



AN EMPIRICAL REVIEW OF THE ROLE ECONOMIC GROWTH AND FINANCIAL GLOBALIZATION UNCERTAINTY PLAYS ON FINANCIAL DEVELOPMENT

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ABSTRACT: *Motivation: The modern world acknowledgment of the systematic and efficient role financial globalization uncertainty and economic growth plays on financial sector development brings about the hot debate among numerous researchers, institutions and experts from virtually both the growing and advanced economies looking for the essential functions of a well-developed financial system and what leads to this development in an economy. Novelty: The current study provides a critical review of past studies concerning financial globalization uncertainty and economic growth effects on both the emerging and developed economies' financial systems across the globe, which to the best of the author's knowledge is among the few if any review in this area exist. Data/Methodology: The author uses synthesising, theoretical analysis and systematization of empirical literature on the matter; structural analysis of how the variables relate from the conclusions of 50 relevant papers spanning the year 2015 to 2019 previously published in indexed journals for the analysis. The articles are sceptically assessed based on the extensive persisting determinants, given the theoretical perspective, the situation of the economy at hand, and the empirical feedback. Review Analysis: analytical research indicates that financial globalization uncertainty and economic growth positively affects the development of the financial sector in most developing and industrialized economies. Meanwhile, a negative or even neutral relationship seems prevalent in predominantly oil-rich countries. Policy Considerations: Based on the results of the reviewed researches the study thereby recommends that policymakers should focus on the policies that will be geared towards enhancing economic growth and continue to take advantage of financial uncertainty fear, thereby developing their financial sectors in most of the economies. However, oil-rich economies should deregulate their financial system and ease formal credit access to encourage economic activities which will, in return, enhanced financial development.*

KEYWORDS: Financial Globalization Uncertainty, Financial Development, Economic Growth, Financial System

INTRODUCTION

There is a general acknowledgment for both the role of financial globalization and financial development; this is in line with the trending uncertainties arising from global financial shocks, combined with essentialities followed by financial globalization. Thus, during the latest global financial crisis, developing economies that had witnessed rises in foreign capital inflows have experienced a fall in the same capital inflows (Kose et al., 2011). Fund flow uncertainty has flared up in the long-standing controversy about whether the benefits of recent financial



innovation significantly outweigh their developmental hassles (Subramanian and Rodrik, 2009). Mostly, the incentives given to developing countries by financial globalization remain an open discussion. While a reasonable perspective on the rewards of trade globalization has been formed (Asongu, 2014), the benefits of financial globalization remain highly contradictory, with a research study of post-2007–2008 financial crisis string significantly documenting the downsides of full money supply openness: Based on the possibility of financial globalization without sound preliminary internal parameters (Kose et al. 2011); the need to incorporate nation-specific characteristics (Rajan, Prasad 2008) and Asongu and De Moor (2016) on the importance to successful internal growth outcomes of financial globalization thresholds.

In the meantime, in as much as an economy wishes to grow its financial sector, it must integrate its financial sector with other financial sectors across the globe. According to the theoretical basis of the guidelines for complete financial globalization: Less industrialized, labor-rich and capital-poor economies are compensated with increased access to foreign capital required for investment and growth, in comparison, prosperous economies gain from little resilient productivity (De Moor and Asongu, 2016). Basis on the underpinning theories suggests that a framework for liability share and productivity in allocation of capital is financial globalization (Kose et al., 2011). Summers (2000) and Fischer (1998) conclude that more significant financial consolidation has strengthened both developed and developing economies, especially by leveraging economic stability in the latter and allowing the former to facilitate transfers from poor to middle class.

On the other hand, a flow of study has also recorded the controversial economics of financial globalization by claiming that the trend fuels global financial uncertainty with high negative external costs at sustainability impacts (Rodrik, 1998; Stiglitz, 2000; Bhagwati, 1998). As per (Asongu 2014), some theories support the view that the idea of financial globalization is a secret agenda to expand the privileges of international commodity trade to asset trading. By at most four factors, the above topic applies to Africa in the context of financial globalization and financial development implications: Latest international developments in poverty; excess liquidity problems in African institutions financially; the urgency for foreign investment to fund Africa's rising programs and literature gaps evaluating the effect of globalization on the continent's growth.

