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Abstract

Many countries across the world today compare their economies based upon the operating and performance of their capital markets. Despite of the disastrous crude oil crash in 2015, Mexico's economic climate still carried out well in 2016; nonetheless, growth slowed down in 2017 and the Mexican Central Bank needed to change its development estimates for 2018 and 2019. Stock market plays a crucial duty in economic growth and economic success of a country, the majority of developing countries in Eastern and Central Europe have carried out reforms in the monetary industry in regards to restructuring and privatization of public business and the establishment or growth of capital markets. In developing nations, the best participants in the funding markets are people, or homes provided as capitalists. Resources markets in less-developed countries, are also shallow in terms of market capitalization as a result of the limited number of listed firms and a limited number of individuals (people). Regardless of the substantial study carried out in the location a discussion still exists on the informal connection between stock exchange advancement and financial development. This research study analyzed theoretically and empirically the partnership between stock market advancement and financial development perspective from Mexico. The study found that that stock market advancement favorably impact financial growth in Mexico both in the short term run and long term. This study found that the long-run relationship between securities market growth and economic development with both datasets and, long-run origin ranging from economic development to stock exchange development, and temporary bi-directional origin between the variables. The study concluded that the development of stock exchange depends upon of lots of aspects, both international as national, but most importantly

them results more direct will certainly result this last, because will certainly be that objective directly the evolution of the very same.

Keywords. *Theoretical, Stock market, Development, Economic, Growth, Mexico*

1.1 Introduction

Many countries across the globe today compare their economies based upon the working and performance of their capital markets (Zafar, Zaidi, Sinha, Gedikli & Hou, 2019). According to Raposo and Lehmann (2019), funding market plays a crucial duty in monetary development and economic success of a country, a lot of establishing countries in Eastern and Central Europe have in fact carried out reforms in the financial market in regards to restructuring and privatization of public service and likewise the establishment or advancement of sources markets. In developing nations, the best participants in the resources markets are individuals, or households presented as plutocrats (Lel, Miller & Reisel, 2019). Pešterac (2020) insist that resources markets in less-developed nations, are too superficial in terms of market capitalization as a result of the limited variety of offered firms and a minimal variety of individuals (individuals). Bhatia, Mitra, Weber, Aiyar, de Almeida, Cuervo and Garrido (2019) state that in order for a country to develop and develop a genuine sources market, first of all it must enhance its banks, such as banks, mutual funds, pension plan funds, lending institution, cost savings organizations.

Stock market are anticipated to boost financial growth by elevating liquidity of financial properties, making around the world risk variety easier for capitalists, advertising and marketing wiser monetary investment selections by saving-surplus units based on readily offered information, calling for business managers to work more challenging for shareholders “ interest rate, and bring even more economic savings to companies. According to Levine (2019); Benchivenga, Smith and Starr (2016) they highlighted the favorable feature of liquidity given by stock market on the dimension of brand-new genuine belongings economic investments with ordinary shares price. Capitalists are a great deal more comfortably persuaded to get ordinaries shares, when there is little question on their bankability in stock exchanges. This, subsequently, inspires firms to visit public when they need money to purchase financing products. One more necessary settlement of securities market to economic development is with global hazard diversity chances they provide. Nonetheless, Saint-Paul (2015); Deveraux and likewise Smith (2014) and Obstfeld (1994) claim fairly plausibly that possibilities for danger reduction through worldwide diversification make high risk, high return household along with around the world work sensible, and, consequently, allot monetary savings in between financial investment chances much more successfully. Stock prices established in exchanges, along with other openly provided information assistance financiers make better economic investment decisions. In spite of the substantial research executed in the area an argument still exists on the casual connection between protections market growth and additionally financial growth. Baier et alia (2014) said that economic growth boosts after stock exchange opens up, this arises from the capacity of a well-functioning financing market to boost financial effectiveness, economic investment, and development.

