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Non-linear Analysis of the Impact of Capital Inflows on the Economic Growth of UMA Countries

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Abstract: This paper discusses the increasing importance of financial integration in developing countries, particularly in Africa. The topic is of interest due to the challenges and opportunities that this integration presents for economic growth, especially in the era of globalization. The sample studied consists of the member countries of the Arab Maghreb Union (UMA) from 1980 to 2020. The methodology utilized combines threshold autoregression (PTAR) and smooth transition autoregression (PSTAR) models to examine the relationship between financial development and economic growth. The primary findings indicate that the impact of capital flows varies based on levels of financial development, with positive effects observed once a certain credit threshold is reached. This threshold is deemed crucial for capital flows to effectively contribute to growth.

Keywords: Financial Integration, Economic Growth, UMA Countries, Nonlinear Models, Credit Threshold

JEL Classification Number: F30, F36, G15

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