ISCTBL 2022

INTERNATIONAL SCIENTIFIC CONFERENCE

Универзитет „Гоце Делчев“ – Штип

Факултет за туризам и бизнис логистика

Goce Delchev University Shtip

Faculty of Tourism and Business Logistics

Петта Меѓународна Научна Конференција

Fifth International Scientific Conference

ПРЕДИЗВИЦИТЕ ВО ТУРИЗМОТ И БИЗНИС ЛОГИСТИКАТА ВО 21 ВЕК

CHALLENGES OF TOURISM AND BUSINESS LOGISTICS IN THE 21ST CENTURY

ЗБОРНИК НА ТРУДОВИ

CONFERENCE PROCEEDINGS

Универзитет „Гоце Делчев“ – Штип

Факултет за туризам и бизнис логистика

Goce Delcev University Shtip

Faculty of Tourism and Business Logistics

Петта Меѓународна Научна Конференција

Fifth International Scientific Conference

ПРЕДИЗВИЦИТЕ ВО ТУРИЗМОТ И БИЗНИС ЛОГИСТИКАТА ВО 21 ВЕК

CHALLENGES OF TOURISM AND BUSINESS LOGISTICS IN THE 21ST CENTURY

ЗБОРНИК НА ТРУДОВИ

CONFERENCE PROCEEDINGS

30 април 2022 г. / April 30, 2022

Издавач:
Факултет за туризам и бизнис логистика
Универзитет „Гоце Делчев“ – Штип
Крсте Мисирков, 10-А, 201, 2000, Штип, РС Македонија
Тел: +389 32 550 350
www.ftbl.ugd.edu.mk
www.ugd.edu.mk

За издавачот: д-р Татјана Бошков, декан

Организатор на конференцијата: Факултет за туризам и бизнис логистика
Уредник: д-р Татјана Бошков, декан
Тираж: 146
Година на издавање: 2022

Publisher:
Faculty of Tourism and Business Logistics
Goce Delchev University of Shtip
"Krste Misirkov" no.10-A P.O. Box 201 Shtip 2000, North Macedonia
Tel: +389 32 550 350
www.ftbl.ugd.edu.mk
www.ugd.edu.mk

For the Publisher: Tatjana Boshkov, Ph.D. – Dean

Conference Organizator: Faculty of Tourism and Business Logistics
Editor: Tatjana Boshkov, Ph.D. – Dean
Print circulation: 146
Year of publication: 2022

CIP - Каталогизација во публикација
Национална и универзитетска библиотека Св. „Климент Охридски“, Скопје

338.48(062)
658.6/.8:164(062)

МЕЃУНАРОДНА Научна Конференција (5 ; 2022 ; [Штип])
Предизвиците во туризмот и бизнис логистиката во 21 век : зборник на трудови / Петта меѓународна научна конференција, 30 април 2022 г . ; [уредник Татјана Бошков] = Challenges of tourism and business logistics in the 21st century : conference proceedings / Fifth international scientific conference, April 30, 2022 ; [editor Tatjana Boshkov]. - Штип
: Универзитет "Гоце Делчев"- Штип, Факултет за туризам и бизнис логистика = Shtip : University "Goce Delchev" -Shtip, Faculty of tourism and business logistics : Факултет за туризам и бизнис логистика = Faculty of Tourism and Business Logistics, 2022. - [274] стр. : илустр.
; см

Фусноти кон текстот. - Трудови на мак. и англ. јазик. - Библиографија кон одделни трудови. - Abstracts. - Резимеа

ISBN 978-608-244-891-6
а) Туризам -- Собири б) Синџир на снабдување -- Логистички системи -- Собири
COBISS.MK-ID 57409541

Организациски комитет:
Проф. д-р. Татјана Бошков, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р. Наташа Митева, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р Цветанка Ристова Магловска, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р. Душко Јошески, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р. Душица Попова, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија

Меѓународен програмски комитет:
Проф. д-р. Татјана Бошков, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р. Наташа Митева, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р. Цветанка Ристова Магловска, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р. Душко Јошески, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р. Душица Попова, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Проф. д-р. Мишко Џидров, Универзитет „Гоце Делчев“ – Штип, Машински факултет, Република Северна Македонија
Проф. д-р. Никола В. Димитров, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Проф. д-р. Цане Котески, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Проф. д-р. Александра Жежова, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Проф. д-р. Зоран Темелков, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
д-р Билјана Цоневска Гуњовска, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Проф. д-р. Тања Ангелкова Петкова, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р. Оливер Филипоски, Универзитет „Гоце Делчев“ – Штип, Факултет за Туризам и Бизнис логистика, Штип, Република Северна Македонија
Доц. д-р Христина Серафимовска, Факултет за Туризам и Бизнис логистика, Универзитет „Гоце Делчев“ – Штип, Република Северна Македонија
Проф. д-р Слаџана Стојановска, Факултет за Бизнис Економија, Скопје, Република Северна Македонија
Проф. д-р Димитар Ковачевски, Универзитет Американ Колеџ Скопје, Република Северна Македонија
Доц. д-р. Васко Шутаров, МИТ Универзитет, Факултет за безбедност, Република Северна Македонија
Проф. д-р. Глигор Бишев, Универзитет „Св. Климент Охридски“ - Битола, Економски факултет Прилеп, Република Северна Македонија

