FINANCIAL DEVELOPMENT, FINANCIAL ACCESS, AND ECONOMIC GROWTH IN SELECTED MENA COUNTRIES: EVIDENCE FROM A DYNAMIC PANEL ANALYSIS

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Abstract
This study examines the short-run associations between financial development, financial access, and economic growth in Algeria, Egypt, Kuwait, Morocco, and Tunisia during 2004–2024. Financial depth and physical access to banking services are measured using separate indices constructed through principal component analysis. Using a balanced panel of five countries, the study estimates a dynamic fixed-effects model with country and year effects and Driscoll–Kraay standard errors. The findings indicate a negative association between changes in financial development and real GDP growth, while changes in financial access and gross capital formation exhibit positive associations. Sensitivity analyses excluding 2020 and Kuwait preserve the directions of these associations, although statistical significance weakens when Kuwait is excluded. The results highlight differences between financial depth and physical banking access, while the small sample, potential endogeneity, and measurement limitations preclude causal interpretations. The study offers cautious evidence on financial–growth relationships in selected MENA economies.

Keywords
Economic Growth; Financial Access; Financial Development; MENA Countries; Dynamic Panel Model.

JEL Classification
C23; G21; O16; O47.

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