

## **Financial Globalisation and Economic Growth in Asia: Is There a Difference between Upper-Middle-Income and Lower-Middle-Income Countries?**

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### **Abstract**

**Background:** Although financial globalisation has been a widely debated topic recently, there remains a wide range of conflicting views on the matter. Additionally, there is a lack of empirical research on this subject in middle-income countries, particularly those examining the differential impacts of financial globalisation on economic growth between upper-middle-income and lower-middle-income countries.

**Objective:** This study investigates the impact of financial globalisation on economic growth in middle-income countries in Asia from 2002-2021. It specifically examines the differential effects of financial globalisation between upper-middle-income and lower-middle-income countries.

**Methodology:** The study employs the Bayesian approach to estimate the impact of financial globalisation on economic growth, offering insights into both the extent and probability of this relationship. Additionally, the Generalised Method of Moments (GMM) is utilised to validate the robustness of the findings.

**Result:** The findings indicate a significant and positive impact of financial globalisation on economic growth across middle-income countries in Asia, with a probability of 100 percent. Importantly, the impact is more pronounced in lower-middle-income countries than their upper-middle-income counterparts.

**Conclusion:** These findings suggest that middle-income countries in Asia can effectively leverage financial globalisation to foster economic growth.

**Unique Contribution:** This study significantly contributes to theory and practice by clarifying the impact of financial globalisation on economic growth. Furthermore, it sheds light on the differences in this impact between lower-middle-income and upper-middle-income countries.

**Key Recommendation:** This study's findings provide a reliable basis for the countries in the sample to identify appropriate solutions to promote financial globalisation linked with economic growth. Accordingly, middle-income countries in Asia should make further efforts to improve their level of financial globalisation, which is particularly crucial for lower-middle-income countries.

**Keywords:** Asia; Bayesian; Economic growth; Financial globalisation.

## **Introduction**

Financial globalisation (FG) is the connection and exchange of cross-border capital flows between countries and territories (Gygli et al., 2019). Currently, FG is a widely debated issue at the global level (Bhanumurthy & Kumawat, 2020). Most economists have emphasised the positive impact of FG on economic growth (EG) (Egbetunde & Akinlo, 2015; Ze et al., 2023). They have urged developing countries to open their capital markets to external capital inflows (Lee, 2016; Nguyen, 2022; Saidi & Aloui, 2010). However, some opinions are concerned about the potential hidden risks that may arise from FG, even suggesting that it could hinder the EG process. Concerns about these risks have intensified since the global financial crisis in 2007-2008. Moreover, some empirical studies appear to have provided no clear answer on the impact of FG on EG, as their results may vary across regions and over time and even depend on the type of foreign capital (Bhanumurthy & Kumawat, 2020). Therefore, the impact of FG on EG is an essential research topic. This research topic still has many gaps that need to be explored, especially the extent of the impact of FG on EG, which has no consensus and has not been answered satisfactorily.

Developing countries often face common challenges such as capital and technology shortages, while their revenue sources are usually not high, making FG critically important for these nations (Makun, 2021). Indeed, embracing globalisation can enable these countries to access international capital and even advanced technologies and management practices (Bhanumurthy & Kumawat, 2020). However, empirical studies on this subject typically examine the impact of FG on EG in developed countries, often overlooking developing ones, except for some studies that analyse data samples including both developed and developing countries (Lee, 2016; Saidi & Aloui, 2010). Moreover, according to the World Bank's classification criteria, developing countries can be divided into subgroups. There are variations among these countries. For instance, the gross national income (GNI) per capita of upper-middle-income countries ranges from \$4,466 to \$13,845, that of lower-middle-income countries from \$1,136 to \$4,465, and that of low-income countries is \$1,135 or less. Therefore, the impact of FG on EG may vary among these groups. However, there are almost no studies clarifying the differences in the impact of FG on EG between these groups of countries, such as differences between upper-middle-income and lower-middle-income country groups. This clearly indicates a big gap in previous research. This gap poses challenges for policymakers in these countries in identifying appropriate solutions to promote FG linked with EG. The absence of empirical evidence on this issue has made it difficult for policymakers to promote FG, especially in identifying policies related to the benefits and potential risks of the FG process (Bhanumurthy & Kumawat, 2020). Thus, this study aims to clarify how FG impacts EG. Furthermore, this study also aims to clarify the differences in the impact of FG on EG between lower-middle-income and upper-middle-income countries. This is how this study differs from previous studies.