Проф. д-р. Мадалина Теодора Андреи, Универзитет Хиперион, Факултет за општествени, хуманистички науки и природни науки, Оддел за географија, Романија

Проф. д-р. Соња Квирога, Универзитет Алкала, Оддел за економија, Шпанија

Проф. д-р. Алиса Флеишер, Хебрејскиот универзитет Јерусалим, Роберт Х. Смит, Факултет за земјоделие, Храна и Животна средина, Оддел за економија на животна средина и управување, Израел

Проф. д-р. Ноам Шовал, Хебрејски универзитет Ерусалим, Факултет за општествени науки, Оддел за географија, Израел

Проф. д-р. Нурија Елиса Морере Молинеро, Универзитет Реј Хуан, Шпанија

Проф. д-р. Никола Хурвулиадес, Американ Колеџ Солун, Грција

Проф. д-р. Донила Пипа, Универзитет Марин Барлети, Економски факултет, Албанија

Проф. д-р. Мохамед Фуад, Ариш Универзитет, Факултет за уметност, Египет

Проф. д-р. Френсис Вериза, Универзитет Толиара, Факултет за оппштествени науки, Мадагаскар

Проф. д-р. Октавиан Сербан, Букурешки Универзитет за Економија, Факултет за храна од земјоделие и економија на животната средина, Романија

Проф. д-р. Сабина Георгечи, Асоцијација за промоција на туризмот, Дробета Турму-Северин, Романија

Проф. д-р. Серафима Роскова, Молдовска академија за науки, Академија за економски науки на Молдавија, Република Молдавија

Проф. д-р. Стела Дерменциева, Универзитет на Велико Трново Свети „Кирил и Методиј“, Оддел за Географија, Бугарија

Проф. д-р. Марта Боровска Стефанска, Универзитет во Лоџ, Факултет за Географски науки, Институт за градежна средина и Просторна, Полска

Проф. д-р. Јулиана Поп, Универзитет за економски студии, Факултет за бизнис и туризам, Романиа

Проф. д-р. Елена Тома, Универзитет Хиперион, Факултет за општествени, хуманистички науки и природни науки, Оддел за географија, Романија

Проф. д-р. Ирина Лазар, Универзитет Хиперион, Факултет за општествени, хуманистички науки и природни науки, Оддел за географија, Романија

Проф. д-р. Озгур Јерли, Дужче Универзитет, Факултет за Шумарство, Оддел за пејсажи, Турција

Доц. д-р. Жарко Радјеновиќ, Универзитет во Ниш, Центар за иновации, Србија

Проф. д-р. Драго Цвијановиќ, Универзитет во Крагујевац, Факултет за Хотелски менаџмент и Туризам Врњачка Бања, Србија

Проф. д-р. Дарко Димитровски, Универзитет во Крагујевац, Факултет за Хотелски менаџмент и Туризам Врњачка Бања, Србија

Проф. д-р. Серџо Чипола, Универзитет во Палермо, Силиција, Италија

Доц. д-р. Марија Белиј Радан, Универзитет во Белград, Факултет за географија, Србија

Доц. д-р. Андреј Мичовиќ, Универзитет во Крагујевац, Факултет за Хотелски менаџмент и Туризам Врњачка Бања, Србија

Проф. д-р. Светлана Станкова, Универзитет во Шумен „Св. Константин Преславки“, Факултет за природни науки, Оддел за географија, регионален развој и туризмот, Шумен, Бугарија

Organizational committee:
Prof. Tatjana Boshkov, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Natasa Miteva, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Cvetanka Ristova Maglovska, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Dusko Joseski, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Dusica Popova, Ph.D., Dusica Popova, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia

International program committee:
Prof. Tatjana Boshkov, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Natasa Miteva, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Cvetanka Ristova Maglovska, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Dusko Joseski, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Dusica Popova, Ph.D., Dusica Popova, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Prof. Misko Djidrov, Ph.D., Goce Delcev University of Stip, Faculty of Mechanical Engineering, Stip, North Macedonia
Prof. Nikola V. Dimitrov, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Prof. Cane Koteski, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Prof. Aleksandra Zezova, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Prof. Zoran Temelkov, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Biljana Conevska Gunjovska, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Prof. Tanja Angelkova Petkova, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Oliver Filiposki, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Assist. Prof. Hristina Serafimovska, Ph.D., Goce Delcev University of Stip, Faculty of Tourism and Business logistics, Stip, North Macedonia
Prof. Slagjana Stojanovska, Integrated Business Faculty, Skopje, North Macedonia
Prof. Dimitar Kovacevski, Ph.D., School of Business Economics and Management, University American College Skopje, North Macedonia
Assist. Prof. Vasko Sutarov, Ph.D., MIT University, Faculty of Security Sciences, North Macedonia

