

ABSTRACT

The fundamental objective of this empirical research was to examine the impact of financial markets on the value of R&D investments and economic growth by gathering evidence from Asian economies for the time period of 17 years ranging from 1996-2012. It was a country level research with a dataset of dynamic heterogeneous panels. The empirical method employed to conduct this study was "Pooled Mean-Group (PMG)" estimator given by Pesaran, Shin and Smith; which relies on both pooling and averaging of the coefficients and not only determines the long run relationships but also covers short run dynamics. The variables incorporated were economic growth, research and development investments, per capita gross domestic product, physical capital intensity, government expenditure, trade liberalization and four generally used financial market development indicators such as stock market capitalization, private credit issued by banks, private credit provide by banks and all other financial institutions and net interest margin. The results of this research indicated that the sound and efficient financial markets play a key role in enhancing the value and effectiveness of research and development investments and are also beneficial for boosting the economic performance of the country.

JEL classification: G14, G15

Keywords: Financial markets, R&D investments, Economic growth