In this study, the authors analyse the impact of FG on EG in middle-income countries across Asia. The findings indicate a positive influence of FG on EG across all countries studied. It is interesting that this influence is more pronounced in lower-middle-income nations than in upper-middle-income countries. Furthermore, the analysis of the control variables reveals that financial development and corruption control consistently enhance EG across the dataset. In contrast, population growth and government expenditure demonstrate mixed effects: They may constrain EG in lower-middle-income countries but contribute significantly to EG in the remaining group of countries.

The remaining sections of this paper are organised as follows: The next section summarises the empirical research conducted on the impact of FG on EG. Subsequently, the authors outline the data sources and methodology used. Following this, the findings are presented and discussed. Finally, the authors conclude with the implications drawn from the research.

### **Objective of the Study**

This study's objective is to clarify how FG impacts EG and the differences in its impact between lower-middle-income and upper-middle-income countries. This is how this study differs from previous studies.

With these objectives, this research addresses the following two questions: (i) How does FG impact EG in middle-income Asian countries? (ii) Does this impact differ between the two groups of middle-income countries?

### **Literature Review**

During the early stages of FG, many studies were done on the impact of capital account liberalisation or financial integration on EG, primarily focusing on developed economies. Key studies on this issue include Quinn (1997), Eichengreen and Leblang (2003), Mody and Murshid (2005), Chinn and Ito (2006), Henry (2007), Quinn and Toyoda (2008) and Azman-Saini et al. (2010). Since the aftermath of the global financial crisis, there has been a greater focus on the topic (Lee, 2016; Saidi & Aloui, 2010).

Fundamentally, FG can impact a country's EG in two primary ways: (i) FG provides and allocates international financial resources for EG, which is crucial, especially for countries with capital shortages; (ii) FG can contribute to technological innovation, improve human resource quality and management methods, thereby promoting EG. The impact of FG on EG has been demonstrated in a large number of empirical studies. For example, in Sub-Saharan African nations, FG was found to have a positive impact on EG by Egbetunde and Akinlo (2015). Accordingly, these countries benefited significantly from FG, which is evident in the government's sensible policies. Iamsiraroj and Ulubaşoğlu (2015) found a positive impact of foreign direct investment (a component of FG) on EG, which is more evident in developing countries. Globally, developing nations are working to open their economies, as Saidi and Aloui (2010) and Lee (2016) have shown. However, there are few empirical studies on FG in these nations, except for a few that analysed large panel data that included both developed and developing nations (Doan & Nguyen, 2024). In another study, Gaies et al. (2019) believe that FG has a role in promoting EG in developing countries. Akadiri et al. (2020) found a positive impact of foreign direct investment (a component of FG) on EG in African countries. Aga and Hussein (2023) proved that FG exerts a positive long-term impact on EG in the Kurdistan Region of Iraq. Ze et al. (2023) found a positive impact of FG on EG in G10 countries. Furthermore, this study affirmed that FG is necessary for sustainable growth in the countries within the study sample. Recently, Adjei et al. (2024) reported that FG positively correlates to EG in Sub-Saharan African economies. In another study, Wang and Sibte-Ali (2024) argued that FG is a crucial factor in balancing environmental issues and sustainable EG in the long term.

The majority of empirical research supports the idea that FG impacts EG favourably. However, some views suggest that FG might hinder EG. Accordingly, developed countries invest in developing countries in search of profits. This problem is particularly evident in resource-rich developing countries. This benefits developed countries considerably, while