Prof. Gligor Bishev, Ph.D., St. Clement of Ohrid University of Bitola, Faculty of Economics, Prilep, North Macedonia
Prof. Madalina Teodora Andrei, Ph.D., Hyperion University, Faculty of Social, Humanities and Natural Sciences, Department of Geography, Romania
Prof. Sonia Quiroga, Ph.D., University of Alcalá, Depatment of Economics, Spain
Prof. Aliza Fleischer, Ph.D., The Hebrew University of Jerusalem, The Robert H. Smith Faculty of Agriculture, Food and Environment, Department of Environmental Economics and Management, Israel
Prof. Noam Shoval, Ph.D., The Hebrew University of Jerusalem, Faculty of Social Sciences, The Department of Geography, Israel
Prof. Nuria Elisa Morère Molinero, Ph.D., Universidad Rey Juan Carlos, Catedrática Historia Antigua, Spain
Prof. Nikolas Hourvouliades, Ph.D., American College of Thessaloniki, Greece
Prof. Donila Pipa, Ph.D., Marin Barleti University, Faculty of Economy, Albania
Prof. Mohamed Fouad, Ph.D., Arish University, Faculty of Arts, Egypt
Prof. Francis Veriza, Ph.D., University of Toliara, Faculty of Lettets and Human Sciences, Madagascar
Prof. Octavian Serban, Ph.D., Bucharest University of Economic Studies, Faculty of Agrifood and Environmental Economics, Romania
Prof. Sabina Gheorgheci, Ph.D., Mehedinți Tourism Promotion Association, Drobeta Turnu-Severin, Romania
Prof. Serafima Roșcovan, Ph.D., Moldova Academy of Science, Academy of Economic Studies of Moldova, Republic of Moldova
Prof. Stella Dermendzhieva, Ph.D., University of Veliko Turnovo St Cyril and St. Methodius, Department of Geography, Bulgaria
Prof. Marta Borowska-Stefanska, Ph.D., University of Lodz Faculty of Geographical Sciences, Institute of the Built Environment and Spatial Policy, Poland
Prof. Iuliana Pop, Ph.D., University of Economic Studies, Faculty of Business and Tourism, Romania
Prof. Elena Toma, Ph.D., Hyperion University, Faculty of Social, Humanities and Natural Sciences, Department of Geography, Romania
Prof. Irina Lazăr, Ph.D., Hyperion University, Faculty of Social, Humanities and Natural Sciences, Department of Geography, Romania
Prof. Ozgur Yerli, Ph.D., Duzce University, Faculty of Forestry, Department of Landscape, Architecture, Turkey
Assist. Prof. Zarko Radjenovic, Ph.D., University of Nis, Innovation Center, Serbia
Prof. Drago Cvijanović, Ph.D., University of Kragujevac, Faculty of Hotel Management and Tourism in Vrnjacka Banja, Serbia
Prof. Darko Dimitrovski, Ph.D., University of Kragujevac, Faculty of Hotel Management and Tourism in Vrnjacka Banja, Serbia
Prof. Sergio Cipolla, Ph.D., University of Palermo, Italia
Assist. Prof. Marija Belij, Ph.D., University of Belgrade, Faculty of Geography, Serbia
Assist. Prof. Andrej Mićović, Ph.D., University of Kragujevac, Faculty of Hotel Management and Tourism in Vrnjacka Banja, Serbia
Prof. Svetlana Stankova, University of Shumen “Konstantin Preslavski”, Faculty of natural science, Department of geography, regional development and tourism, Bulgaria

PANEL SESSION
Challenges and implications of COVID-19: reducing disparities and addressing distributional impacts in different sectors

Session chair: Tatjana Boshkov, Assoc.professor and Dean at Faculty of tourism and business logistics, ,,Goce Delcev University – Stip, N. Macedonia

Panelists

1. Prof. Dr. Tamara Klicek, Ph.D., International Programme on Urban Governance IPUG, National Taipei University, Taiwan
2. Prof. Dr. Madalina-Teodora Andrei, Ph.D., “Spiru Haret” University, Faculty of Geography, Bucharest, Romania
3. Prof. Dr. Mirela-Elena Mazilu, Ph.D. Department of Geography
4. Director of Research Center in Innovative and Regional Tourism, University of Craiova, Romania
5. Dr. Nikolina Vrcelj, Ph.D., Executive Director, Association of Economists and Managers of the Balkans, headquartered in Belgrade, Serbia
6. Prof. Dr. Kemal Cebeci, Marmara University, Faculty of Economics, Department of Public Finance, Director of MIRDEC, Istanbul, Turkey
7. Prof. Dr. Rabi Narayan Kar, Ph.D., FCS, Professor-Principal SLC, University of Delhi, Delhi, India
8. Prof. Dr. Paulo Reis Mourao, Ph.D., Department of Economics & NIPE, Economics & Management School, University of Minho, Braga – Portugal
9. Prof. Dr. Mazhar Abbas Ph.D. , Department of Management & MIS, College of Business Administration, University of Hail, Kingdom of Saudi Arabia
10. Prof. Dr. Kanita Imamović-Čizmić, Ph.D., Department of Legal and Economic Sciences, University of Sarajevo-Faculty of Law, BiH
11. Prof. Dr. Slagjana Stojanovska, Ph.D., Integrated Business Faculty, Skopje, Republic of N. Macedonia
12. Prof. Dr. Slavi Dimitrov Ph.D., Department of Tourism, Deputy Dean of the Faculty of Economics, "St. Cyril and Methodius" University of Veliko Tarnovo, Bulgaria
13. Dr. Žarko Rađenović, Research Associate, University of NišInnovation Center, Serbia
14. Prof. Dr. Boban Melovic, Ph.D., Vice-Dean for international cooperation, Faculty of Economics Podgorica, University of Montenegro

Moderators

First session: Business logistics and business administration
Natasha Miteva, PhD, Vice-Dean for Education, Faculty of Tourism and Business Logistics, Goce Delcev University – Stip, N. Macedonia

