**International Academic Institute for Science and Technology**

International Academic Journal of Economics
Vol. 13, No.1, 2026, pp. 9-15.

ISSN 2454-2474

**International Academic Journal of Economics**

www.iaiest.com

# Analysing the Role of Global Financial Institutions in Shaping Economic Policy and Regulation

Ashok Punjaji Salave [a]

[a] *University of Pune, Maharashtra, India. E-mail: salave_ap@yahoo.com*

## Abstract

Some of the most powerful Global Financial Institutions (GFIs) that influence the economic policy and regulatory frameworks in both developed and emerging economies are the International Monetary Fund (IMF), World Bank, and Bank for International Settlements (BIS). This paper explores the impact and manner in which these institutions affect national economic sovereignty, policy harmonisation and convergence in financial regulation in a financial environment that is becoming more and more globalised. The emphasis is particularly on the conflict between global financial governance and the freedom of domestic policy, particularly in the developing economies that heavily rely on external financial support and advisory institutions. The qualitative design in the research is a thorough review of secondary sources, such as institutional reports, policy documents, and peer-reviewed literature. Thematic analysis based on literature is utilised to determine important ways in which the GFIs exercise influence, including conditional lending, policy advisory structures, surveillance regimes, and practices of setting regulatory standards. The results indicate that GFIs are vital and essential in fostering fiscal discipline, increasing monetary policy coordination, and fortifying financial sector reforms by using systematic intervention mechanisms. The level and type of this influence, however, differ among countries based on the economic dependencies, institutional capacity and integration in the global financial systems. Another important aspect of the study is the development of selective policy adaptation whereby countries are strategically aligning or adapting GFI recommendations to the domestic socio-economic priorities. The paper concludes that although GFIs continue to play a pivotal role in global economic governance and financial stability, a balanced strategy that does not limit national policy autonomy is needed to realise inclusive and sustainable development results. Enhancing participatory governance in these institutions could also contribute to strengthening legitimacy without affecting global financial stability.

**Keywords:** Global Financial Institutions, Economic Policy Influence, Financial Regulation, Policy Harmonisation, International Monetary Fund and World Bank, Sovereign Policy Autonomy, Global Economic Governance.



DOI: 10.71086/IAJE/V13I1/IAJE1302
Received: 09 December, 2025/Revised: 17 January 2026/Accepted: 12 February 2026/Published: 30 March 2026

## Introduction

The International Economic Governance architecture has assumed a central position under the Global Financial Institutions (GFIs) and has achieved a significant influence in the manner in which countries shape and implement the macroeconomic policies and regulations. These institutions have transcended beyond providing financial assistance to conduct surveillance, technical support and policy co-ordination, and therefore, control the fiscal and monetary decision-making in the economies (Breen & Doak, 2023). This has increased the strength of such institutions as the IMF, World Bank, and BIS and has rendered them significant forces of convergence and harmonisation of policies and regulation (Akomea-Frimpong et al., 2022).

However, the same power has led to great concerns about whether international governance ought to come at the cost of national policy independence, particularly in the underdeveloped economies, which rely on foreign financial assistance to a large extent (Clark, 2022). The policy changes can be a result of the conditional lending practice and the necessity of structural changes (Murdifin et al., 2024), which can redefine the domestic economic priorities. Although supposed to increase macroeconomic stability, the interventions can, besides, decrease the flexibility of the policies and establish their long-term reliance on the external frameworks (Davoodi et al., 2022).

In the meantime, the good side of GFIs is that might lead to financial stability, institutional capacity building and transparency in the economic governance system (Abaidoo & Agyapong, 2022). Their regulation has also become a key factor in the banking supervision, control of debt and fiscal discipline in the countries, leading to a rise in mergers in global financial practices (Uzougbo et al., 2024). Nonetheless, disparities in institutional capacities and economic structures contribute to the unequal implementation of policies and biased compliance with GFI recommendations (Teichmann & Wittmann, 2024). It is the integration of international guidelines with national policy requirements that characterise the adaptive responses in emerging economies, in particular (Shi, 2024).