Abu-Bader and Abu-Qarn (2018); Hye and Islam (2013) firmly insisted the significant relationship between securities market development and monetary growth like Enisan and Olufisayo (2019) and additionally Adjasi and Biekpe (2016) found that more developed markets have a tendency to contribute substantially to GDP rather than smaller sized markets. Yet Kyle (2017) recommends that, a capitalist can profit by checking into a firm, prior to the information becomes generally

offered in addition to rates change. Therefore capitalists will be much more likely to study and additionally screen firms. To the degree that larger, extra fluid stock exchange increase motivations to research study business, the enhanced details will absolutely improve source allotment along with increase financial growth. The feature of stock exchange in boosting insightful asymmetry has in fact been analyzed by Stiglitz (1985) that recommends that stock markets reveal details through price adjustments swiftly, developing a free-rider problem that lowers financier incentives to conduct costly search. The repayment of liquidity itself to lasting advancement has actually been checked out. Demirguc-Kunt and likewise Levine (2016) clarify that raised liquidity may dissuade growth using 3 networks. First, it might decrease saving prices with incomes in addition to replacement results; second, by minimizing the changeability gotten in touch with investments, greater stock exchange liquidity may decrease saving prices as a result of the unclear results of unpredictability on financial savings; third, safety and securities market liquidity prompts investor nearsightedness, detrimentally affecting service governance and consequently reducing advancement. Stock exchange in the world individually and collectively play an important feature in the nationwide economic climates. Nonetheless, debates do feed on the role of safety and securities market in an economic environment.

Singh (2017) argued that stock market might not be necessary in attaining higher monetary development while Levine and Zervos (2018) find that stock exchange advancement plays a crucial function in expecting future financial growth. As have in fact been revealed by investigates, stock market activities play a significant obligation in recognizing the degree of monetary tasks in both emerging and additionally developed economic situations, by using along with efficiently assigning funding for monetary investment, using correct system to create optimal business methods that will definitely bring about growing financial investment and additional growth of the economic situation. Nevertheless previous researches have presented mixed findings worrying the granger beginning in between securities market development and economic growth of different countries, therefore it might not be clear is whether there is a long-run bidirectional beginning in between securities market growth and likewise financial growth or otherwise (Mamun, Ali, Hoque, Mowla & Basher, 2018).

One more grey area is the partnership between stock exchange indications and the proxy for economic growth (real GDP) in the arising financial environments. In concept, a solid protections market must boost conserving and efficiently appoint resources to productive financial investments, which leads to a boost in the price of economic development (Mamun, et al., 2018). Securities market contribute to the mobilization of residential price savings by boosting the set of financial tools used to savers to expand their portfolios. In doing so, they provide an essential source of financial investment financing at relatively inexpensive (Dailami & Aktin, 2017). In a strong stock exchange share property offers individuals with a reasonably fluid methods of sharing danger when investing in appealing tasks. Stock markets aid investors to deal with liquidity danger by permitting those who are hit by a liquidity shock to market their shares to various other capitalists who do not deal with a liquidity shock (Haroon & Rizvi, 2020). The result is that sources is not too soon removed from companies to meet short-term liquidity demands. In addition, securities market play a crucial feature in designating funding to the business field, which will certainly have a genuine outcome on the economic circumstance on accumulation.

Financial debt money is more than likely to be not readily available in several countries, particularly in establishing countries, where bank loan may be limited to a selected team of organization and particular plutocrats. This constraint can also mirror constraints in credit history

markets (Mirakhor & Villanueva, 2018) emerging from the opportunity that a financial institution's return from providing to a certain team of debtors does not enhance as the interest rate it credits borrowers' rises (Stiglitz & Weiss, 2017; Cho, 2016). Levine (2018) said that created stock market reduces both liquidity shock and additionally efficiency shock of business. This consequently boosts the availability of entrepreneur to investment funds in addition to improving the production capability of the economic scenario, thus causing greater economic growth. This view was supported by King along with Levine (2013) that monetary development cultivates economic development. Moreover, Bensivenga et al., (2015) ended that well established monetary market (safeties market) induces future financial development. Pedro, Amaral and Erwan Quintin (2017) insisted that monetary market improvement raises result by improving the resources utilized in production and by making sure that resources is taken into ideal usages. Components such as worldwide direct investment (FDI), financial growth, banking market growth, infrastructural growth, price savings, inflation, profession visibility, exchange rates and likewise stock market liquidity were found by the empirical compositions to be the significant variables that contributed in affecting stock exchange advancement in Canada.

