

# Abstract

Abstract of thesis entitled “Stock markets, Banks, and Economic Growth: Evidences from 10 Asian Economics”, submitted by Yao Liyan (M-A46807-8) for the degree of master of Social Sciences in Economics at the University of Macau in November 2007.

Since dynamic models of panel data that were introduced by Holtz-Eakin, Newey and Rosen (1990), Arellano and Bond (1991), and Arellano and Bover (1995), the role of financial market development in economic growth have been widely recognized as one of most considerable problems in growth theory. Recently economists have builded on this frame work by using different econometrics to examine the relationship between bank sector development, stock market development and economic growth. The objective of my research is to investigate the impact of stock markets and banks on economic growth in 10 Asian economies: Japan, India, South Korea, Malaysia, Indonesia, Philippines, Taiwan, Thailand, Hong Kong and Singapore. In my study, I analyze this relationship by classifying these 10 Asian economies to two groups: the high-income group and the low-income group.

By following the models of Beck and Levine (2004) and by applying recent generalized method of moments (GMM) techniques developed for cross-sectional and panel data models, I find that the level of stock market development and bank development are both positively and significantly

correlated with long-run growth in high income countries. Stock market development is a more robust predictor of economic growth than bank sector development. But in the low income countries, it is less clear. I find that there is no significant relationship between these two indicators and economic growth. My findings provide supports for presence of stock market development in Chinese economy.