In general, GFIs simultaneously serve as the enhancers of financial globalisation and harmonisers of policies that influence the shaping of financial governance in a multitude of and diverse ways (Ekasari et al., 2024).

The objectives of this study are the following:

- To study the input of GFIs in the development of the national economic policy.
- To establish the impact of conditional lending on policy independence.
- To understand the variation in policy adoption across the economies.

The research questions are as follows and are developed following the study objectives:

**RQ1:** How do Global Financial Institutions (GFIs) affect the regulation and the national economic policy-making processes?

**RQ2:** What is the impact of GFI intervention on fiscal stability and domestic policy autonomy of Global South and developing economies?

**RQ3:** To what extent does the extent of impact of the presence of GFIs change based on the level of economic dependence and institutional capacity of a country?

**Key Contributions:**

- Offers a systematic qualitative study on the GFI impact on economic policy-making.
- Finds the difference between the adoption of the policies between the developed and the developing economies.
- Explains the manner in which the conditional lending is employed in shaping domestic regulations.
- Provides the choice between national policy autonomy and international financial stability.

The paper has been designed into a logical framework so as to have a logical flow of analysis and discussion. Section I gives the context of the research, problem statement, objectives, research questions and key contribution, which sets the basis of the research on Global Financial Institutions and their contribution to economic policy and regulation. In Section II, a comprehensive literature review is given, synthesising the recent literature on policy convergence, financial governance, and the emerging role of international financial organisations in the development of domestic economic systems. Section III includes the proposed methodology, i.e., the explanation of the qualitative approach, data sources, sampling strategy and conceptual framework of the study of the mechanisms of policy transmission and institutional impact. Section IV provides the results and discussion where the sample is classified, thematic analysis and interpretation of findings using research questions are presented with a tabular presentation of key findings. Lastly,

Section V wraps up the study by summarising key findings, policy implications and research agenda to inform future studies to improve the knowledge of global financial governance by integrating and comparing methods.

## Background Research

The recent literature on Global Financial Institutions (GFIs) has been a topic of many studies regarding their new role as macroeconomic policy frameworks, governance convergence and regulation across economies. Recent research has indicated that financial intermediation is becoming less relevant in how institutions like the IMF, World Bank and BIS influence structural change and policy alignment mechanisms, in both developed and developing economies (Lippolis & Verhoeven, 2023). This is specifically noticeable in the example of the economic recovery after the pandemic, in which the policy and financial stability systems coordination has taken on a new connotation (Linder & Rixen, 2025).

A growing literature suggests that IMF surveillance and policy advisory mechanisms have an enormous impact on the monetary policy orientation and fiscal discipline of nations, especially those that depend on external financial assistance (Apeti & Gomado, 2025). Empirical data show that conditional lending arrangements are likely to bring about structural adjustments in taxes, government spending and governance in the financial sector (Alami et al., 2023). However, these interventions do not work equally well with the institutional capacity and domestic political economy factors that determine how much the policy is adopted (Hajarnavis & Mahajan, 2023).

The regulatory harmonisation is further enhanced through the development schemes that are led by the World Bank with the assistance of the indicators of governance, poverty alleviation plans and reform initiatives (Simpson, 2024). The recent research has also shown that the BIS standards of regulations have been effective in improving the global banking supervisory and risk management practices, particularly the financial systems across borders (Delle Foglie et al., 2023). Despite these benefits, issues of homogenization of policies and reduced flexibility by nations to formulate context-specific economic policies still exist (Eke et al., 2025).

Moreover, the literature shows that policy adaptation and not compliance is increased, with countries choosing the GFI suggestions and implementing them into national systems in a selective manner (Juhász et al., 2024). It is a balancing act of global financial integration and domestic policy sovereignty in the form of an adaptive behaviour that is the epitome. In addition, reports on financial stability have been applied in identifying the growth of vulnerabilities in highly interconnected systems as well, which justifies the significance of collective regulatory control (Dzhagityan & Orekhov, 2022).

The reviewed literature indicates that the role of the GFIs in global economic regulation is dual: enhance financial stability and regulatory consistency, and simultaneously, have an impact on the autonomy of domestic policy. Its overall orientation is a more convergent macroeconomic governance, but more or less successful efforts in various countries, depending on the strength of the institutions and the reliance on the economy. These lessons can be used to support the importance of the current study on how the scope and constraints of GFI-driven policy impact may be measured.

