

Effect of Financial Development on Economic Growth in UMA Countries

Hanen Boubakri* and Kamel Helali

Department of Economics, University of Sfax, Tunisia

Abstract: This paper examines the impact of financial development on economic growth in the Arab Maghreb Union (AMU) countries, emphasizing the significance of financial liberalization. The sample studied includes five AMU countries—Algeria, Libya, Morocco, Mauritania, and Tunisia—over the period from 1980 to 2020. The methodology used relates on econometric techniques, including unit root tests, cointegration tests, and ARDL models to analyze the relationships between financial variables and economic growth. The main results reveal that financial sector development has a significant positive effect on GDP growth, but this impact varies depending on the maturity of the financial sector in each country. Furthermore, private credit plays a crucial role in this dynamic, indicating a complementary relationship between financial development and economic growth. These results highlight the importance of financial reform to stimulate growth in this region.

Keywords: Financial Development, Economic Growth, UMA, Econometrics, Private Credit

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* Corresponding author. Email: boubakrihanen@hotmail.fr