the benefits to developing countries are negligible and may even be detrimental due to potential resource depletion. Additionally, some argue that globalisation can introduce risks, especially to developing countries, with the global financial crisis of 2007-2008 serving as evidence of these adverse effects (Bhanumurthy & Kumawat, 2020). Meanwhile, some studies have found negligible impacts of FG on EG, mostly empirical research in Asia. For instance, Mazumdar (2005) observed that foreign capital had an insignificant impact on EG in India. In another study, Bhanumurthy and Kumawat (2020) stated that the impact of FG on EG in South Asia is negligible. Some opinions indicate that studies conducted in Asia tend to focus more on trade globalisation than FG (Hussain & Haque, 2016; Liyanage, 2016; Thilakaweera, 2012). In fact, the impact of FG on EG in developed and developing countries may differ. For instance, FG opens new and diverse investment channels for developed countries. Meanwhile, FG plays a crucial role in the EG process of developing countries by supplementing international capital, spreading technology, innovating management methods, and boosting investment in these countries (Bhanumurthy & Kumawat, 2020). However, empirical studies often consider the benefits of FG for EG in developed countries, neglecting developing ones, except for some studies analysing data that include both developed and developing countries (Lee, 2016; Saidi & Aloui, 2010). Particularly, there is almost no study clarifying the differences in the impact of FG on EG among country groups, such as between countries in the middle-income group. There is a significant gap in research that has not been adequately addressed in previous studies. While FG is a significant concern in these countries for promoting EG, particularly by addressing capital shortages, improving technology, and innovating management methods, it is also crucial for developing nations, especially middle-income countries. This is particularly relevant given the existing gaps that can be explored through data analysis from these countries.

### **Hypothesis Development**

It is evident that the impact of FG on EG is a topic receiving great attention from researchers and policymakers worldwide. While there are several conflicting viewpoints regarding this impact, the prevailing trend shows a positive relationship between FG and EG. This is particularly suitable for middle-income countries. Indeed, FG can supplement domestic savings in these nations, promoting greater investment and stimulating EG (Bhanumurthy & Kumawat, 2020). In fact, middle-income countries often have limited revenue streams but high expenditure demands, leading to a significant reliance on foreign capital (Makun, 2021). Furthermore, certain international capital flows, such as foreign direct investment, can contribute to technological innovation and improved management practices in these countries (Bhanumurthy & Kumawat, 2020). Besides, the positive impact of FG on EG has been identified in several previous studies, including those of Egbetunde and Akinlo (2015), Iamsiraroj and Ulubaşoğlu (2015), Gaies et al. (2019), Akadiri et al. (2020), Aga and Hussein (2023), Ze et al. (2023), Adjei et al. (2024), and Wang and Sibte-Ali (2024). Based on this foundation, the first research hypothesis is proposed as follows:

**H<sub>1</sub>:** FG positively impacts EG in middle-income countries in Asia.

Empirical evidence suggests that the impact of FG on EG may differ between upper-middle-income and lower-middle-income countries. For instance, based on the ideas of Bhanumurthy and Kumawat (2020), it is observed that the demand for international capital inflows and technology transfer in lower-middle-income countries may be more pronounced than in upper-middle-income countries, resulting in differing effects of FG on EG between these groups. Therefore, this study aims to explore this issue by testing the next hypothesis as follows:

**H<sub>2</sub>:** The positive impact of FG on EG is different between upper-middle-income and lower-middle-income countries in Asia.

## Methodology and Data

### Methodology

The authors construct the following study model on the impact of FG on EG based on previously released materials.

$$EG_{it} = \beta_0 + \beta_1 FG_{it} + \beta_2 FD_{it} + \beta_3 CC_{it} + \beta_4 POP_{it} + \beta_5 GOV_{it} + \varepsilon_{it} \quad (1)$$

The measurement of the variables in Model 1 is detailed in Table 1.

**Table 1: Measurement and variables**

Variable	Code	Definition	References	Data Sources
<i>Dependent variable</i>				
Economic growth	EG	Logarithm of GDP per capita	Eichengreen and Leblang (2003); Egbetunde and Akinlo (2015); Gygli et al. (2019); Bhanumurthy and Kumawat (2020) and Ze et al. (2023).	WDI
<i>Independent variable</i>				
Financial globalisation	FG	FG index published by Swiss Economic Institute	Egbetunde and Akinlo (2015); Gygli et al. (2019) and Ze et al. (2023).	Swiss Economic Institute
<i>Control variables</i>				
Financial development	FD	Financial development index	Egbetunde and Akinlo (2015).	IMF
Corruption control	CC	Corruption control index	Egbetunde and Akinlo (2015).	WGI
Population growth	POP	Annual growth of total population	Azman-Saini et al. (2010).	WDI
Government expenditure	GOV	Total government consumption expenditure to GDP	Azman-Saini et al. (2010) and Gygli et al. (2019).	WDI

