

## **Response to comments 1**

Thank you very much for your valuable suggestions and comments, which are much appreciated. We revised the paper as described in the responses below:

- 1) Results for other control variables need to be elaborated with proper justifications.

Response: We have included the explanation of all control variables in the revised version of the paper.

- 2) Variables reported in short form (e.g. FINAND, LFS, LNFS etc) needs to be elaborated properly.

Response: We have already done the elaboration of the abbreviation of our variables. We have incorporated that in the revised version.

- 3) Recent literatures related to the given issue can be incorporated to strengthen the analysis.

Response: We have included the most important studies in our literature review. Apart from these the studies dealing with the FDI in financial services and financial development is conspicuously absent in the existing literature.

- 4) The authors have mentioned about the importance of well functioning and regulated financial market for enhancing FDI inflows and thereby helping to boost the economic growth. However, the empirical relationship, taking economic growth as a dependent variable (is not examined here), can be studied separately to prove the same.

Response: This could be an interesting future extension, but it is beyond the scope of the current paper since we are analysing only the bidirectional relationship between FDI in financial services and financial development.

## **Response to comments 2**

Thank you very much for your valuable suggestions and comments, which are much appreciated. We revised the paper as described in the responses below:

- The authors have used FDI inflow and financial markets to indicate development. Though this is relevant, even FDI outflow could happen because the financial markets are mature and it could boost investment outside of the home country. Therefore should the authors also consider FDI outflow in addition FDI inflow in relating to the measurement of development.

Response: Again, This could be an interesting future extension, but it is beyond the scope of the current paper since we are analysing specifically the bidirectional relationship between FDI inflows in financial services and financial development.

- The authors have considered financial services as a whole. If the financial services are segmented into banking and non-banking financial services and then analysed the results could show more integration towards one of these sets. That would room for a concentrated focus for policy advisory.

Response: We have obtained FDI inflows from UNCTAD, the data on further segmented data on Financial services is not available.

### **Response to comments 3**

Thank you very much for your valuable suggestions and comments, which are much appreciated. We revised the paper as described in the responses below:

- Literature part could be modified with recent studies to cement the research issues.

Response: We have included the most important studies in our literature review. Apart from these the studies dealing with the FDI in financial services and financial development is conspicuously absent in the existing literature.

- The results and discussion section could be expanded further with additional explanation.

Response: We have included the explanation of all control variables in the revised version of the paper.

- The discussion on co-integration tests could be put more precisely.

Response: We have edited the result and discussion part and made it precise.

#### **Response to comments 4**

Thank you very much for your valuable suggestions and comments, which are much appreciated. We revised the paper as described in the responses below:

- The study observes unidirectional long-run causality running from financial development to FDI in financial services. Financial development in most of the emerging economies is a product of state intervention. From the pool of their sample countries, can the authors provide some specific country experience in this regard? This will help the other countries which are yet to attract FDI in financial services.

Response: We have already done a country level analysis for India using RBI data for the period 2000-2015. It also shows that there exist a long run unidirectional causality running from financial development to FDI in financial services. However, we have not reported the results in this paper.