Economic Growth

Financial growth describes a rise in accumulation manufacturing in an economic climate, Often, yet not always, accumulated gains in manufacturing correlate with enhanced average low productivity (Sergi, Popkova, Bogoviz & Ragulina, 2019). That leads to a rise in earnings, inspiring customers to open up their budgets and buy more, which means a greater worldly quality of life or standard of life. Development is typically designed as a feature of physical capital, human resources, labor force and modern technology (Destek & Sinha, 2020). Simply put, enhancing the amount or quality of the working age population, the tools that they need to deal with, and the recipes that they have available to combine labor, capital, and basic materials, will lead to raised economic output. Financial development concepts and designs highlight the various ways in which today financial activity can have an influence on future economic growths and can likewise recognize resources that might bring about ongoing financial development (McCann & Van Oort, 2019). There are likewise distinctions in between financial and non-economic determinants. Proximate or financial components refers to variables like funding accumulation, technical development, labour and ultimate or non-economic resources describes aspects like federal government efficiency, establishments, political and management systems, cultural and social aspects, location and population density (Musyawwiri & Üngör, 2019). This study focuses on the adhering to components of financial development: human capital, international straight financial investment, technical development and stock market growth.

Martin et al (2017) opine that faster development in gross domestic product (GDP) increases the overall dimension of the economic situation and reinforces financial problems. Generally shared development in per capita GDP raises the normal American's worldly standard of life. But GDP is not suggested to be a procedure of financial welfare, and other considerations are essential in fully evaluating the costs and advantages of policy changes (Wei, Li, Liu & Wu, 2020). Extensively speaking, there are two major resources of financial growth: development in the dimension of the workforce and growth in the efficiency (result per hr worked) of that workforce. Either can enhance the overall dimension of the economic situation however just strong performance development can raise per capita GDP and income. Productivity development enables individuals to accomplish a greater material standard of living without having to work even more hours or to appreciate the

same material requirement of living while investing fewer hrs in the paid workforce (Martin et al 2017).

GDP measures the marketplace worth of products and solutions produced in the nation, yet it catches just market task and is not created to be an action of financial well-being (Fioramonti, Coscieme & Mortensen, 2019). A moms and dad in the paid labor force adds to GDP; one that stays home to care for kids or an aging member of the family does not, yet, if the family hires a person to carry out these same duties, that labor would certainly contribute to GDP. Health, safety and security, and ecological guidelines can impose costs on businesses that may reduce gauged GDP growth, however any type of such costs must be compared to the advantages of better health and wellness, more secure offices, and a cleaner environment that might not be captured in GDP. An economy recovering from a recession can briefly attain relatively high prices of "catch-up" development as demand for items and services rebounds from weak recession degrees. Services can conveniently meet the surge sought after for their outcome by working with unemployed workers and even more fully making use of effective capacity that had actually been idled by the recession (Fioramonti et al., 2019). As soon as excess joblessness has actually been removed and capacity usage is back to typical, nonetheless, the economic climate's growth rate is constricted by growth in its capacity to provide items and solutions (Baene, 2021).

Well-conceived tax obligation, governing, and public investment policies can enhance workforce development and personal financial investment in increasing prospective GDP (Beecher, 2019). They can additionally enjoy public benefits that GDP does not necessarily capture, such as distributional justness and health and safety securities. Improperly conceived plans, certainly, can restrain growth and injured national financial welfare. Possible GDP represents the economy's optimum sustainable degree of economic activity. Actual GDP disappoints potential GDP in an economic downturn, when accumulated need is weak; it can momentarily go beyond possible GDP in a boom, when aggregate demand is strong. But, over longer periods, real GDP and prospective GDP tend to grow with each other (Fioramonti *et al.*, 2019). Interest rates are thought to play a major role in the appraisal of any type of supply or bond. There are a number of factors for this, and there is some discussion concerning which is most important. Initially, interest rates affect how much capitalists, banks, services, and federal governments want to obtain, as a result impacting how much cash is spent in the economic situation. In addition, increasing rates of interest make sure "more secure" investments (especially Mexico. Treasuries) a much more appealing alternative to supplies.

