

## Competition, Stability, and Economic Growth: A Causality Approach

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**Abstract :** Research Question: In this paper, we explore the causal relationship between banking competition, banking stability, and economic growth. Research Findings: The unbalanced panel data starting from 2000 to 2018 is collected to analyze the causality among banking competition, banking stability, and economic growth. The main focus of the study is to check the direction of causality among selected variables. The results of the study support the demand following, supply leading, feedback, and neutrality hypothesis conditional to different measures of banking competition, banking stability, and economic growth. Theoretical Implication: Jayakumar, Pradhan, Dash, Maradana, and Gaurav (2018) proposed a theoretical model of the causal relationship between banking competition, banking stability, and economic growth by using different indicators. So, we empirically test the proposed indicators in our study. This study makes a contribution to the literature by showing the defined relationship between developing and developed countries. Policy Implications: The study covers various policy implications regarding investors to analyze how to properly manage their finances, and government agencies will take help from the present study to find the best and most suitable policies by examining how the economy can grow concerning its finances.

**Keywords :** competition, stability, economic growth, vector auto-regression, granger causality

**Conference Title :** ICABE 2024 : International Conference on Accounting, Business and Economics

**Conference Location :** London, United Kingdom

**Conference Dates :** March 11-12, 2024