

# Impact of Financial Market Development on Environmental Quality in Australia

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Australia's transition toward lower greenhouse gas emissions has fuelled interest in understanding the role of financial markets in environmental outcomes. This study investigates the environmental impact of financial market development in Australia, evaluating how dimensions such as depth, access, efficiency, and stability affect environmental quality—specifically greenhouse gas emissions. Utilizing the Autoregressive Distributed Lag (ARDL) model to analyze data spanning 1983–2021, our findings reveal a dual-phase effect: in the long run, greater financial market development is positively associated with environmental improvement via reductions in emissions, whereas in the short run, the expansion of financial markets tends to degrade environmental quality by facilitating increased emissions. These contrasting dynamics emphasize the need for policymakers to integrate both short-term trade-offs and long-term benefits when designing financial and environmental policy aimed at supporting Australia's climate goals.

**Keywords:** Financial market development; Environmental quality; Greenhouse gas emissions, Australia