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ISSUES OF THE INFLUENCE OF THE FINANCIAL SECTOR ON ECONOMIC GROWTH

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Abstract: The article analyzes scientific sources on the study of the influence of the financial sector on economic growth, and considers the specific aspects of the influence of the financial market on economic growth.

Key words: real sector, financial sector, economic growth, capital accumulation, capital mobilization, financial growth indicators, credit, financial services, insurance sector.

Since the 60s of the 20th century, interest in the issue of interdependence of economic and financial development has been growing. In some countries, by the 1970s and 1980s, research was conducted on the role of the financial market in the world economy, the processes of its liberalization, the development of the theory of finance, and the creation of new models of economic growth. In order to achieve economic growth in any country, the following three main elements are necessary:

1. Capital accumulation.
2. Capital mobilization.
3. Effective use of capital [1, 218-2841.

In this case, the main task of financial institutions is to concentrate capital in one place. Financial institutions can contribute to capital formation by encouraging the attraction of savings and deposits and by facilitating the attraction of foreign capital. As for the issue of effective use of capital, although entrepreneurs are mainly responsible for the correct implementation of this process, financial institutions should act carefully in choosing investment projects and take the process of using the provided funds under their control.

In the study of financial system and economic growth, R. Goldsmith's research deserves special attention [2]. The scientist studied the data of the banking sectors of 35 countries between 1960 and 1963 and found that the trajectories of economic growth and financial development were parallel to each other in the long term. It was also noted that in many cases (there are exceptions, of course) economic growth coincided with financial development. But R. The question of their interdependence was not studied in the work of Holismit. One of the reasons for this may be that the scientist did not include data related to the stock market in his research.

This work has led to the implementation of various studies. A number of studies on the dynamics of economic growth and the development of financial institutions have noted that economic growth was also high in regions with an effective financial system [3]

R. Research results of Radjan and L. Zinplez show that a high level of development of the financial system stimulates the development of new enterprises. In addition, the development of the financial market and financial institutions has a positive effect on the development of high-tech industries, namely information technology and pharmaceutical industries (4, 559-586).

In the 90s of the 20th century, R. King and R. In the research conducted by Levin, they studied the indicators of financial development of 77 countries between 1960 and 1989 and tried to answer the question whether financial development can predict the level of economic growth, capital accumulation and labor productivity [5].

The indicators of financial development that the scientists included in their study were:

financial depth (DEPTH) - financial intermediaries (banks) are liquid
ratio of liabilities (cash and deposits of credit institutions) to GDP;

- the share of private banks in loans (BANK) is the ratio of loans of commercial banks to the total value of total loans and assets of the Central Bank;
- private business loans (PRIVATE) is the ratio of loans to private businesses to the total amount of loans (excluding interbank loans), the ratio of loans to private enterprises to GDP (PRIVY).

For his research, R. King and R. Levin chose real GDP growth rate per capita, fixed capital growth rate per capita, and labor productivity growth rate. The regression equation constructed by them shows that the financial depth indicator has a high level of predictability.

But this study did not show which characteristics of the financial sector (size, efficiency, competitiveness, regulation of banks, role of non-bank institutions, size and liquidity of stock and bond markets, rights of shareholders and creditors, etc.) are most important for ensuring economic growth. In addition, there is no information about the mechanism of influence of the financial sector on the real sector, and it is not known whether a highly efficient financial system will ensure economic growth by directing investments to the developed sector.

In general, the results of the studies show that there is no confirmed relationship between investment and the development of private sector savings. But it was found that there is a significant relationship between financial intermediaries and the growth of real GDP per capita and labor productivity. In other words, this situation is Y. It corresponds to Schumpeter's view of financial development. According to Y. Schumpeter, financial intermediaries develop the general efficiency of labor and ensure its growth.

Between 1960 and 1995, a database of financial systems of 150 countries was compiled, and the collected data allowed to study the development of 35 years. It is known that the development of banks, non-bank financial intermediaries (insurance companies, pension funds, financial companies, investment funds and 6.) and the stock market was good in relatively less developed countries, and depending on the level of wealth of this or that country, its financial system also developed. Another conclusion is that depending on the level of wealth of the country, the stock market also began to work more efficiently compared to the market of bank loans [8, 261-300].

In general, research on the impact of the financial market on economic growth in the 90s of the 20th century can be divided into 3 directions [9, 8]:

1. To study the impact of competition on economic growth without fulfilling the initial conditions of the financial market. In this direction, J. Stiglitz, V. Bencivengan, B. Smith, D. Diamond, J. Famous scientists such as Greenwood worked [10, 98].
2. In the second direction, researchers enrich the model of endogenous economic growth with variables describing financial market activity. M. Pagano, P. Howitt, F. Aghiyon, A. Scientists such as Santamero made a great contribution to the development of this direction by theoretically basing the specific aspects of the relationship between the development of the financial market and economic growth.
3. The approach to this issue from the econometric point of view constitutes the third direction.

The problem of the impact of the financial market on economic growth has not yet been resolved. It is necessary to clarify the question whether the financial market stimulates economic growth or vice versa.

The concept that the financial market and economic growth may not develop in the same way is that in underdeveloped countries the financial market has no effect on economic growth, in medium-developed countries it has a positive and rather strong effect, and in developed countries it has a positive but weak effect compared to medium-developed countries [11, 8].

The impact of the financial system on economic growth can be considered on the basis of indicators of financial depth.

There is a database covering 22 indicators of financial depth recognized by World Bank experts. The base consists of relative indicators that indicate the relative weight of one or another structural element compared to GDP or financial indices. Indicators can be divided into 3 groups:

1. Development indicators of the banking system (the ratio of loans issued by commercial banks to GDP, the ratio of bank deposits to GDP, the ratio of net interest margin to interest-bearing assets of the banking system, etc.).
2. Development indicators of the stock market (the ratio of stock market capitalization, corporate and government bonds to GDP, etc.)
3. Indicators of development of the insurance sector (comparative volume of collected insurance premiums for life insurance and other types of insurance) [12, 597-605].

Based on these indicators, additional analytical indicators can be created. Through them, it is possible to compare individual segments of the financial system, and to perform cluster analysis based on the size of these segments of countries.

In conclusion, it can be said that determining the role of the financial market in the economy is a partially resolved issue, and the fact that the financial sector has become a strong economic segment today does not indicate that it is fully fulfilling its role as a factor of economic growth.

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