**Note:** Economic growth (EG), Financial globalisation (FG), Financial development (FD), Corruption control (CC), Population growth (POP), Government expenditure (GOV), Gross domestic product (GDP), International Monetary Fund (IMF), World Development Indicators (WDI) and Worldwide Governance Indicators (WGI).

For the estimation method, the authors employ the Bayesian approach to estimate Model 1. This estimating technique can be used to determine the probability that FG will impact EG. Moreover, the Bayesian method is advantageous when analysing small-scale data samples and enhances the robustness of the research results (McNeish, 2016). In fact, the idea that the model's parameters are random distinguishes the Bayesian approach from more conventional estimating techniques. The Bayesian method is established according to the conditional distribution principle as follows:

$$p(\varnothing | X) = p(X | \varnothing) p(\varnothing) / p(X)$$

In particular, X is the observed data (collected data sample) and  $\varnothing$  is a vector of parameters in the estimation model.  $p(\varnothing | X)$  is the posterior probability distribution of  $\varnothing$  when X is given.  $p(X | \varnothing)$  is the marginal likelihood function, specifically the likelihood function of X when  $\varnothing$  it is known.  $p(\varnothing)$  is the prior probability distribution of  $\varnothing$ .  $p(X)$  is the probability distribution of the observed data. For these reasons, the authors opt for the Bayesian method to estimate their research model instead of using traditional estimation methods as most prior studies tend to do.

The authors use Arellano and Bond's (1991) GMM method to ensure the robustness of the research results. This method is particularly advantageous as it addresses violated regression assumptions and controls for potential endogeneity within the research model (Bui, 2023; Doytch & Uctum, 2011). By applying the GMM method, the authors re-examine the estimation results, thereby confirming the reliability and robustness of their findings.

### **Data**

The data sample used in this study comprises 24 middle-income countries in Asia from 2002 to 2021. The list of countries in the data sample is presented in Table 2. In this study, the authors analyse Model 1 using the complete data sample of 24 middle-income countries, a data sample of 10 upper-middle-income countries, and a data sample of 14 lower-middle-income countries. In other words, Model 1 will be developed into three sub-models - 1a, 1b, and 1c, respectively.

**Table 2: List of countries in the data sample**

<b>10 upper-middle-income countries</b>		<b>14 lower-middle-income countries</b>	
1	Armenia	1	Bangladesh
2	Azerbaijan	2	Bhutan
3	China	3	Cambodia
4	Georgia	4	India
5	Indonesia	5	Iran
6	Kazakhstan	6	Lebanon

7	Malaysia	7	Mongolia
8	Thailand	8	Nepal
9	Turkey	9	Pakistan
10	Turkmenistan	10	Philippines
		11	Tajikistan
		12	Timor-Leste
		13	Uzbekistan
		14	Vietnam

The FG index data were obtained from the Swiss Economic Institute database. The financial development (FD) data were sourced from the IMF database, while the corruption control (CC) data were obtained from the World Bank's WGI. The remaining variables for the model were collected from the WDI database published by the World Bank.

## Empirical Analysis

### *Basic Statistics*

The research data sample was collected from 24 Asian middle-income countries from 2002 to 2021. Table 3 shows statistical findings that describe the variables in the research model.

