

ABSTRACT

Economic growth is one indicator of the success of a country's development. The Solow-Swan theory of economic growth states that capital, labor, and technology are factors that determine economic growth. Today, the financial sector has begun to receive attention, from previously only emphasizing production factors, because it plays an important role in increasing economic growth. This study analyzes the relationship between financial sector development and economic growth using panel data from seven developing countries in Southeast Asia in 2012–2019. This study found that liquid liabilities have a positive and significant relationship with economic growth. Bank branches and bank z-score have a negative and significant effect on economic growth. Meanwhile, the bank's net interest margin does not have an effect on economic growth.

Keywords: Southeast Asia, liquid liabilities, bank branches, bank z-score, developing countries, economic growth