Abstract

There is a growing consensus among economists, of course, not based on solid evidences that a well-developed market oriented financial system contributes to economic growth and stability. But there are dissenting voices, who suggest finance at best perform a passive role in economic growth. Hence, one may ignore any discussion on finance-growth linkage without any loss.

The current study attempts to resolve this debate. It is a formidable task that requires an immaculate measurement of level of financial sector development then to relate it through appropriate methodology with a well-accepted definition of economic growth.

Findings of the present study suggest that nature of finance-growth relationship varies across the countries. In some occasions it satisfies assumption of Neo-classical theorists and for others the views of so-called 'liberal consensus' do not hold good. While first stage of debate relates to finance-growth linkage, second controversy centers around whether bank- or market-based financial systems can offer maximum benefit to society. Our study suggest its not an "either or" situation. The structure of the financial system widely varies across countries. Grossly, bank dominates financial system of Asian countries. The region which is our main focus of attention.