There would be no hesitation, nevertheless, that the severe economic down-time of the last age is the African continent's weak growth results. The newly liberated people had high expectations when their economies became sovereign in the second phase of the century, and many of them are now considerably more impoverished than they were when their countries were created. The sluggish economic growth of Africa can be traced to numerous factors, and there is no avoiding the absence of a competent financial system amongst the common determinants that might have led to the poor economic success of the continent (Ibrahim, M., & Alagidede, P. 2018). Nevertheless, after controversial policy reforms involving financial liberalization and growth, and further steps at global market incorporation, most African economies are still displaying not very impressive economic progress. Throughout the preceding 20 millennia, the financial system of Africa has advanced.

Nonetheless, only partially accomplished the pledge of liberalization, deregulation, and stabilization initiatives in the 1980s, and the rewards of more in-depth, more comprehensive, and affordable finance have not been earned (Beck et al., 2011). In particular, the financial



system in some parts of the world, the likes of Africa, are still defined as dismantled, bank-based, oligopolistic, and regulated, confronting little cooperation (Opoku, E. E. O., Ibrahim, M., & Sare, Y. A. 2019). Public control means that allocation of resources policies appears to be more politically motivated than economically viable (Ibhagui, O. W. (2019).

Meanwhile, funding restrictions prohibit weak economies from reaping the benefits of technical assistance, causing some of these economies to deviate from the growth rate of the global production trend (Khan 2017). Third world economies with such a stunted financial system are stuck in a perpetual cycle, where an inefficient financial system is leading to impoverished economic growth concerning financial development (Botev, J., Égert, B., & Jawadi, F. 2019). Economies with such a stronger-developed financial sector, on the other hand, typically grow quicker, and finance is somewhat pro-growth, as well as pro-poor, implying that financial development assists the lower-income to keep up the same pace with other economies as it develops (among others, Tripathy, N. 2019; Le, Q., Ho, H., & Vu, T. 2019). Also, the endogenous growth theory formulated by Bruce and Bencivenga (1991); Jovanovic and Greenwood (1990) and others also emphasizes that financial development is a crucial determinant in promoting long-term economic growth as finance can promote growth by allowing efficient inter-temporary distribution of resources, wealth accumulation, and technical innovation.

THEORETICAL REVIEW

Financial Globalization Uncertainty

Financial globalization refers to the core concept, which represents an increase in the direct global link that arises through inter-economies financial spreads. This economic convergence ties individual countries with foreign capital markets (IMF 2019). Nevertheless, for growing markets, the likes of Africa to interact financially with the across the globe and grow their financial system, these interconnections have become inherently crucial. Moreover, as this global financial integration poses difficulties due to global financial crises that have been experienced in so many years, these framework variations are the instability of financial globalization. Originally, measuring possible advantages in terms of allocation effectiveness ' is mostly based on the neoclassical growth theory (Solow, 1956). Usually, the neoclassical model has aligned with the premise that the liberalization of the capital account is a way of spreading foreign risks. In turn, weaker economies that are low in financial resources but rich in labor are given more access to the financial resources required to invest, expand, and keep up with the developed globe.

Meanwhile, Fischer (1998), Obstfeld (1998), Rogoff (1999) were compatible with the prospect as a consequence of financial globalization; developing nations will benefit from higher investment, lower capital costs, a higher standard of living, and pro-poor prosperity. Most developing world has pursued these logics to justify policies on capital account deregulation throughout the previous decades. Calvo et al. (1996) and Masson (1998) argued that the essentials for the uncertainty effect are regional shock. They clarified that a significant imbalance in developed countries could cause a crisis due to the manipulation of money supply or interest rate, leading to massive outflows of capital from emerging economies. A further



reason from the theory is that a decline in global market growth will lead to higher capital flow as well as assets that exacerbate the countries' crisis.

Likely input in the fundamental uncertainty effects theory acknowledged that the primary cause of contagion implications is a comprehensive direct trade correlation and sustainable devaluation. Researchers such as Rose and Glick (1999), Eichengreen et al. (1996), Corsetti et al. (2000), Rigabon, and Forbes (2002) are among the supporters. They claimed that the country's crisis could lead to a decrease in its import demand. This will invariably affect the trade balance, export, and fundamentals of its exporting economies. The avenue that the theory describes is via depreciation of the currency. An economy currency's depreciation puts pressure on other countries' mutual export viability. This might contribute to falling in the value to their own money, and the overall effect would be a more significant devaluation of the currency that could lead to currency depreciation that is not needed by the integral basis of the economy.

