

Analysis of the Effect of Financial and Economic Indicators on Stock Market Depth Indicators: Case Study of Selected Developing Countries

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Abstract

In national economic cycle the financial sector as most important intermediaries in the optimal, allocation of resources is one of the most important elements of economic growth. This sector acts as an accelerator to economic activities towards sustainable development by reducing the cost of resources. In this study, using annual data for 15 developing countries for period 1993-2015, has been examined the effect of banking sector credit and government deficit on the stock market depth. Also, Panel VAR econometric model is used to investigate the relationship between the banking sector credit and deficit shock with the stock market depth indexes. According to results of this study, the reaction of stock market capitalization index, stock trade value index and Turnover ratio index in front of a shock incurred by banks credit to private sector has been positive shock. The government deficit has a positive effect on the stock market capitalization index and stock trade value index but has a negative effect on the Turnover ratio index.

Keywords: Stock Market Depth; Financial Accelerators; Stock Exchange.

JEL Classification: E62, E44, O16.

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