Financial Globalization and its Effects on Developing Countries in Latin America and the Caribbean

by

Jean Paul Francois

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Liberty University, School of Business

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Abstract

Financial globalization is characterized as an aggregate concept designated to expand global connections through cross-border financial flows. This quantitative correlational study aimed to examine the relationship between instability from financial globalization and lack of profitability within financial institutions in countries Latin America and the Caribbean. The problem addressed was that instability from financial globalization resulted in the lack of profitability in developing countries in Latin America and the Caribbean. The study extended the research literature to analyze the effect of financial globalization on economic instability and financial development and found a statistically significant relationship between financial globalization and profitability, economic instability, and financial development. The findings of the research study may be applicable to financial managers, bankers, and shareholders of financial institutions in Latin America and the Caribbean.

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Approvals

Jean Paul Francois, Doctoral Candidate Date

Dr. Carle Hunt, Dissertation Chair Date

Dr. John Halstead, Committee Member Date

Edward M. Moore Ph.D, Director of Doctoral Programs Date

Dedication

First of all, I dedicate this dissertation to God providing me with wisdom, resilience, and courage to reach this milestone. Secondly, I dedicate this doctoral research study to my late father, Polynice Francois (who passed away two years ago), and my mother, Rosemene Francois. They sacrifice their lives to make mine better and instill in me the principles to live a righteous life. Thirdly, I dedicate this doctoral research to my wife, Nadia Francois, who held the fort with the children while I spent countless late nights completing the study. Fourth, I dedicate this study to my children, Jean Paul Francois, Jr, and Benjamin Omari Francois. They are my inspiration to keep fighting to achieve more in this world. Last but not least, I dedicate this research to my brothers, Sergo and Garry Francois, for their encouragement and support during the journey.

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Section 1: Foundation of the Study

This introductory paragraph presents a brief outline of the research study, which intended to determine the relationship between instability from financial globalization and lack of profitability in developing countries in Latin America and the Caribbean. Section 1 includes the background of the existing problem and a discussion of the theories and concepts that shape the study. Also, there are three research questions that serve as the foundation of the research study.

Background of the Problem

Financial globalization is categorized as an aggregate notion that denotes expanding global linkages formed through transnational financial movements. According to Schmukler and Abraham (2017), primary anticipations were that financial globalization would enhance economic development by augmenting financial expansion, mainly in unindustrialized nations by giving external investors access to local markets. In addition, it would facilitate local investors' access to foreign markets. Further, it would encourage transformations to the financial structure. However, financial globalization only provides those benefits to certain countries that have financial systems that perform well and are inclusive, and it may lead to macroeconomic instability and render developing nations more prone to financial crises. According to Santiago et al. (2020), though there are some countries in Latin America and the Caribbean that have good financial institutions, a large part of the developing nations' financial systems are not strong enough to stand versus the emerging and developed markets. As a result, those weaknesses may lead to the vulnerability to financial crises, which may require a longer recovery time span in contrast to developed nations.

According to Panizza (2018), even though there are many benefits related to financial globalization, developing nations that do not have stable financial structures may not receive those advantages. Broner and Ventura (2016) and Panizza (2018) asserted that the result of financial globalization is mainly based on a country's specific aspects. Governments may be more penchant toward domestic stakeholders, which may lead to the reluctance to act in favor of foreign investors who own hefty national financial resources and, as a result, increase the prospect of a financial crisis. In this sense, the rapport between financial globalization and a financial crisis depends on the nation's characteristics which encompass GDP per capita and the quality of institutions. In addition, income inequality may be another downside of financial globalization because only individuals at the top may benefit from it. Despite the gross capital inflows, net capital is still minimal, which is not advantageous for growth since this is extremely costly in terms of volatility and inequality. Establishing a balance between the movement of capital in and out of the country would be an essential step in increasing growth and keeping volatility under control.

Moreover, there came the COVID-19 pandemic that further exacerbated the previous crises. Hevia and Neumeyer (2020) indicated that the COVID-19 widespread is one of the most daunting circumstances that occurred to humankind in recent recollections. The outbreak has caused the deaths of many people, while there are even more individuals that have been coping with the health impediment of the virus. Apart from the health and death matters associated with the disease, the global economy has been hit severely by its impact.

According to Ramkissoon (2018), finance plays a major role in economic development in the Caribbean, and the financial sector is equitably developed and categorized by a mixture of multinational and local banking and non-banking financial institutions which provide services to corporations, governmental entities, and individual customers. Commercial banks occupy the biggest share of the pie and account for over "81.1 percent of GDP in the CARICOM." A possible solution to increase growth in the region may be to make credit more accessible to current and new companies and reduce the charge on those credits by implementing strict risk reduction and risk management policies. Concerning individual consumers, financial inclusion plays a significant role in reducing the level of poverty in the region, and that can be accomplished by making financing available and cost-effective to low-income individuals (Omar, & Inaba, 2020).

Using Hyman Minsky’s financial instability theory as a framework may help in discovering what factors have an influence on the financial instability in developing countries. According to Minsky (1982), the phenomenon takes place when there is a rise in “speculative investments that would lead to over-indebtedness and financial fragility over the course of the business cycle, which might ultimately lead to an economic environment that is conducive to high inflations, debt deflations, a collapse of asset values and deep depressions” (Knell, 2015, p. 3). Minsky (1982) put a strong emphasis on the financial markets where he pointed out that those institutions have an inclination to excess, and they alleged that the lone way to disrupt the “pattern of boom and bust was through public policy, regulation of the financial system, and central bank action.” He also asserted that the “financial system fluctuates between robustness and fragility and those fluctuations are an essential part of the procedure that produces the business cycle” (Knell, 2015, p. 3).

Problem Statement

The general problem to be addressed is instability from financial globalization resulting in the lack of profitability in developing countries. Gaies et al. (2019) stated that financial globalization contributes to the economic instability in developing countries. Nicholas (2018) asserted that there are several benefits that may come with financial integration, and that is dependent upon the structure of institutions and financial systems in a specific country. According to Powell and Tavella (2015), despite the benefits that the capital influxes in developing countries may provide, they can also augment the susceptibility to financial disasters, macroeconomic volatility and eventually decline. According to Ramkissoon (2018), despite the integration of developing countries in Latin America and the Caribbean into the global financial system, financial institutions fail to help in economic development, which impedes profitability. The specific problem to be addressed is financial globalization does not promote profitability within financial institutions in most developing countries in Latin America and the Caribbean, resulting in economic instability and economic decline.

Purpose Statement

The purpose of this quantitative correlational study was to examine the relationship between instability from financial globalization and lack of profitability and long-term success in countries Latin America and the Caribbean. The importance of the relationship is that it may provide some insight into how developing nations in that region do not seize the opportunity of their integration into the international capital markets to bolster their economies. According to Ramkissoon (2018), despite the integration of Latin American and Caribbean countries' financial markets, some of those "nations' economies still remain structurally undeveloped—some may even say underdeveloped."

This study was being conducted with a fixed design using quantitative methods. Specifically, a correlational design was being used. The nature of this research was to look for the relationship between instability from financial globalization and financial instability in developing countries in Latin America and the Caribbean. According to Cox (2019), "When your goal is to understand the nature of the relationship or association between naturally occurring variables that cannot be manipulated, a correlational design may be an appropriate choice" (p. 61). Numerical data and statistical analysis were utilized to collect information, and that was done via secondary data collection.

The data for this research were extracted mostly from the database of Liberty University. In addition, due to the financial aspect of the study, there was a substantial amount of information obtained from different financial databases and some companies' websites. Some data were drawn from google scholar as well. The participants in the study are financial institutions and individual consumers in countries in Latin America and the Caribbean. The variables are instability from financial globalization, financial instability, Profitability, and economic development. According to Schmukler and Abraham (2017), financial globalization may be advantageous, but that rapport between financial globalization and growth is dependent upon a country's particular feature. Also, "empirical evidence demonstrates that financial globalization has increased risk such as higher macroeconomic instability, vulnerability to financial crises, and contagion effects spilling across borders."

Nature of the Study

The nature of this study is a quantitative, non-experimental, specifically, correlational design that seeks to examine the relationship between instability from financial globalization and lack of profitability in developing countries in Latin America and the Caribbean. According to Apuke (2017), when the researcher's objective is to comprehend the nature of the relationship between logically transpiring variables that cannot be manipulated, a correlational design may be a suitable choice. Numerical data and statistical analysis were used to collect information, and that was done via secondary data collection. The research paradigm is pragmatism which focuses primarily on the problem by utilizing any tools available to understand the issue at hand. The purpose of this study is to figure out if there is a rapport between instability from financial globalization and lack of profitability, economic instability, and financial development in developing countries in Latin America and the Caribbean. Hence, a non-experimental regression analysis is the most valuable scheme to find out if such a connection exists between the chosen variables.

Discussion of Method

Differently from a qualitative method that requires the involvement of data collection through participant observation and interviews, the quantitative study necessitates the scholar to distance oneself from the participants while investigating the rapport “among the variables, attitudes, and opinions of the groups (Creswell & Poth, 2018; Prang, 2020). Scholars utilize quantitative examinations to categorize outcomes they may utilize to define or observe variations in the numerical features of the intended population, extrapolate other comparable circumstances, offer elucidations of projections (Kakande, 2020). Deductive reasoning plays a major part in quantitative study techniques that establish theories, assess the hypotheses with information to approve the concepts, and frame the research questions (Prang, 2020). The mixed-method was not suitable since the research entails testing hypotheses based on established theories. The quantitative method was suitable for the research since the exploration required analysis of numerical information and deducing the outcomes to a greater population (Kakande, 2020).

Discussion of Design

The correlational design was chosen for this examination. Scholars utilize the correlational design to investigate the rapport among variables and prognosticate proceedings from contemporary information and facts (Curtis et al., 2015). This kind of design was suitable for this investigation because the significant goal of this examination is to investigate the association between the dependent variables (i.e., Profitability, Economic Instability, and Financial Development) and the independent variable (i.e., Instability from Financial Globalization). Other designs, such as experimental and quasi-experimental, may be suitable if the investigator looks to evaluate a degree of cause and effect (Kakande, 2020). The sample size consists of 151 financial institutions from a population of 249 companies in the region with a 95% confidence level and a five percent margin of error. A spearman correlation and simple regressions were conducted to examine a significant difference between the variables (Morgan et al., 2013). The primary goal of this research examination is to examine historical financial data to decide the presence of relations among variables, which was directed through the utilization of a non-experimental correlational research design.

Summary of the Nature of the Study

As elaborated previously, the nature of this research is a quantitative, non-experimental, correlational method. The quantitative approach was selected because the research aims to investigate the rapport among several variables (Apuke, 2017). The correlational design was chosen mainly to ascertain if there is a relationship between instability from financial globalization and lack of profitability, economic instability, and financial development in developing countries in Latin America and the Caribbean.

Research Questions

The following three research questions were used as the main drivers of the research paper. They were based on correlation and sought to discover the relationship that exists between instability from financial globalization and profitability in developing countries in Latin America and the Caribbean.

They are discussed as follow:

This question is descriptive in nature and seeks to uncover ways that instability from financial globalization impacts profitability within financial institutions in developing countries in Latin America and the Caribbean.

RQ1 – What is the relationship between instability from financial globalization and profitability within financial institutions in developing countries in Latin America and the Caribbean?

This question sought to identify the effect of instability from financial globalization on economic development in developing countries in Latin America and the Caribbean.

RQ2 – What is the relationship between financial globalization and economic instability in developing countries in Latin America and the Caribbean?

This question is relationship-based and looked to discover the rapport between financial globalization and the financial systems in countries in the Caribbean.

RQ3 - What is the relationship between instability from financial globalization and financial development in developing countries in Latin America the Caribbean?

Hypotheses

$H_0$1: There is no statistically significant relationship between instability from financial globalization and profitability within financial institutions.

Ha1: There is a statistically significant potential relationship between instability from financial globalization and profitability within financial institutions.

$H_0$2: There is no statistically significant potential relationship between financial globalization and economic instability.

Ha2: There is a statistically significant potential relationship between financial globalization and economic instability.

H03: There is no statistically significant potential relationship between instability from financial globalization and financial development.

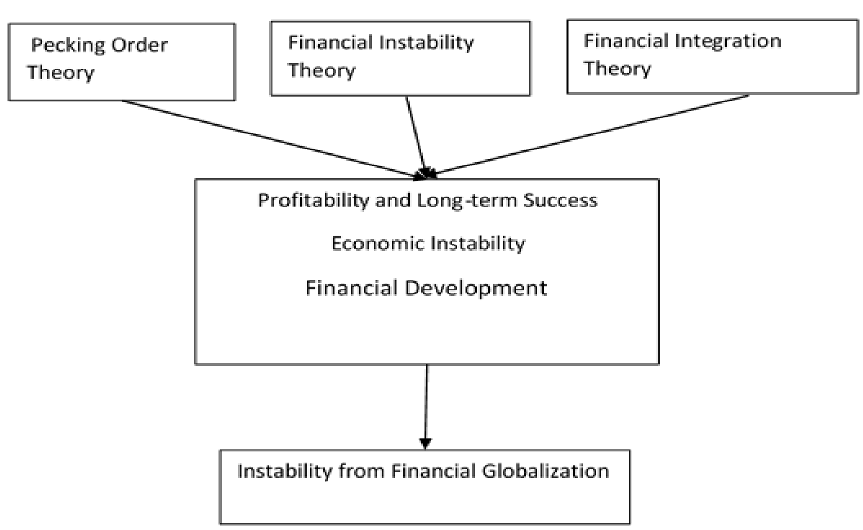
Ha3: There is a statistically significant potential relationship between instability from financial globalization and financial development.

Theoretical Framework

The three foundational theories that guide this research study are the Pecking Order Theory, the Financial Instability Theory, and the Financial Integration Theory. These three concepts are critical in understanding the way a company should finance its operations and how to balance between the sources of funding. They also play a vital function in driving the capital structure of organizations, take into consideration the transaction cost and asymmetric information, and put emphasis on the impact of debt on system behavior which occupies an essential part in the survival of businesses (Eyraud et al., 2017; Knell, 2015; Tchuigoua, 2015).

Figure 1

Relationships Between Theories and Variables



Discussion of Theory 1: Pecking Order Theory

According to Allini et al. (2018), the pecking order theory was fashioned by Stewart Myers and Nicholas Majluf in 1984 and asserted that companies do not possess a specific capital structure and favor funding from within the organization instead of going for external financing. Businesses were reluctant to issue new securities in the market because that would postulate a negative view of the operation of the organization, so they would depend more on earnings surplus. The option of going for external funding would come only when they are investment opportunities that surpass the cash flows.

