

Dear editor,

We are thankful for the valuable comments by the anonymous referee(s), and to the Editor for communicating the same to us for possible revision. We tried our best to comply with the respected referee's comments, and the changes are incorporated into the revised manuscript. We are grateful to our senior research colleague Professor Dr. Muhammad Asif Khan who actively contributed to addressing these comments. Therefore, we request you to allow us acknowledging his contribution as co-author, for which we shall highly be indebted to you. The responses to each of the comments are provided below and the same are shown in red font (for your convenience) in the revised manuscript:

1. Section 2 is rather incomplete. The authors carry out an overview of FD in China. However, since the objective is to analyze the relationship with FDI, they should also review the existing economic literature on that variable and their connection.

Response: To address the first suggestion, we incorporated FDI inflows in China in Section 2.2 (Kindly see section 2.2).

2. I have not found in the text the analysis time span dates or the number of observations.
  - Abbreviations like "MNCs" or "MNC's" are not defined.

Response: The terms have been defined (Kindly see page # 11).

3. The authors tend to repeat too many times the same words or expressions, very close between them or even in the same paragraph, e.g., "In the next step" (p.14), "consist of" (p.2 & 3) or "create" (p.7).

Response: Changes have been made in the revised manuscript.

4. Most of the times, abbreviations are placed before variables have been defined which is quite misleading (e.g.: FDI, FD, or variables included in table 1).

Response: The required changes are mentioned in Section 3 of the revised manuscript, where we defined all the terms.

5. Some figures do not include the (I guess) thousands separator (e.g.: p.10).

Response: The figure on page # 12 has been mentioned in thousands (Kindly see page 12 on the revised manuscript).

6. The criteria for citing works written by other authors in the text, is not homogeneous (e.g.: p.11 Laurenceon James; Chai C.H. Joseph or p.16 Kevin Honglin Zhang).

Response: Corrections have been made to the above citations. (Kindly see page # 13 and 19).

7. I think that there is a lost word in a sentence in p.3, line 1: “*The empirical literature shows that financial is affected...*” I suppose that the authors refer to FD.

Response: We mentioned the missing word in the revised manuscript. It is financial development (Kindly see page # 3).

8. Although little attention has been paid to the link between FD and FDI, in recent years we can find several works about this topic. I miss a comparison of the empirical results reached by the authors with other similar works, for instance, in MENA countries or other Asian regions that can be used like a benchmark for underdeveloped financial markets.

Response: We incorporated more studies in section 3.1. (Kindly see page # 9 and 10)

9. Finally, it is somewhat disappointing that, after all the good econometric work, the authors do not pay attention to the impact of the control variables on the FD and FDI. If they did, it would be enriching and provide a major added value to the paper.

Response: We incorporated the required and valuable changes in the manuscript in section 4 (Kindly see page # 17 and 18).

Once again, we are thankful to you for providing us the opportunity to improve the manuscript. We shall be grateful to you; would you suggest any room for further improvement.