

Financial development and economic growth: A review of the literature

PHAM THI THUY DIEM¹

Banking University Ho Chi Minh City

NGUYEN TRONG HOAI²

University of Economics Ho Chi Minh City

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Abstract:

T*his paper reviews theoretical perspectives and summarizes the systematic review of empirical evidence on the connection between financial development and economic growth. The theories implies that better developed financial system has a positive influence on savings and investment decisions and hence lead to economic growth. The empirical studies also show that an economy has a higher growth-enhancing effect closer to the well-developed financial market, hence provide strong support to the proposition that more finance lead to more growth. However, some empirical studies have pronounced that financial development has a negative/weak impact on economic growth.*

Keywords: *Financial development, economic growth, financial systems.*