According to Tchuigoua (2015), the pecking order theory provides a statistical edge to executives over stakeholders such as asset values, risk, and growth opportunities. The presence of asymmetric data in the market generates agency and transaction cost issues, and that data may be hard to be transmitted and verified. Hence, the cost to borrow money rise, and as a result, companies tend to adopt internal financing. However, they would prefer to go with debt instead of issuing new securities if internal funding is not available because the issuance of the new securities would send an undesirable indication into the marketplace. According to Allini et al. (2018), for the purpose of conducting an empirical assessment of the pecking order theory, they took into consideration the examination of practical projections of the theoretical frameworks in which organizations depend on funding from within. Based on their result, only if the company incurs a loss would they contemplate a hierarchy of funding from outside in which secure debt is favored, followed by risky debt and equity.

Discussion of Theory 2: Financial Instability Theory

The financial instability theory (FIT) was established by Hyman Minsky in which he expressed the idea that financial crises are endemic in capitalist economies since, during epochs of great prosperity, financial institutions tend to be more confident about the future of the economy and make risky investments which in turn produces financial bubbles that follows by a bust (Beshenov & Rozmainsky, 2015; Knell, 2015). Based on the premise of this theory, the downturns in a market are exacerbated by reducing prices, and such a decrease renders real debt a heavier burden, which leads to insolvency and economic failure of organizations (Beshenov & Rozmainsky, 2015).

According to Beshenov and Rozmainsky (2015), Minsky stated that the government should make macroeconomic and institutional interventions. He asserted that this type of action would prevent economic fallout during crises, and there should be policies put into place during the recessionary time to maintain monetary proceeds for production and financial units. According to Knell (2015), intermittent modifications between stability and instability produces endogenous business cycles. Minsky (1982) “maintained that the financial system swings between robustness and fragility and these swings are an integral part of the process that generates business cycles.”

Discussion of Theory 3: Financial Integration Theory

Financial integration is the procedure through which the financial markets of several nations or regions interconnect to one another, and the progression may come in different methods, such as “cross-border capital flows, foreign participation in domestic markets, and sharing of information and practices among financial institutions or unification of market infrastructure” (Eyraud et al., 2017). According to Le Duc et al. (2020), hypothetically, financial integration may be contemplated as a feature of financial development. The notion of integration is comparatively approximated to liberalization. Nevertheless, the procedure of integration infers the extension of the local marketplace to the global financial systems, while the expression of liberalization conveys the dynamism of the marketplace.

According to Eyraud et al. (2017), financial integration is presented as a multifarious notion that does not have a universal description. From a conceptual viewpoint, integration can be gesticulated by the prices of resources that possess similar features, which is the law of one price. As a result, it can be said that there is a perfect integration if these identical assets have the "same price" no matter the type of marketplace they are traded in.

Discussion of Relationships Between Theories and Variables

The incorporation of the Pecking Order Theory, the Financial Instability Theory, and the Financial Integration Theory generate the theoretical foundation for this research study. According to Tchuigoua (2015), the Pecking Order Theory framework asserts that profitable organizations tend to incur less cost in raising capital to finance their operations. Once a company maintains high profits, that diminishes the requirement to accumulate debts. Hence, productive firms favor internal funding over external funding to finance their operations. Knell (2015) stated that when investors raise their level of speculation in investing, it may lead to over-leverage and financial fragility over the course of the business cycle, which may eventually steer an economic atmosphere that is prone to high inflations, debts deflations, a collapse of asset values, and a deep depression. These attributes are all aspects that may destabilize an economy. Eyraud et al. (2017) asserted that financial integration might be viewed as a feature of financial development. Financial integration and liberalization may be utilized interchangeably. A financial system that integrates the global financial market needs to ease regulations. However, there are no clear indications that the integration of the domestic market will have positive impacts on financial development.

Summary of the Conceptual Framework

Altogether the Pecking Order Theory (POT), the Financial Instability Theory (FIT), and the Financial Integration Theory (FIT) offer connections and rapport as well as the description that necessitate numerous kinds of studies to investigate the associations between the independent variable (i.e., instability from financial globalization) and the dependent variables (i.e., profitability and long-term success, economic instability, and financial development) in developing countries in Latin America and the Caribbean (Eyraud et al., 2017; Knell, 2015; Tchuigoua, 2015). The variables in the research paper are instability from financial globalization, profitability and long-term success, economic instability, and financial development. Because the study theorizes that the independent variables may have a relationship with the dependent variable, which is instability from financial globalization, and it may present as a required outcome.

Definition of Terms

Financial globalization: The “process in which financial markets and institutions around the globe allow agents and firms from any country to buy and sell securities, lend and borrow, or perform any other financial transaction” (Schmukler & Abraham, 2017).

Financial integration: The process by which financial markets are linked together globally (Yao et al., 2018).

Financial liberalization: The removal or relaxation of restrictions on cross-border transactions in order to allow stakeholders to buy and sell in both local and foreign securities market (Yao et al., 2018).

Financial Contagion: The procedure of the spread of marketplace turbulences from one nation to another (Cabrales et al., 2015).

Foreign Direct Investment: An investment made by a firm or individual in one nation into organization interests situated in another nation (Alvarado et al., 2017).

Assumptions, Limitations, Delimitations

The assumptions in research assist in guiding the reader to comprehend the assumptions the author depends on during the study, results, and inferences (Schwartz, 2019). In addition, the limitations give insights to the reader about the limits of the investigation. The delimitations inform the reader about the scope of the examination (Theofanidis & Fountouki, 2018). The assumptions, limitations, and delimitations will be deliberated in the following sections to provide the reader with the necessary insight into their effect on the research and outcomes.

Assumptions

There are three assumptions that shaped the study. First, the research is based on secondary data. The participants are financial institutions in Latin America and the Caribbean. The researcher utilized historical information from Statista and personal websites of the financial companies to obtain financial reports, and the researcher assumes the data they reported are reliable and truthful. The study is framed on three theories: the pecking order theory, the financial instability theory, and the financial integration theory. They are suitable for examining the subject being under investigation.

Limitations

There are two probable limitations to this research. First, since the researcher utilizes samples, the study may be limited to the outcomes of the designated samples. It is important to consider sampling because of the scarcity of resources and time restrictions (Schwartz, 2019). Another possible limitation is that the researcher used secondary data for the study. When information used is not primary, there may be a possibility for errors which may prevent the findings from being generalized to the whole population (Kakande, 2020). To avoid the aforementioned limitations, it is essential to utilize many different sources to collect data.

Delimitations

The delimitation procedure provides control to the author over the limit and scope of the information within the specified boundaries (Theofanidis &Fountouki, 2018). The participants are financial institutions in Latin America and the Caribbean. The study will concentrate more on the less developing nations in the region to make sure that the data are parallel among the samples. In addition, the delimitations will consider the study's theoretical background, objectives, research questions, variables under study, and study sample (Theofanidis & Fountouki, 2018). To avoid outdated information, the researcher mainly includes data within a 5-year parameter (2015-2020) in the study.

Significance of the Study

The researcher delineated this research study to develop more understanding of the effect of financial globalization on developing countries in Latin America and the Caribbean. Financial institutions, non-financial institutions, regulatory bodies, local individuals in the region, and any professional in the financial sector may use this framework to develop an understanding of the benefits and drawbacks of financial globalization to create proper channels to take advantage of the benefits of being integrated into the global financial system.

Reduction of Gaps

The essence of this study may elucidate through the analysis of the current literature associated with the impact of instability from financial globalization on profitability, economic instability, and financial development in developing countries in Latin America and the Caribbean. Tchuigoua (2015) proposed the Pecking Order Theory as a model that offers a statistical advantage to executives within an organization over external investors. Since the existence of information asymmetry in the marketplace creates agency and transaction costs that may be difficult to be conveyed and substantiated, organizations tend to favor internal funding over external ones to avoid the rising cost of borrowing. The Financial Instability Theory and the Financial Integration Theory were presented by Beshenov and Rozmainsky (2015), Eyraud et al. (2017), and Knell (2015) to explain how prevalent financial shocks may be due to the integration of financial systems globally. During a period of great prosperity, organizations tend to be overconfident and behave speculatively when investing. Once there is a significant crisis in another country, there may be a bigger negative impact on the economies that do not have strong financial markets.

The findings of this study may help in addressing the gap in the existing literature. Financial institutions, governments, and individuals in the region under study would find this project helpful in assessing the strategies to bridge the gap between developing nations to the developed world. According to Santiago et al. (2020), while some financial systems in developing nations in Latin America and the Caribbean are fairly developed, they still fall behind emerging markets. Curiously, some countries have gaps in their financial development in comparison to the extent indicated by their macroeconomic foundations. Those apertures may be positioned in the efficiency of establishments and profundity as well as openness of markets. These lags in the proficiency and depth of organizations are prevalent in Latin America and the Caribbean. When there is a disaster in the world, it may take longer for these nations’ financial systems to recuperate.

Implications for Biblical Integration

According to Keller and Alsdorf (2012), our work should be related to God’s work, and the work we perform should be viewed from both a cultivation and service perspective. As human beings who are created in the image of God, we must use our work to continue his mission and help others. We receive the privilege to be in God’s image, and our purpose is to worship him. To accomplish this fit, we must use our work to create a culture and serve others, and in turn, that service rendered to the others makes our work service to God. The Lord wants us to get a grip on knowledge and wisdom. Researching God’s way ensures that quality information is gathered from different sources to give unbiased decisions and help save lives.

The LORD detests lying lips, but he delights in people who are trustworthy (Proverb 12:22). Whoever increases wealth by taking interest or profit from the poor amasses it for another, who will be kind to the poor (Proverbs 28:8). These statements have some types of relation to the lack of profitability and long-term success in businesses in developing countries which have some attributes from instability from financial globalization. As business professionals, we can still work to make a profit, but we should not do it with ill intent at the expense of the less fortunate ones. One may find that regardless of whether the nature of work is acceptable, the viability of the profitability might be inferior. "For we are his workmanship, made in Christ Jesus for benevolent acts, which God arranged already, that we should stroll in them" (Ephesians 2:10, NIV).

According to Keller and Alsdorf (2012), “yet in any event, during times when you are happy with the nature of your work, you might be sharply baffled with the outcomes.” One may find that regardless of whether the nature of work is acceptable, the viability of the profitability might be inferior. Economic instability may be a perplexing problem for developing countries to fix when integrating globally. Developed economies that have stronger financial systems would accomplish the work of God if they synchronized with undeveloped economies to prevent economic struggles. “In everything I showed you that by working hard in this manner you must help the weak and remember the words of the Lord Jesus,” that He Himself said, “It is more blessed to give than to receive” (Acts 20:35).

The concept of financial development is a serious issue in developing countries due to the lack of financial inclusion. It requires a godly inspired effort on the financial institutions to conduct good business practices and reach out to include the poor in the financial system to alleviate poverty. “Be shepherds of God’s flock that is under your care, serving as overseers-not because you must, but because you are willing, as God wants you to be; not greedy for money, but eager to serve” (1 Peter 5:2).

Relationship to Field of Study

The concept of financial globalization is directly related to the discipline of finance. According to Schmukler and Abraham (2017), there is not a universal description for financial globalization, and different scholars may assign numerous definitions to the term, and it has been associated with international financial integration and financial liberalization. According to Gitman et al. (2015), finance is an extensive and dynamic term, described as the art and science of managing money. The subject considers organizations, marketplaces, and mechanisms included in the transfer of money among individuals, businesses, and governments. As a connection to finance, financial globalization may be viewed as the “process in which financial markets and institutions around the globe allow agents and firms from any country to buy and sell securities, lend and borrow, or perform any other financial transaction” (Schmukler & Abraham, 2017). As a testament to that strong relationship between the two topics, financial globalization may have several effects on finance in that it may produce domestic capital flight and ambiguous effects on net capital flows, investment, and growth. It may also generate an influx of money and more assets and development, or it may increase money movement volatility and render the local financial marketplaces (Broner & Ventura, 2016).

Summary of the Significance of the Study

This research study was intended to address the general problem of instability from financial globalization, which results in a lack of profitability. The specific problem that addressed the lack of profitability in the developing countries in Latin America and the Caribbean was caused by instability from financial globalization. The study also considered the gap that exists in the subject matter. The contents of this study will help institutions and individuals in developing countries understand the factors of financial globalization, such as domestic capital flight and ambiguity, investment growth, and unstable domestic markets that may bring failure and success (Broner & Ventura, 2016).

A Review of the Professional and Academic Literature Outline

An evaluation of expert and insightful literature was directed by the researcher to decide the accessible examination and any gaps in research that were key to the hypothetical background of the investigation. The researcher examined and synthesized historical and current literature and obstacles of the theoretical framework of the study. The literature review is comprised of critical themes and notions that are associated with the research and the way it aligns with the framework (Creswell & Poth, 2018). The research study is structured on instability from financial globalization and its impact on profitability and long-term success in developing countries in Latin America and the Caribbean. The study is centered on Perking Order Theory (Allini et al., 2018; Tchuigoua, 2015), the Financial Instability Theory (Beshenov

& Rozmainsky, 2015; Knell, 2015; Le Duc et al., 2020), and the Financial Integration Theory (Eyraud et al., 2017).

Main Element 1: Perking Order Theory and Profitability and Long-term Success

The foundation of the Pecking Order Theory (POT) is based on the premise that companies do not possess a selected capital structure but would rather depend more on funding their operations from within and avoid the issuance of new securities (Allini et al., 2018; Tchuigoua, 2015; Yegon et al., 2014). According to Yegon et al. (2014), there is a significant amount of controversy on the accessible literature on leverage and profitability, and that is due to the discussion of the relationship between leverage and profitability of firms. The predilections towards funding sources from within the organization are due to the cost breach between these sources of financing and the data asymmetry and agency complications that accompany them. Profitable firms favor the maximization of profits over liability and the issuance of new equity, and this inclination may depict a negative relationship between leverage and profitability of the organization.

According to Tchuigoua (2015), the pecking order theory offers a statistical advantage to managers over shareholders, such as asset values, risk, and growth opportunities. The presence of asymmetric data in the marketplace produces agency and transaction costs, and that data may be tough to be conveyed and substantiated. Henceforth, the cost to borrow funds is augmented, and as a result, corporations tend to implement internal financing. However, they tend to favor debts over issuing new securities if internal funding is not available because the issuance of the new securities would send an undesirable indication into the market. According to Allini et al. (2018), to direct an empirical evaluation of the POT, they considered the analysis of applied forecasts of the theoretical frameworks, in which establishments depend on funding from within.

Based on their result, only if the business sustains a loss would they contemplate a hierarchy of funding from outside in which secured debt is chosen, followed by risky debt and equity.

There may be a path to solve the data asymmetry in capital structure. According to Li and Wong (2018), there is a hierarchy set up where the data asymmetries between institutions and stakeholders push organizations to follow an order in which there is a preference to retained earnings to debt, short-term debt over long-term debt, and debt over equity. Li and Wong (2018) claimed that if institutions issue new equity but solely utilize it as retained earnings to sustain the asset prospects, the data asymmetry may be solved. This infers that the issuance of new equity may be more costly when asymmetric data augments internal and external agents. In that case, organizations that have larger data asymmetry must issue debt to evade the sale of undervalued securities.

