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Correlation of the Indicators of the Financial system and Gross Domestic Product in European Union Countries

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Abstract

At the end of the 20th century and beginning of the 21st century the tendencies of development of the financial system and problems arising in this sector are more and more often becoming the object of scientific research as successfully functioning financial sector in every country is an important precondition for the growth of economy. Upon analyzing the development of the financial system and the influencing factors the problem of influence of the formed financial structure on economic processes cannot be dissociated from it. Indicators of development of the bank sector were used in the research to establish the correlation of the financial sector and gross domestic product of the countries of the European Union:Central bank assets/ Total financial assets, Deposit money bank assets/ Total financial asset, Other financial institutions assets/Total financial assets, Deposit money bank/(Deposit money bank + Central bank) assets, Liquid liabilities/GD, Central bank assets/GDP, Deposit money bank assets/GDP, Other financial institutions assets/GDP, Bank deposits/GDP, Financial system deposits/GDP, Private credit by deposit money banks/GDP, Private credit by deposit money banks and other financial institutions /GDP, Overhead costs and Net interest margin. Indicators of development of the market are: Stock market capitalization/GDP, Private bond market capitalization/GDP, Public bond market capitalization/GDP, Stock market total value traded/GDP and Stock market turnover ratio. Indicators of development of the insurance are: Life insurance penetration and Non - life insurance penetration.The obtained results do not confirm the researches of other authors, who analyzed the dependency of the financial sector and the growth of economy of the "old" European Union countries, as it is stated that the growth of economy determines the formation of the structure of a market-based financial system, and with the domination of a strong bank sector in the Baltic States even in rapidly growing economy, dominant strong banking sector and law average GDP per capita, does not create conditions for the formation of a market-based financial structure.

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