Journal of Financial Stability 5 (2009) 431–455

Contents lists available at ScienceDirect

Journal of Financial Stability

journal homepage: www.elsevier.com/locate/jfstabil

Contribution of financial market segments at different stages of development: Transition, cohesion and mature economies compared☆

Gerhard Fink[a], Peter Haiss[a,c,*], Goran Vukšić[b]

[a] EuropaInstitut WU-Wien, Vienna University of Economics and Business Administration, Althanstrasse 39-45, A-1090 Vienna, Austria
[b] Institute of Public Finance, Katančićeva 5, HR-10000 Zagreb, Croatia
[c] Bank Austria, Member of UniCredit Group, Austria

ARTICLE INFO

Article history:
Received 1 May 2007
Received in revised form 16 March 2008
Accepted 22 May 2008
Available online 11 June 2008

JEL classification:
C-23
G-10
G-21
H-74
O-11
O-16
O-52

Keywords:
Finance-growth
EU-accession countries
Production function
Financial sectors

ABSTRACT

What is the impact of financial sector segments at different stages of development? We apply a production function approach to investigate the impact of the credit, bond and stock segments in nine EU-accession countries over early years of transition (1996–2000) and compare these to mature market economies and to countries at intermediate stage. We find that the transfer mechanisms differ over the development cycle (from bond markets to educational attainment to labor participation) and that financial market segments with links to the public sector (but not stock markets) contributed to stability and growth in transition economies.
© 2008 Elsevier B.V. All rights reserved.

☆ Paper presented at the NAEFA session at the Chicago ASSA convention, January 2007.

* Corresponding author. Tel.: +43 664 8122990; fax: +43 1 31336/758.
E-mail addresses: gerhard.fink@wu-wien.ac.at (G. Fink), peter.haiss@wu-wien.ac.at (P. Haiss), goran@ijf.hr (G. Vukšić).

1572-3089/$ – see front matter © 2008 Elsevier B.V. All rights reserved.
doi:10.1016/j.jfs.2008.05.002

1. Introduction

Over the last decade the role of financial sector development in economic growth has become a major topic in empirical research. Levine and Zervos (1998), for example, examine whether banking sector or capital market development are key for fostering growth for a sample of 44 countries over the 1976–1993 period. Most cross-section oriented studies (among others Rousseau and Wachtel, 2005; Levine et al., 2000; Singh et al., 2000; Demirgüc-Kunt and Levine, 1999) base their analyses on such broad samples of industrial and developing countries. Most of them come to the conclusion that there is a positive interrelation between financial development and economic growth. But as Ahmed (1998) argues with respect to bank development: "[. . .] there are reasons to expect that [. . .] the effect of bank development on growth may not be the same in magnitude in developing countries and industrial economies [. . .]. Thus due to country aggregation we cannot answer interesting questions such as: how do the effects of banking development in a country such as the United States differ from those in Zimbabwe, say?" Do interactions between real activity and the financial stance, e.g. to aggregate shocks, differ between emerging and mature market economies (Jacobson et al., 2005)? A recent study by Rousseau and Wachtel (2005) also shows that the analysis of a possibly different impact of finance on growth in different countries and different periods becomes increasingly important. They find that the nexus between finance and growth seems to be significant for middle income countries (between 3000 and 12,000 USD per capita), but not for low income and high income countries. In addition, if countries are grouped according to the relative development of their financial sectors they find evidence for positive and significant effect on growth only for the group of countries in the middle range (countries with M3 to GDP ratios between 45 and 60%). Rousseau and Wachtel (2005) conclude that: "[. . .] the correlations between finance and growth found in cross-country data may well reflect differences in country characteristics rather than any dynamic cause–effect relationship from finance to growth." Rousseau and Wachtel (2005) call for more studies on individual countries' experiences and the relationship between finance and growth.

Picking up these thoughts, our paper addresses two research questions: First, has financial development played a significant role for stability and growth performance of "emerging market" transition and accession countries in Central and Eastern Europe (CEE)? Second, do different financial segments (i.e. banking intermediation, stock markets, bond markets) affect stability and economic development differently in these countries? Thus, we hope to find out which form of domestic finance is most efficient in terms of inducing stability and growth and why. With regard to EU-enlargement the examination of those research questions may be of special relevance for securing long-term growth and stability of new EU-member states and accession countries and in speeding up real convergence to the EU.

We use a production function approach to investigate the impact of financial market segments on economic development and stability in nine EU-accession countries (AC)[1] over early years of transition (1996–2000) i.e. during the "market-enabling" respectively "market deepening" phase (EBRD, 2007). We then compare these to mature market economies[2] and to a group of countries at intermediate stage of development – the EU cohesion countries receiving structural fund support (SFC).[3] While much of the literature uses the ratios to GDP of liquid liabilities (M3), liquid liabilities less narrow money (M3 less M1) and private credit, we develop this approach further and investigate the impact of the various financial market segments. We contribute by (1) first using an aggregate measure of financial development covering credit, bond and stock markets, which is less influenced by differences in financial market structures between countries, and changes of financial market structures within countries. We then (2) analyse the causal links between single financial market segments and economic development in order to determine interdependencies between the structure of financial markets and economic growth, an issue rather ignored by the literature so far.

---

[1] The group of countries labeled as EU-accession countries (AC) includes: Bulgaria (BG), Czech Republic (CZ), Slovakia (SK), Hungary (HU), Slovenia (SI), Poland (PL), Romania (RO), Malta (MT) and Turkey (TK).

[2] Developed countries in the sample are: EU-members (without Luxembourg) prior to the 2004 enlargement, and the USA, Japan, Norway and Switzerland (see Table 3).

[3] Structural fund countries (SFC, also termed cohesion countries) are: Greece, Ireland, Italy, Portugal and Spain.

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات