

**IMPLICATIONS OF FINANCIAL
DEVELOPMENT ON ECONOMIC
RESILIENCE OF SOUTH ASIAN COUNTRIES**

BY

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IMPLICATIONS OF FINANCIAL DEVELOPMENT ON ECONOMIC RESILIENCE OF SOUTH ASIAN COUNTRIES

By

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ABSTRACT

The purpose of this study is to measure the impact of financial development on economic resilience of south Asian countries by constructing an economic resilience index on greater framework as previously the work on economic resilience was done on individual level and on developed countries however this study measures the economic resilience of South Asian Countries using PCA. Many researchers have conducted their studies in different aspect of determinants of economic resilience. Economic resilience is a big issue for South Asian countries as they have lack of resources to fulfill needs of people. This is one of the major cause of poverty in South Asia. Unemployment, increased rate of inflation, high interest rates and low level of literacy are some other reasons that makes these countries prone to different economic shocks. They also lack accurate measures to face these economic shocks efficiently. In this study we focus on the ways through which we can attain the economic resilience. This study mainly focuses on analyzing the impact of financial development among other factors on economic resilience using panel data of 5 countries for the period 2001-2020. In this regard an index is also constructed to identify resilient state of economies. Data of the variables used in construction of index is obtained from different sources like International Monetary Fund (IMF), Asian Development Bank for Asia, World Development Indicators (WDI), and self-constructed index which has indicators of macroeconomic stability, market efficiency, governance and social sector domains. Fixed-effect, random-effect models are used in this study for the purpose of estimation. In order to check robustness and to handle the problem of endogeneity FE2SLS technique is used. There is growing consensus that financial development can be a good indicator for making countries more resilient towards economic shocks as well as financial development play a significant role in mitigating the effects of economic exogenous shocks. Strengthening the financial system can bring benefits not only in the case of financial crisis but also provide greater stability in post crisis. The study helps the policy makers to adopt the policies that can make their economies more resilient through financial development.

Key Words: Economics Resilience, Resilience index, Financial Development

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There is no God but Allah and Muhammad (PBUH) is his messenger. I am solely obliged to Allah Almighty for his blessings, my efforts were nothing but his blessing enabled me to complete this project.

DEDICATION

This work is dedicated to my loving and caring father, my supportive husband and my respectable teachers.