Whereas, industrial relation is yet another abstract interpretation of the essential school's contagion effects. Research such as Goldfajn and Valdés (1997) and Van Weder and Rijckeghem (2001) have argued that globalization and regional integration lead to economic ties. They clarified that this could occur due to decreased FDI, export credit, and other flows of money. They subsequently clarified that perhaps a national crisis with net capital supply would lead to a decline in supply to other economies for bank loans and other financial investments. This can contribute to the net lenders rising borrowing costs and currency deflation.

The theory's second group clarified that the source of the contagion influence is non-fundamental determinants. This theory base is located on the behaviour of the investor. Even though the two theories are categorized as non-fundamental and fundamental overlap. In particular, if investor actions are individually logical and mutually sound, this is often identified as an integral and fundamental mechanism of contagion. The non-fundamental contagion effect hypotheses are grouped in five classes for convenience. This involves incentive issues, reconsideration of market collaboration, reassessment of investors, liquidity issues, and asymmetries of personal data. The main idea of all these theories is that while investors are often as well as reasonable privately, it could still relate to market prices being devalued. In this context, the actual dynamics do not justify the market price.

Asymmetries in the information are the prevalent theory of contagion impacts in behaviour modification-based theories. The theory focuses on the idea of incomplete information. The theory clarified that investors lack complete market knowledge that can impact their performance on the portfolio (Mendoza and Calvo, 1997). This seems to be due to the extensive information collection mechanism and information cost. When information is not enough, a one-market recession may impact investor behaviour. Investors may expect that similar problems will arise in specific markets. It leads to investor chaos with almost the same circumstances for those on the market in which the crisis originates. This behaviour may be moral or immoral, probably depends on the weak basic principles of the crisis.

Besides, Aizenman and Agénor (1998) concluded that the conduct of investors could be seen that not only through their knowledge or lack of information about nations with their portfolio but also through other investors' behaviour. It may be less risky for investors to fulfil the criteria of many other investors. This translated to additional impacts on investor behaviour from imperfect information and intensified the crisis. Perspective of information dispersion



argues that information is quickly integrated into stock market prices based on market resistance. Investors respond to negative press, resulting in a stronger relationship between healthy markets during the recession in the sector. In this section, by adding two theories, Wu (2001) explored the factor in determining asymmetric variability, the influence effect, and the feedback volatility.

Economic Growth

The growth of an economy is the increase in a country's estimated economic production. In other words, economic growth happens when a country's manufacturing-possibility frontier shifts beyond. In particular, economic growth is often seen as the rate of income per capita or growth in production (Nordhaus & Samuelson, 2005). With Schumpeter (1911), the emergence of economic growth theories began with the idea that an effective financial system would contribute to technical innovation and economic growth by offering financial resources and services to investors eager to venture into new products. It was eventually supported by the theory of McKinnon-Shaw (1973) as an analytical tool for developing economies with drastic recommendations for higher capital preservation and non-centralized financial intermediate. McKinnon-Shaw also argued that unsuitable allotment of resources, interest constraints, and ineffective investments are commonly attributed to the suppression in the financial sector, which was prevalent in poorer nations such as Africa across the 1970s and 1960s. Though, the aforementioned financial sector liberalization is indeed a way out. These will stimulate savings and investments, resulting in increased economic growth.

Besides, focusing on traditionalist holds, Mc Kinnon and Shaw (1973) illustrated how a thriving financial system in a particular economy could bring prosperity. In order to achieve economic growth, emphasis was placed on reviving the market throughout the financial sector. They triggered the improvement in savings and the degree of capital accumulation in order to boost the provision of financial services. Therefore, surpluses could be effectively distributed to deficit areas to boost the economy. Robinson (1952), on the other hand, assumed that finance does not regulate economic growth; In comparison, economic growth drives and stimulates the creation of the financial sector. That is because economic development requires inflationary pressure for more financial sector institutions and services.