According to Caselli and Negri (2018), the hierarchical aspect of the pecking order theory relies upon the size of the organization and the degree of expansion since there is a certain degree of asymmetric data and the financial necessity for each stage of growth, which also named financial growth cycle. Throughout this sequence, investors may facilitate the efficiency of the whole financial system because they tend to operate with institutions that have opaque information. Also, investors upgrade the pecking order theory framework by creating the option to have equity financing being considered before debt financing in some instances.

Capital Structure

According to Yousaf and Iftikhar (2018), the capital structure of a company principally denotes the proportion of debt and equity included in its financial design. It is essential for a company to select the proper mix of funding design to make sure that the company performs at the maximal level and keeps its operations constant to accomplish the projected objectives.

Choosing the right financial structure serves as a guide to optimize the investors' profits and allocate the risk control among the diverse kind of investors. Kakande (2020) indicated that deciding which capital structure to operate a business is noteworthy since it has a monumental impact on how much it will cost to fund the organization and also determine the worth of the organization in the marketplace. Tchuigoua (2015) asserted that the financial makeup of a company is the byproduct of either a trade-off between debt and equity or a perking order of financing resources, specifically, debt, internal financing, and equity issuing/equity increasing. Yousaf and Iftikhar (2018) stated that there are numerous concepts that are related to the ideal capital structure in the study of corporate finance, but the author does not claim a definitive hypothesis about the subject matter. Multiple scholars proposed that the pecking-order hypothesis is the most suitable, while others advocated for the trade-off theory as the most appropriate hypothesis. In addition, some researchers even suggested using both theories for the insertion of debt in the financial mixture. The most appropriate interrogation here is based on the organizational knowledge of the management of its assets.

According to Li and Wong (2018), determining the suitable capital structure is based upon several criteria, and the perking-order hypothesis exhibit the manners in which financial managers may build their financial structure to minimize inefficiency when coping with asymmetric data in their source of funding. Making a profit is significant in determining the capital structure of the firm (Chen & Chen, 2011; Yousaf & Iftikhar, 2018). The perking-order hypothesis proposes that companies that gain sizable profits may elect to rely on internal funding, and those kinds of institutions tend to take on more financial obligations since they possess the ability to make the interest payments and, in turn, that augmented their tax deduction. Also, the company's size plays a major role in determining the capital structure. Once an organization starts growing, it tends to look for more funding from outside providers, and the small and medium-sized companies pay a more elevated price for outside funding in comparison to their bigger counterparts. Chen and Chen (2011) asserted that as the growth of the organization obligates it to seek more financing, the extent to funding the rising desire relies upon financing from within the corporation. If a company entrusts all of its financing needs from within, it may encounter some restrictions in its growth prospect, and the management team may face the challenge of sacrificing certain plans that could bring sizable profits to the establishment. On the other hand, when a company elects to take on external financing for its operation, that may be a risky move. For that reason, organizations that are projected to grow to prefer less capital structure since the institution's development may create a risky behavior impact and lead the organization to act in a riskier manner.

Financial Sector

According to Logan (2016), the banking system outlook around the globe has modified enormously over the past two decades. In previous years, researchers focused more on researching advanced economies, but recently, there have been more studies on emerging and developing countries. Despite the changing focus on developing nations, Latin America and the Caribbean have received minimal research on their banking sectors. According to Berkmen et al. (2019), Latin America and the Caribbean received a decent grade on access to financial establishments. The amount of automated teller machines and bank annexes per 100,000 adults has enhanced significantly and is even better than several other emerging and developing regions. However, that still lags behind the Organization for Economic Co-operation and Development Average, and certain developing countries such as Haiti, Nicaragua, and Paraguay still lag behind the average in their own region.

Cavallo and Serebrisky (2016) stated that the “financial system in Latin America and the Caribbean” does not have enough profundity, and that represents a veritable obstacle to access to credit. When there are restrictions to credit, it is synonymous with small savings in proper mechanisms or organizations. Grazzi and Pietrobelli (2016) asserted that the lack of accessibility to bank credit may serve as one of the primary challenges that impair institutions' “development, efficiency, modernization, and export capability, principally as it influences small- and medium-sized enterprises (SME). Flamini et al. (2019) emphasized that credit is essential in maintaining consistent economic growth. The availability of loans from financial institutions coupled with loans that may be originated from non-bank sources may serve as vital instruments to promote the expansion of financial services and produce economic growth and development, provided that assets are distributed resourcefully. The degree to which organizations might encounter constraints in searching for financial instruments to finance their operations diverges across nations based on micro and macro aspects (Grazzi & Pietrobelli, 2016; Grazzi et al., 2015; Peñaloza et al., 2014). The credit marketplaces are categorized by imbalanced data between the enterprises searching for loans and the financial institutions providing the funding, flawed processing and scanning mechanism, and sparsity of warranty that may be guaranteed; hence, financial constrictions arise as a balance mechanism. That occurrence infers that organizations that do not have much transparency in their operations may be more inclined to encounter financial constraints since they are not able to show to the lending institutions that they are worthy to receive the credit. That issue is common in the region, specifically for small and new companies that may not encompass the asymmetric data challenge by promising security, and for companies in nations that do not have credit archives, which is a common situation in Latin America the Caribbean.

Table 1

Domestic Credit to Private Sector Percentage of GDP – Latin America and the Caribbean

Country	Recent Year	Recent Value
Haiti	2020	8.6
Nicaragua	2020	30.0
Honduras	2020	69.8
Bolivia	2020	71.2
Belize	2020	68.9
El Salvador	2020	62.1
Suriname	2020	24.5
Guatemala	2020	35.9
Jamaica	2020	56.3
St Vincent & Grenadines	2020	50.9
Dominican Republic	2020	30.5
Dominica	2020	53.2
Guyana	2020	39.2
Saint Lucia	2020	72.9
Grenada	2020	59.5
Costa Rica	2020	60.7
Panama	2020	105.9
Antigua and Barbuda	2020	55.4
Saint Kitts & Nevis	2020	55.4
Barbados	2020	79.7
Trinidad and Tobago	2020	45
Bahamas	2020	51.5

Source: IMF data

According to Peñaloza et al. (2014), the accessibility of companies to the credit marketplace has been recognized as a component that assists in the advancement of productivity, employment, and necessarily on the living standard of a nation. In this case, Latin America and the Caribbean region’s financial system has a significant gap in comparison to economies that are more developed, and that is due to certain criteria such as “no diversification in credit instruments, low domestic savings, poor information between applicants and suppliers of credit, among other reasons.” That circumstance reflects the excessive price of finance met mainly by the Small and Medium-sized Enterprises (SMEs), resulting in their incapacity to produce at the highest level and their incapability to produce incomes to repay the loans. Yet, the failure to obtain credit in the marketplaces is not solely based on macroeconomic factors, but it also originated from within the organizations since most of them possess the features that do not permit them to go to foreign creditors to obtain loans.

Financial Inclusion

Roa (2015, p. 6) described financial inclusion as “a state in which all working-age adults, including those currently excluded by the financial system, have effective access to the following financial services provided by formal institutions: credit, savings (defined broadly to include current accounts), payments, and insurance.” It is a challenge for the lowest class of the population to gain financial services. The deprivation of accessing financing is prevalent among the individuals who, when they are unable to get the financial apparatuses that meet their necessities, are excluded from the proper financial segment. According to Dabla-Norris et al. (2015), even though Latin American and Caribbean countries have made significant efforts to promote the financial inclusion of organizations, they still have tremendous gaps in household inclusion, and that constitutes a major challenge for development. Some of the nations “have negative inclusion gaps, and that is a reflection of the level of education, income per capita, size of the economy and the rule of law.” Roa (2015) indicated that financial inclusion also encompasses a larger measurement that comprises the essence or value of accessing and using the financial mechanism. Even though there are still no standards for that aspect, the proponents of this topic agree that the foundation of reference for determining that aspect should include appropriate guidelines and management of financial instruments and financial instruction procedures.

Main Element 2: Financial Instability Theory and Economic Instability

The study is primarily built upon Hyman Minsky's (1982) financial instability theory, and utilizing that basis may aid in determining the aspects that have an impact on the financial instability in developing nations. According to Minsky (1982), the situation occurs when there is an increase in "speculative investments that would lead to over-indebtedness and financial fragility over the course of the business cycle, which might ultimately lead to an economic environment that is conducive to high inflations, debt deflations, a collapse of asset values and deep depressions" (Knell, 2015, p. 3). Minsky (1982) strongly concentered on the financial markets in which he declared that these organizations tend to go over the limit and they professed that is the unique means to unsettle the "pattern of boom and bust was through public policy, regulation of financial system, and central bank action." He also proclaimed that "financial systems fluctuate between robustness and fragility and those fluctuations are an essential part of the procedure that produces the business cycle" (Knell, 2015, p. 3).

According to Hernandez (2016), Keynes was the pioneer of the idea of unstable financial markets, but Minsky was the one that provided an explanation about the development of instability and the way it interacts with the economy. While Keynes pioneered the investment theory of cycle, Minsky (1982) contributed to the formulation of the financial theory of investment, and in his assessment, he saw financing investment as the most significant basis of instability in an economy, and as a result, the emphasis of any examination should be centered on that aspect if someone desire to render stabilized an unstable economy.

According to González and Pérez-Caldentey (2018), the financial instability hypothesis explains instability as an outcome derived from the normal operation of capitalist economies, and that is constructed upon two hypotheses. The primary notion is that there are funding rules in a capitalist market that control when the economy is stable or unstable. In the process, he identifies three methods of financing: “hedge, speculative, and Ponzi. The hedge finance practice is manifested by managers exceeding the gross capital income of an economic unit by a certain margin over the time span of the debt. Second, speculative financing has to do with any circumstance in which the cash payment commitment on debts surpasses the projected gross capital income for a certain interval. Finally, Ponzi financing denotes a situation where the cash payments to pay interest do not meet the income part of the projected excess of receipts over material and labor cost.

Financial Globalization

Over the past three decades, low-income developing countries have been incorporated with the global financial markets, and during that new trend of account liberalization, there has been a significant amount of cross-border capital movement that has been done (Jahan & Wang, 2016). According to Gaies et al. (2019, p. 2), there has been a conflicting report about the effect of account liberalization. First, the advocates of this viewpoint asserted that emerging nations have benefited by opening their economies to the international market. The process helps in economic development and extension of the financial market. However, the antagonists of this viewpoint declared that it contributes to financial problems in several developing nations by plunging them into indebtedness, negative growth, and crises and rendering them attached to the free global movement of funds. Gaies et al. (2019) even challenge the paradox of finance-driven globalization to states that the united nation conference on trade and development has not honored their hypothetical pledges of a “better worldwide mobilization and allocation of savings for faster convergence of developing countries and a better share and diversification of the risks of cost reduction of capital at the international level” (p. 2). Jahan and Wang (2016) stated that even though an augmentation of capital inflows enhances local funding and investment, they as well present obstacles.

Financial Globalization and Economic Growth

According to Powell and Tavella (2015), before the financial crisis in 2007, countries in Latin America and the Caribbean had been the recipient of an excessive amount of capital inflows. Regardless, the bigger economies in the region endure the crisis. Beginning in 2010, after the crisis, there has been a resurgence of these capital inflows, and scholars worry that it may not all be positive. Regarding the relationship between economic instability and capital inflows, there are two points of view presented. First, extreme capital influxes may incite financial and particularly banking instability. Secondly, they may also incite "macroeconomic instability or, more precisely, a downturn.

According to Dong et al. (2017), integrating the global financial market is a necessity nor an adequate circumstance for effective growth performance. The movement of funds may initiate a compromise between development and instability as a high-risk prospect for growth. Receiving external funding may boost economic development, but it might amplify financial uncertainty. Every nation has its own deliberation for high-risk investments. Therefore, there is an obvious conflict of interest that may ascend among them. When the nations in the receiving end do not have well-developed financial establishments, they tend to favor abundant inflows of foreign direct investment because that may promote growth and lessen volatility. However, the outflowing nations prefer foreign portfolio investment (FPI) because that may enable them to earn faster earnings and lesser risks.

Santiago et al. (2020) conducted a study on 24 nations in Latin America and the Caribbean about the effect between globalization and economic freedom on economic growth in the period 1995 and 2015 and found that globalization to have a positive effect on economic development in those nations in the long-term. However, the political dimension of globalization did not show any positive effect. Moreover, the literature showed that economic freedom has a negative effect on economic growth in the nations in the region. Arreaza (2017) pointed out that Latin America was on the way to recovering from the 2008 financial crisis, but that was not a cause for celebration because the growth rate was very slow and remained under two percent most of the time. The global atmosphere is beleaguered by volatility, and the balance of risks is not advantageous for Latin America and the Caribbean. As uncertain events are unfolding in the world, the volatile mechanism in the international marketplace renders external funding very costly. Since Latin America and the Caribbean nations do not have strong currencies, foreign debts are not the best option, which may not work as a countercyclical measure for them.

According to Kilic (2015), the majority of literature that investigates the impact of globalization on economic growth is taken place after the year 2006. Based on the author’s investigation, globalization does promote economic growth. To reach that conclusion, he utilized trade receptivity and financial integration variants representing globalization. Kilic (2015) discovered a breach between economic growth and trade and financial integration. The relationship may direct to long-term economic development (Kilic, 2015).

Foreign Direct Investment

Quiñonez et al. (2018) suggested that conventional theory states that foreign direct investment inflows should help the region develop. Nevertheless, countries in the region have had an unfavorable outcome compared to other areas such as Asia. In addition, there are mixed feelings about FDI encouraging growth and parity in the allocation of income in the area.

Williams (2013) indicated that short-term inward capital flows might contribute to financial and economic crises. Short-term investments may enter and exit out of a developing country at the exact speed, causing severe economic and financial shocks, and may put that country in a worse financial situation than it previously was. According to Quiñonez et al. (2018), many studies have pointed out that government regulations and sentiment towards foreign direct investment play a major role in determining whether a developing country gain success or fail in the process of receiving foreign direct investment. This argument is of great significance if we comprehend the real scope of foreign direct investment. It is primarily guided by multinational companies, which main purpose- similarly to any other firm-is to make the most profit as possible and diminish expenses. This strategy has not always been consistent with the development goal, particularly, developing countries.

Crisis and Economic Instability

According to Schincariol et al. (2017), the global financial crisis that broke out in 2008 had impacted the level of economic growth in Latin America and the Caribbean negatively. Before the catastrophe, most of the nations in the region were making positive steps towards growth. Although there was a minimal salvage in gross domestic product between 2011 and 2014, the growth rates stayed on the downside. Even though the area had some good economic performances before the recession, it continued to be fragile due to the downfall of commodity values. Rao and Reddy (2015) pointed out that the crisis strongly affected the financial institutions, and its influence is manifested on numerous subjects such as macroeconomic performance, financial markets, and interest and inflation rates.

