

RETRACTED ARTICLE: Linkage between International Trade, Financial Development and Economic Growth in Saudi Arabia: An Application of the Combined Cointegration Approach

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Abstract: *The purpose of this study is to analyze the linkage between economic growth, financial development, and international trade for Saudi Arabia over the period of 1968-2015. The integration order among the series was analyzed by using structural break unit root tests. The long-run relationship was examined by using the ARDL bounds testing approach. The robustness of the ARDL bounds testing approach was confirmed by using the Bayer-Hanck combined cointegration method. The results confirm the long-run relationship among the variables. International trade appears to be the driver of economic growth, while financial development affects economic growth negatively in both the short-run and the long-run. However, the impact of capital was insignificant in both the short-run and long-run. Finally, the results of the Granger causality test confirmed the feedback hypothesis between financial development and economic growth on one hand, and capital and economic growth on the other hand. However, a short-run unidirectional causality was discovered from exports to economic growth, which validates the export-led growth hypothesis in this study.*

Keywords: Saudi Arabia, Financial development, trade, combined cointegration.

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