Nonetheless, Lucas (1988) strongly condemned the impact of growth on the development of the financial sector; The scholar also argued that the economic growth cycle of financial development was greatly overstated. Chandavarkar A. (1992) terms also emphasized that those economists dealing with growth are repeatedly unimpressed about the operations of the financial sector and, as such, continue to ignore it. There were no pioneers of development economics who even considered finance as a development driver. Solow (1956), however, implemented a neoclassical growth model on the premise that all prices completely adjusted and defined three factors to assess growth: capital, technology, and labor. This results in a transition in capital per worker ratio when capital formation occurs to be reasonably large enough when the production per employee increases. It is assumed that the marginal output of capital is declining and the constant return to scale. A nation can extend to a prosperous stage with all of these. Meanwhile, in the shorter term, as savings increase, it will have a positive effect on the company. However, it will be temporary, because in the end, another fixed point will be achieved and that both the product and the capital will reach a new stable state. Meanwhile, when all changes are made, cumulative savings increase wealth to the same degree



as the population, which ensures that current and new workers acquire exact capital: capital per worker is equivalent.

Also, the neoclassical model assumed that the impact of declining returns would cause economic growth to decrease if technological advances were not registered. The new development of the model, therefore, advises the introduction of a new cause of discrepancies around economies, in particular, economic policies in domestic and international market misstatement, rights security, and consumer expenditure. Neoclassical investment theory can also be expanded to incorporate workforce from filly products in a way that includes health, experience, and education. In comparison, the endogenous growth model questioned Solow (1956) theory. The endogenous growth model is based on the premise that production and capital will intensify indefinitely. In contrast, the rate of growth is not explicitly defined but is somewhat supported by savings and investment. Nonetheless, the endogenous growth model keeps track of some deficiencies that are unique to McKinnon-Shaw's theory, with a focus on the lack of specific modeling. Consequently, the assumption of the endogenous growth hypothesis is not far from the growth rate that is not external but rather endogenous as a consequence of population growth, and technological progress does not produce per capita growth in nature. Therefore, the growth rate increases the savings efficiency level: thus, any economy that can raise its savings level will lead to economic growth. When you check at the model, an economy does not depend on its principal resources.

EMPIRICAL REVIEW

Financial Globalization Uncertainty

The very first area of study focuses primarily on the link between uncertainty regarding financial globalization and financial development. The primary purpose of these studies is to examine whether uncertainty about financial globalization is a driver of financial development. The fact that only a few past studies were concerned with the magnitude of the financial globalization uncertainty, as such, financial globalization uncertainty studies concerning financial development are few. Therefore, with this, the study reviews mostly financial globalization studies.

To begin with, the study of Quadrini & Mendoza (2019) that presented an empirical study to investigate the role played by financial intermediaries and the effect on financial institutions and asset markets globally. Economic assimilation has been used to lead to a sharp increase in net credit in the financially developed economy and too big asset price spills of nation-specific shocks into bank capital. Likewise, Research by N. G. Vovchenko, T. V. Epifanova (2016) illustrates the effect of financial globalization on the development of Russia's financial system. The study reflects the transformation of the Russian banking system's institutional structure in order to stabilize the country's financial and economic security. Moreover, Besnik Fetai (2015) explores the impact of financial development and financial convergence on economic growth in 89 developed and transition economies, focusing on modeling threshold effects on the scale of financial markets. First, in less developed economies, the impact of domestic financial markets on growth is stronger. The impact can disappear as financial development enters developed economies. Secondly, financial integration might not have a positive impact on



growth, as its effects depend on institutional quality, macroeconomic stability, and financial market development.

In addition, A. Shlapak. (2016) Examines specific features of the mechanisms of diversification of national financial markets in the framework of globalization and analyses the effects of global economic transitions on the global financial system. The study shows that, in the light of globalization, the structures of diversification of national financial markets become systemic and universal. Under these conditions, the focus of geo-economics and geopolitical influence slowly moves to the field of circulation of financial resources, evolving financial capital into a powerful instrument of global economic growth and institutionalization of the global economic system. Another study conducted by Nasreen, S., & Pervez, P. (2017) on financial globalization in investigating the relationship between financial development and financial liberalization in middle-income economies. Co-integration and estimation techniques applied are Pedroni and Pooled Mean Group. The analytical findings of this study indicate that there exists a two-way causality among financial development and financial liberalization in MICs.