Second session: Tourism, hospitality and gastronomy
Natasha Miteva, PhD, Vice-Dean for Education, Faculty of Tourism and Business Logistics, Goce Delcev University – Stip, N. Macedonia

УНИВЕРЗИТЕТ „ГОЦЕ ДЕЛЧЕВ“ - ШТИП

GOCE DELCEV UNIVERSITY OF STIP

ФАКУЛТЕТ ЗА ТУРИЗАМ И БИЗНИС ЛОГИСТИКА

FACULTY OF TOURISM AND BUSINESS LOGISTICS

ПЕТТА МЕЃУНАРОДНА НАУЧНА КОНФЕРЕНЦИЈА

FITH INTERNATIONAL SCIENTIFIC CONFERENCE

ПРЕДИЗВИЦИТЕ ВО ТУРИЗМОТ И БИЗНИС ЛОГИСТИКАТА ВО 21 ВЕК

CHALLENGES OF TOURISM AND BUSINESS LOGISTICS IN THE 21ST CENTURY

ЗБОРНИК НА ТРУДОВИ
CONFERENCE PROCEEDINGS

30 април, 2022, Штип / Shtip,April 30th, 2022

UDK 338.121:336.76]:330.322.14(497.7)"2010/2020"
DOI https://www.doi.org/10.46763/YFNTS2251101m

THE CAPITAL MARKET AS A DRIVER OF ECONOMIC GROWTH-WITH AN EMPHASIS ON INSTITUTIONAL INVESTORS INVESTMENTS

Mila Mitreva[1]

[1] MSc, University Goce Delcev, mila.mitreva@ugd.edu.mk

Abstract

The relationship between economic development and economic growth has been deeply analyzed, but the interrelationship between capital markets and economic growth has not been researched enough. The lack of research in this field was the driving factor for the analysis in this paper. Existing literature shows that capital market promotes the economic activities and are very beneficial for the investors, especially the institutional investors. Therefore, as dependent variable in this paper was taken the GDP growth, while the independent is the market capitalization. Results show that market capitalization is significant and has positive effect on the economic growth in the European Union. Additionally, the data was obtained from the World Bank database and the period of analysis is from 2006-2020. Considering the positive effect, this creates opportunities for further and deeper research. Nevertheless, institutional investors have shown their positive effect on economic growth, thus, more developed capital markets can be more attractive for them. The more institutional investors invest in the capital markets, the better will be the economic growth of the countries in the European Union.

Key words: market capitalization; economic growth, institutional investors

Introduction

Capital market development is an important driver of economic growth. Existing literature shows that capital mobility contributes to long-run growth (Algaeed, 2020). The efficiency of financial services, financial institutions and financial intermediaries are crucial factors that have an effect on the economic growth. The papers of Schumpeter (1911), and, Kargbo and Adamu (2009) support these findings. Ouandlous (2010) in his paper emphasizes the importance of the cooperation between the private sector and the government authorities for creating efficient capital markets. Furthermore, capital markets have the main role of raising finance by different institutions and provide funds to businesses that cannot obtain these funds through the traditional banking sector.

Capital markets are very important for the institutional investors because they offer better opportunities for these investors, with better returns and lower risk. Capital markets also foster the economic activities and mobilize savings, which in long run have a positive impact on the economic growth (Oprea and Stoica, 2018). It is worth mentioning that throughout the years the amount of financing raised in capital markets has been increasing. Due to the globalization and the openness of the economies, many companies have increased their equity and bond issuances (Doidge, et al., 2013).

The importance of capital markets is nonnegotiable, but the imposed question is whether the domestic and international markets behave in similar way. Levine and Schmukler (2006) argue that internationalization contributed to shifting the trading activities of the larger firms from the

domestic into the international markets, while Karolyi (2004) claims that internationalization does not affect the domestic markets. Therefore, Gozzi, et al. (2015) claims that domestic and international markets complement each other. Considering that capital markets contribute to financial development, the imposed question is how this development affect the companies. Beck and Demirguc-Kunt (2006) in their paper show that financial development is more important for smaller rather than larger firms. This is because financial development is associated with transaction costs, information sharing and other financial frictions, which are more important for smaller companies. Hence, more developed domestic financial markets assist the smaller companies in their access to finance. Furthermore, Ekundayo (2002) suggests that capital markets enable the economies to gain economic growth because of the large volumes of investments and mobilization of savings. Capital markets are complex because of the number of financial instruments and financial institutions included. However, the development of the real sector in the economy is important for the financial sector growth.

Interrelationship between capital markets and economic growth

The literature that examines the relationship between capital markets and economic growth is complex. Many analyzes were conducted by many researchers and most of them found positive correlation between the capital markets and economic growth. Hence, Alam and Hussein (2019) in their paper found that stock market has positive effect on economic growth. Following the paper of Algaeed (2020), in this paper, the indicators representing the stock market are share price index and market capitalization. Similarly, Brasoveanu et al. (2008) in their paper confirmed the positive impact of capital market development on economic growth. Kalapo and Adaramols (2012) in their paper analyzed the relationship between capital market development and economic growth in Nigeria and found that economic growth is positively affected by the capital markets. Additionally, Osho (2014) found positive correlation between stock market development and financial institutions, which consequently has a positive effect on economic growth (Abraham, et al, 2019). Hence, considering the positive effect of capital markets on economic growth, it is worth mentioning that its main role is to raise finance by various kind of institutions. The process of raising finance is related to issuing securities such as bills, promissory notes, shares, bonds etc. Capital markets are especially important for the riskier businesses, because they cannot obtain funds from the banking sector (Algaeed, 2020). The capital markets, which are structured in stock and commodities markets, serve as a synonym for the liquidity and the performance of the economy.

