

Preface

The role of finance in development has become a major topic for research and debate in the last two decades. Although it is widely agreed that there are important relationships between finance and the development process, there is much less agreement on the exact nature of these relationships, particularly on the causality between finance and development: is financial development an essential prerequisite for general economic development, or is it more nearly a passive (if important) by-product of the development process? Development finance has become an important subject for teachers, researchers and policy makers. Despite this, there are relatively few convenient, up-to-date sources of collected information on finance and development. There are few textbooks on the subject, and no major journals devoted to finance and development, although there are numerous specialist finance or development journals. It could be argued that this has encouraged a certain amount of polarization in the field, with possible adverse implications for policy advice: development economists are rarely trained in finance, and financial economists are rarely trained in development. While one would expect that developing countries could learn from the financial experience of the industrial countries, and vice versa, it would be naïve to expect the solutions to policy problems in one country to be applicable a fortiori to apparently similar problems in other countries at different stages of development and with different institutional frameworks.

We believe therefore that this is an opportune time to take stock of the existing state of knowledge in the field of finance and development. To this end, we present in this volume a collection of surveys concerned with current issues in finance and development to be published as a book in a single volume. The contributions in the collection have been specially commissioned from leading researchers in the field. Each chapter aims to offer a comprehensive survey and synthesis of the subject with which it is concerned. The contributions should be accessible to postgraduate and advanced undergraduate students specializing in the area, and will form an essential work of reference for all professionals working in the field, whether in universities or elsewhere in the public or private sector.

We do not claim that the surveys will cover the entire field of finance and development. Many of the contributors are an outgrowth from a major research

programme on finance and development funded by the UK Department for International Development (DFID) under the 'Finance and Development Research Programme'. The purpose of the research programme was to identify effective financial sector policies in relation to the objectives of promoting poverty-reducing economic growth in low-income countries. The intended outcome of the research was the provision of practical advice on the design and implementation of financial sector policies and reforms.

Some of the contributions have benefited from the seminars held at the universities of Birmingham, Loughborough, Manchester and Oxford under the ESRC Research Seminars on 'Finance for Economic Growth and Poverty Reduction'. Accordingly the emphasis within these chapters is on the relationships among finance, poverty and growth. We believe that this is an emphasis which most professionals would agree is particularly appropriate for this field.

Hence we would like to thank DFID and the ESRC for supporting the research, conferences and seminars that led to the final production of the chapters in the volume. Nevertheless the interpretations and conclusions expressed in this book are entirely our own and should not be attributed in any manner to DFID.

We are greatly indebted to the contributing authors for making available to us their original and previously unpublished papers rather than opting for the current tendency to send the contributions to top-rated journals. The editorial work was made particularly easy by the cooperation of the authors in revising their drafts as well as proofreading the galleys.

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