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The Relationship between Stock Market-Based Financial Development and Economic Growth: The Case of Turkey

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Abstract

This study aims to examine the effect of financial development on economic growth in the case of Türkiye. Financial development is considered the one of the basic elements of economic development. It provides an important reference to better understand the relationship between financial development and economic growth in Turkey and to predict the effects of economic policies.

In the study, quarterly data for the period January 1999 - January 2023 are analyzed for the Turkish economy with the help of ARDL (Autoregressive Distributed Lag-ARDL) cointegration methodology. According to the results, it has been seen that the stock market index, which is an indicator of financial development, consumption and net exports has a positive effect on growth. On the other hand, investment has no effect on growth rate and government expenditure has negative effect on growth rate.

Keywords: stock market, financial development, economic growth, bounds test, ARDL model