According to Caporale et al. (2005) through the stock markets, investors have access to financial instruments, which can be obtained at lower costs and risk. It worth mentioning that the strength of the financial markets and the way in which they perform their functions affect the stock market volatilities and the level of returns (Twerefou, et al, 2019). However, the liberalization of the financial systems is important for the ability of the stock markets to allocate the capital. This allocation of capital can be used for financing risky, productive This allocation of capital can be used for financing risky and innovative projects. This is supported in the papers of Rosseau and Wachtel (2000), Beck and Levine (2003), where they confirm strong correlation between stock market development and GDP per capita growth. Furthermore, various economic and social factors have an impact on the performance of the stock markets. For instance, inflation and deflation are factors that contribute to downturn of the stock market. Notwithstanding, interest rates also affect the stock markets, because the money become more expensive. In this context, the export-oriented countries are more affected by currency appreciation, because the export becomes more expensive and consequently downturn of the stock market is created. However, the stock price movements are affected not only by the external factors, but by the internal as well. Hence, mergers, acquisitions, dividend suspension, etc. are some of those factors (Ahmad, 2016).

Institutional investors and economic growth

Numerous studies analyze the relationship between economic growth and financial development, examined through application of various econometric methods, cross-country analysis, time series, panel data etc. However, the results vary, depending on the economic conditions and the financial strength of the countries (Ruiz, 2018). In the context of the development of the country, it is worth mentioning that the participation of the institutional investors (pension funds, insurance companies, investment funds) in the capital markets increases, as the economy of the country develops (Beck and Levine, 2004). Considering the positive effect of institutional investors on capital market development, it is expected that they have positive effect on the economic growth as well. Some papers, such as the research of Chang, et al. (2014) and Curak, et al. (2009) show the positive effect of insurance companies on economic growth, while other researches, such as the paper of Klapper, et al. (2004) shows the positive effect of mutual funds and the paper of Davis and Hu (2006) shows the positive effect of pension funds. Moreover, Coskun et al. (2017) in their paper analyzed the relationship between the mutual funds, pension funds and other components of the capital market with the economic development in Turkey. The results showed long and positive co-integration between capital market development and economic growth.

According to Ward and Zurbruegg (2000), the insurance industry granger causes the economic growth in some countries, which is not the case for other. Chang et al. (2014) in his paper focused on ten OECD countries and used dynamic panel data technique for examining the relationship between insurance activities and economic growth. For half of the sample the results were statistically significant and showed positive effects. Holzmann (1997) in his paper showed that the Chilean pension funds have positive effect on economic growth.

Furthermore, in the global markets today, the pension funds and the life-insurance companies have big importance. The more the pension savings are growing, the better is the effect on the capital markets, and consequently the impact on the economic growth is positive. The globalization and the competitiveness of the firms pressurizes them to be more innovative, thus, to make more investments. For providing those necessary financial intermediation services, the role of the institutional investors increases. In period of financial crisis or economic turbulences, institutional investors become very relevant financial institutions because of their longer time horizons (Bijlsma, et al, 2014). In the Table below are presented the pension funds contributions as a share of GDP for some of the European countries.

Pension fund's assets can be defined as assets that are purchased with the main purpose to finance the pension plan benefits. From the table below it can be seen that for Belgium they are constant throughout the years, with a slight increase from 2017-2020. For Germany they are constant in the period 2011-2017, while from 2018-2019 they have decreased. For Portugal the largest amount can be detected in 2014, continuing with a decrease in the following years. An increase in 2019 can be detected, again with a slight decrease in 2020. Similarly to Belgium, Slovenia's pension fund's assets as a share of GDP have decreased starting from 2010, while an increase can be detected in 2020. Hence, it can be concluded that diversity among countries exists, especially in the evolution over the whole-time span.

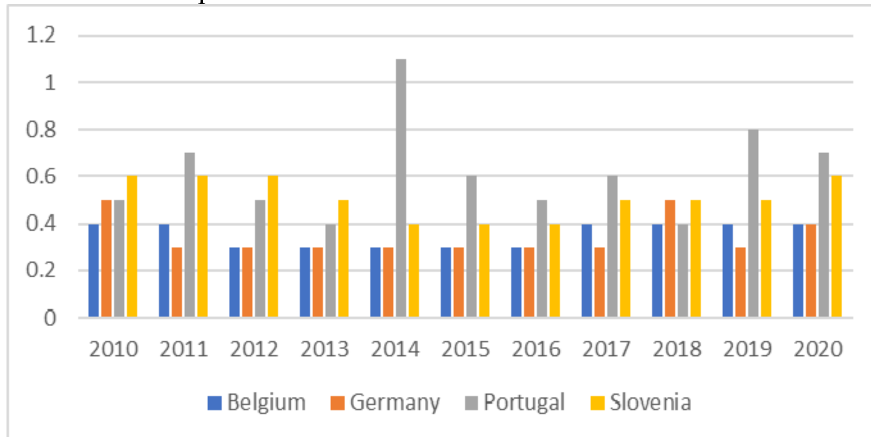
Graph 1: Pension fund's assets as a share of GDP

