

Financial Stability and Economic Growth: Evidence from South Asian Region

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ABSTRACT

Introduction: This study investigates the impact of financial stability on economic growth in south Asian region. For this purpose, researcher had employed panel data analysis for the period of 2010 to 2020 and for 6 south Asian countries.

Design/Methodology: To measure the impact on economic growth study used Gross Domestic product as the dependent variable and Ratio of regulatory capital to risk-weighted assets, Ratio of non-performing loans to gross loans, Ratio of liquid assets to total assets and Ratio of return on assets used as independent variables. Financial depth, Consumer Price Index, Population and Trade openness used as control variables. Researcher used fixed effect model for analysis data.

Findings: The study revealed there is no significant impact between the Ratio of regulatory capital to risk-weighted assets, Ratio of non-performing loans to gross loans, Ratio of liquid assets to total assets on GDP. Ratio of return on assets has negative impact on GDP. Population and Trade openness have positive significant relationship to the Gross Domestic product. Consumer price index shows insignificant impact to the Gross Domestic Product. Financial depth shows significant negative relationship to the gross domestic product.

Conclusion: This study concludes there is no significant impact from financial stability on economic growth in south Asian countries.

Keywords: *Financial Stability, Economic Growth, Asian Region*