Kasman and Carvallo (2014) stated that the great recession of 2007-2008 has created turmoil in most financial markets and establishments. Latin America and the Caribbean were not exempt from that shockwaves, but the financial systems in the area put up a good fight against the crisis. Due to some good regulations and strategies set in place, banks in the area have shown a sufficient level of rivalry, but there may be some apprehensions about the effect of the amplified cluster on the degree of contention, productivity, and the economic stability of the banks in the area. Even before the catastrophe, bigger financial institutions in clustered segments may take advantage by forming capital buffers against macroeconomic and liquidity shocks and enhance the constancy of the system.

COVID-19

The Coronavirus disease has impacted the lives of different individuals in diverse ways. According to Hevia and Neumeyer (2020), the COVID-19 epidemic is presented as one of the most challenging events that have happened to human beings in recent memories. The plague has an astronomical number of deaths so far, while there are even more people dealing with the health complication of the disease. Aside from the health and death issues that accompany the pandemic, the global economy has been on a downward spiral since its arrival, and the impact seems like it will be around for a long time. Proaño (2020) indicated that the coronavirus disease would undeniably be a remarkable event in our lives both in economic, social, and political terms. In the middle of the year 2020, the immediate effect of the COVID-19 epidemic had pointed to the same extent as the 2007-2008 financial crisis. As we are getting deeper into the crisis, the fall in the labor market not only in developing nations, but advanced economies such as the United States and other developed countries point in the direction of the great depression of the 1930s. Many nations have enforced social distancing rules which have an enormous price tag on all kinds of activities included businesses. Although the coronavirus epidemic postulates a serious obstacle to every country globally, scholars also showed enormous differences between developed countries and developing countries in coping with those issues. The developed nations can quickly orchestrate and execute tremendous stimulus packages to stimulate their economies and help their people. For example, the United States put together a two trillion dollars stimulus package, Germany set up its own strategies, and many other developed nations had taken steps forward to fight the economic challenges of the pandemic. However, the less-developed nations found it to be a tall task to cope with the pandemic due to their financial limitations.

Latin America and the Caribbean

Latin America and the Caribbean area are hardest hit by the corona virus disease. According to Cannon (2020) and ECLAC (2020), the period of the arrival of the corona virus epidemic found the area at one of its weakest economic performance and financial susceptibility. After the great recession of 2007-2008 hit, the region has gone from a 6 percent gross domestic product rate to just 0.2%. In addition, the time span between 2014 and 2019 was presented by scholars as to the worst performance level of the region since the 1950 decade that was at 0.4% (refer to Figure 2 below). Since the beginning of the pandemic, the LAC area has been impacted negatively by its economic, health, and social aspects, and that seems to be a long-term issue, which brings the worst financial crisis in the area. The labor market is another area that is suffering from the impact of the pandemic, and that may restrict the efficacy of the battle against poverty and the dilution of inequality. Cannon (2020) pointed out that the constant catastrophe established by the corona virus pandemic has exposed and worsened pre-existing inequalities around the globe, and Latin America is non-exempt as one of the top affected regions as reported by the World Health Organization (WHO). About 80% of the lowest 20% of the population have been employed in the informal sector. Approximately 25% of the inhabitants in the region do not have access to portable water. A third has no access to the internet and many live-in low-quality housing. The obstacles do not only posit extreme costs for their earning power but also for their health during the pandemic.

Figure 2

Latin America and the Caribbean: Real GDP Growth, 1915-2019

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According to Proaño (2020), the limited monetary policies and in some areas, there is not the presence of any such guidelines is not the sole cause for the expectation for the developing world to feel the pain of the pandemic the hardest. There are several variances in the level of structure in the region that make the fight against epidemics less efficient. First of all, there is not a sustainable health system that can support the individuals in the region, and according to the World Health Organization, the health system in the area is not equitable, so a small section of the population has access to it. In addition, unlike advanced economies, only a handful of Latin American and Caribbean countries have employment systems in place that can support employees during the crisis.

Table 2

Latin America and the Caribbean: Real GDP Growth

Forecasts						
	2017	2018	2019	2020	2021	2022-2025
Latin America and the Caribbean	1.3	1.1	0.1	-5.2	3.4	2.7
LAC with the exclusion of Venezuela	2	1.7	0.8	-5	3.5	2.7
South America	0.7	0.4	-0.1	-5.7	3.4	2.6
Argentina	2.7	-2.5	-2.2	-5.7	4.4	2.5
Brazil	1.3	1.3	1.1	-5.3	2.9	2.4
Chile	1.2	3.9	1.1	-4.5	5.3	2.7
Columbia	1.4	2.5	3.3	-2.4	3.7	3.9
Peru	2.5	4	2.2	-4.5	5.2	3.9
Mexico	2.1	2.1	-0.1	-6.6	3	2.3
CAPDR	4.2	3.8	3.2	-2.4	4	4.1
Caribbean						
Tourism Dependent	0.9	1.9	1.4	-7.5	5.8	2.2
Comodity Exporters	-1.2	0.7	0.9	-4.6	3.6	5.1

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The Caribbean is one of the regions that receive the most economic shocks due to the coronavirus. Bottan et al. (2020) conducted an online study from seventeen nations in Latin America and the Caribbean, and the result showed that inequality aggravated the effect of the pandemic, especially in the small states in the Caribbean. Forty-five percent (45%) of the participants indicated that at least one individual in the family stayed at home without working due to the epidemic, and the individuals that owned a small enterprise, 59% specified that their businesses were no longer in existence. The people at the bottom of the spectrum before the epidemic have reported that 71% of individuals in their families were no longer employed, and 61% of this segment also reported that their immediate family members had lost their businesses. Bárcena (2020) and Bottan et al. (2020) indicated that the region was already vulnerable before the pandemic. As shown by the data in Figure 3, the Caribbean has not been producing effectively in the labor market compared to advanced economies and the world. Bárcena (2020) prescribed that the region had worked toward recovering from the pandemic by implementing a sustainable plan. Among the recommended points, they were establishing fiscal space to facilitate debt relief and creating a Caribbean Resilience Fund to promote economic and climate resilience.

Figure 3

Address the Declining Trends in Productivity

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Schincariol et al. (2017) emphasized that Latin America and the Caribbean have a substantial problem with the inequality that is based on class, gender, and race. This is a cause that renders the unemployment rate remains high compared to other regions. Most nations in the region do not have domestic harmony because those countries were born out of slavery, and inequality reign forever within their boundaries. People at the bottom of the pyramid do not earn enough. This lack of earning power from much of the population is not essential to the financial prosperity of the countries. The data in Table 3 provide a clear view of the minimum wages for Latin America and the Caribbean, designated nations, minimum wages, 2007-2015(2000=100).

Table 3

Minimum Wage for Latin America and the Caribbean, designated nations, minimum wages, 2007-2015(2000=100)

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Argentina	219.6	253.3	292.1	321.3	264.4	n.a.	n.a.	n.a.	n.a.
Bolivia	109.7	108.0	117.0	119.9	130.9	144.0	174.4	197.8	218.6
Brasil	154.8	160.8	172.7	182.1	182.1	197.5	202.7	203.6	203.3
Chile	118.5	118.3	124.7	127.7	129.8	133.5	139.9	145.3	149.1
Colombia	108.6	106.9	110.3	111.6	111.8	114.2	116.7	118.6	118.2
Costa Rica	100.8	99.5	103.3	105.8	107.2	109.1	110.3	112.8	116.8
Cuba	183.6	180.6	181.6	180.7	175.8	169.7	168.4	166.1	n.a.
Ecuador	135.1	146.7	152.0	161.7	170.2	179.1	190.0	196.1	196.4
El Salvador	92.7	92.9	101.0	100.9	100.8	101.9	103.1	108.1	113.3
Guatemala	117.7	111.9	117.7	122.0	130.7	134.4	135.3	137.4	140.9
Haiti	64.8	56.4	72.2	114.1	105.3	107.1	124.8	129.2	128.7
Honduras	130.9	131.1	223.5	213.4	212.9	213.7	214.6	212.3	216.7
Jamaica	128.8	122.0	122.4	108.6	109.8	108.2	106.2	109.7	105.9
Mexico	98.3	96.2	94.8	95.6	95.9	94.4	95.8	95.7	104.5
Nicaragua	131.6	141.6	165.5	174.7	182.9	190.2	200.3	210.1	224.3
Panama	106.3	109.2	106.5	113.3	107.0	116.4	111.9	123.9	140.6
Paraguay	103.9	101.3	102.0	102.5	105.2	103.9	101.2	104.3	102.7
Peru	111.7	114.5	111.2	110.1	120.7	133.6	135.6	131.4	126.9
Republica of Dominicana	93.8	87.7	93.9	93.5	94.6	97.3	100.3	102.7	110.1
Uruguay	159.6	176.9	194.4	196.8	227.7	252.8	256.1	166.1	273.3
Venezuela	114.4	107.1	99.4	93.8	92.9	97.0	93.4	94.1	n.a.

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Policies

Implementing the appropriate regulations during the pandemic is one of the most daunting tasks for governments in the region. According to Cannon (2020), since there is a high degree of inequality in Latin America and the Caribbean, the governmental officials found it to be ambiguous for them to implement the required policies that are being put in place in developed countries. Closing all non-essential activities presents a critical challenge because a large proportion of the population does not have formal employment, which may fall under the regulations, so that means this segment of the population would find themselves struggling to survive the pandemic. However, if the officials do not take the measures to fight against the pandemic, it could have higher health risks on the individuals, which may be severe due to the lack of a solid health system in the region. Werner (2020) emphasized that the difficult external atmosphere, associated with demanding procedures to restrain the COVID-19 epidemic, has rendered most activities in all the economies in Latin America and the Caribbean region to be hampered. The economic growth in the area has fallen by around five percent in the year 2020. Due to the severity of the shrinkage in 2020, even if nations execute strategies to restrain the epidemic and help their economic activities, a projected recovery in the year 2021 has not revived the region's economy, and scholars considered the 2015 to 2025 time frame to be wasted. Cannon (2020) expressed that since the pandemic hit an economically fragile moment, the effect is felt even more severely. For example, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC, 2020a) reported that between the period of 2010 and 2019, the region had fallen from a six percent growth rate to just 0.2% growth rate. Debt had augmented from 29.8% to 44.8% of GDP during the period. In contrast to advanced economies, those countries have limited scope to stimulate their economies even though the pandemic has brought the worst situation to them.

Procedural Issues

According to Werner (2020), despite the historical aspect of the pandemic, and there was still evolution in regulations, government officials were encountering serious procedural obstacles. In some parts of the countries, the officials may not be able to outreach the susceptible families by way of conventional transfers in locations that did not have proper social distancing mechanisms set up to prevent the spread of the disease and areas that function informally. In addition, small companies that operate in the informal marketplaces presented an obstacle for the outreach programs. Since those nations' systems are not fully developed, officials need to explore all necessary processes to connect with small businesses and informal employees. Furthermore, because of the economic impact of the epidemic and the increased public deficits and debt, nations were required to implement their budget to reduce unnecessary expenses to augment the efficacy of their economy.

Main Element 3: Financial Integration Theory and Financial Development

Financial integration is the practice through which the financial markets of numerous countries or regions link to one another, and the evolution may arise from diverse approaches, such as cross-border capital flows, foreign participation in domestic markets, and sharing of information and practices among financial institutions or unification of market infrastructure (Eyraud et al., 2017). As reported by Le Duc et al. (2020), financial integration can be considered as an aspect of financial development. The concept of integration is comparatively approximated to liberalization. Nonetheless, the practice of integration conjectures the expansion of the local marketplace to the global financial systems, whereas the concept of liberalization relays the vitality of the marketplace.

According to Didier et al. (2015), developing south countries have been integrating into the international financial market both as senders and receivers. Specifically, beginning in the early 2000s, south nations have been targeted by “foreign direct investment (FDI), bank lending, and portfolio investments.” As an illustration, developing nations obtained 26% of international capital inflows in the 1990s, while at the close of the 2000s, they obtained 55% of the aggregate capital movement. They also had an estimated 53% of capital outflows at the close of the 2000s compared to the 1990s, only 14%. Kaltenbrunner and Painceira (2015) declared that developing and emerging nations are vulnerable to hefty and unpredictable capital inflows and "5 exchange rate movement, and as a result, both scholars and regulators have voiced their concerns on this matter." Those susceptibilities are the outcome of misalignment of fundamentals or developing and emerging economies' high levels of short-term external debts, and a crucial approach to solving those local exposures must be to diminish the external susceptibilities. Experts in the field of the economy have been trying for quite some time to explicate the susceptibility of developing and emerging economies to bulky and risky investments and exchange rate movements and have found that the first-generation economic decline hypothesis positioned those exposures in corrosion of local economic principles. Second-generation frameworks presented a potential trade-off between declining local financial circumstances and sustaining a static conversation rate rule as the cause.

Furthermore, recent frameworks established during the economic crisis in Asia and the practical study on sudden stops have shown the significant responsibility of nations' short-run foreign obligations, domestic liability dollarization, and the degree of foreign reserves as the fragility. Still, conventional scholars have attributed the fragility of those economies to the weakness of local economies disguised through financial regulations and data asymmetry. Coeurdacier et al. (2020) found that financial integration has diverse impacts contingent on the probabilistic layout of shockwaves, the magnitude of nations, and their primary level of assets scarceness. Remarkably, financial integration may produce output growth and monetary movement problems along with the evolution, with funds moving downward in the first place and upward afterward. Concerning wellbeing, financial integration does not offer substantial profits to countries that have a function on certain probable parameters.

Figure 4

Measurement of Financial Development

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Financial Development

The discussion of the rapport between financial integration and financial development in Latin America and the Caribbean has presented a mixed emotion on scholars. Samadipour et al. (2017) described financial development as a circumstance that promotes the augmentation of financial services activities by financial establishments, and if those organizations possess the required competence, they allocate funds from investors to debtors. The accrual of funding is one of the utmost significant assets of the constant financial development of a nation. By the mean of the financial marketplace, professionals may speed up generating funding and economic advancement. In general, various aspects impact financial development, which may separate into categories of economic and non-economical aspects. The efficacy of governmental action is key in implementing successful financial development guidelines. The author stated that one of the essential aspects of deficiency of financial development is the ineffectiveness and intricacy of guidelines and principles. Any institutional atmosphere that has lucid and value guidelines augment the asset that intensifies the mandate for financial assets and expansion of financial subdivision.

