New research reveals true impact of financial development on the environment

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Financial development has significant indirect impacts on environmental pollution, new research from Trinity Business School confirms.

The researchers used province-level data in China over a 16-year period.

Conducted with China University of Geosciences and University of Sydney Business School, the research reveals that financial development has both positive and negative significant indirect effects on environmental pollution through various pathways, and the impacts are different in regions with low or high levels of financial development.

In the regions with poor financial development, insufficient financial development could indirectly result in environmental contamination.

In regions with relatively high levels of financial development, financial development has mixed effects on environmental pollution, i.e., improving environmental quality by promoting technological innovation and attracting foreign direct investment, but decreasing environmental quality by supporting secondary and tertiary industries.

According to Professor Brian Lucey; “Considering that other countries around the world have different stages of development, different levels of industrialization and financial development, on the basis of the threshold points identified in our paper, each country can formulate relevant policies to improve its environmental quality according to its actual development stage.”

The research suggests that local governments should consider the different characteristics of regional financial development when formulating environmental protection policies.

The research was published in the Renewable and Sustainable Energy Reviews 151 (2021)

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For more information, a copy of the research paper, or to speak with the researchers, contact Kate Mowbray at BlueSky PR on Kate@bluesky-pr.com or call +44 710022871

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