## Proposed Methodology

### Study Area

The paper is dedicated to studying the global financial governance system, but especially the role of large Global Financial Institutions (GFIs), i.e., the International Monetary Fund (IMF), World Bank, and Bank for International Settlements (BIS). These institutions are key in influencing macroeconomic policy frameworks, financial regulation standards and global economic coordination systems in both the developed and developing economies (Breen & Doak, 2023; Linder & Rixen, 2025). The geographical coverage incorporates countries that have different degrees of inclusion in the world financial system, so as to come up with the disparity in the policy impact, convergence of regulation and responsiveness of the institution.

### Sampling

The study uses secondary qualitative sources and purposive sampling. These are peer-reviewed journal articles and institutional policy reports, macroeconomic governance publications, and publications by international financial institutions like the IMF, World Bank, BIS and some of the national regulatory authorities (Apeti & Gomado, 2025; Alami et al., 2023). The chosen literature is divided according to the economic classification of the countries in terms of developed economy, emerging and highly dependent on the GFI developing economies. This provides relative profundity in examining the difference in policy transmission and the influence of an institution.

### Data Collection

The systematic literature-based qualitative method is used to gather data, and secondary literature, including academic research articles, official GFI publications, financial policy reports on the subject and global financial stability ratings, are reviewed and synthesised (Davoodi et al., 2022). The thematic synthesis is applied to extract information, which is analysed to identify recurrent concepts like policy influence mechanisms, regulatory convergence, conditional lending, fiscal discipline and institutional dependency and put them into analytical themes. Such a method allows an interpretative approach to the formation of the structure of economic governance through the impact of GFIs in various national settings.