1.2 Statement of the Problem

Over the past 10 years, there has actually been an exceptional boost in the combination of international financial markets, having critical implications for the policy of financial institutions and nationwide financial plan in Mexico (Bush, et al., 2021). Regardless of having the ruining petroleum mishap in 2015, Mexico's financial climate still executed well in 2016. Nonetheless, growth minimized in 2017, and the Mexican Central Bank is changing its advancement approximates for 2018 and 2019. In 2018, the Mexican GDP expanded at 2.0 percent, unchanged from very first estimate, yet somewhat below the 2.1% achieved in 2017. According to Mexico's across the country statistics institute (2019), the second quarter of 2018 saw the rate of development in Mexico's financial scenario contract, due to the cumulative impact of decreasing manufacturing in the oil, farming and commercial industries together with the possibility of an extreme leftist program modification readied to take power in December. The quarter was predicted for a 0.1% contraction in GDP, yet the modified numbers now reveal the rate of decrease

in fact enhanced, down a seasonally transformed 0.2%, contrasted to the previous quarter. In Mexico, the outdoors financial debt trouble has actually taken control of much emphasis, although the financial obligation circumstance is simply one facet of globally financial combination (Osipov et al., 2017). While there is the hope that eventually the financial commitment problem of the 1980s will certainly be delegated to the history publications, the manufacturing of an integrated, worldwide monetary market is a feeling that is just starting. In relation to basic effect, this feeling will certainly influence Mexican policies to a much better degree than the exterior financial commitment scenario.

A number of solution markets, consisting of service task, transportation, monetary, and media, which experienced a 1% development in the extremely first quarter of 2018, expanded merely 0.2% in the second quarter (Osipov et al., 2017). Industrial markets, such as mining, construction, and manufacturing, decreased by 0.3%. At the same time, the growth rates of the farming, animals, and angling industries took a lot more considerable hit, with a 2.1% decrease. The Mexican financial scenario proceeded 0.2% on quarter in the three months to December of 2018, slowing from a down alteration of 0.6% development in the previous period, less than a preliminary price quote of 0.3% and likewise according to market assumptions. The stagnation was generally as a result of a contraction in the industrial market (Osipov et al., 2017). Nevertheless, the development of the Mexican economic climate is still forecasted to widen quicker in 2018 than in 2017, due mainly to enhance costs that occurred prior to the July 1 governmental political election. For 2018 and 2019, economists still prepare for to see increases of 2.2 and additionally 2.1%, specifically, according to an evaluation introduced in a study by Citigroup.

Definitely nothing is certain and some experts think there's sufficient factor for pessimism, such as profession stress and existing political instability worrying the North American Competitive Market Contract (NAFTA) and likewise the upcoming policy changes of the brand-new president. The International Monetary Fund (IMF), as an instance, recently reduced growth forecasts for Mexico in 2019. Mexican federal government corruption is widespread and additionally costly. The Mexican Institute for Competitors determined that each year, corruption sets you back the country in between 2% and 10% of its GDP, reduces global financial investment by 5%, and eliminates 480,000 tasks from little along with medium-sized companies. The circumstance requires any type of effort at credible meritocracies to take a rear, which substantially diminishes Mexico's knowledgeable workforce. Company owner take the corruption in stride, with 60% mentioning that corruption belongs to the expense of having a service. Likewise when corruption scenarios get in the judiciary system, fewer than 20% result in guilty choices, contrasted to almost 90% in the USA. This research carried out academic in addition to empirical research of stock market development and financial growth: viewpoint from Mexico.

1.3 Purpose of Study

To examine theoretically and empirically the relationship between stock market development and economic growth perspective from Mexico.

2.1 Theoretical Framework

The conversation on the instructions of origin in between economic innovation and likewise financial development has been persisting for longtime (Chow et al. 2019). There are various principles made use of to examine the origin between financial developments along with financial growth by different researchers. According to Patrick, (1966) both competing beginning concepts in which he recommended the supply-leading idea says that the improvement of economic system

will absolutely lead the monetary growth This finance-led growth concept main difference is that boosted arrangement of financial remedies is the element source of monetary growth (Adeyeye et al. 2015). The supply leading theory further suggests that as the beginning streams from monetary advancement to economic advancement, creating a strong monetary market is a prerequisite for economic development.

