ABSTRACT

This thesis presents a comprehensive analysis of monetary policy, financial technology, and financial development, with an emphasis on how they affect financial markets, economic and financial stability, and sustainable economic development. It is composed of three independent empirical studies.

Paper (I) examines the separate and combined effects of monetary policy and financial technology (FinTech) on financial development. Utilizing panel data from 82 countries worldwide, the study finds a negative correlation between financial development (especially in emerging and developing nations) and expansionary monetary policy, which is defined by a decrease in policy rates. Additionally, the analysis finds that FinTech also exhibits an inverse relationship with financial development. When monetary policy and FinTech interact, they have an adverse effect on the financial system's stability, resilience and efficiency, thereby hindering financial development. These findings provide a valuable addition to the body of extant literature by deepening the understanding of how monetary policy and FinTech independently and jointly influence financial development. The study also offers novel insights into the adverse effects that arise when these two elements are implemented concurrently within an economy (shedding light on potential policy implications for enhancing financial stability and growth).

Paper (II) examines the impact of monetary policy and financial technology (FinTech) on financial stability in emerging and developing countries, using panel data from 82 countries between 2000 and 2021. The study applies the ‘Dynamic System Generalized Method of Moments (GMM)’ to analyze the data on how the interplay between the two variables affect stability of the financial space in these countries. The empirical findings indicate that both monetary policy and FinTech positively influence financial stability, which enhances the overall efficiency and resilience of the financial system. Additionally, the relationship that exists between monetary policy and FinTech serves as a positive moderating factor which further enhances financial stability in these countries.

The study also finds that both tight monetary policy and FinTech independently play a significant role in improving financial stability during periods of financial distress or crises. However, the combined effect of monetary policy and FinTech during banking crises has a detrimental impact

(exacerbating liquidity shortages and systemic risks faced by financial institutions).

This study makes a substantial addition to the extant body of literature by providing new insights into the complex relationships between monetary policy, FinTech, and financial stability. It particularly sheds light on how these factors influence the financial system's stability and robustness in times of crisis, offering important implications for policymakers and financial regulators seeking to strengthen financial resilience in emerging and developing economies.

Paper (III) investigates the impact of monetary policy and financial technology (FinTech) on inflation in emerging and developing countries, utilizing panel data from 80 nations over the period 2000 to 2021.

The study employs the ‘Dynamic System Generalized Method of Moments (GMM)’ to analyze the data.

The empirical findings reveal that monetary policy has a negative effect on inflation (with tighter policy measures effectively curbing inflationary pressures). Similarly, increased access to financial services through FinTech contributes to lowering inflation by enhancing financial inclusion and market efficiency.

However, the broader utilization of FinTech services is found to promote inflationary pressures, likely due to increased money circulation and heightened demand within the economy.

Moreover, the study finds that the interaction between monetary policy and access to FinTech services are positively correlated with price stability, suggesting that when these factors work together, they help maintain stable prices. Conversely, the combination of tight monetary policy and extensive FinTech utilization is connected with an overall decrease in inflation rates in emerging and developing countries.

This study adds to the body of empirical evidence by offering a nuanced understanding of how monetary policy and FinTech independently and jointly affect inflation. It further provides fresh perspectives on the role of technological financial innovations in influencing the stability of prices for goods and services (particularly in economies experiencing rapid financial and technological changes. These findings have significant implications for policymakers aiming to balance inflation control with financial innovation and inclusivity.

Key Words: Monetary policy, financial technology, financial development, inflation, macroeconomic stability, financial stability, financial inclusion, banking crisis, emerging and developing countries.