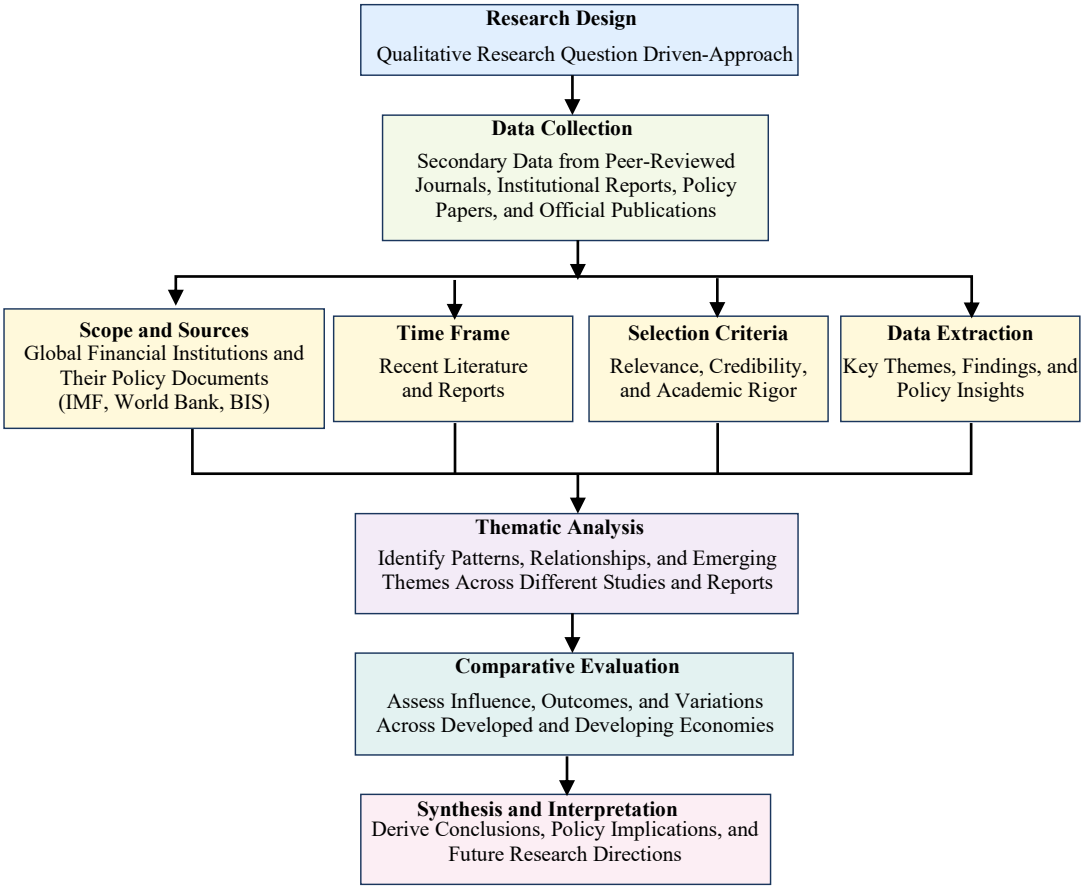


**Fig. 1: Conceptual Framework of Global Financial Influence Mechanism Analysis**

The analysis has a linear flow as observed in fig. 1. It begins with the international financial institutions as the key players, whose influence and then the methods of transmission (via policy advisory processes, conditional lending and regulatory standards). These procedures impact the development of the policies within the economy of the country and financial regulation. The framework also shows how the various outcomes are differentiated based on institutional capacity and economic dependency, which eventually leads to differentiated policy responses among the countries. The diagram gives a telling illustration of the connection between the world financial governance and national policy accommodation.

## Results and Discussions

### Sample Details

The study relies on a systematic sampling of qualitative sources of institutional and policy-based materials. The reports of the global financial institutions (IMF, World Bank and BIS) and policy briefs of national financial ministries are included as a part of the dataset, and peer-reviewed journal articles about the macroeconomic governance and regulatory convergence. The sample is grouped into three different types of economies, that is, developed economies, emerging markets, and high-GFI-dependency developing economies. This classification makes it possible to compare the degree of impact of policies and the patterns of adoption of regulatory regimes in different institutional settings.

**Table 1: Sample Distribution of Data Sources and Economic Classification**

| Economic Category | Type of Sources Included | Key Institutions Referenced | Focus Area of Analysis |
|---|---|---|---|
| Developed Economies | Policy reports, regulatory reviews | IMF, BIS, OECD | Financial regulation, stability |
| Emerging Economies | Mixed reports, academic literature | IMF, World Bank | Transitional adaptation, selective reform implementation |
| Developing Economies | Institutional aid reports, conditional documents | IMF, World Bank | Conditional lending, policy impact |

Table 1 presents the composition of the analytical sample. It isolates the fact that developing economies are more susceptible to conditional financial assistance systems, but that developed economies address GFIs more due to a regulatory coordination system. A hybrid engagement pattern is indicative of transitional policy adaptation processes in emerging economies.

**Table 2: Thematic Analysis of GFI Influence on Economic Policy**

| Theme Identified | Observed Pattern of Influence | Policy Outcome Impact | Country Response Type |
|---|---|---|---|
| Fiscal Discipline | Strong GFI policy guidance | Budgetary reforms | High compliance |
| Financial Regulation | Standardisation through global norms | Banking sector reforms | Moderate to high alignment |
| Conditional Lending | Structural adjustment requirements | Policy restructuring | High dependency response |
| Policy Autonomy Constraints | Reduced flexibility in domestic policymaking | Selective adaptation | Mixed compliance |

As it is observed in table 2, the most impacted areas of policies in GFI frameworks are fiscal discipline and financial regulation. The restrictions on policy autonomy, however, depict a trend of mixed reaction, that is, the countries selectively adopt the institutional recommendations, rather than totally.

**Research Question-Based Discussion**

**RQ1: Influence of Global Financial Institutions on National Economic Policy**

The results suggest that Global Financial Institutions (GFIs) have an important influence on the national economic policy and regulatory structures. Mostly have their influence by way of surveillance systems, policy advisory systems and financial assistance programmes. The International Monetary Fund and the World Bank, among other institutions, help in fiscal discipline, monetary alignment and structural reforms, especially in those economies that are dependent on financial assistance. The thematic trends observed in table 2 indicate that areas of policy intervention that are most impacted are on the fiscal and regulatory front.