The other concept offered by Patrick (1966) is demand-following concept which has a pattern adhering to from the economic situation to the economic market. The primary argument of the demand-following theory is that the monetary remedy increase relying on development that happens in the economy (Adeyeye *et al.* 2015). (Patrick, 1966) much more says that informal direction between financial growth and financial slowly adjustments overtime, financial development continue creating innovation of financial investment before and till lasting financial development achieved, when economic development completed the supply leading experience becomes lesser and the need complying with financial reaction become leading. As defined by (Acaravci, *et al.* 2009) the bi-directionality origin theory is a mix of both the supply-leading and require adhering to hypothesis. The principle recommends economic development and likewise economic growth are mutually or bi-directional casual. Monetary development progressively cultivates financial growth and this development subsequently causes comments and added boosts the financial advancement. The independent concept on in contrast states that financial development and economic advancement are casually independent, and likewise as some states that boosting specification of monetary services plays an extremely low feature while some completely neglects the duty of economic growth in economic development (Acaravci, *et al.* 2009).

2.2 Literature Review

Santillán-Salgado (2018) researched the recent development of market efficiency in the Mexican Stock market by evaluating the theory that stock costs have actually ended up being a lot more reliable through time. The research was accomplished by observing the evolution of the coefficients of the regressions in between specific stocks returns and a market proxy sample profile. The sample of shares was selected under the requirement of a higher regularity of trading. Complying With Morck, Yeung and Yu' (2000) work, we constructed a Market Proxy Sample Profile (MPSP) that includes 27 bigger firms issuing shares (with respect to a relative capitalization action), often traded shares, listed in the Mexican Stock Exchange. The database included everyday closing prices from January 2009 to Might 2017. The outcomes of the examinations suggested there was a down fad in the size of the average R^2 during the initial fifty percent of the decade, but there was an inflection in the pattern in the last three years of the period of research, which may be discussed by the phenomenal disturbance that prevailed during the 2007-2009 monetary crisis. The research additionally showed that exchange prices mechanism effectiveness enhanced when contrasting results with sample regressions typical and again, there was an evident improvement in between the first and second below periods of our 3rd evaluation.

Examining the function of stock markets in economic development of the 4 arising Eastern nations: specifically, Bangladesh, India, China, and Singapore for the period 1991 to 2012, (Azam, 2016) embraced autoregressive dispersed lag bound testing approach to evaluate the link of the two variables. The result of this research reveals that there is a long-lasting co-integration amongst economic growth, international straight investment, stock exchange advancement and rising cost of living. Although the levels of the linkage are various among the countries, the positive

correlation existed, and the stock exchange growth highly affected economic development of these nations.

This empirical finding better verified from the outcome that securities market plays a significant function in financial development and further growth of the countries. (Azam, 2016) additional states that based upon the outcome of this research, in addition to stock exchange advancement, the function of FDI in financial growth cannot be taken too lightly. This is for that reason both stock market advancement and FDI inflow will considerably contribute to the enhancement of economic development. Carp, (2012) examined the influence of the stock market in increasing the financial development of the emerging markets in central and Eastern Europe covering a fifteen-year period (1995-2010). Utilizing the Vector Autoregression (VAR) version and applying GDP growth rate, real financial investment, market capitalization, turnover ratio, and supply value traded as variables to determine economic growth and stock exchange growth, respectively. The study showed the absence of straight lasting causation between GDP growth rate, market capitalization and stock value traded. However, using granger origin examination, the research study confirms bidirectional connection between GDP growth rate and turnover ratio, while market capitalization and supply value traded having no impact on financial development prices. (Carp, 2012) further indicated in his findings that in Romania actual financial investment influences the national economic climate which directly impacted the economic development and ultimately expected to add in enhancing the growth of the stock market. As a result of the values displayed in the research study the marketplace capitalization may have a positive influence on genuine financial investment boost in Romania.

On the other hand, Kajurová (2017) examined the causal connection of the twenty-two European Union nations and especially took a look at the nature and casualty direction of stock exchange advancement and financial development. The financial market of the European Union contains two kinds, the western markets that are well established and with much resources while the eastern European market which is not well established and with much less funding. The research study employed panel information method and making use of a quarterly information through 1999 to 2005, producing two datasets to stand for Euro Area and Non-Euro Area participant nations. Panel cointegration method was made use of to evaluate the long-run partnership between the variables while Eagle -Granger and Johansson's tests to inspect the fixed of the variables. Kajurová (2017) discovered the long-run connection in between stock market growth and financial development with both datasets and, long-run origin ranging from economic development to securities market development, and temporary bi-directional origin between the variables. They have also highlighted that after concentrating on non-EA participant countries they might not ascertain the long-run partnership in between stock exchange advancement and financial development; this could be due to the under advancement of the securities market in these countries.