**Table 3: Results of descriptive statistics**

Variable	Mean	Std. Dev.	Minimum	Maximum
<i>Panel A: 24 middle-income countries</i>				
EG	7.77	0.96	5.23	9.54
FG	50.98	15	19	78
FD	0.29	0.16	0.05	0.74
CC	-0.60	0.57	-1.60	1.62
POP	1.21	0.99	-2.88	9.97
GOV	14.46	14.84	2.36	147.74
<i>Panel B: 10 upper-middle-income countries</i>				
EG	8.42	0.70	6.64	9.54
FG	57.86	10.60	32	78
FD	0.36	0.19	0.08	0.74
CC	-0.50	0.53	-1.45	0.83
POP	0.83	0.81	-0.90	2.52
GOV	12.36	2.75	5.94	19.40
<i>Panel C: 14 lower-middle-income countries</i>				

EG	7.30	0.84	5.23	9.13
FG	46.06	15.74	19	75
FD	0.24	0.12	0.05	0.54
CC	-0.67	0.59	-1.60	1.62
POP	1.48	1.01	-2.88	9.97
GOV	15.96	19.17	2.36	147.74

**Note:** Economic growth (EG), Financial globalisation (FG), Financial development (FD), Corruption control (CC), Population growth (POP) and Government expenditure (GOV).

Table 3 reveals that EG, FG, financial development (FD), and corruption control (CC) in upper-middle-income countries are significantly higher than in lower-middle-income countries. However, lower-middle-income countries surpass upper-middle-income countries regarding population growth (POP) and government expenditure (GOV).

**Table 4: Results of correlation analysis**

<i>Panel A: 24 middle-income countries</i>						
Variable	EG	FG	FD	CC	POP	GOV
EG	1.00					
FG	0.43	1.00				
FD	0.57	0.21	1.00			
CC	0.28	0.02	0.35	1.00		
POP	-0.14	-0.14	-0.07	-0.17	1.00	
GOV	-0.13	0.04	-0.16	0.16	0.13	1.00
<i>Panel B: 10 upper-middle-income countries</i>						
Variable	EG	FG	FD	CC	POP	GOV
EG	1.00					
FG	0.07	1.00				
FD	0.50	0.08	1.00			
CC	0.31	0.47	0.54	1.00		
POP	0.38	-0.28	0.23	-0.20	1.00	
GOV	0.21	0.07	0.56	0.51	-0.30	1.00
<i>Panel C: 14 lower-middle-income countries</i>						
Variable	EG	FG	FD	CC	POP	GOV
EG	1.00					
FG	0.35	1.00				



FD	0.52	0.10	1.00			
CC	0.20	-0.26	0.11	1.00		
POP	-0.08	0.08	-0.11	-0.10	1.00	
GOV	-0.11	0.10	-0.32	0.18	0.15	1.00

**Note:** Economic growth (EG), Financial globalisation (FG), Financial development (FD), Corruption control (CC), Population growth (POP) and Government expenditure (GOV).

To elucidate the relationships among the variables in the research model, the authors conduct a correlation analysis, presented in Table 4. Across the full sample of 24 middle-income countries and a subset of 14 lower-middle-income countries, EG exhibits negative correlations with population growth (POP) and government expenditure (GOV), while showing positive correlations with other variables. In the sample of 10 upper-middle-income countries, all model variables display positive correlations with EG.

### **Regression Analysis**

The authors estimate the research model using the Bayesian approach. This approach enables the representation of the impact of FG on EG in terms of both the magnitude and the probability of the impact, which traditional estimation methods fail to address. Table 5 presents the findings of this estimation.

**Table 5: Results of estimating the research model using the Bayesian method**

EG	Model 1a		Model 1b		Model 1c	
	Mean	Probability	Mean	Probability	Mean	Probability
FG	0.023 [0.018; 0.027]	1	0.016 [0.007; 0.025]	1	0.022 [0.017; 0.027]	1
FD	2.529 [2.098; 2.960]	1	0.781 [0.146; 1.408]	0.99	2.885 [2.212; 3.545]	1
CC	0.208 [0.081; 0.334]	1	0.022 [- 0.197; 0.237]	0.58	0.378 [0.235; 0.521]	1
POP	-0.014 [- 0.082; 0.055]	0.66	0.430 [0.302; 0.560]	1	-0.016 [-0.093; 0.062]	0.66
GOV	-0.005	0.99	0.070 [0.028; 0.113]	1	-0.003 [-0.007; 0.002]	0.88

	[-0.010; -0.001]					
_cons	6.071 [5.783; 6.358]		5.981 [5.111; 6.818]		5.88 [5.579; 6.184]	
Number of countries	24		10		14	
Acceptance rate	1		1		1	
Efficiency (min)	0.99		0.84		0.95	
Maximum Gelman-Rubin	1		1		1	

**Note:** Economic growth (EG), Financial globalisation (FG), Financial development (FD), Corruption control (CC), Population growth (POP) and Government expenditure (GOV).