**RQ2: Impact of GFI Intervention on Fiscal Stability and Policy Autonomy**

The findings indicate that GFI interventions have a positive impact on fiscal stability through promoting discipline in the budget, debt management and macroeconomic control. This influence, however, comes with restrictions on the autonomy of domestic policy, particularly in developing economies. Conditional lending schemes usually demand structural changes that constrain the ability of governments to formulate policies that are responsive to local socio-economic factors. This poses a trade-off between financial stability and sovereign policymaking, which can be seen in the patterns of mixed responses recorded in table 2.

**RQ3: Variation in GFI Influence Across Economies**

The magnitude of the impact that the GFIs have on a country differs largely depending on the level of economic reliance and the institutional ability of the country. More economies with higher dependence on external financial aid are likely to be better adherents to GFI recommendations. Developed economies, on the contrary, show less selective attachment, opting to join GFIs with the purpose of promoting regulatory coherence rather than imposing policy. Institutional strength also defines the adaptability of the countries to global policy frameworks, depending on the local circumstances, leading to different degrees of policy adoption and implementation.

**Recommendations**

The findings suggest that Global Financial Institutions should adopt more contextual policy frameworks that consider structural variations among economies. The resistance may be reduced by improving the participatory policy design

processes, which may make the implementation more effective. Another issue, which also needs to be addressed, is to develop the capacity of the developing economies to be in a position to implement the policies in a balanced way without overreliance. Further, the greater openness of conditional lending systems is apt to boost legitimacy and trust in the international financial systems of governance.

**Suggestions**

Future research should focus on the hybrid approach that would be able to combine both qualitative and quantitative approaches to reflect the power of the GFI impact. The policy tracking of time series and the related studies in the regions would also contribute to enhancing the knowledge of the transforming governance dynamics in the world economic systems.

## Conclusion and Future Work

This paper has explained how the Global Financial Institutions (GFIs) have been critical in the development of the national economic policy and regulatory frameworks and how have been a dual facilitator of global financial stability and convergence of policies. The findings indicate that the effects of the GFIs are huge in terms of surveillance, conditional lending and standard setting of regulations, all of which have an effect on fiscal discipline, monetary coordination and financial sector reforms. However, this does not seem to be equally evident in the countries, and the institutional capabilities, differences in economic dependency and governance structure create the disparities in policy adoption and adherence. The developed economies tend to engage the GFIs through coordination and alignment of regulations, whereas policy conditioning is likely to be more evident in the developing economies. This shows that GFI -based governance teeter-totters on the edge of globalisation and the sovereignty of national policies.

The second step in research should be the creation of more consistent analysis frameworks that would be able to integrate the data of the qualitative research with the techniques of quantitative validation to determine the scope and mechanisms of the GFI effect in a more adequate way. The policy change study time series would be more useful in the way the institutional recommendations are converted into structural reforms, which are sustained. Furthermore, the geopolitical, institutional and economic conditions that might influence the responsiveness of a country to GFI interventions can also be illuminated by the comparative studies of the regions. Further studies on sector-specific implications, specifically in the areas of social welfare and sustainable development, would also aid in providing better knowledge in the larger picture on the implications of global financial regulation. It necessitates the heightening of interdisciplinary practices that helps to capture the changing complexity in international economic policymaking.

## References

Breen, M., & Doak, E. (2023). The IMF as a global monitor: surveillance, information, and financial markets. *Review of International Political Economy*, *30*(1), 307-331. https://doi.org/10.1080/09692290.2021.2004441

Akomea-Frimpong, I., Kukah, A. S., Jin, X., Osei-Kyei, R., & Pariafsai, F. (2022). Green finance for green buildings: a systematic review and conceptual foundation. *Journal of cleaner production*, *356*, 131869. https://doi.org/10.1016/j.jclepro.2022.131869

Clark, R. (2022). Bargain down or shop around? Outside options and IMF conditionality. *The Journal of Politics*, *84*(3), 1791-1805. https://doi.org/10.1086/719269

Murdifin, I., Hajering, H., Razakova, B., Silagadze, A., & Atanelishvili, T. (2024). International Financial Institutions and Their Role in Promoting the Stability of The Global Financial System. *Theoretical and Practical Research in Economic Fields*, *15*(4), 952-969. https://doi.org/10.14505/tpref.v15.4(32).13