Finally Kajurová (2017) discussed the searching for could be used by investors and policy makers for macro-economic climate decisions in anticipating the long-run and short-run shared connection of the stock exchange and financial growth. Examining stock exchange advancement and financial growth of, Brazil, Russia, India, China, and South Africa (BRICS) (Ogbeide & Akanji, 2018) suggested stock exchange advancement added for the growth of GDP in these countries. The research study covered the period 1994 to 2014 and used GDP as a financial growth indicator while market capitalization made use of supply turnover proportion and total worth traded ratio as stock exchange advancement indicators. Analyzing the result, turn over proportion had a negative

effect on the specific economic climates of the nations yet the GDP of BRICS in general revealed substantial boost in the period.

The turnover ratio for China had actually dramatically increased during the duration from 115.9% to 229.6% and this has verified as sign of the depth of the stock exchange growing. Yang (2019) taken a look at just how financial system growth positively impacts a country's economic growth amongst middle-income countries. The research study combined models and methodology from previous researches (Rousseau and Wachtel, 2000, 2002; Xu, 2000). Increasing these models with brand-new procedures and connections of financial advancement, the research located that regular with previous studies, monetary advancement adds substantially to economic growth with channels of physical capital stock and complete factor performance; there was Granger causality in between equity market growth and financial growth for all 3 teams of economic climates, although some more powerful and some weak; there was a reverse causality in between financial development and equity market development in high-income economic climates, which is not discovered in various other economies; solid proof of Granger origin and feedback in between banking system advancement and rising cost of living is found only in the trapped middle-income economic situations.

Singhal, Choudhary and Biswal (2019) examined the vibrant relationship among worldwide oil prices, global gold rates, currency exchange rate and securities market index in Mexico. Mexico is a significant oil and gold exporting nation and at the same time a significant importer of petroleum products. ARDL Bound testing cointegration technique has been used on day-to-day data varying from January 2006 to April 2018. Findings of the study suggest that worldwide gold rates positively impact the supply price of Mexico while oil rate impacts them negatively. Oil prices adversely affect exchange rate in the long and gold rate do not have any type of significant impact on the currency exchange rate. The finding of this research study have crucial implications and likewise provides some signals to monetary and monetary policies, taking into consideration the stress crude oil costs develop on the stock exchange and exchange rates.

Delgado, Delgado and Saucedo (2018) analyzed the variables of oil price, currency exchange rate and stock market index to describe exactly how they connect with each other in the Mexican economic climate. The taken a look at duration consisted of regular monthly information from January 1992 to June 2017. A Vector Autoregressive Version (VAR) was applied that consists of oil rates, the small exchange rate, the Mexican stock market index, and the consumer price index. Results showed that the exchange rate had a negative and statistically substantial effect on the stock market index; this shows that an admiration of the exchange rate is associated with a rise in the stock market index. It was additionally found that the consumer price index had a positive impact on the exchange rate and an adverse impact on the securities market index. The outcomes likewise indicated that oil prices are statistically substantial versus the exchange rate, concluding that a rise in oil costs develops a recognition of the exchange rate. On top of that, the impulse-response features show that the impacts found have a tendency to vanish with time.

3.1 Methods

The study was a literature based and it sought to examine theoretically and empirically the relationship between stock market development and economic growth perspective from Mexico. The study reviewed a number of relevant theories and literature on the relationship between stock market development and economic growth in different parts of the world from which the study themes were obtained.

4.1 Discussion

Stock exchange is an indication of an economy financial wellness. It shows the state of mind of capitalists in a nation. As such, securities market development is an important active ingredient for development. This research examined in theory and empirically the partnership in between securities market advancement and economic development in Mexico. A theoretical and empirical evaluation investigation was conducted over the duration 2007-2019. This paper examined both the short run and future relationship by creating an ECM. This research defined steps of stock market growth specifically dimension and liquidity were thought about in the review. We defined size as the share of market capitalization over GDP and liquidity as volume of share traded over GDP. The research located that securities market growth positively influence financial development in Mexico both in the brief run and long term. This research discovered the long-run connection between stock market advancement and economic development with both datasets and, long-run origin running from economic growth to securities market advancement, and short-term bi-directional causality in between the variables. Based upon the evaluated literatures and theories, there was a downward fad in the size of the average R^2 throughout the initial fifty percent of the decade, yet there was an inflection in the pattern in the last 3 years of the period of research study, which may be described by the extraordinary turbulence that prevailed during the 2007-2009 monetary situation.