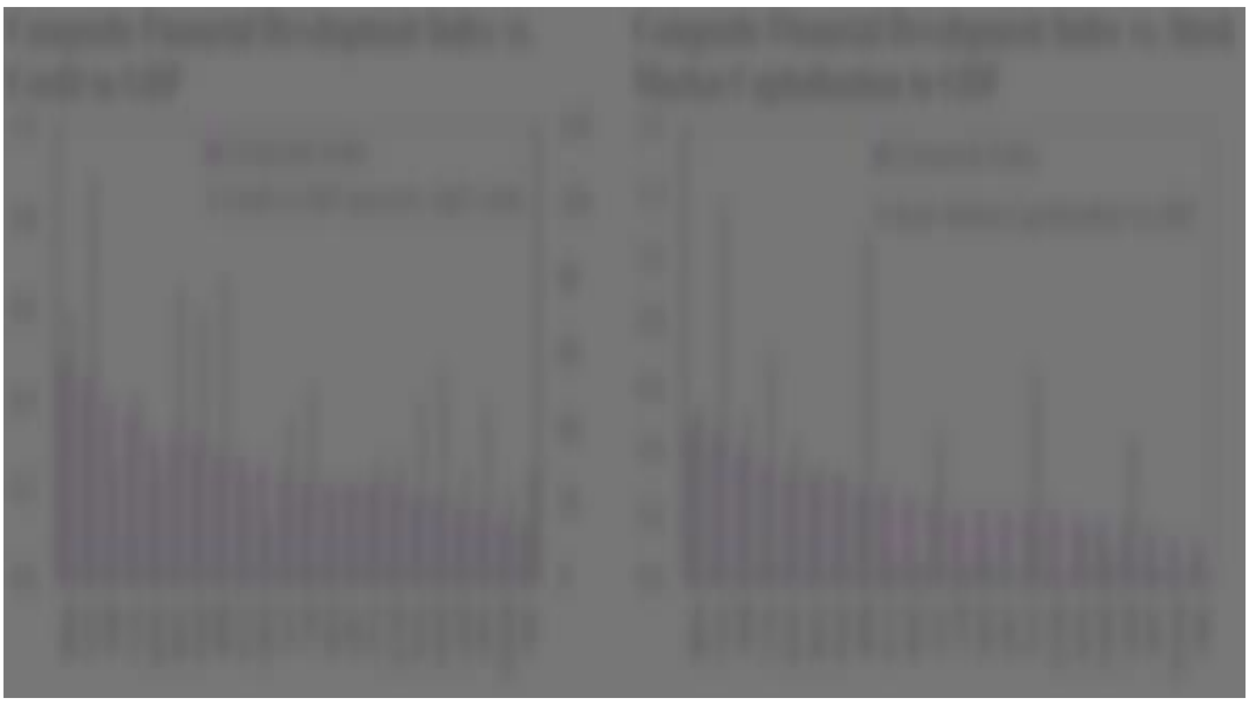
Heng et al. (2016) specified that at the beginning of the 1990s, various nations in Latin America and the Caribbean had taken steps to widen the magnitude and profundity of their financial structures to encourage diversification and development, deal with shockwaves, and improve macroeconomic stability. Latin America and the Caribbean nations are not in good standing compared to other emerging economies about financial development. Some impoverished nations are the only ones that fell behind the region.

Kandil et al. (2015) showed in their research that financial integration does promote financial development through the movement of goods and services between countries and through economic actions. The procedure benefits middle-income nations by increasing the development of financial sectors. However, the developing countries may receive those advantages upon the good functioning of their financial institutions. Regrettably, most developing countries do not have the best financial institutions, which may serve as a restriction for them to enjoy the same advantages as their upper-income counterparts. Also, the banks in underdeveloped nations are not competitive enough. Heng et al. (2016) expressed that nations in Latin America and the Caribbean should investigate the reasons that propel their financial development lags. Considering that macroeconomic principles are usually challenging to modify in the short run, procedures to lessen lags in financial development must be customized to discourse individual country's contortions, if recognized.

IMF staff (2016) articulated that several nations from Latin America have been experiencing serious decreases in economic growth, and the reason for this failure is the end of the commodity super-cycle and rebalancing of China’s growth, and numerous international banks have been relocating their operation from the region. Since this event is unfolding in the area, it is a favorable moment for nations in the region to start working on achieving their regional integration, which would be a supplement to the global integration in the area.

Figure 5

Composite Financial Development Index vs Traditional Measures, 2013



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Main Element 4: Financial Integration and Crisis; Country Specific Impacts

According to Flynn et al. (2019), the financial hypothesis forecasts that there are long-term advantages that are derived from financial liberalization. That process is done through the generation of growth by enabling global risk apportionment and more effective distribution of assets. Actual evidence showed that industrialized nations gain more advantages from financial globalization than unindustrialized nations. To gain profit from financial openness, developing nations must ensure that they reach a degree of economic and institutional advancement.

Trinidad and Tobago

Trinidad and Tobago is one of the many developing nations that have to cope with the issue of capital flight (Salandy & Henry, 2018). The theory states that financial integration was intended to improve the apportionment of assets and lessen capital flight, but that is not the case for Trinidad and Tobago, which is a country that relies mostly on the production of oil. According to the author, some of the aspects that attribute to the capital flight include unfavorable interest rate differential, which may render local investments unprofitable compared to foreign investments and trigger stakeholders to take part in capital flight when national savings are being substituted for external funding. In addition, an extreme inflationary increase may be another reason for capital flight since that diminishes the worth of local resources and disintegrate the real interest rate. According to Salandy and Henry (2017), outflows of capital may pose a challenge to tax revenue, monetary aggregate, and macroeconomic objectives of a country. The literature shows that between 1971 and 2011, an estimated 40.9 billion dollars, which is 9.1% of the country’s gross domestic product, have left the nation. Trinidad and Tobago need robust policies that eradicate the roots of capital flight and control the level of external debt and interest rate differential (Salandy & Henry, 2017, 2018). Also, they must implement procedures to regulate investments and evaluate economic growth. Moreover, there should be the implementation of certain financial management methods to control the financial deficit.

Haiti

The reliance on foreign loans can serve as a booster for developing countries’ economies, but at the same time, it may be detrimental to growth. McLean and Charles (2018) proclaimed that the Caribbean region is in deep debt, and the author does not associate the debt crisis with bad fiscal policies or the recent financial catastrophe. However, external shocks coupled with innate weak structure and fragility are the cause that prevents the region from resisting the debt problem. One of the main aspects of the issue is that countries in the region do not perform well in the export division partially because of the lack of competitive advantage and demand in the tourism sector fall. Since most areas rely heavily on these two sectors, the consequences are high. Several nations have accrued debts because of augmented expenses to cover the effect of major circumstances and natural disasters. The high degree of obligation loads have usually augmented during times of financial crises together with worsened natural catastrophes have affected sovereign credit ratings and led to higher sovereign risk premiums in the global financial marketplaces. As a result, those small developing countries have higher prices to borrow funds. Because of the number of debts, those nations usually fall into the trap of currency instability, financial fragility, and lower levels of investments and growth. Sukaj (2021) stated that Haiti is one of the many nations in the Caribbean region which is worst affected by external shocks and natural disasters. The nation was hit by political unrest in 2004, which caused its GDP to fall considerably, followed by the 2007-2008 economic recession that rendered food costs skyrocketing by around 40%. Then, the country was still unfortunate and destroyed by the January 2010 earthquake, which further sunk its GDP. After the earthquake, between 2012 and 2015, the country received two major natural disasters, which put the country in deeper dependence on the importation of food for survival.

Figure 6

Haiti's History of Debt Shocks and GDP Growth Fluctuations

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Summary of the Literature Review

The deliberation of the research has confirmed that there is a relationship between instability from financial globalization and profitability within financial institutions in developing countries in Latin America and the Caribbean. Gaies et al. (2019) emphasized that though financial globalization may present some great benefits for developing countries, nations have to get stable financial systems and financial markets in place to take advantage of those benefits. Otherwise, those developing nations may fall into debts and negative growth and crises due to the cross-border capital flow. According to Dong et al. (2017), integrating the international financial market is not an obligation nor a suitable condition for effective growth performance. The circulation of capital may introduce a concession between growth and instability as a high-risk outlook for growth. Getting external capital may enhance economic expansion, but it might intensify economic ambiguity.

Transition and Summary of Section 1

This literature review discussed the relationship between instability from financial globalization and profitability within financial institutions in developing countries in Latin America and the Caribbean, the rapport between financial globalization and economic instability in developing countries in LAC, and the relationship between financial integration and financial development in developing countries in LAC. The background, problem statement, and the purpose statement are included in the section. The purpose statement explicated the quantitative correlational study, which examined the rapport between instability from financial globalization and lack of profitability in countries in the region. The methodology and design of the research study were presented.

The author also presented the theoretical framework, the definition of terms, assumptions, limitations, delimitations, and the significance of the study. There is a thorough literature review which comprises an assessment of professional literature on the topics of Perking Order Theory (POT), Financial Instability Theory (FIT), Financial Integration Theory (FIT), profitability, economic growth, and financial development to attain a profound comprehension of the business problem.

Section 2 focuses more on the practical factors of the research and includes the subsequent elements, the role of the researcher, the participants, research method and design, population and sampling, and data collection. The role of the researcher explicates and offers lucidity regarding any rapport with the participants and warrants impartiality. The research method and design explain and corroborate the choice. Population and sampling defined the suitability standards and the sufficiency in the number of participants demanded the research. Lastly, the data collection discusses the data collection framework.

Section 2: The Project

Section 2 assessed numerous sections of this quantitative correlational research parallel to the research practice and the process utilized to respond to the research questions. The details of the methodology are deliberated in the purpose statement, the role of the researcher, and the research method and design. Furthermore, the remaining part of Section 2 concentrates on the population and sampling, the role of the participants, data collection, data analysis and reliability, and validity of the research. Finally, a summary of the section was done to facilitate the transition to Section 3.

Purpose Statement

The purpose of this quantitative correlational study was to examine the relationship between instability from financial globalization and lack of profitability in countries Latin America and the Caribbean. The importance of the relationship is that it may provide some insight into how developing nations in that region do not seize the opportunity to integrate into the international capital markets to bolster their economies. According to Ramkissoon (2018), despite the integration of Latin American and Caribbean countries' financial markets, some of these nations' economies still remain structurally undeveloped—some may even say underdeveloped.

This study was conducted with a fixed design using a quantitative method specifically, and a correlational design was used. The nature of this research was to look for the relationship between instability from financial globalization and financial instability in developing countries in Latin America and the Caribbean. According to Cox (2019), "When your goal is to understand the nature of the relationship or association between naturally occurring variables that cannot be manipulated, a correlational design may be an appropriate choice" (p. 61). Numerical data and statistical analysis were being used to collect information, and that was done via secondary data collection.

The data for this research were extracted mostly from the database of Liberty University. In addition, due to the financial aspect of the study, there was a substantial amount of information obtained from different financial databases and some companies' websites. Some data were drawn from google scholar as well. The participants in the study are financial institutions and individual consumers in countries in Latin America and the Caribbean. The variables are financial globalization, financial instability, profitability, and economic development. According to Schmukler and Abraham (2017), financial globalization may be advantageous, but that rapport between financial globalization and growth is dependent upon a country's particular feature. Also, empirical evidence demonstrated that financial globalization had increased risk, such as higher macroeconomic instability, vulnerability to financial crises, and contagion effects spilling across borders.

Role of the Researcher

The researcher gathered and examined the data in the quantitative research. The researcher did not reach out to the financial institutions assessed in the study. Instead, the researcher collected public data from the companies' websites and the banker database, a searchable database of statistics, and many more disciplines. The researcher adopted a correlational design to analyze any potential rapport between instability from financial globalization and the profitability of financial institutions in developing countries in Latin America and the Caribbean. The researcher did not influence a quantitative study and must stay neutral during the procedure (Schwartz, 2019; Yilmaz, 2013). The researcher was prudent in the data assembly and examination to preserve the information. In addition, the researcher administered the data collection and examination in a way that will allow other scholars to replicate the work and produce equivalent outcomes under similar circumstances.

Research Methodology

The selection of a research method and design may influence the research results. As a result, it is essential to select the most suitable designs to convey the research questions and hypotheses. The goal of this quantitative correlational research was to analyze the rapport between the independent variable (i.e., instability from financial globalization) and the dependent variables (i.e., profitability, economic instability, and financial development) in Latin America and the Caribbean. Hence, this segment emphasizes the corroboration of the quantitative approach rather than selecting the qualitative or the mixed approaches study.

Design

The researcher selects the utilization of a non-experimental, correlational design for the study. Curtis et al. (2016) stated that the nonexperimental research design is utilized for the investigation of current circumstances and does not intend to manipulate the independent variable. Creswell and Poth (2018) specified that the correlational design fits this research study since the essential objective of the research is to assess the relationship between the dependent variables (i.e., Profitability, Economic Instability, and Financial Development) and the independent variable (i.e., Instability from Financial Globalization).

The sample size comprised 151 financial institutions from a population of 249 companies in Latin America and the Caribbean with a 95% confidence level and a five percent margin of error. A spearman was administered to analyze a substantial variation between the variables (Morgan et al., 2013). The principal goal of this research examination is to examine historical financial data to decide the presence of relations among variables, which was directed through the utilization of a non-experimental correlational research design.

Method

The researcher utilized the quantitative method to conduct the research study. While the qualitative method necessitates a researcher to conduct interviews and observe participants, the quantitative method allows the researcher to stay impartial during the process (Creswell & Poth, 2018). The quantitative method was appropriate for the study because it requires the collection and analysis of organized data and may be characterized statistically (Goertzen, 2017). Quantitative methods utilize an empirical method where the scholar generates hypotheses that are founded on the concept associated with the subject under investigation, "then test the hypotheses to be confirmed or rejected" (Schwartz, 2019). Researchers employ quantitative investigations to classify results they can use to explain or detect dissimilarities in the statistical aspects of the projected population, deduce to other analogous conditions, propose clarifications of prognoses (Kakande, 2020).

Creswell and Poth (2018) and Schwartz (2019) debated the utilization of correlational data to quantify and explain the rapport between variables in a correlational design. Morgan et al. (2013) and Schwartz (2019) described the application of "bivariate and multiple regression" to decide connections and the utilization of independent variables as projectors of the dependent variables. This research is fixated on the relationships between the independent variable, instability from financial globalization, and the dependent variables, profitability, economic instability, and financial development. The principal objective of the investigator was to decide if there are any potential relationships that exist between the variables and the importance of the relationships.

Summary of Research Methodology

The researcher found the quantitative method the most suitable approach since the study is based on statistical data to decide if there is a potential relationship between instability from financial globalization and profitability, economic instability, and financial development in developing countries in Latin America and the Caribbean. The investigator utilized a correlational design to quantify a potential rapport between the variables.