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Belgium	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Germany	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5	0.3	0.4

Portugal	0.5	0.7	0.5	0.4	1.1	0.6	0.5	0.6	0.4	0.8	0.7
Slovenia	0.6	0.6	0.6	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.6

Source: OECD website (2022)

Graph 2: Pension fund's assets as a share of GDP



Source: OECD website (2022)

Institutional investors and capital markets

Literature shows that traditional funding sources will not be enough for filling the financial gaps. Considering the growing potential that institutional investors have shown, it is believed that through the right set of instruments they will assist in bridging the financial gap. Therefore, institutional investors and capital markets can complement such financing. It is worth mentioning that the assets under management of the institutional investors are significantly big. Hence, if only portion of those assets is invested in infrastructure, the impact will be important. This can become possible, only when the long-term nature of the infrastructure projects meets the institutional investors' long-term liabilities. Nevertheless, infrastructure investment of institutional investors can be very attractive because of the returns it provides, portfolio diversification opportunities and protection from inflation (Escap, 2016).

Notwithstanding, the financial crisis from 2008 highlighted the importance of the institutional investors as providers of domestic capital for economic development. Their importance has been increasing throughout the years, while the governments and banks' balance sheets have become stretched (Stewart, et al, 2017). Moreover, institutional investors such as mutual funds, insurance companies, funnel the savings to firms and entrepreneurs that need finance. Hence, they serve as financial intermediaries. Additionally, Moleko and Ikhide in their paper analyze the effect of pension funds' assets on capital market development, where they found positive relationship. Nevertheless, the impact of the pension funds depends on the financial development and the development of the capital market. The higher the level of development, the better is the effect of the pension funds (Meng and Pfau, 2010). Meng and Pfau (2010) also claim that the assets of the pension funds have more of a long-term outlook. Hence, if they are supplied to the capital markets, they may lead to financial development. Pension funds differ from the other institutional investors because of the behavior of their liabilities, which are long-term. Therefore, pension funds provide stability to the financial system. Contrary to the pension funds' assets, the liabilities of the other institutional investors, such as insurance companies and mutual funds are liquid. Another distinguishing characteristic between pension funds and the insurance companies is the fact that the liabilities of the pension funds are invested mostly in shares than bonds (Moleko and Ikhide). Notwithstanding, the number of institutional investors is constantly increasing and their importance in the financial markets is growing.

Empirical analysis

Following the exiting literature, such as the paper of Shabbir and Hussein (2019) where they analyze the impact of capital markets on economic growth in Oman, in this paper the aim is to determine the effect of capital markets on economic growth generally in the European Union. Therefore, as dependent variable is chosen the GDP growth, while the independent variable is the market capitalization of all listed domestic companies. The period of analysis is from 2006-2020 and the data is annual. The data was obtained from the World Bank database, while the analysis is conducted in E-views platform.

From the Table 1 below it can be seen that the R^2 is 86%, which shows that the model has good explanatory power. In other words, 86% of the variability of the dependent variable is explained with the variability of the independent, while the remaining 14% are explained by other factors. Furthermore, the independent variable has probability of 0.035, which is less than the level of significance of 5% and 10%. This means that the variable is significant and has positive effect on the GDP growth in the European Union. Hence, it can be concluded that the market capitalization (which in this case serves as a proxy for the capital markets) has positive effect on the GDP growth.

The finding of Yu et al. (2012) can support this finding. In their study they concluded that in the developed countries there is a positive relationship between stock market development and economic growth. Similarly, in this study, the main focus were the countries in the European Union which are mostly developed countries. Levine and Zervos (1998) and Beck and Levine (2004) in their study also found that stock markets have positive effect on growth. Similarly, Seven and Yetkiner (2016) found that positive relationship between stock markets and economic growth exists in middle and high-income countries.

Table 1: Results of the impact of market capitalization on economic growth
Dependent Variable: GDP_GROWTH
Sample: 2006 2020

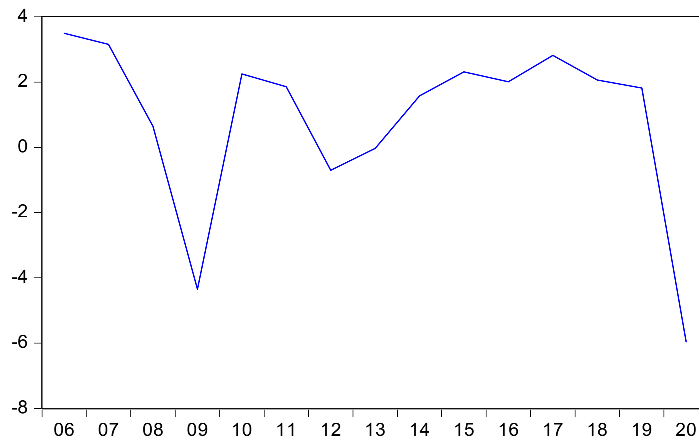
Variable	Coefficient	Std. Error	t-Statistic	Prob.
MARKET_CAPITALIZATION	0.063356	0.027055	2.341774	0.0358
C	-2.236920	1.456253	-1.536079	0.1485

R-squared	0.296685	Mean dependent var	0.863026
Adjusted R-squared	0.242584	S.D. dependent var	2.700836
S.E. of regression	2.350527	Akaike info criterion	4.670722
Sum squared resid	71.82473	Schwarz criterion	4.765129
Log likelihood	-33.03042	Hannan-Quinn criter.	4.669717
F-statistic	5.483904	Durbin-Watson stat	2.302199
Prob(F-statistic)	0.035770		

