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Finansal Derinleşme ve Ekonomik Büyüme: Türkiye Örneği/ Financial Deepening and Economic Growth: The Case of Turkey

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ABSTRACT

Financial deepening is an indicator that shows the development of financial system and a wider choice of financial services. The role that the financial system plays in economic growth depends on financial development and deepening. Financial deepening refers to a financial system that provides an efficient allocation of capital and an increase in savings. In case of financial deepening, the relationship between financial development and economic growth would be stronger. The relationship between financial development and economic growth has received an attention since the work of Schumpeter (1911). Gurley and Shaw (1955), Cameron et al. (1967), Goldsmith (1969), Mckinnon (1973), Shaw (1973) and Fry (1978) are some of the classics of the literature. Early contributions have found a positive and meaningful relationship between financial development and economic growth. In order to reveal the relationship between financial deepening and economic growth in Turkey the 1960-2012 annual data are used. In this study, the economic growth variable is stationary while the other variables are non-stationary. Therefore, we have to use Pesaran et al (2001)'s ARDL bounds test for the cointegration analysis. Accordingly, we have been found that long-term relationships among M2/GDP, total loans/GDP and loans to the private sector/GDP on economic growth. To determine the direction of causality between variables Toda and Yamamoto (1995) dynamic causality test is used. Results generally show that from financial deepening to economic growth in unidirectional causality. These results reveal that opinion of priority supply is valid in Turkey for the relevant period.

KEYWORDS Financial Deeping; Economic Growth; Toda-Yamamoto Causality; Bounds Testing; ARDL

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