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Jialong Li, Min Maung, Craig Wilson

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## Governance and Financial Development: A Cross-Country Analysis

JIALONG LI

University of Manitoba  
Asper School of Business  
Winnipeg, MB, Canada  
[lij34524@myumanitoba.ca](mailto:lij34524@myumanitoba.ca)

MIN MAUNG

University of Saskatchewan  
Edwards School of Business  
Saskatoon, SK, Canada  
[maung@edwards.usask.ca](mailto:maung@edwards.usask.ca)

CRAIG WILSON

University of Saskatchewan  
Edwards School of Business  
Saskatoon, SK, Canada  
[wilson@edwards.usask.ca](mailto:wilson@edwards.usask.ca)

### Abstract

We provide a comprehensive cross-country analysis of financial development. We propose that anti-director rights (ADRs) and creditor rights could act in concert, or as substitutes, for the development of both equity and debt markets. For equity market development, we find mixed results regarding the effect of ADRs that are consistent with previous research. We also find some support that creditor rights have a positive influence on equity market development. For credit market development, we distinguish between credit provided by deposit-taking banks and that provided by non-bank financial institutions (NBFIs). Bank credit is mainly determined by creditor rights, whereas non-bank credit is mainly determined by anti-director rights. Results from ADRs and creditor rights suggest that NBFIs are more concerned with rights that protect investors from insider expropriation and are less concerned with rights that protect creditors when a firm is bankrupt.

**Key Words:** Financial market development; Anti-director rights; Creditor rights; Legal origins

**JEL:** G15; G18; G28

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