Participants

The researcher utilized financial institutions in Latin America and the Caribbean as the foundation for archival data and did not use human participants for the research study. The investigation conveyed the research questions and hypotheses by using archival data to sample financial institutions involved in the study. There are 151 financial institutions that were being assessed, and they include central banks, commercial banks, investment banks, retail banks, and microfinance institutions. The data that were collected were accessible to the public via the annual report of the organizations through The Banker database, World Wide Banking, The companies' websites, and the corporate finance institute. The researcher utilized the information assembled to execute a correlational examination of the variables in question. The researcher gathered information from the aforementioned databases to determine the return on assets of the financial institutions to analyze their level of profitability. The data collected to run the assessment are from 2016 to 2021 to ensure the most recent information is used. Microfinance institutions are included among the banks because they are the types of organizations that can provide services to certain areas in Latin America and the Caribbean due to the high degree of diversity and lack of structure in the region (Churchill & Appau, 2020).

Population and Sampling

The researcher designed this research study to generate analysis to respond to the research questions on whether there is a relationship between instability from financial globalization and profitability within financial institutions, economic instability, and financial development in developing countries in Latin America and the Caribbean.

Discussion of Population

The researcher selected the population of financial institutions with available information between 2016 and 2021. This data range was chosen because it is the most recent information available to provide the most accurate result. The population for this study comprises 249 financial institutions in Latin America and the Caribbean. Those companies include central banks, commercial banks, investment banks, retail banks, and microfinance institutions. Santiago et al. (2020) stated that despite there being some nations in Latin America and the Caribbean that have good financial establishments, the majority of the developing countries' financial systems are not strong enough to stand versus the emerging and developed markets. This research intends to assist financial organizations and developing countries in Latin America and the Caribbean in understanding the impacts of financial globalization and the necessary steps to take advantage of financial integration.

Discussion of Sampling

The researcher chose the sample by the mean of the random sampling approach. According to Bhardwaj (2019), random sampling permits the researcher to select the sample with impartiality, which provides great credibility to the result of the data analysis. The researcher's concentrated population is 249 financial institutions that the description given in the discussion of the population. The sample financial institutions were chosen randomly, and the scholar used random sampling to guarantee that the sample is not being manipulated. The researcher selected a sample size of 151, which was decided at a 95% confidence level and a five percent confidence interval. The financial institutions will be located in Appendix A.

Summary of Population and Sampling

The sample population for this study was 249 financial institutions in Latin America and the Caribbean. Those companies include central banks, commercial banks, investment banks, retail banks, and microfinance institutions. Bhardwaj (2019) stated that random sampling allows the participants to be designated randomly without the researcher's influence. As a result, the sample's quality is preserved since each participant has the same probability of being chosen in the sample. The financial institutions are situated in Appendix A.

Data Collection and Organization

The researcher used this segment to provide a framework of the data collection approaches and offered an overview of the significance of the variables in determining the relationship between instability from financial globalization and profitability within financial institutions in Latin America and the Caribbean. There is also a presentation of the quantitative instruments utilized, the data techniques implemented and the data organization techniques involved, and the reason for the chosen techniques.

Data Collection Plan

The data used in this research study were acquired from publicly available sources. The researcher used the banker database as the primary source to obtain the annual report of the financial institutions. In addition, the corporate finance institute, the global research development center, and worldwide banking were used as supplemental sources to back up the banker database. The researcher entered each financial institution separately into the banker database to obtain the annual report and used the companies' websites that were not available on the banker database. The researcher calculated the return on asset (ROA) of each company to determine their level of profitability. The banker database is a reputable electronic system that provides wide-ranging financial information and insight for more than four thousand financial institutions in more than 190 countries.

Instruments

The researcher used research tabulations and analyses utilizing Microsoft Excel and the Statistical Package for the Social Sciences (SPSS), which is an advanced research software instrument utilized for intricate statistical analysis. There was no involvement of interviews or surveys in the research study. The data gathered were obtained from publicly accessible information such as the banker database, worldwide banking, and the specific companies' annual report via their websites.

Data Organization Plan

The researcher acquired the data from the banker database, the corporate finance institute, the global research development center, and worldwide banking and stored it in Excel. SPSS was used to draw the analysis required to address the research questions. The above design was used to generate the prime coordination and lucidity for the data collection procedure. The researcher made sure to store the data in a password-secured computer to ensure the information was not breached. The data were also stored in OneDrive, a cloud storage system, to prevent any loss of materials.

Summary of Data Collection and Organization

The researcher orchestrated this quantitative research to find out if there is any rapport between instability from financial globalization and profitability within financial institutions in developing countries in Latin America and the Caribbean. The researcher utilized archival information from the banker database as the primary source to obtain the annual report of the financial institutions. In addition, the corporate finance institute, the global research development center, and worldwide banking were used as supplemental sources to back up the banker database. The archival information was utilized as the basis for the implementation of statistical examination to respond to the research questions.

Data Analysis

This segment presents a synopsis of the variables involved in the research. The researcher also discussed the kinds of data or sorts of assessments for the variables and the reason that makes them the most suitable for the research project. In addition, there is a framework of the procedure utilized to decide the reliability and validity of the data. This segment closes with a synopsis of Section 2, and the researcher generates an introduction to the field study.

The Variables

The researcher used an independent variable (instability from financial globalization) and three dependent variables (profitability, economic and financial development) for this quantitative correlational study. Based on the measurement of financial stability, which may be done by the rate of return, the independent variable is scale data, while the three dependent variables are considered ordinal data. The researcher used the IBM Statistical Package for Social Science (SPSS) version 26 to code and analyze the financial institutions’ annual reports.

The financial institutions’ performances were analyzed to determine their level of profitability. A correlational design compares two or more variables using statistical representations to respond to a research question (Creswell & Poth, 2018). The above variables were selected to evaluate any relationship between financial globalization and profitability within financial institutions in developing countries. Also, the researcher analyzed any potential relationship between financial and economic instability and financial development in those developing countries in Latin America and the Caribbean.

Research question 1 of the project looked to find out if there is a statistically significant relationship between instability from financial globalization and profitability within financial institutions in developing countries in Latin America and the Caribbean. Research question 2 sought to discover whether there is any rapport between financial globalization and economic instability in those nations. Research question 3 sought to address any association between financial globalization and financial development in the region. The subsequent segment offers a deliberation about the variables selected for the research project and how they are used to assist in responding to the research questions.

Descriptive Statistics

The data analysis addressed the three research questions. The data were assessed using Excel and SPSS. The researcher used the period from 2016 to 2021 to study to ensure the most recent information was included. The researcher analyzed the dependent variable, profitability, by estimating the return on assets of the financial institutions. The other two dependent variables, economic instability, and financial development, were measured by considering the level of the countries' GDP. The annual reports of the organizations were used to calculate the financial ratios.

The researcher conducted bivariate regressions to categorize the relationship between every dependent variable and the independent variable. "Typical linear regression relies on the assumption that the variables are normally distributed" (Morgan et al., 2013; Schwartz, 2019).

The researcher chose a p-value of .05 to decide if the outcomes of the tests are significant at the 95% confidence level.

Hypotheses Testing

The hypotheses are associated with the research questions.

$H_0$1: There is no statistically significant relationship between instability from financial globalization and profitability within financial institutions.

$H_0$2: There is no statistically significant relationship between financial globalization and economic instability.

H03: There is no statistically significant relationship between instability from financial globalization and financial development

Hypotheses Testing Alternatives

Ha1: There is a statistically significant relationship between instability from financial globalization and profitability.

Ha2: There is a statistically significant relationship between financial globalization and economic instability.

Ha3: There is a statistically significant relationship between instability from financial globalization and financial development.

Summary of Data Analysis

This segment provides a synopsis of the variables utilized to respond to the research questions. To determine the relationships between the independent variable and the dependent variables, the researcher conducted bivariate regressions analyses. The examination was conducted utilizing SPSS statistical software with statistical significance determined by the p-value of .05.

Reliability and Validity

The researcher should consider issues of reliability and validity that may arise in the study (Creswell, 2013). The apparatuses that a researcher employs to gather information may also produce problems with the question of reliability and validity. Scholars must be prudent to reduce the threats in their research studies. Deliberation of the steps that were taken to ensure the reliability and validity of the findings of the study is provided.

Reliability

According to Heale and Twycross (2015), reliability in a quantitative research discourse is the consistency of an approach to measure the data. To accomplish reliability, the scholar employed an instrument or alternative data collection approaches to make sure the data was correct. Noble and Smith (2015) asserted that the researcher must avoid using opinion to ensure that no personal biases are included in the study. There was no involvement of instruments in the data collection for this research study. The researcher utilized archival data from publicly accessible sources. To ensure reliability, the researcher used the banker database as the primary source to obtain the annual report of the financial institutions. In addition, the corporate finance institute, the global research development center, and worldwide banking are used as supplemental sources to back up the banker database.

Validity

Validity refers to the notion of how well a concept is measured in quantitative research (Heale & Twycross, 2015). Validity determines whether the results among the participants precisely represent the true outcome of the findings compared to other subjects that are not part of the actual study (Noble & Smith, 2015).

Summary of Reliability and Validity

The researcher framed this research project to discourse the research questions and follow the necessary steps to minimize the issues of reliability and validity. According to Creswell (2013), it is not possible to take away all the threats of reliability and validity. The researcher took all the necessary steps to lessen recognized threats by applying frameworks from previous studies.

Summary of Section 2 and Transition

Section 2 offers a framework of the research approach to analyze the rapport between instability from financial globalization and profitability within financial institutions in Latin America and the Caribbean. This segment started with an overview of the purpose statement and the focal point of the research project. Then, there is a summary of the role of the researcher and deliberation about the participants involved in the study. The method and design of the study are also discussed, followed by the population and sampling. Lastly, the data collection and analysis are discussed in the section.

Section 3, which is followed and includes an overview of the findings of the research study. All the statistical tests that were performed are discussed in that section, and their outcomes are presented in detail. Lastly, the researcher applied the results to professional practice and offered recommendations at the end.

Section 3: Application to Professional Practice and Implications for Change

This section comprises an overview of the research and the presentation of the findings. In addition, there is an application to professional practice and recommendations for further study. Lastly, the section progresses with a reflection segment, which encompasses the researcher's experience during the doctoral program. Then the section is terminated with a summary of the study.

Overview of the Study

The purpose of this quantitative correlational study is to examine the relationship between the independent variable (i.e., instability from financial globalization) and dependent variables (i.e., Profitability, Economic Instability, and Financial Development) in Latin America and the Caribbean. Despite the integration of Latin American and Caribbean countries' financial markets into the global marketplace, some of these "nations' economies still remain structurally undeveloped—some may even say underdeveloped" (Ramkissoon, 2018). The specific focus of the research study was on financial institutions in the LAC region. This research project was contrived to discourse three research questions in the study. The first research question analyzed the relationship between instability from financial globalization and profitability within financial institutions in developing countries in Latin America and the Caribbean. The second research question assessed the relationship between financial globalization and economic instability in the region. The third research question evaluated the relationship between instability from financial globalization and financial development in those countries. The sample size needed for the study was 151 financial institutions, drawing from a population of 249 banks, which is based on a 95% confidence level. The findings will be discussed thoroughly in the following section.

Presentation of the Findings

The following section contains the findings of the tests and synopses of the statistical assumptions utilizing SPSS Version 26. The researcher contrived the dissertation to address three research questions discussed in the previous sections. The data were entered in an Excel spreadsheet manually. Then the researcher screen and clean the data to ensure that there is no missing information. Afterward, the researcher uploaded the data into SPSS to run the statistical tests. The researcher executed the initial examinations in SPSS to ascertain that there were no infringements in the assumptions of the regression that may present an error. The result of the bivariate analysis will fully explicate whether there is a significant relationship or if the null hypothesis should be rejected. The researcher used statistical tests such as frequency counts, means, and standard deviations to assess the hypotheses.

Descriptive Statistics for Independent and Dependent Variables

The descriptive statistics are minimum, maximum, mean, and standard deviation utilized for the independent variable (i.e., financial globalization) and the dependent variables (i.e., profitability, economic instability, and financial development; see Appendix B).

The mean score for return on assets (ROA) which is an indicator of profitability, was 0.0072 for banks in Latin America and the Caribbean, representing the lowest compared to other regions. The minimum was -93.35, which is due to the effect of the COVID-19 pandemic. The maximum was 5.00. The standard deviation was 7.82 (See Table 4). The data shows that the maximum ROA for some banks was five percent, which is a good number for banks. However, the mean and minimum were quite low, which indicates subpar performances of those institutions.

Table 4

ROA for Banks in Latin America and the Caribbean

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Dev.
ROA	151	-93.35%	5.00%	0.0072%	7.81666%
Valid N (listwise)	151				

The analysis of the data shows a mean of -.7740 in GDP growth in Latin America which was the lowest among all the other regions in the world. The standard deviation is 3.96452. The minimum is -7.70, which is the lowest among the regions. The maximum is 1.79, the lowest among all regions (See Table 5). The researcher used data ranging from 2016 to 2020 to draw the analysis. Based on the current outcomes, it shows that the region's GDP does not grow in good proportion compared to other regions in the world. The economic performance of most of those nations is low versus countries that are located in their areas.

Table 5

GDP Growth

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Year 2016 – 2020	5				
North America	5	-3.70	2.84	1.0560	2.69865
Sub-Saharan Africa	5	-2.40	2.39	1.1640	2.05862
World	5	-3.60	3.30	1.5300	2.88997
South Asia	5	-6.60	7.78	3.6500	5.88376
Latin America and Caribbean	5	-7.70	1.79	-.7740	3.96452
OECD Members	5	-4.70	2.57	.6920	3.03744
European Union	5	-6.20	2.79	.4600	3.74915
Euro Area	5	-6.70	2.58	.1900	3.87861
East Asia and Pacific	4	3.78	4.76	4.2025	.40926
Valid N (listwise)	4				

The research used private sector credit to GDC as an indicator of financial development. The study yields a mean score for financial development of 53.22, which is lower than most other regions in the world. The data generates a standard deviation of 4.92. It also showed a minimum of 48.58, which is among the three lowest regions. The maximum is 53.22, which is among the three lowest areas (See Table 6). The result of the analysis demonstrates that the private sector in Latin America and the Caribbean does not receive enough support from the financial institution's order, which may not be a good strategy for financial development.

Table 6

GDC Growth

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Year	5	2016	2020	2018	
North America	5	197.60	230.45	205.2700	14.19985
Sub-Saharan Africa	5	26.74	28.28	27.5980	.63798
World	5	125.50	146.66	321.2920	8.97366
East Asia and Pacific	5	147.95	167.08	153.8620	8.09106
South Asia	5	45.47	51.20	47.3520	2.30327
Latin America and the Caribbean	5	48.58	60.30	53.2160	4.92143
OECD Members	5	137.45	158.50	144.5140	8.23038
European Union	5	85.75	93.68	88.4660	3.14824
Euro Area	5	85.31	93.84	88.1100	3.45159
Valid N (listwise)	5				

Hypothesis Testing for H1

Hypothesis 1: Hypothesis 1 stated a statistically significant relationship between instability from financial globalization and profitability.

