

## **Financial Development and Economic Growth in the CARICOM sub region**

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### **ABSTRACT**

The objective of this study is to determine if a relationship exists between financial development and economic growth for three CARICOM countries, Barbados, Jamaica and Trinidad and Tobago and, provided that a relationship is found, to determine the nature and extent of the relationship. The investigation is carried out within a VAR/VECM framework on three countries, Barbados, Jamaica and Trinidad and Tobago, over the period 1970 – 2002. Some evidence is found causality in both directions - from financial development to economic growth, as well as from economic growth to financial development – but there is also evidence that the result may be perverse in that particular forms of financial development may result in lower growth rates. Policy recommendations are made.

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**KEYWORDS:** Financial development, growth, causality, VAR models, VECM models.

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