

## **IIM Trichy Research Seminar Series**

Central to the academic life is the spirit of enquiry, conversation and debate. The primary intention of the IIM Trichy Research Seminar Series is to nurture this spirit amongst the Fellow Program (FP) community. This initiative was conceptualized by and is administered by the FP students.



### **Session 16**

Date: 23<sup>rd</sup> Oct 2020, Venue: CR003, Time: 4:30 PM

# **Financial Development and Economic Growth: Why Doesn't One Size fit All?**

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**Category:** Work in Progress

**Presented by: Mr. Goutam Bhaskar**

## **Abstract**

The literature presents strong evidence that financial development leads to economic growth. However, it ignores the dual face of growth – innovation and imitation. Imitation is relatively more important for countries that are lagging than countries that are close to the frontier. This study empirically examines the effect of financial development on sources of growth, when interacted with the proximity of each country from the frontier. The proximity to the frontier is the relative distance of a country from the world income and technology frontier. Generalized Method of Moments (GMM) estimation technique has been employed here to check for simultaneity bias. It finds that financial development has a differential impact on economic growth and sources of growth depending upon the proximity of the respective country to the frontier. While financial development has a positive and robust impact on growth, the interaction variable of financial development, and proximity to the frontier ratio has a negative and significant impact on growth.

<b>Broad Theme of Discussion</b>	<b>The Inquisitives</b>
<ul style="list-style-type: none"> <li>• The separate importance of implication and discussion sections               <ul style="list-style-type: none"> <li>• Inclusion of comments before presentation in subsequent sessions                   <ul style="list-style-type: none"> <li>• A state level analysis within India might be beneficial</li> <li>• Importance of executive summary in research papers</li> </ul> </li> </ul> </li> </ul>	 <p><i>Prof. Sujeet (Faculty, ISA)</i></p>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>• Central banks replacing private banks               <ul style="list-style-type: none"> <li>• Reverse Migration</li> </ul> </li> </ul> </li> <li>• Relation of distance from frontier with migration between sectors</li> </ul>	 <p><i>Sumit (Finance)</i></p>
<ul style="list-style-type: none"> <li>• Distribute Lag model and relevance of one year lag</li> </ul>	 <p><i>Seema (ISA)</i></p>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>• Choice of Imitation over Innovation</li> <li>• Defining “distance from frontier”</li> </ul> </li> </ul>	 <p><i>Nidheesh (OB &amp; HRM)</i></p>
<ul style="list-style-type: none"> <li>• Innovation Approach in Stock Markets</li> </ul>	 <p><i>Anindya (Finance)</i></p>