Davoodi, H. R., Montiel, P., & Ter-Martirosyan, A. (2022). Macroeconomic stability, adjustment, and debt. *How to Achieve Inclusive Growth*, 391-423. https://doi.org/10.1093/oso/9780192846938.003.0011

Abaidoo, R., & Agyapong, E. K. (2022). Financial development and institutional quality among emerging economies. *Journal of Economics and Development*, *24*(3), 198-216. https://doi.org/10.1108/jed-08-2021-0135

Uzougbo, N. S., Ikegwu, C. G., & Adewusi, A. O. (2024). Cybersecurity compliance in financial institutions: A comparative analysis of global standards and regulations. *International Journal of Science and Research Archive*, *12*(01), 533-548. https://doi.org/10.30574/ijsra.2024.12.1.0802

Teichmann, F. M. J., & Wittmann, C. (2024). Compliance cultures and the role of financial incentives. *Journal of Financial Crime*, *31*(1), 226-232. https://doi.org/10.1108/jfc-06-2022-0135

Shi, J. (2024). Adaptive change: Emerging economy enterprises respond to the international business environment challenge. *Technovation*, *133*, 102998. https://doi.org/10.1016/j.technovation.2024.102998

Ekasari, S., Hastin, M., Hakim, S., Bani, P., & Supyan, I. S. (2024). *Fintech revolution: Transforming the financial landscape through technological innovation*. *The Journal of Academic Science, 1*(5), 615–621. https://doi.org/10.59613/4nx7t202

Lippolis, N., & Verhoeven, H. (2023). Politics by default: China and the global governance of African debt. In *Survival: June-July 2022* (pp. 153-178). Routledge. https://doi.org/10.1080/00396338.2022.2078054

Linder, S., & Rixen, T. (2025). Explaining institutional change in global financial regulation. *Review of inteRnational Political economy*, *32*(5), 1492-1518. https://doi.org/10.1080/09692290.2025.2489080

Apeti, A. E., & Gomado, K. M. (2025). International monetary fund conditionality and structural reforms: Evidence from developing countries. *Economics of Transition and Institutional Change*, *33*(2), 439-486. https://doi.org/10.1111/ecot.12436

Alami, I., Alves, C., Bonizzi, B., Kaltenbrunner, A., Koddenbrock, K., Kvangraven, I., & Powell, J. (2023). International financial subordination: a critical research agenda. *Review of international political economy*, *30*(4), 1360-1386. https://doi.org/10.1080/09692290.2022.2098359

Hajarnavis, K., & Mahajan, D. (2023). How successful are International Monetary Fund loan programs? *Journal of Economics Library*, *10*(1-2), 36-48. https://doi.org/10.5089/9781451972139.001

Simpson, M. (2024). The Silences of International Development Frameworks and 'Good Governance'. *Donors, Democracy and Development in Africa: Western Aid and Political Repression*, 127-145. https://doi.org/10.1007/978-3-031-74917-9_6

Delle Foglie, A., Boukrami, E., Vento, G., & Panetta, I. C. (2023). The regulators' dilemma and the global banking regulation: the case of the dual financial systems. *Journal of Banking Regulation*, *24*(3), 249-263. https://doi.org/10.1057/s41261-022-00196-2

Eke, C., Olatinsu, O., & Uwakwe, A. Q. (2025). Withholding tax frameworks in developing countries: A critical review of structure, compliance, and enforcement mechanisms. *International Journal of Research in Finance and Management*, *8*(1), 863-872. https://doi.org/10.33545/26175754.2025.v8.i1i.635

Juhász, R., Lane, N., & Rodrik, D. (2024). The new economics of industrial policy. *Annual Review of Economics*, *16*(1), 213-242. https://doi.org/10.1146/annurev-economics-081023-024638

Dzhagityan, E., & Orekhov, M. (2022). Global systemically important banks: do they still pose risks for financial stability? *International Organisations Research Journal*, *17*(3), 48-74. https://doi.org/10.17323/1996-7845-2022-03-03