

Institute of International Studies
Master's thesis proposal

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Topic:

Finance and Growth Nexus: CEE & Central Asia and Beyond

Characteristics:

This thesis will investigate the effect of finance on growth using a global sample as well as regional samples where I will focus more on CEE and Central Asia. My thesis will differ from the existing studies in the following ways. First, the estimations will be conducted on both global sample and regional samples, therefore it will be possible to examine and compare the effects of finance on growth for different regions including CEE and Central Asia. This thesis can contribute to the discussion of finance and growth nexus in CEE and Central Asia as research on the region has been neglected due to limited data availability. Second, as existing studies mainly use private credit to GDP, I will use several financial development variables in order to capture the diverse aspects of financial development. Third, I will use GMM estimators so that my results will not be affected by endogeneity problems.

Hypotheses:

1. Whether the effects of finance on growth are the same for different time periods or not?
2. How the effects of finance on growth differ for regional samples especially for CEE and Central Asia?
3. How the effects of different financial development variables such as efficiency and depth are varied?

Data and Methodology:

Recently published World Bank development indicators data between 1960 and 2013 will be used as main variables. Fixed effect panel estimations will be employed for regional samples because GMM estimators require larger sample size and GMM estimators will be conducted on the whole sample and two income groups: high income and middle & low income countries.

Preliminary Outline:

Introduction
1. Literature Review
2. Data and Summary Statistics
3. Methodology: 3.1 Fixed effect panel data 3.2 GMM estimators
4. Results: 4.1 Fixed effect panel estimations 4.1.1 Whole sample and regional samples 4.1.2 CEE & Central Asia 4.2 GMM estimations
5. Robustness Checks
6. Policy Implications for CEE and Central Asia
7. Conclusion

Core Bibliography:

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