The metrics acceptance rate, efficiency (min), and maximum Gelman-Rubin in Table 5 demonstrate that the estimation results obtained with the Bayesian technique are appropriate. These findings show that FG impacts EG, with a 100% chance of impact happening in all three models (1a, 1b, and 1c). However, the positive impact of FG on EG is significantly higher in lower-middle-income countries (0.022) than in upper-middle-income countries (0.016), marking a novel finding of this study. Thus, FG is crucial in promoting EG in middle-income countries, especially for lower-middle-income nations. Regarding control variables, the estimates indicate that EG is positively influenced by financial development (FD) and corruption control (CC), with these effects observed across all countries in the dataset. Conversely, population growth (POP) and government expenditure (GOV) harm EG in Models 1a and 1c, while these impacts are positive in Model 1b. Therefore, population growth and government expenditure can stimulate EG in upper-middle-income countries but may hinder it in lower-middle-income countries.

### **Robustness Test**

Despite its numerous advantages, the Bayesian approach is still relatively new and not widely applied, especially when calculating how much FG impacts EG. Therefore, to enhance the persuasiveness of the estimation results and verify their robustness, the authors also employ the GMM method to estimate the research model. This traditional estimation technique is advantageous for addressing the model's deficiencies (Doytch & Uctum, 2011).

**Table 6: Results of estimating the research model using the GMM method**

EG	Model 1a		Model 1b		Model 1c	
	Coef.	$P >  z $	Coef.	$P >  z $	Coef.	$P >  z $
FG	0.017** [0.015; 0.020]	0.02	0.004*** [0.001; 0.006]	0.00	0.017*** [2.659; 3.088]	0.00

FD	2.679*** [2.542; 2.815]	0.00	0.442*** [0.277; 0.607]	0.00	2.873*** [2.659; 3.088]	0.00
CC	0.101* [-0.002; 0.205]	0.06	0.260*** [0.191; 0.328]	0.00	0.259*** [0.217; 0.301]	0.00
POP	-0.248* [-0.502; 0.007]	0.06	0.389*** [0.352; 0.426]	0.00	-0.132*** [-0.215; - 0.048]	0.00
GOV	-0.003* [-0.007; 0.001]	0.06	0.014** [0.001; 0.026]	0.04	-0.003*** [-0.004; - 0.001]	0.00
_cons	6.553*** [6.251; 6.855]	0.00	7.960*** [7.717; 8.203]	0.00	6.454*** [6.323; 6.585]	0.00
Number of countries	24		10		14	
Significance level	7,497.03*** (0.00)		1,055.91*** (0.00)		1,839.45*** (0.00)	
Arellano-Bond test	AR(1)	2.91*** (0.00)	3.40*** (0.00)	2.98*** (0.00)		
	AR(2)	-0.34 (0.74)	-0.43 (0.67)	-1.19 (0.24)		
Sargan test	8.25 (0.14)		6.04 (0.11)		9.65 (0.21)	

**Note:** The symbols of \*, \*\* and \*\*\* represent 10%, 5% and 1% level of significance, respectively. Economic growth (EG), Financial globalisation (FG), Financial development (FD), Corruption control (CC), Population growth (POP) and Government expenditure (GOV).

All tests are appropriate, and the estimation results of the models employing the GMM approach are statistically significant (Table 6). The GMM estimation results are consistent with the earlier Bayesian method estimates. Indeed, the GMM results show that FG positively impacts EG with a significance level of 1%, consistent across Models 1a, 1b, and 1c. In particular, the positive impact of FG on EG in Model 1c is stronger compared to Model 1b. Regarding the control variables, the estimates indicate that EG is positively influenced by financial development (FD) and corruption control (CC), with these effects found across all three models. Meanwhile, population growth (POP) and government expenditure (GOV) hurt EG in the full sample and the sample of 14 countries, but these effects are positive in 10 countries.

