investment and economic growth, evaluating the intermediary role of financial and institutional development. For this objective, this study uses annual time series data from 1985 to 2018. The bound test approaches under linear and non-linear autoregressive distributed lags (ARDL & NARDL) model is used to detect congregating forms, and the long-run causality and error correction model (ECM) under ARDL is used to confirm the speed of adjustment towards long-run and short-run causality. The results indicate that foreign direct investment net inflow ratio to GDP is insignificant to cause GDP per capita of Nepal; however, foreign direct investment net stock is significant to cause GDP per capita positively. Most importantly, the results indicate that financial development does not serve as a mechanism or channel of foreign direct investment net inflows and net stock ratio to GDP to foster its economic growth effects. Nepal has improved its financial sector after obtaining liberalization policies after the mid-1980s. The country has become able to attract FDI in the financial sector also. However, strengthening financial institutions either by enhancing capital strength or by merger is needed to deal with foreign entities' big investment projects. The level of institutional development decomposed into positive or negative both by comprising six components is significant to cause FDI net inflows rather than the net stock ratio to GDP, which implies that FDI inflows are most sensitive to Nepal's institutional changes. Nepal should give greater attention to improving institutional quality, taken as a social technology for steady growth. A better investment environment is always a prerequisite condition for resource mobilization in an economy.

**Keywords:** Financial Development, Economic Growth, Institutions/Institutional Development, PMG-ARDL, Asian Economies, Remittance inflows, FDI, ARDL and NARDL bound test, cointegration, causality, Nepal.