

Artificial Intelligence, Financial Development and Economic Growth: A Panel Data Study

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Abstract: This study analyzes the role of the financial market in the AI-economic growth nexus. Our empirical methodology uses a panel of 50 countries over the period 1980-2023 via fixed effects and Generalized Method of Moments estimations. Empirical results show that AI drives long run economic growth. However, this positive effect is less for African countries compared to developed countries, and is attenuated in the event of weak financial development. There is even a financial development threshold below which AI is likely to reduce economic growth. Our study recommends financial reforms that can improve financial development and more effectively allocate investments to finance AI.

Keywords: Artificial Intelligence, Economic Growth, GMM, Financial Development

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