## ***Discussion***

The research findings indicate that FG positively affects EG in middle-income Asian countries, confirming the acceptance of H<sub>1</sub>. FG can provide and allocate international financial resources to these countries' EG processes. Moreover, it can contribute to technological innovation, improving the quality of human resources and management methods, thereby boosting EG in middle-income Asian countries. These results support previous views by Saidi and Aloui (2010), Egbetunde and Akinlo (2015), Iamsiraroj and Ulubaşoğlu (2015), Lee (2016), Gaies et al. (2019), Akadiri et al. (2020), Aga and Hussein (2023), Ze et al. (2023), Adjei et al. (2024), Wang and Sibte-Ali (2024).

An interesting discovery of this study is that the impact of FG on EG is stronger in lower-middle-income countries than in upper-middle-income ones. Therefore, H<sub>2</sub> is accepted. This is a new finding in this study compared to previous studies. This result is consistent with the circumstances in middle-income Asian countries, where lower-middle-income ones desperately require access to capital and technology from developed nations. This demand is frequently more noticeable than in upper-middle-income countries. This finding has certain implications for theory and practice. This underscores the necessity of FG, particularly for lower-middle-income countries, making this study a significant empirical contribution to existing literature and providing a reliable basis for middle-income countries in Asia to devise appropriate strategies to link FG with EG. When these strategies are implemented, they will bring high practical significance, reducing the gap between theory and practice.

Concerning the control variables, the study shows that financial development and corruption control can boost EG in middle-income Asian countries. Meanwhile, population growth and government expenditure may hinder EG in lower-middle-income countries but play a crucial role in promoting EG in upper-middle-income countries. These findings align with earlier observations by Azman-Saini et al. (2010), Egbetunde and Akinlo (2015), and Gygli et al. (2019). This indicates that in addition to promoting FG, middle-income countries in Asia should focus more on domestic financial development, corruption control, government expenditure, and population growth. Together with FG, these factors are vital conditions for fostering EG in middle-income Asian countries.

## **Conclusions, Implications, Limitations and Future Research Suggestions**

### ***Conclusions***

Financial globalisation has been a hotly debated topic recently. Despite this, a wide range of contradictory views remain on the matter. Proponents of FG highlight its positive effects on EG through various channels, while critics point out the potential risks and adverse effects it may introduce. Additionally, there is a lack of empirical research on this subject in middle-income countries, especially studies that examine differences in the impact of FG on EG across the countries in this group. This absence of empirical evidence has challenged these countries to identify suitable strategies to enhance FG linked with EG.

To address this gap in the existing literature, this study is conducted to analyse the impact of FG on EG in middle-income countries in Asia while examining how this impact differs between the two groups of countries included. The research findings support the view held by most prior studies that FG positively influences EG in middle-income countries in Asia, with a 100 per cent probability of this impact occurring. However, an intriguing aspect of

this study is its finding that the impact is more pronounced in lower-middle-income countries than in upper-middle-income countries. Moreover, the results indicate that EG in middle-income countries in Asia is significantly influenced by financial development, corruption control, population growth, and government expenditure.

### ***Implications***

The study's conclusions offer the sample countries a solid foundation to determine the best ways to advance financial globalisation and economic growth. Accordingly, the middle-income countries in Asia should make further efforts to improve their level of FG, which is particularly crucial for the lower-middle-income countries. Specifically, these countries must implement suitable policies to attract foreign capital, especially in high-tech sectors and areas that are national strengths. Additionally, the middle-income countries in Asia should integrate their efforts with other measures, particularly those aimed at improving the domestic investment climate, as this will create favourable conditions to enhance the capacity to absorb foreign capital and foster EG.

### ***Limitations and Future Research Suggestions***

The objectives of this study are to analyse the effect of FG on EG in middle-income Asian nations and to clarify how this impact differs between the two groups of countries. Despite achieving its objectives, this study has some limitations. For instance, the data available for middle-income countries are somewhat limited, preventing the study from estimating the model for each country individually. Furthermore, this study primarily focuses on examining the impact of FG on EG without considering whether country-specific factors could play a moderating role in enhancing the effects of FG on EG. It is expected that future research can address these limitations to generate robust empirical evidence.

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