

FINANCIAL DEVELOPMENT, ECONOMIC GROWTH AND POVERTY REDUCTION (ECONOMETRIC ANALYSIS), CASE OF STUDY ALBANIA

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Abstract

Different country have different economic growth, because they have various capacities and development factors, which are; human and capital resources, level of macroeconomic stability, effectiveness of legal system, education, international trade, etc. Nevertheless, an important factor in economic development is the development of financial markets, the relationship between financial development and economic growth is an unquestionable fact. Development countries have followed certain development policies of the financial system; they are characterized by high rates of economic development. That is why; the relationship between two variables is a key of a country. Financial development and economic growth of a country is the relationship of various studies by different authors. In addition, this relationship has various debates regarding to the indicators they are connected, the relationship between each other. Through the paper we seek to study the link between financial development and economic growth in Albania, but in addition to these variables we have included a third variable that is poverty. The goal of this is the study is the link between the financial development, economic growth and poverty reduction in Albania. The paper's aims is how this three variables are connected and if a change of one variables can effect in changing the others variables. The question we raised is: financial development leads economic growth and poverty reduction? If we do a brief theoretical analysis of the relationship between financial development, economic growth and poverty reduction, we would say that: Financial development; economic growth; poverty reduction, but also we can say economic growth; financial development; poverty reduction. In addition of this analysis on this article we seek to develop more this link between the three variables using empirical analysis, econometric and statistical analysis, through the use of Eviews (Econometric Views).

Keywords: *economy growth, financial development, poverty, financial system, econometric analysis.*