Impact of the stock market capitalization and the banking spread in growth and development in Latin American: A panel data estimation with System GMM

Impacto de la capitalización bursátil y del spread bancario sobre el crecimiento y el desarrollo en América Latina: una estimación de datos de panel con MGM-sistema

Ali Aali-Bujari a,∗, Francisco Venegas-Martínez b, Gilberto Pérez-Lechuga a

a Universidad Autónoma del Estado de Hidalgo, Mexico
b Instituto Politécnico Nacional, Mexico

Received 27 October 2014; accepted 28 October 2015

Abstract

This research is aimed at assessing the impact of the stock market capitalization and the banking spread in per capita economic growth (as a proxy of economic development) in the major Latin American economies during period 1994–2012. To do this, a panel data model is estimated with both system and difference Generalized Method of Moments. The main empirical findings are that economic growth in the countries under study is positively impacted by the stock market capitalization and negatively by the banking spread. Typical problems of multicollinearity and autocorrelation appearing in panel data analysis are corrected under the proposed methodology.

© 2017 Universidad Nacional Autónoma de México, Facultad de Contaduría y Administración. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/4.0/).

JEL classification: O10; O31; O47
Keywords: Economic growth; Economic development; Financial sector; Panel data

∗ Corresponding author.
E-mail address: alibujari@yahoo.es (A. Aali-Bujari).
Peer Review under the responsibility of Universidad Nacional Autónoma de México.

http://dx.doi.org/10.1016/j.cya.2017.09.005
0186-1042/© 2017 Universidad Nacional Autónoma de México, Facultad de Contaduría y Administración. This is an open access article under the CC BY-NC-ND license (http://creativecommons.org/licenses/by-nc-nd/4.0/).
Resumen

Esta investigación tiene como objetivo evaluar el impacto de la capitalización de mercado de valores y el spread bancario en el crecimiento económico per cápita (como proxy del desarrollo económico) en las principales economías de América Latina durante el período 1994-2012. Para ello, se estima un modelo de datos de panel con el Método Generalizado de Momentos tanto en sistema como en diferencias. Los principales hallazgos empíricos son que el crecimiento económico en los países estudiados es afectado positivamente por la capitalización bursátil y negativamente por el spread bancario. Los problemas típicos de multicolinealidad y autocorrelación que aparece en el análisis de datos de panel son corregidos bajo la metodología propuesta.

© 2017 Universidad Nacional Autónoma de México, Facultad de Contaduría y Administración. Este es un artículo Open Access bajo la licencia CC BY-NC-ND (http://creativecommons.org/licenses/by-nc-nd/4.0/).

Códigos JEL: O10; O31; O47
Palabras clave: Crecimiento económico; Desarrollo económico; Sector financiero; Datos panel

Introduction

There are many investigations, both theoretical and empirical, examining the impact of the financial sector in economic growth. One of the pioneer papers that emphasize the role of the financial sector in the dynamism of the economy is that of Wicksell (1934). He finds the following features: 1) the banking system determines the interest rate in the credit market, 2) the banking system controls the supply of credits through the emission of secondary currency, and 3) credit demand is an engine of growth. Moreover, Wicksell states that the interest rate in the credit market is smaller than the natural rate of interest; in this manner, employers expect their income rise above their costs. Therefore, employers extend their production, which, in turn, lead to competition for factors of production and, consequently, to a more dynamic economy.

Added to previous discussion, Schumpeter (1954) argues that credit demand boosts the economy. Schumpeter states that the financial sector plays a crucial role in financing investment, innovation and technological progress, and, in this sense, the financial sector contributes to economic growth. In this regard, Goldsmith (1969) finds a positive relationship between financial development and economic growth through a cross-cutting analysis for a sample of 35 countries.

On the other hand, Levine (1991) states that financial markets contribute to economic growth through the stock market, which facilitates long-term investment, helping with this to reduce risk and, simultaneously, enabling liquidity to savers, as well as providing a permanent financing to companies. Levine and Zervos (1998) also highlight that there is a significant number of empirical studies supporting the existence of a relationship between capital markets and economic growth in the long run. In this sense, the capital market is a key factor in economic growth, as it channels funds for new investments stimulating an increase in production.

Among the authors considering the financial sector as an important factor for economic growth it can be mentioned, for example: McKinon (1973), King and Levine (1993), Bencivenga, Smith, and Starr (1996), Rajan and Zingales (1998), Beck and Levine (2002), and Hernandez and Parro (2004). Most of them find a positive relationship between the development of the financial sector and economic activity. In this research, the impact of the financial sector in GDP per capita (as a proxy of economic development) in major economies in Latin America is assessed. The variables of the financial sector that will be analized, in this investigation, to examine their impact on the
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات