DETERMINANTS OF LONG TERM GROWTH IN THE POST-COMMUNIST ALBANIA

GENCI GJANÇI*; ARDIAN ÇËRAVA**; HALIT XHAF*A***

*DEPARTMENT OF FINANCE AND ACCOUNTING, FACULTY OF ECONOMY, “FAN S. NOLI” UNIVERSITY, KORÇË, ALBANIA.

**DEPARTMENT OF HORTICULTURE AND AGROBUSINESS, FACULTY OF AGRICULTURE, “FAN S. NOLI” UNIVERSITY, KORÇË, ALBANIA.

***DEPARTMENT OF FINANCE, FACULTY OF ECONOMY, UNIVERSITY OF TIRANA, TIRANË, ALBANIA.

ABSTRACT
Achieving a high and stable long-term growth constitutes the core of most macroeconomic policies. If successful such policies result in a higher standard of living for the country’s citizens. To achieve this extremely important goal it is necessary to understand the factors that influence long-term growth. Identifying the growth determinants is an important first step towards formulating appropriate economic policies that try to promote long-term growth. This study examines the determinants of the long-term growth in the post-communist Albania using a nonlinear extended Solow model. The time series variables included in the growth model cover the period 1992-2011 and they are checked for non stationary before estimating the model. The ARDL bounds testing approach used to estimate the growth equation allows us to identify two key determinants of long-term growth in the post-communist Albania, namely investment and financial development. Investment is found to have a positive diminishing impact on the long-term growth while financial development is negatively related to the country’s long-term growth. However, the magnitude of the negative impact of financial development is quantitatively very small. The findings have some important policy implications.

KEY WORDS: Economic Growth, Financial Development, Investment.

References


