

**Financial centers in the Asia-Pacific region:  
an empirical study on Australia, Hong Kong, Japan and Singapore**

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Abstract

The objective of this study is to empirically examine the status and sustainability of Australia, Hong Kong, Japan and Singapore as financial centers in the Asia-Pacific region. The sample period under investigation is from 1977 to 2002. This paper attempts to provide empirical evidence on significant factors such as taxes, economic activity, assets and liabilities of banks, regulation, socio-economic factors (education and quality of life) and the tax treatment of foreign institutions, that determine the status and sustainability of the above four financial centers. Although extensive research on financial centers has been conducted, there seems to be no empirical research focused on the above factors especially for Australia, Hong Kong, Japan and Singapore. This study uses three modeling approaches. Under the first approach: estimates of an error-correction model show the existence of a long-run relationship between the variables in the four financial centers. In the second approach: estimated pooled (panel) regression model indicates that majority of the variables under investigation are statistically significant when tested collectively for all four financial centers. Results of the third model show the importance of socio-economic and government intervention variables such as the education system, government economic policies, quality of life, the regulatory environment and the tax treatment of foreign corporations for the status and sustainability of financial centers. The main policy implication of this study is that business friendly government policies promoting economic growth and socio-economic development are important for healthy growth of financial centers.

JEL classification: C22, C23, F21, G15, G28.

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