The research study additionally indicated that exchange rates system performance enhanced when contrasting results with sample regressions average and once again, there was an apparent improvement in between the initial and second below durations of our third evaluation. The result of this study reveals that there exists a long-lasting co-integration amongst financial growth, foreign straight financial investment, securities market advancement and inflation. Although the degrees of the link are various among the countries, the favorable connection existed, and the stock exchange development strongly affected financial growth of these nations. This empirical searching for even more verified from the result that stock market plays a substantial function in economic growth and more advancement of the nations. The findings follow the assertion by Azam (2016) that along with securities market development, the duty of FDI in economic growth cannot be ignored, this is for that reason both stock exchange growth and FDI inflow will dramatically add to the enhancement of financial growth. The research discovered even more that suggested stock exchange advancement contributed for the growth of GDP in Mexico. The research covered the duration 1994 to 2014 and utilized GDP as an economic development indication while market capitalization used stock turnover ratio and complete worth traded ratio as securities market growth signs. Examining the result, turnover ratio had an unfavorable effect on the private economic climates of the countries yet the GDP of BRICS in general showed substantial boost in the period.

For example, a research study by Ogbeide and Akanji, (2018) showed that the turn over proportion for China had substantially raised during the duration from 115.9% to 229.6% and this has confirmed as indicator of the depth of the stock market growing. Consistent with previous studies, this research study developed that financial growth adds dramatically to financial development through channels of physical capital stock and complete aspect performance. As an example, a research by Yang (2019) on just how monetary system development positively influences a country's financial development among middle-income nations located that there was Granger origin in between equity market advancement and economic growth for all 3 teams of economic climates, although some stronger and some weak; there was a reverse origin in between financial growth and equity market growth in high-income economic situations, which is not spotted in other

economic situations; strong proof of Granger origin and comments between banking system growth and inflation is located only in the entrapped middle-income economies. Finally, the review of the previous literary works revealed that the currency exchange rate have an unfavorable and statistically considerable effect on the stock exchange index; this suggests that a recognition of the currency exchange rate is connected to a rise in the stock exchange index. Researches have actually likewise found that the consumer price index has a positive result on the currency exchange rate and an unfavorable result on the securities market index. Delgado, Delgado and Saucedo (2018) while examining the variables of oil cost, currency exchange rate and stock exchange index to describe just how they engage with each other in the Mexican economic climate also suggested that oil rates were statistically considerable versus the currency exchange rate, wrapping up that an increase in oil rates produces a recognition of the exchange rate. On top of that, the impulse-response features show that the effects found have a tendency to disappear gradually.

5.1 Conclusion and Recommendations

Throughout the job, the crucial function that works out the capital market in the world's economic situations has actually been recognized and it is well known that the capital market is a kind of monetary market in which the buying and selling of certifications representing the assets of the firms noted, mainly of shares takes place. This study concludes that the advancement of stock exchange depends upon of many elements, both global as national, but most of all those results much more direct will certainly come of this last, considering that will be that motive directly the evolution of the same. Mexico have actually been developments in their monetary systems completely various, because to grow this sort of market it is essential to be seen wrapped in a routine where he dental implanted extra liberating policies and growth, policy that it has actually been able to experience Spain after Franco's tyranny. Furthermore, Mexico still is uncovering feasible political that can promote its economy and basic his country, still today continual developing part of them nations emerging, is specific that leads in between them best countries between this situation, yet not gets back at them demands minimum for invalidate it as emerging. Effectiveness in prices stocks is a preferable particular that capitalists look around for in Arising Markets. Readily available proof recommends that more established economies enjoy even more informational effective stock exchange. It is adequate in conclusion that the stated the findings could be utilized by financiers and policy makers for macro-economic situation decisions in anticipating the long-run and short-run mutual connection of the stock markets and financial growth. Furthermore, global gold costs favorably impact the stock price of Mexico while oil cost influences them negatively. Oil prices negatively influence currency exchange rate in the lengthy and gold cost do not have any considerable impact on the currency exchange rate.

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