Meanwhile, Fetai (2015) used the data set of 89 advanced and transition economies in the study to examine the effect of financial progress and financial integration on economic growth. It is also used to model threshold effects on the development of financial markets. The results suggest that, unlike advanced economies, financial development and financial integration positively affects economic growth. Nonetheless, using pooled OLS, implementing the data set representing 82 nations. Hermes, Elkhuizen, Jacobs, & Meesters, (2018) has found out that post-Washington General agreement, economies with a sustained increased social capital could make financial liberalization to regulate financial development positively, even with the under-standard quality of institutions that tend to be formal.

Whereas, Bekaert and Harvey (2017) explored in yet another research on how capital flow influenced business behaviour after liberalization. They centered on the interaction between the U.S. and 17 emerging economies and global capital flows. The research used the equations of uncertainty and analytical breakpoints. The findings show the convergence of markets and the cost of capital declines after the market liberalization. The implications of the downturn range from 5 to 75 percentage points throughout markets. That meant that some economies were more aligned with the US than others. Nonetheless, on the effect of the Global Financial Crisis on Banking Globalization, the findings of Claessens, S., & Van Horen, N. (2015) indicates that banking has become somewhat less central, but not more decentralized in terms of international bank participation as a result of the recent shocks. Alternatively, it represents the global financial and public debt crises impacting banks, particularly in developed economies, and the growing international penetration of banks from emerging markets and developing nations.

However, researches concerning developing economies, the likes of Tchamyu, Asongu, and Koomson (2017) analyses the impact of moment-dynamic financial globalization instability on financial development in 53 African nations between 2000 and 2011. The study shows that financial globalization uncertainty does not impact money supply, financial system deposits, and financial size significantly. Likewise, volatility increases the efficiency of the banking system, the operation of the banking system, and the development of the financial system. It concludes that uncertainty in foreign capital movements can be a concealed benefit for internal financial development, particularly in complying with the extensively recorded issue of African



financial institutions' surplus liquidity. Similarly, in their research as the impact of financial imbalances in global financial crashes, Mendoza, Quadrini, Rios-Rull (2017) records that these imbalances may result from financial convergence when nations vary in the depth of financial markets and abstract from the possible effect of globalization on financial development; Liberalization results in significant increases in welfare for more financially wealthy countries and disadvantages for the other economies.

Besides, Altuğ Kazar, Görkemli Kazar (2016) examines the correlation between financial globalization, financial development, and economic growth for countries categorized by level of income. The research examines the relationships between financial development, economic growth and the other primary growth determinants. The empirical results indicate that practical policy implementations vary by national designation. While Balcilar, Gungor, Olasehinde-Williams (2019) explores whether globalization influences financial development by creating opportunities for institutional reforms, thus boosting economic growth through more significant financial development for a panel of 36 developing nations. The results demonstrate that all globalization initiatives greatly enhance financial institutional development. Moreover, Batuo, Mlambo, Asongu (2017) explores relations in 41 African nations between financial instability, financial liberalization, financial development, and economic growth. The results also indicate that economic growth decreases financial instability and that the rate of reduction in the pre-liberalization period is higher than in the post-liberalization period.

Furthermore, Law, Tan, Azman-Saini (2015) study explores the complex impact of globalization in East Asian countries on financial development and institutions. In the meantime, the empirical evidence shows that globalization has a significant impact on institutional quality and that institutional policy changes, in turn, expedite and support financial development, particularly the development of the East Asia banking sector. Whereas, Ezejiofor A., Okoye and Nwakoby Nkiru Peace, Jane N. (2015) evaluated the globalization of commercial bank development in Nigeria. The study data were collected from questionnaires and evaluated at a scale of five points. The study found that globalization has a positive impact on the activities leading to the development of the Nigerian banking system. Likewise, in their paper, Rathore and Prajapati (2019) seek to refute the effect of Financial Globalization on the Indian financial market with the help of Regional Rural Banks (RRBs) throughout Uttar Pradesh's two central districts. The results suggest that financial globalization boosts Indian financial markets positively. Although in an attempt to analyse the links among financial globalization on financial development in transition economies, Edgar Demetrio Tovar Garcia (2015), Blundell and Bond panel dynamic data model technique was used. The analysis indicates that Financial globalization positively and significantly relates to the financial sector growth process, not with the process of development, which is, without better performance of fundamental financial functionalities.