Source: Author's calculation

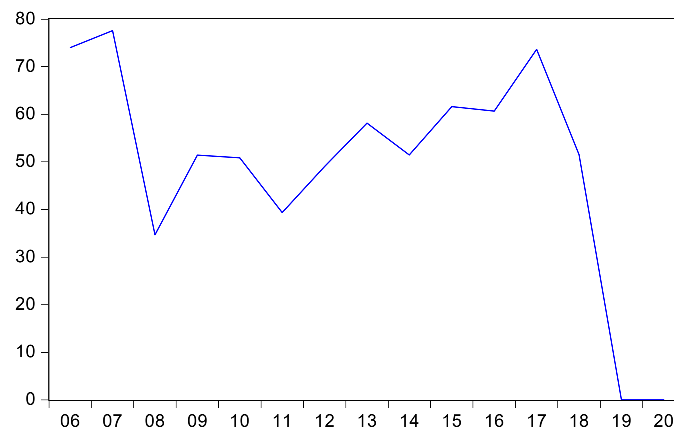
In the Graphs below are presented the movements of the GDP growth and the Market capitalization throughout the years (2006-2020). From both graphs it can be concluded that the crisis from 2007 and the Covid-19 pandemic had a negative impact, which can be the reason for the drastic decrease. Nevertheless, for the rest of the years they have similar movements, with slighter decrease in the period 2011-2012. GDP growth for the European Union was highest in the period 2017-2018, as well as the market capitalization. These findings support the existing literature which was presented above, that the capital markets have a positive impact on the economic growth.

Graph 1: Graphical representation of GDP growth



Source: Author's calculation

Graph 2: Graphical representation of Market capitalization



Source: Author's calculation

Conclusion

The potential for economic growth of a country can be deeply affected by the performance of the stock market. Hence, stock markets play very important role for the national economy. Existing literature showed that capital markets are one of the main sources of finance for various economic activities. Therefore, the main focus in this paper was to estimate the impact of capital markets on economic growth in the European countries for the period 2006-2020. The finding in this paper is that market capitalization which was taken as proxy for capital markets has positive effect on the economic growth. This finding can be supported by the existing literature such as the papers of Seven and Yetkiner (2016), Levine and Zervos (1998) an Yu et al. (2012). Similarly, to this finding, in those papers it was concluded that the effect is positive only in developed countries. Nevertheless, for less developed countries the stock markets have lower effects on economic growth. Additionally, institutional investors have very important role in today's globalized and competitive world. Banks as financial institutions cannot provide finance to all of those that need it. Hence, institutional investors can fill that gap through investing in the capital markets. Therefore, the higher the amount of investments in the capital markets, the

higher are the chances for their growth. Consequently, more developed capital markets can positively affect the economic growth. Finally, yet importantly, this paper creates additional space for further research in this field. Thus, analyzing the instruments in which institutional investors mostly invest in, can provide better picture and understanding of how the performances of the capital markets among different countries differs. Based on these types of statistical researches, the policy makers can encourage the long-term capital market development plan, and create better regulations for institutional investors.

References

1. Abraham, F., et al. (2019). The rise of domestic capital markets for corporate financing. World Bank Group, Global Knowledge & Research Hub in Malaysia. Retrieved from: https://documents1.worldbank.org/curated/en/312461569223225798/pdf/The-Rise-of-Domestic-Capital-Markets-for-Corporate-Financing.pdf
2. Ahmad, K. U. (2016). Co-integration of Bangladesh stock market with India, emerging and world stock market indices. Lappeenranta University of Technology, Finland.
3. Alam, Md., & Hussein, M. (2019). The impact of capital market on the economic growth in Oman. Financial Studies, 2, 116–129.
4. Algaeed, A. H. (2020) Capital market development and economic growth: an ARDL approach for Saudi Arabia (1985-2018). *Journal of Business Economics and Management.* Vol. 22, No. 2, p. 388-409.
5. Beck T., et al. (2008). "Finance, Firm Size, and Growth." Journal of Money, Credit and Banking, 40 (7): 1379-1405.
6. Beck, T. and Levine, R. (2004). Stock markets, banks and growth: Panel evidence. *Journal of Banking and Finance.* Vol. 28, p. 423-442.
7. Beck, T., and R. Levine (2003). Stock Markets, Banks, and Growth: Panel Evidence. *Journal of Banking and Finance*.
8. Bijlsma, et al. (2014). Economic growth and funded pension systems. CPB Netherlands Bureau for Economic Policy Analysis.
9. Brasoveanu, L., et al. (2008). Correlations between capital market development and economic growth: The case of Romania. *Journal of Applied Quantitative Methods.* Vol. 3, No. 1, p. 64–75.
10. Caporale, G. M., et al. (2005). Endogenous growth models and stock market development: Evidence from four countries. *Review of Development Economics*. Vol. 9, No. 2, p. 166–176.
11. Chang, T., et al. (2014). Does insurance activity promote economic growth? Further evidence based on bootstrap panel Granger causality test. *The European Journal of Finance*. Vol. 20, No. 12, p. 1187–1210.
12. Coskun, Y., Seven, V., Ertugral, H., & Ulussever, T. (2017). Capital market and economic growth nexus: Evidence from Turkey. Central Bank Review, 17(1), 19–29.
13. Curak, et al. (2009). Insurance sector development and economic growth in transition countries. *International Research Journal on Finance and Economics.* Vol. 34, p. 29-41.
14. Davis, E. P. and Hu, Y. W. (2006). Oxford handbook of pensions and retirement income. *Funding, saving and economic growth.* Oxford University Press, p. 201-218.
15. Doidge, C., et al. (2013). The U.S. Left Behind? Financial Globalization and the Rise of IPOs Outside the U.S. *Journal of Financial Economics.* Vol. 110, No. 30, p. 546-73.
16. Ekundayo, I. K. (2002). Creating a conducive Environment for Investment in the Nigerian Capital Market. Paper Presented at Public Enlightenment on Opportunities in the Capital Market for industrial Development.
17. Escap (2016). Tapping capital markets & Institutional investors for infrastructure development. Economic and social Commision for Asia and the Pacific. Retrieved from: https://www.unescap.org/sites/default/files/S4_Tapping-Capital-Markets-and-Institutional-Investors.pdf
18. GDP growth (annual %) (2022). The World Bank database. Retrieved from: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG
19. Gozzi, J. C., et al. (2015). How Firms Use Corporate Bond Markets under Financial Globalization. *Journal of Banking and Finance*. Vol. 58, p. 532-55.
20. Holzmann, R. (1997). Pension reform, financial market development and economic growth: Preliminary evidence from Chile. *International Monetary Fund*. Vol. 44, No. 2, p. 149-178.
21. Kargbo, S. And Adamu, P. (2009). Financial development and economic growth in Sierra Leone. *Journal of Monetary and Economic Integration*. Vol. 9, No. 2, p. 30–57.