Spearman Correlation was used to analyze the relationship between instability from financial globalization and profitability. The ROA was skewed (skewness= -11.53), which violated the assumption of normality. Thus, the Spearman rho statistic was calculated, r = 1, p= 1. The direction of the correlation was positive, which means that there is a positive relationship between the Z score and the mean. See Table 7, which shows the statistically significant relationship; therefore, the null hypothesis was rejected.

Table 7

Correlations

Correlations				
			ROA	Zscore
Spearman's rho	ROA	Correlation Coefficient	1.000	
		Sig. (2-tailed)		
		N	151	1
	Zscore	Correlation Coefficient		
		Sig. (2-tailed)		
		N	1	1

Hypothesis Testing Result for H2

Hypothesis 2: There is a statistically significant potential relationship between financial globalization and economic instability.

Simple regression was used to assess the relationship between financial globalization (FG) and economic instability (EI). The result was statistically significant, R=.549. The adjusted R^2 value was .07, which is considered a large effect based on Cohen's (1988) guidelines (Morgan et al., 2013). Therefore, the null hypothesis was rejected.

Table 8

Hypothesis Testing Result for H2

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549[a]	.302	.069	.90393

a. Predictors: (Constant), LAC FDI Net Inflows % of GDP.

Hypothesis Testing Result for H3

Hypothesis 3: There is a statistically significant potential relationship between instability from financial globalization and financial development.

A simple regression was conducted to investigate how financial globalization affects financial development. The results were R =.756. The adjusted R^2 value was .429. This indicates that 43% of the variance in GDP growth rate was explained by credit to the private sector as a percentage of GDP. According to Cohen’s (1988) guidelines, that represents a large effect (Morgan et al., 2013). This indicates a statistically significant relationship (See Table 9). Therefore, the null hypothesis was rejected (See Table 9). In this case, GDP growth rate was used as an indicator of financial development, while credit to the private sector as a percentage of GDP was used as an indicator of globalization. According to Gutierrez et al. (2018), the lack of long-term credit in developing market economies is recognized as an obstacle to productivity growth and a source that further hampers growth.

Table 9

Private Sector as a Percentage of GDP

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.756[a]	.572	.429	2.99597

a. Predictors: (Constant), LAC credit to private sector in percentage of GDP.

Test Assumption

Test assumptions were administered before running the regression and parametric statistical analyses.

Normality

Table 10 demonstrated the test result to check errors and normality for the dependent variable (profitability). The data are from 151 financial institutions, and they are located in Latin America and the Caribbean. It is noted that ROA has an N of 151, which would be expected given that there is no missing information. The standard of error has a skewness of less than 1, so we may consider them to be approximately normally distributed.

Table 10

Test Result to Check Errors and Normality for Dependent Variable (Profitability)

Descriptive Statistics									
	N	Range	Min.	Max.	Mean	St. Dev.	Variance	Skewness Stat.	Skewness St. Er.
ROA	151	98.35%	-93.35%	5.00%	0.0072%	7.81666%	61.100	-11526	.197
Valid N (listwise)	151								

Table 11 demonstrated the test result to check errors and normality for the dependent variable (profitability). GDP growth for all other regions in the world and LAC were assembled, and the data for LAC shows a skewness of less than one as the standard of error, so we may consider them to be approximately normally distributed.

Table 11

Result of the Test to Check Errors and Normality for the Dependent Variable (Profitability)

Descriptive Statistics									
	N	Range	Min.	Max.	Mean	Std. Dev.	Variance	Skewness Statistic	Skewness Std. Er.
North America	5	1.26	1.58	2.84	2.3340	.50372	.254	-.860	.913
Sub-Sahara Africa	5	1.62	1.16	2.78	2.2000	.61127	.374	-1.672	.913
World	5	.94	2.36	3.30	2.8240	.35851	.129	.019	.913
East Asia and Pacific	5	.98	3.78	4.76	4.2020	.35443	.126	.909	.913
South Asia	5	3.64	4.14	7.78	6.4660	1.45185	2.108	-1.263	.913
Latin America and Caribbean	5	2.18	-.39	1.79	.7840	.93674	.877	-.218	.913

OECD Members	5	.94	1.63	2.57	2.1160	.41156	.169	-.247	.913
European Union	5	1.24	1.55	2.79	2.1600	.44850	.201	.111	.913
Euro Area	5	1.29	1.29	2.58	1.9380	.46024	.212	-.029	.913
Valid N (listwise)	5								.913

Table 12 shows the test result to check errors and normality for the dependent variable (financial development). Credit to the private sector in the percentage of GDP for all other regions in the world and LAC were gathered, and the data for LAC shows a skewness of less than one as the standard of error, so we may consider them to be approximately normally distributed.

Table 12

Result of the Test to Check Errors and Normality for the Dependent Variable (Financial Development)

Descriptive Statistics									
	N	Range	Min.	Max.	Mean	Std. Dev.	Variance	Skewness	
								Statistic	Std. Er.
North America	5	32.85	197.60	230.45	205.2700	14.19985	201.636	2.144	.913
Sub-Sahara Africa	5	1.54	26.74	28.28	27.5980	.63798	.407	-.277	.913
World	5	21.16	125.50	146.66	131.2920	8.97366	80.527	1.827	.913
East Asia and Pacific	5	19.13	147.95	167.08	153.8620	8.09106	65.465	1.470	.913
South Asia	5	5.73	45.47	51.20	47.3520	2.30327	5.305	1.553	.913
Latin America and Caribbean	5	11.72	48.58	60.30	53.2160	4.92143	24.220	.577	.913
OECD Members	5	21.05	137.45	158.50	144.5140	8.23038	67.739	1.701	.913
European Union	5	7.93	85.75	93.68	88.4660	3.14824	9.911	1.500	.913
Euro Area	5	8.53	85.31	93.84	88.1100	3.45159	11.913	1.535	.913
Valid N (listwise)	5								.913

Relationship of Findings

The purpose of this quantitative correlational study is to examine the relationship between the independent variable (i.e., instability from financial globalization) and dependent variables (i.e., Profitability, Economic Instability, and Financial Development) in Latin America and the Caribbean. The data used in the study show a statistically significant positive relationship among financial globalization and profitability, economic instability, and financial development. The research findings and the data examination related to the research questions and hypotheses are recapitulated in this segment.

Research Question 1

The first research question asked: What is the relationship between instability from financial globalization and profitability within financial institutions in developing countries in Latin America and the Caribbean?

The results of the Spearman rho statistic were calculated $r = 1$, $p= 1$. The direction of the correlation was positive, which means that there is a positive relationship between the Z score and the mean. See table AA, which shows the statistically significant relationship; therefore, the null hypothesis was rejected.

Research Question 2

The second research question asked: What is the relationship between financial globalization and economic instability in developing countries in Latin America and the Caribbean?

The results of the simple regression analysis $R= .549$ indicated a statistically significant relationship between financial globalization and economic instability. The adjusted R^2 value was

.07, and this is considered a large effect based on Cohen’s (1988) guidelines (Morgan et al., 2013). Therefore the null hypothesis was rejected.

Research Question 3

The third research question asked: What is the relationship between instability from financial globalization and financial development in developing countries in Latin America the Caribbean?

The results of the regression model were R = .756. The adjusted R^2 value was .429. This indicates that 43% of the variance in GDP growth rate was explained by credit to the private sector as a percentage of GDP. According to Cohen’s (1988) guidelines, that represents a large effect (Morgan et al., 2013). This indicates a statistically significant relationship (See Table 6). Therefore the null hypothesis was rejected.

Summary of the Findings

The findings for the research project demonstrated that there are statistically significant relationships among financial globalization and profitability, economic instability, and financial development, signifying the R values are in large percentage for all the variables. Therefore, the researcher rejected the null hypotheses for Ha1, Ha2, and Ha3.

Applications to Professional Practice

The findings of this research project may be applied virtually in the business atmosphere and the discipline of finance. Moreover, the findings can be pertinent to financial managers, bankers, and shareholders of financial institutions in Latin America and the Caribbean. This segment generates deliberations for the impacts of the findings on financial institutions and their shareholders, along with the discipline of business and finance. Furthermore, there will be a discussion about the implications of the results in connection to the practice of finance. There is also a detailed discussion about the biblical perspective and how the business functions can be integrated with a Christian worldview.

Applications to Professional Practice

The findings from this research project are significant in advancing the discussion about the effects of financial globalization in Latin America and the Caribbean. The study specifically focuses on the influence of instability from financial globalization on profitability, economic instability, and financial development in developing nations in LAC. Heng et al. (2016) asserted that LAC had made some progress during the past decade in access to financial institutions. However, those nations still fall behind their counterparts in the concept of financial development. Improving financial development may benefit the area if there is satisfactory regulatory oversight to prevent excesses. The findings of this study may serve as a stepping stone for financial institutions and countries in Latin America and the Caribbean to address the gaps that exist between their nations and the developed regions.

The analysis drawn in the study states that financial globalization has a positive correlation with the profitability of financial institutions in Latin America and the Caribbean. Banks in the region are less profitable than the majority of their counterparts in other geographical areas. Therefore, financial globalization negatively impacts the performance of those financial institutions. In his study, Ghosh (2016) found that greater banking-sector globalization reduces both profits and cost inefficiency. That also increases competition and data asymmetry in the host countries. It is found that mainly emerging markets and developed nations are more profitable when their market becomes more globalized.

The research study's findings indicate financial globalization also has a positive correlation with economic instability in the region. First of all, the movement of funds across borders may be beneficial to the host countries if the financial system of these nations is well structured. Financial managers and authorities in the LAC region may gain insights from this study to initiate sustainable policies to govern their financial markets and control the money movement across their borders to avoid instability in their economies. Based on Powell and Tavella's (2015) assessment, the rapport between economic instability and capital inflows reveals two viewpoints where excessive influxes of funds can ignite financial and particularly banking instability. The second instance is that they may also provoke macroeconomic instability or, more precisely, a downturn.

Finally, the findings reveal that financial globalization positively correlates with financial development in LAC. The hope of the researcher is that the study serves as a blueprint for financial institutions, financial managers, and government officials to use as a guide to implementing sustainable financial policies to promote financial development. According to Samadipour et al. (2017), financial development is a context that promotes the expansion of financial services activities by financial institutions, and if those institutions have the mandatory ability, they allocate resources from stakeholders to debtors. The accumulation of funding is one of the utmost noteworthy assets of the continuous financial development of a country.

Recommendations for Further Study

The purpose of this quantitative correlational research was to analyze the relationship between financial globalization and profitability within the financial institution in Latin America and the Caribbean. In addition, there was an assessment of the rapport between financial globalization and economic instability and financial development. The first recommendation is that study be replicated with a mixed method which will facilitate a more in-depth analysis of the profitability of banks. Even though the researcher used a pragmatic worldview for the study, the quantitative method does limit the scope of the research. In addition, the mixed method would solve the limitation issue by providing the researcher the opportunity to use primary data, which may lessen the possibility of errors.

The second recommendation is that researchers replicate this study focus on specific areas. This research project analyzes the impact of financial globalization on financial institutions' profitability, economic instability, and financial development. However, concentrating on one of the aforementioned areas would allow the researcher to draw more in-depth analyzes on the subject matter, and that would provide a better perspective on the issues facing the countries in the region.

Lastly, the researcher used a specific period to collect data for the study. Future studies replicating this research project should expand the time horizon of the data collection to allow a wider range of information. In addition, the time period of the research includes the COVID-19 pandemic, which may be a huge influencer on the data.

Reflections

The journey of the DBA program at Liberty University has been challenging at times but comforting at other moments. This is a vision that the researcher has been dreaming of for many years and realizing it has a fresh breath of air at the end. The process of following such a vision requires a lot of discipline and dedication. One has to be self-motivated to achieve such fit, and the DBA program reinforces these faculties in the researcher. The researcher believes that everyone should have a good condition of living no matter the place or region in the world that this individual is located. The researcher was born and raised Caribbean region, and that is one of the motivations to conduct the study in that area.

The thought to conduct this research study has emerged many years ago. One of the conduits for the idea is from the researcher's own personal experience living in the Caribbean region, which is mostly underdeveloped—seeing people living in poverty has drawn the researcher's intention at a very early age. Those thought processes have led the researcher to seek a degree in either finance or economy. With the final finance decision, the researcher began exploring the factors that may influence every country's economy. After years of searching, globalization has become a subject of interest, and with expertise in finance, financial globalization has become the specific area of study.

Biblical Perspective

It is not common for people to relate the biblical concept with business or finance. They do not usually think that business practice can be guided by the biblical worldview neither. People often spend time questioning about ways that the bible can be applied to business while ignoring better reasoning, which is looking for ways for the bible and God can lead them into their business practices. According to Keller and Alsdorf (2012), our work should be related to God's work, and the work we perform should be viewed from both a cultivation and service perspective. As human beings who are created in the image of God, we must use our work to continue his mission and help others. We receive the privilege to be in God's image, and our purpose is to worship him. To achieve that task, we must utilize our work to create a culture and serve people in need, and in return, that service rendered to them makes our work service to God. The Lord requires human beings to grasp knowledge and wisdom. Searching God's way warrants that quality data is assembled from different sources to provide impartial conclusions and aid in saving lives.

In the practice of business financing, the borrowers should be diligent to avoid them from falling into the traps of lenders that are seeking an immediate return since that can be detrimental to the business. According to Liang (2011), the narrative of excess liquidity is an anecdote of transient wealth which is the avid pursuit of immediate gains not supported by true (long-term) value of underlying assets. That narrative shows Christians how to be good stewards and render service with faith to God (1 Corinthians 4:2). One of the theories that guide this research study is the pecking order theory which states that business prefers internal financing to external. In this same perspective, to avoid debt, Proverbs 22:7 states that “The rich rule over the poor, and the borrower is a slave to the lender.” As Christians in business, we have to ensure that we do not get into the trap of conducting deceitful business practices towards others that are vulnerable. 1 Peter 5:2-4 profess the following words “Be shepherds of God’s flock that is under your care, watching over them-not because you must, but because you are willing, as God wants you to be; not pursuing dishonest gain, but eager to serve; not lording it over those entrusted to you, but being examples to the flock. And when Chief Shepherd appears, you will receive the crown of glory that will never fade away” (NIV, 2005, p.).

Summary and Study Conclusions

The purpose of this quantitative correlational study was to examine the relationship between the independent variable (i.e., instability from financial globalization) and dependent variables (i.e., Profitability, Economic Instability, and Financial Development) in Latin America and the Caribbean. The first research question analyzed the relationship between instability from financial globalization and profitability within financial institutions in developing countries in Latin America and the Caribbean. The second research question assessed the relationship between financial globalization and economic instability in the region. The third research question evaluated the relationship between instability from financial globalization and financial development in those countries.

