A Review of Spatial Market Integration and Factors Affecting Its

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Abstract

The study aimed to review the spatial market integration and factors affecting degree of market integration. The spatial markets integration is one of the issues used to evaluate the interrelations among the geographically separated objects. This approach is frequently applied to test the market efficiency, including for agricultural markets. The information can be utilized for an understanding of the market operation, for developing a policy for a specific market; evaluating price transmission; and facilitating price forecasting. Vector autoregressive (VAR) and vector error correction model (VECM) are popular methods used to assess market integration among locations. There are several factors found to affect the degree of market integration. A previous study found that the market integration between Poland and the EU was affected by commercial relations, the time of joining the EU, as well as the distance between markets. Another study suggested the degree of market integration was influenced by government intervention through government price protection policies for Indian Sugar market. In addition, it was revealed that spatial market integration can be improved by increasing market infrastructures and market information for the dry fish market in Nigeria.

Keywords: market infrastructures, market operation, price transmission, VAR, VECM

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