AT Mnif (2016) focuses on the effect of financial liberalization on stock market stability in emerging economies. The study takes into consideration the crises in Latin American classification (Brazil, Chile, and Argentina) as well as Asian economies (Korea, Philippines, Thailand, and Taiwan). It further applied the CMAX technique. The findings documents in the short run that liberalization paves the way to the unstable stock market and brings about many crises. Whereas, in the long run, financial liberalization indicates to have brought more stability in the financial markets. Meanwhile, Andreasena, Valenzuela (2016) To investigate the effects of openness empirically to financial on sovereign and corporate credit ratings and to analyse whether these effects impact on the magnitude of internal financial development using OLS.



The study reveals that openness to finance significantly impacts the sovereign and corporate credit ratings and that the gravity of this effect lies in the development level of the local financial market. More results from the study show that information becomes crucial as markets are introduced into the environment where prices are calculated.

The latest financial crisis, in line with Asongu et al. (2015), has provided further proof of the uncertain existence of financial globalization. As per the authors, the related literature can be addressed in three main areas, including uncertainty in African production: financial flows, growth and other macroeconomic and financial performance. Further emphasized that, despite the apparent enthusiasm shown in specific academic and policy spheres that Africa may not have been greatly affected by the crisis, it was projected that annual growth rate levels would drop in 2009. The authors analyse the vulnerability of Africa to the crisis as well as the consequences for poverty reduction, political stability, economic growth, and fiscal policy. It has been noted that the emphasis on financial markets on the study of Velde and Massa (2015) was restricted to a chosen few nation with well-sound and worldwide incorporated stock markets. It was gathered that Kenya's stock market collapsed by about 40% due to crisis-related uncertainty.

Economic Growth and Financial Development

The second section discusses the dynamic impacts of the intersection between growth and finance. Most of the studies in this branch of the research produce contradictory results from demand, supply, and feedback. In the research to examine the linkage between financial development and economic growth in Nigeria empirically, Auto-regressive distributed lag (ARDL) method applied by Iheanacho (2016). The result indicates a negative long-term and short-term interactions between financial stability and economic growth. Meanwhile, Ahmed, Nwanji, Asaleye, & Lawal (2016) noticed a two-way causal effect between economic growth and financial development by employing the same approach in a similar place. Similarly, Baye & Achamoh (2016) employed Autoregressive Distributive Lag (ARDL), binding analysis, and Johansen approaches to investigate the impact of real exchange rate (RER), FDI and financial development on Cameroon's economic growth. The paper shows that financial sustainability has a positive impact on economic growth.

Likewise, Nasiri, Kassi, Edjoukou (2017), with the application of VECM and ARDL, the results indicate that financial development and economic growth have a unidirectional relationship. Whereas, in analysing the effect of both the development of the financial market and the banking sector on Jordan's economic growth, Othman & Ananzeh (2019) employed the period 1993–2017 and the long-term linkage test, Johansen and the causality Granger test as the study techniques. In compliance with the Johansen co-integration test, the study results report a long-term association between the variables. However, the causality Granger test indicates a one-way causality that runs from the financial sector to economic growth. Moreover, in the panel study of Rateiwa (2017) using the Johansen test, however, it suggests that there is indeed a positive linkage between economic growth and financial development in South Africa and Egypt, while a country with a more advanced financial sector has a positive effect on economic growth. Nigeria, therefore, has a negative interaction between the parameters.

In contrast, Fernandez, Azofra, Olmo, Carlos (2018) used 79 country panel data from 1998 to 2011 and the System-GMM technique. The research intended to analyse the impact of



economic growth on the interaction between financial development and the operation of the microfinance sector. The study findings suggest that economic growth influences the association between the financial sector and micro-finance activities. Therefore, while examining the position of financial development in the nexus of foreign aid and economic growth. Tsaurai (2018) used the Fully Modified Ordinary Least Squares method (FMOLS). The results of this study indicate a significant role in channelling foreign direct investment to economic growth via financial development. Moreover, the study reveals a favourable financial development link to economic growth. Meanwhile, considering the interaction between the financial stability of China and economic growth. Shi, D., Wang, R., & Guo, H. (2019) used the VECM approach. The results of this research suggest that financial growth mechanisms were introduced in China, and economic growth stimulates the pace of financial development in China considerably.

