

The Impact of Financial Development and Women Employment on Economic Growth in Türkiye: ARDL Bound Testing Approach

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Abstract

This study investigates the long- and short-term impacts of financial development and women's employment on economic growth in Türkiye from 1988 to 2021 using the Autoregressive Distributed Lag (ARDL) bounds testing approach. The analysis incorporates annual time-series data for real GDP, the IMF's Financial Development Index, and women employment. Unit root tests with structural breaks confirm mixed orders of integration, validating the ARDL framework. The bounds test reveals a stable long-run cointegrating relationship among the variables.

The study reveals that financial development positively affects long-term economic growth in Turkey and emphasizes the importance of well-functioning financial systems. However, female employment has a short-term dampening effect on growth due to low productivity sectors. The study points to the need for a self-correcting adjustment mechanism and the need to align financial sector reforms with targeted policies for inclusive growth.

The findings underscore the critical role of financial systems in sustaining growth but highlight unresolved structural barriers limiting women's economic contributions. Policy implications emphasize integrated strategies: enhancing financial inclusion, designing gender-responsive labor policies (e.g., vocational training, childcare support), and fostering sectoral diversification to leverage female workforce potential. This study bridges gaps in Türkiye-specific literature by addressing the interplay between financial development and gender dynamics, advocating for cohesive reforms to achieve inclusive, sustainable economic progress.