

[DOI: 10.20472/IAC.2017.33.022](https://doi.org/10.20472/IAC.2017.33.022)

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DOES NON-INTERMEDIATION ACTIVITY TELL US MORE IN THE FINANCE-GROWTH NEXUS?

Abstract:

This paper provides new evidences on traditional finance-growth nexus via dividing financial services into intermediation and non-intermediation services and examines their relationships with economic growth. Applying time series cointegration techniques and Granger causality tests for eight OECD countries, several results are obtained. First, there exists a long-run equilibrium relationship among economic growth, intermediation activities, and non-intermediation activities in Austria, France, and Korea. Second, we find that financial intermediation services promote long-run economic growth in France and Korea, whereas non-intermediation services impede Austria's long-term economic growth. Finally, the development of non-intermediation activities leads the development of intermediation activities in France and the Netherlands in the short-term. This paper emphasizes the importance of non-intermediation activities in the growth process and in the development of intermediation services as well.

Keywords:

financial Intermediation; non-intermediation; Economic growth; Causality

JEL Classification: C32, F30, G20