Nonetheless, to analyse the effect on economic growth in ASEAN economies' financial development through private loans to the private sector and net exports government spending. Whereas, Susanti, N., Susetyo, D., & Azwardi, D. (2018) used the approach of panel regression using the concept of fixed effect. Research findings indicate that private loans to the private sector are optimistic and have a significant impact on economic growth. Besides, work into the causal link between financial stability and economic growth in emerging markets. Moreover, Akbas (2015) used the causality test of the Bootstrap panel. The research results show a weak causality connection between economic growth and financial development, which aligns with the neutrality following the hypothesis of emerging nations.

In comparison, the association between financial stability and economic growth has been investigated. Z. Wang (2017) analysed cross-economy data from 1980 to 2011, using a small open-economy model. The results suggest that under-performance reflected in unexpected marketing borrowing restraints, which helped to improve industrial output and to increase the rate of technological innovation in the trade sector. Based on the results of this analysis as under-performance, trade borrowing restrictions are eased, resulting in further investment capital and, in exchange, more efficiency, increasing economic growth, visible with less established financial markets in economies. Though presenting new findings on the influence of e-government and financial progress on economic growth. Malik & Majeed (2016) employed 147 MENA nations, using a multi-year cross-sectional average. The results of this research indicate that economic growth has a substantially positive association with e-government, while economic growth has a negative effect on financial development.

However, the effect of CESEE countries' economic growth from the introduction of foreign-owned banks was investigated. Iwanicz-drozdowska, Bongini, Witkowski & Smaga (2017) applied the period 1995–2014 and the post-communist economies of Central, Eastern, and South-Eastern Europe (CESEE) approach used. The research findings confirmed the positive linkage between foreign banks and economic growth and suggested that bank loans do not promote economic growth. Besides, Maktouf & Jamel (2017) employed panel data from 40 European nations from 1985 to 2014, as well as conventional square techniques and Granger causality checks. The study examined the causality of economic growth, carbon emissions, financial stability, and openness to trade empirically. Research findings indicate a two-way causality between economic growth and financial development.

Likewise, Williams, K. (2018) had the goal of analysing the two-way interactions between economic growth and financial development for the Caribbean and Latin America, using data



from 32 developing economies for the period 1970 to 2014. The first main conclusion reveals that financial stability was not an essential aspect of economic growth. It also indicates that economic growth does not impact financial stability. On the other hand, while evaluating the effects of foreign direct investment (FDI) and financial development on the V4 countries' shifts in economic growth. Yusof, I., Ambak, A., Yamin, S., & Awang, N. (2019) applied the definition of Barro regression. The findings suggest that economic growth positively affects financial stability. In the meantime, the critical elements of financial stability are established and the most critical role to be played while fostering economic growth. Smolovic and Božovic (2016) applied data from Montenegro. The results indicate that financial stability and economic growth have a positive linkage.

CONCLUSION

While the intensity may not be exogenous, significant evidence endorses bi-directional or unidirectional causal link between financial globalization uncertainty, economic growth, and financial development can be deduced based on scientific studies. As several studies investigating the causal link between both the three determinants produced conflicting conclusions. Data on financial globalization uncertainty, economic growth, and financial development are typically inconclusive. This requires further research to have a more explicit established link between the financial development determinants. Analytical research shows that financial globalization uncertainty and economic growth have a positive impact on the financial sector's development in most developing and developed economies. While, in mainly oil-rich countries, a negative or even neutral relationship seems prevalent, this is due to over dominance of the public sector in their financial sector. Causality focus has considerable significant political implications as recognizing the direction of causal effect has some direct consequences in influencing policies to avoid both internal and external financial shocks while taking advantage of such uncertainty to improve the country's financial sector. Whereas if there exists a unidirectional causality running from economic growth to financial development, interventions ought to have virtually no or negative impact on the economic growth of a country. Such findings can then be used by the stake-holders to lessen the tax burden and encourage investment or enhanced public spending; as concluded by John Maynard Keynes, that increased in government spending will result in higher economic growth. Furthermore, on the other hand, if unidirectional causality exists from financial development to economic growth, the government should then use additional resources to deepen the financial system and ensure sustainable sector performance. In a particular situation, a downturn in economic growth means a decrease in economic activity. In contrast, in the event of slowness in economic activity within the economy, the loss of new businesses will rise, and the rate of bad loans will undoubtedly skyrocket.

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