The findings for the research project demonstrated that there are statistically significant relationships among financial globalization and profitability, economic instability, and financial development, signifying the R values are mostly for all the variables. Therefore, the researcher rejected the null hypotheses for Ha1, Ha2, and Ha3. The results of this study can be applied practically in the business atmosphere and finance practice. Furthermore, the results may be relevant to financial managers, bankers, and stakeholders of financial institutions in Latin America and the Caribbean.

A Spearman Correlation was used to analyze the relationship between instability from financial globalization and profitability. Then a simple regression was used to assess the relationship between financial globalization (FG) and economic instability (EI) and financial development. Finally, the study terminated with a reflection segment, incorporating a biblical perspective and the researcher’s experience during the doctoral program.

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Appendix A: Sample of Financial Institutions

SWIFT CODE	Institution Name
RBNKTTPX	Republic Bank (Trinidad and Tobago)
RBTTTTPX	Royal bank of Trinidad and Tobago
FCBTUS33XXX	First Citizens Bank
JMJAJMKN	JMMB Bank (Trinidad and Tobago)
NCBKSAJEXXX	National Commercial Bank
FILBJMKNXXX	First Global Bank
CITIUS33	Citibank
JMJAJMKNXXX	JMMB Bank
BCRICRSJXXX	Banco de Costa Rica (BCR)
BACUCRSJXXX	Citibank Costa Rica
PRMKCRSJXXX	Banco Promerica – Costa Rica
BXBACRSJXXX	Banco Davivienda (Costa Rica)
NOSCCRSJXXX	Scotiabank de Costa Rica
COSRPAPAXXX	Banco Internacional de Costa Rica
BCCECRSJXXX	Banco Lafise Costa Rica
BDSOCRSJXXX	Prival Bank Costa Rica
BNCRCRSJXXX	Banco Nacional de Costa Rica
BGAHHNTE	Banco Davivienda Honduras, S.A.
BOCCHNTESPS	Banco de Occidente, S.A.
BCCEHNTEXXX	Banco LAFISE Honduras
BMILHNTEXXX	BAC/Honduras

PRCBHNTEXXX	Banrural Honduras
BNCHHTPPXXX	Bank National de Credit
BUHEHTPPXXX	Bank de L'Union Haitienne
BRHAHTPP	Bank de la Republique D'Haiti
UBNKHTPPXXX	Unibank S.A.
ECCBKNSKXXX	EASTERN CARIBBEAN CENTRAL BANK
BNTBBBBB	Bank of Butterfield Barbados Limited
CTBLBBBBXXX	Bayshore Bank & Trust Barbados
FCIBBBBB	Sagicor Financial Company Ltd, Barbados
NOSCBBBBXXX	Scotiabank Barbados
OCCIBBBBXXX	Occidental Bank Barbados
ANCBAGAGXXX	Antigua Commercial Bank (ACB
RBNKAIAI	Republic Bank Anguilla
BAJAJMKNXXX	Bank of Jamaica
FCIBJMKNXXX	First Caribbean International Bank Jamaica
NOSCJMKNXXX	Scotiabank Jamaica
BCPLPEPLXXX	Banco de Crédito del Perú
HBPEPEPLXXX	Banco GNB Peru
BSAPPEPLXXX	Banco Santander Peru
CITIPEPLXXX	Citibank Peru
ICBKDEFFXXX	Industrial and Commercial Bank of China Peru
ANAYDOSDXXX	Asoc. La Nacional de Ahorro Y Prestamos
PRHRDOSDXXX	Banco Promerica Dominican Republic

NOSCDOSD	Scotiabank Dominican Republic
BAMCSVSSXXX	Banco de America Central Panama
CAFEPAPAXXX	Banco Davivienda, Panama
CEPBUS77XXX	Pacific Bank, Panama
BDSAPAPA	Banco Delta, Panama
FCOHPAPAXXX	Banco Ficohsa, Panama
CASBADADXXX	Banca Privada d'Andorra Panama
BBOLECEG100	Banco Bolivariano Panama
COLPPAPAXXX	Banco Colpatria Panama
BBOGPAPAXXX	Banco de Bogota Panama
NACNPAPAXXX	Banco de la Nacion Argentina Panama
COSRPAPAXXX	BICSA Panama
NAPAPAPAXXX	Banco Panama
COLOPAPAXXX	Bancolombia Panama
BSILPAPA	BSI Bank Panama
IBNKPAPAXXX	Inteligo Bank Panama
KOEXPAPAXXX	KEB Hana Bank Panama
AZTKPAPA	Banco Azteca Panama
BCPLPAPA	Banco de Credito del Peru Panama
OCCIPAPAXXX	Banco de Occidente Panama
BCCEPAPAXXX	Banco Lafise Panama
PICHPAPAXXX	Banco Pichincha Panama
BANSPAPA	Banesco Panama

BKCHPAPA	Bank of China Panama
BCTOPAPAXXX	Itau Bank Panama
ICBCPAPA	Mega International Bank Panama
PKBSPAP1	PKB Banca Panama
PRCBSVSS	Banco Atlantida El Salvador
BSALSVSSXXX	Banco Davivienda El Salvador
GTCSSVSS	Banco G&T Continental El Salvador
INDLSVSSXXX	Banco Industrial El Salvador
BAMCSVSS	BAC El Salvador
BHSASVSSXXX	Banco Hipotecario de El Salvador
BOTBBSNSXXX	BAC Bahamas
BOTBBSNSXXX	Bank of the Bahamas
BTAMBSNSXXX	Fidelity Bank Bahamas
NOSCBSNSXXX	Scotiabank Bahamas
GROAGDGDXXX	Grenada Cooperative Bank
NCBGGDGDXXX	Republic Bank Grenada
LUOBLCLC	1st National Bank St Lucia
AGROGTGCXXX	Banco Agromercantil de Guatemala
AMCNGTGTXXX	Banco de America Central Guatemala
DIBIGTGC	Banco Internacional Guatemala
FCOHGTGCXXX	Banco Ficohsa Guatemala
BPRCGTGC	Banco Promerica Guatemala
CITIGTGCXXX	Citibank Guatemala

LIBABZBZ	National Bank of Belize
BKMOMSMSXXX	Bank of Montserrat
CCAICOBBXXX	Banco Agrario de Colombia
BCTOCOBB	Banco Itau CorpBanca Colombia
ESCAKYKYXXX	Bancolombia Cayman
CFSUPRSJXXX	Bancolombia Puerto Rico
GEROCOBBXXX	BBVA Colombia
CRNMPAP1XXX	Banco Corficolombiana Panama
PICHCOBBXXX	Banco Pichincha Colombia
SANTCOBBXXX	Banco Santander Colombia
COLOPAPAXXX	Bancolombia Panama
BARBGYGEXXX	Bank of Baroda Guyana
GUTIGYGEXXX	Guyana Bank for Trade and Industry
NOSCGYGE	Scotiabank Guyana
RBGLGYGGXXX	Republic Bank Guyana
BCPLBOLXSCZ	Banco de Credito de Bolivia
BRASBOLXXXX	Banco do Brasil Bolivia
NACNBOLPXXX	Banco de la Nacion Argentina Bolivia
BAVEVECA XXX	Banco Agricola de Venezuela
VZLAVECAXXX	Banco de Venezuela
BESCVECAXXX	Novo Banco Venezuela
CITIVECAXXX	Citibank Venezuela
PRCBECEQXXX	Banco ProCredit Ecuador

CITIECE1	Citibank Ecuador
NACNPYPAXXX	Banco de la Nacion Argentina Paraguay
BGNBPYPXXXX	Banco GNB Paraguay
UBBRPYPXXXX	Banco Itau Paraguay
NACNUYMMXXX	Banco de la Nacion Argentina Uruguay
ITAUUYMM	Banco Itau Uruguay
BBVAUYMMXXX	BBVA Uruguay
BHUMUYM1 XXX	Banco Hipotecario del Uruguay
BSCHUYMMXXX	Banco Santander Uruguay
BLICUYMMXXX	HSBC Bank Uruguay
NACNPYPAXXX	Banco de la Nacion Argentina Chile
BRASCLRMXXX	Banco do Brasil Chile
BOTKCLRM XXX	Bank of Tokyo Mitsubishi Chile
DEUTUS33XXX	Deutsche Bank Chile
BECHCLRMXXX	Banco del Estado de Chile
BSCHCLRMXXX	Banco Santander Chile
BHIFCLRMXXX	BBVA Chile
PCBCCLRM	China Construction Bank Chile
BKSACLRMXXX	Scotiabank Chile
BRASBRRJ	Banco do Brasil Argentina
ICBKARBAXXX	ICBC Argentina
CETMARBAXXX	Banco Cetelem Argentina
BOTKARBA XXX	Bank of Tokyo Mitsubishi Argentina

MSDWBRSPTSY	Banco Morgan Stanley Brazil
BARCUS3MXXX	Banco Barclays
INGBBRSPATA	ING Bank Brazil
SCBLBRSPXXX	Standard Chartered Bank Brazil
CHASBRSPDCC	Banco JP Morgan Brazil
BKCHBRSPXXX	Bank of China Brazil
BOTKJPJTXXX	Bank of Tokyo Mitsubishi Brazil
CITIBRBRXXX	Citibank Brazil
DEUTBRSPXXX	Deutsche Bank Brazil
ICBCCNBS	ICBC Brazil
BOFAKYK1XXX	Bank of America Cayman Islands
CNATKYKYXXX	Cayman National Bank
CIMGKYKYXXX	Cayman Islands development bank
BSCHPRSXXXX	Banco Santander Puerto Rico
CFSUPRSJXXX	Bancolombia Puerto Rico

Appendix B: Descriptive Statistics

Table 1

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	151	-93.35%	5.00%	0.0072%	7.81666%
Valid N (listwise)	151				

Table 2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Year 2016 - 2020	5				
North America	5	-3.70	2.84	1.0560	2.69865
Sub-Saharan Africa	5	-2.40	2.39	1.1640	2.05862
World	5	-3.60	3.30	1.5300	2.88997
South Asia	5	-6.60	7.78	3.6500	5.88376
Latin America and Caribbean	5	-7.70	1.79	-.7740	3.96452
OECD members	5	-4.70	2.57	.6920	3.03744
European Union	5	-6.20	2.79	.4600	3.74915
Euro Area	5	-6.70	2.58	.1900	3.87861
East Asia and Pacific	4	3.78	4.76	4.2025	.40926
Valid N (listwise)	4				

Table 3

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Year	5	2016	2020	2018.00	
North America	5	197.60	230.45	205.2700	14.19985
Sub-Saharan Africa	5	26.74	28.28	27.5980	.63798
World	5	125.50	146.66	131.2920	8.97366
East Asia and Pacific	5	147.95	167.08	153.8620	8.09106
South Asia	5	45.47	51.20	47.3520	2.30327
Latin America and Caribbean	5	48.58	60.30	53.2160	4.92143
OECD members	5	137.45	158.50	144.5140	8.23038
European Union	5	85.75	93.68	88.4660	3.14824
Euro Area	5	85.31	93.84	88.1100	3.45159
Valid N (listwise)	5				

Appendix C: Hypotheses Testing

Table 1

Correlations

			ROA	Zscore
Spearman's rho	ROA	Correlation Coefficient	1.000	.
		Sig. (2-tailed)	.	.
		N	151	1
	Zscore	Correlation Coefficient	.	.
		Sig. (2-tailed)	.	.
		N	1	1

Table 2

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	LAC FDI Net Inflows % of GDP[b]	.	Enter

a. Dependent Variable: Latin America and Caribbean

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.549[a]	.302	.069	.90393

a. Predictors: (Constant), LAC FDI Net Inflows % of GDP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.059	1	1.059	1.296	.338[b]
	Residual	2.451	3	.817		
	Total	3.510	4			

a. Dependent Variable: Latin America and Caribbean

b. Predictors: (Constant), LAC FDI Net Inflows % of GDP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.943	1.940		1.517	.226
	LAC FDI Net Inflows % of GDP	-.588	.517	-.549	-1.138	.338

a. Dependent Variable: Latin America and Caribbean

Table 3

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	LAC credit to private sector in Percentage of GDP[b]	.	Enter

a. Dependent Variable: LAC GDP Growth Rate

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.756[a]	.572	.429	2.99597

a. Predictors: (Constant), LAC credit to private sector in Percentage of GDP

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	35.942	1	35.942	4.004	.139[b]
	Residual	26.928	3	8.976		
	Total	62.870	4			

a. Dependent Variable: LAC GDP Growth Rate

b. Predictors: (Constant), LAC credit to private sector in Percentage of GDP

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.639	16.253		1.947	.147
	LAC credit to private sector in Percentage of GDP	-.609	.304	-.756	-2.001	.139

a. Dependent Variable: LAC GDP Growth Rate

Appendix D: Tests of Assumption

Table 7

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
ROA	151	98.35%	-93.35%	5.00%	0.0072%	7.81666%	61.100	-11.526	.197
Valid N (listwise)	151								

Table 8

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
North America	5	1.26	1.58	2.84	2.3340	.50372	.254	-.860	.913
Sub-Saharan Africa	5	1.62	1.16	2.78	2.2000	.61127	.374	-1.672	.913
World	5	.94	2.36	3.30	2.8240	.35851	.129	.019	.913
East Asia & Pacific	5	.98	3.78	4.76	4.2020	.35443	.126	.909	.913
South Asia	5	3.64	4.14	7.78	6.4660	1.45185	2.108	-1.263	.913
Latin America and Caribbean	5	2.18	-.39	1.79	.7840	.93674	.877	-.218	.913
OECD members	5	.94	1.63	2.57	2.1160	.41156	.169	-.247	.913
European Union	5	1.24	1.55	2.79	2.1600	.44850	.201	.111	.913
Euro Area	5	1.29	1.29	2.58	1.9380	.46024	.212	-.029	.913
Valid N (listwise)	5								

Table 9

Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance	Skewness	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error
North America	5	32.85	197.60	230.45	205.2700	14.19985	201.636	2.144	.913
Sub-Saharan Africa	5	1.54	26.74	28.28	27.5980	.63798	.407	-.277	.913
World	5	21.16	125.50	146.66	131.2920	8.97366	80.527	1.827	.913
East Asia and Pacific	5	19.13	147.95	167.08	153.8620	8.09106	65.465	1.470	.913
South Asia	5	5.73	45.47	51.20	47.3520	2.30327	5.305	1.553	.913
Latin America and Caribbean	5	11.72	48.58	60.30	53.2160	4.92143	24.220	.577	.913
OECD members	5	21.05	137.45	158.50	144.5140	8.23038	67.739	1.701	.913
European Union	5	7.93	85.75	93.68	88.4660	3.14824	9.911	1.500	.913
Euro Area	5	8.53	85.31	93.84	88.1100	3.45159	11.913	1.535	.913
Valid N (listwise)	5								