22. Karolyi, G. A. (2004). The Role of American Depositary Receipts in the Development of Emerging Equity Markets. *Review of Economics and Statistics*. Vol. 86, No. 3, p. 670-90.
23. Klapper, L., et al. (2004). The development of mutual funds around the world. *Emerging Markets Review*. Vol. 5, No. 1, p. 1–38.
24. Kolapo, F., & Adaramols, A. (2012). The impact of the Nigerian capital market on economic growth. International Journal of Developing Societies, 1(1), 11–19.
25. Levine, R. and Zervos, S. (1998). Stock markets, bonds and economic growth. *American Economic Review.*
26. Levine, R., and S. L. Schmukler. (2006). Internationalization and Stock Market Liquidity. *Review of Finance*. Vol. 10, No. 1, p. 153-87.
27. Market capitalization of listed domestic companies (% of GDP) (2022). The World Bank database. Retrieved from: https://data.worldbank.org/indicator/CM.MKT.LCAP.GD.ZS
28. Meng, C. and Pfau, W. D. (2010). The Role of Pension Funds in Capital Market Development. Discussion Paper 10-17, National Graduate Institute for Policy Studies.
29. Moleko, N. and Ikhide, S. Establishin linkages between pension funds and capital market development in South Africa. University of Stellenbosch Business School.
30. OECD website (2022) Funded pension indicators: contribution as a % of GDP. OECD website. Retrieved from: https://stats.oecd.org/viewhtml.aspx?QueryName=601&QueryType=View
31. Oprea, O., and Stoica, O. (2018). Capital markets integration and economic growth. Montenegrin Journal of Economics, 14(3), 23–35.
32. Osho, A. (2014). The role of stock market on Nigeria's economic development. *International Journal of Scientific and Research Publications*. Vol. 4, No. 4, p. 1–7.
33. Ouandlous, A. (2010). Capital market and economic development: A framework for newly liberalized Economies. *Journal of Business and Economics Research*. Vol. 8, No. 6,p. 9–16.
34. Rousseau, P.L., and P. Wachtel (2000). Equity Markets and Growth: Cross-country Evidence on Timing and Outcomes, 1980-1995. *Journal of Banking and Finance*. Vol. 24, p. 1933-1957.
35. Ruiz, J. L. (2018) Financial development, institutional investors and economic growth. *International review of Economics and Finance.* Vol. 54, p. 218-224.
36. Schumpeter, J. A. (1911). The theory of economic development. Harvard University Press.
37. Seven, U. and Yetkiner, H. (2016). Financial intermediation and economic growth: does income matter? Econ. Syst. 40.
38. Shabbir, A. M. and Hussein, M. A. (2019) The impact of capital market on the economic growth in Oman. *Financial Studies,* 2/2019.
39. Stewart, F., et al. (2017) Pension Funds, Capital Markets and the power of Diversification. *Policy Research Working Paper, Finance and Marktes global Practice Group-World Bank Group.* Retrieved from: https://openknowledge.worldbank.org/bitstream/handle/10986/27639/WPS8136.pdf?sequence=1&isAllowed=y
40. Twerefou, D., et al. (2019) Impact of stock market development on economic growth: evidence from selected Sub-Saharan African countries. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis.* Vol. 67, No. 4, p. 1071-1083.
41. Ward, D. and Zurbruegg, R. (2000). Does insurance promotes economic growth? Evidence from OECD countries. *Journal of Risk and Insurance.* Vol. 67, p. 489-506.
42. Yu, J. S, et al. (2012). A re-examination of financial development, stock markets development and economic growth. *Applied Economics.* Vol. 44, No. 27, p. 3479-3489.