Acta Universitatis Danubius
ŒCONOMICA

The Impact of the Financial System Size on Sustainable Development

Eduard Kenig[1], Angela Secrieru[2]

Abstract: The present article delves into the relationship between the size of national financial systems and the level of countries' sustainable development. The research's relevance and importance are justified by the need to meet sustainability standards in society development and the crucial role of financial systems in the generative processes of sustainable development. The authors' objectives were to establish the relationship between financial system size, measured through financial depth, and the sustainability level of national economies; measure the correlation between financial system depth and macroeconomic and financial parameters; and develop practical solutions to counter the negative impact of the financial system in the Republic of Moldova, which is characterized by insufficient financial depth, on national economy sustainability. The research process involved the application of system research methods and models, as well as analysis and synthesis, correlation analysis, factor analysis, dynamic analysis, and expert analysis. The article underscores the importance of financial integration at the regional level, the increase of foreign ownership of financial intermediaries, and the adaptation of regulations to the specifics of small financial systems, all of which have significant practical implications.

Keywords: banking sector; financial depth; financial integration; financial system; sustainable development

JEL Classification: E44, E58, F36, G2, O10

[1] PhD candidate, Academy of Economic Studies of Moldova, Chisinau, Republic of Moldova, Address: 61 Mitropolit Gavriil Banulescu-Bodoni Street, MD-2005, Chisinau, Republic of Moldova, Corresponding author: editlv@mail.ru.

[2] Professor, PhD, Academy of Economic Studies of Moldova, Chisinau, Republic of Moldova, Address: 61 Mitropolit Gavriil Banulescu-Bodoni Street, MD-2005, Chisinau, Republic of Moldova, E-mail: secrieru.angela@ase.md.

1. Introduction

The limited size of financial systems can represent a challenge for managing macroeconomic volatility, maintaining macro-financial stability, and stimulating inclusive growth.

Financial system size can be measured by applying a set of indicators that form the aggregate parameter of financial depth. In this context, it should be mentioned that, from the perspective of the World Bank (2016), financial depth, together with accessibility, efficiency, and stability, represent four aggregate variables that characterize the level of development of national financial systems.

The category of indicators used to determine the financial depth level and, respectively, the financial system size includes the following: the ratio of the credit amount provided to the private sector to gross domestic product (GDP); the ratio of financial institutions' assets to GDP; the ratio of money supply represented by monetary aggregate M2 to GDP; the ratio of deposit balance to GDP; the ratio of the financial sector's gross added value to GDP.

Financial services in small financial systems tend to be smaller in volume, costlier, and of lower quality compared to the same characteristics of financial services in large financial systems.

The financial system's small size makes it more challenging to diversify risk and maintain liquidity. It also requires more expensive regulation and supervision. As a result, the level of financing Sustainable Development Goals is strongly affected.

Numerous financial systems are extremely small. There are approximately 60 countries whose financial system's total size (measured using monetary aggregate M2) does not exceed $1 billion, being comparable to small banks in developed countries. In this context, Table 1 contains a number of 34 countries whose monetary aggregate M2 does not reach $10 billion.

Amount of Monetary Aggregate M2 in Some Countries, billion USD

Country Name	Period	Money Supply M2, billion USD	Country Name	Period	Money Supply M2, billion USD
Sierra Leone	Apr-23	0.001	Maldives	Jul-23	3.659
Malawi	Jul-23	0.003	Kyrgyzstan	Jun-23	3.785
Tajikistan	Aug-23	0.003	Belize	Jul-23	4.359
Tunisia	Jun-23	0.036	Nicaragua	Jun-23	4.998
Comoros	Mar-23	0.457	Moldova	Aug-23	5.589
Lesotho	1Q/23	0.874	Jamaica	Jul-23	6.102
Liberia	2Q/23	0.997	Namibia	Aug-23	7.379
Gambia	Jun-23	1.03	Botswana	Jun-23	7.4

Seychelles	Aug-23	1.157	Armenia	Jul-23	7.609
Swaziland	Aug-23	1.212	Uganda	Aug-23	7.613
Djibouti	Dec-22	1.233	Macedonia	Aug-23	7.905
Burundi	Jun-23	1.537	Sudan	Feb-23	8.416
Equatorial Guinea	May-23	1.934	Georgia	Aug-23	8.42
Cape Verde	Jun-23	2.164	Lebanon	Jun-23	8.776
Rwanda	Jul-23	2.713	Laos	2022	9.276
Bhutan	Jul-23	2.92	Albania	Aug-23	9.398
Guyana	2022	3.222	Paraguay	Aug-23	9.661

Source: made by the authors on the basis of the information on Take-profit statistics.

The application of these criteria permits to make the conclusion that the financial system of the Republic of Moldova is very small in essence.

2. Literature Review

A number of researchers have investigated the problem of financial system size measured through financial depth. At different times, different aspects of this subject have been emphasized.

In a more pronounced way, the connection between finance and economic development started to be studied and explained in the 1970s. In this respect, we can mention the works of Raymond Goldsmith (1969), Ronald McKinnon (1973) and Edward Shaw (1973), who explore the relationship between financial development and economic growth.

Financial system size is one of the financial development determiners, which is especially related to financial deepening. Thus, the authors King and Levine (1993), based on Goldsmith's works, examined a range of 80 countries over 30 years, and they noticed a strong, positive and statistically significant relationship between indicators of economic growth and development of banks, measured by the total liquid liabilities of financial intermediaries in relation to GDP.

In another study, the researchers Levine and Zervos (1998) investigate the relationship between stock markets and banks on the one hand and economic growth on the other hand. The authors state that stock market liquidity and the level of banking system development are positively correlated with economic growth. To measure bank development, the ratio of bank credit to the private sector divided by GDP is used. To measure stock market development, the authors use market capitalization relative to GDP, value of trading in relation to GDP, and market liquidity, measured by trading value in relation to market capitalization.

Later, the authors Fang and Jiang (2014) study the effects of developments in the banking, securities, and insurance sectors on economic growth in China. They state that the banking and insurance sectors have significantly favourable effects on economic growth, whereas the impact of the securities sector is uncertain.

Lucas (1988) claims that the role of finance is exaggerated in literature about economic growth. A group of researchers, including Arcand and others (2012), using the ratio of credit to the private sector to GDP as an indicator of financial depth, show that countries with small or medium-sized financial systems can benefit as a result of the financial depth growth. The researchers demonstrate that the effects of financial system size disappear as the proportion of the financial system reaches a level of 80 to 100 percent of GDP.

In their turn, Cecchetti and Kharroubi (2012) study, on the basis of a range of developed and emerging countries, the impact of size and financial system growth on the increase of efficiency and the development level of the national economy. Their results suggest that a more increased level of financial activity is not always good.

Another group of researchers, including Hassan and others (2011), analyze 168 countries during the period 1980-2007 grouping them in a number of subgroups. The researchers identify a negative, statistically significant relationship between the internal credit to the private sector and the economic growth in high-income countries, whereas this relationship is positive and statistically significant for East Asia and the Pacific, as well as for Latin America and the Caribbeans.

The researcher Kaya synthesizes arguments and counterarguments selected from various scientific discussions regarding the relationship between the development level of countries and the depth level of their financial systems. The author examines 203 countries on the basis of 20 variables measuring financial depth (2020). On the basis of empirical investigations, the following conclusions can be made: countries with high income tend to have a deeper financial system compared to other countries. When OECD member countries with increased income are compared with non-member ones, it can be stated that OECD member countries tend to have a deeper financial system. When an economic or financial crisis is expected, medium- and low-income countries will be more vulnerable as compared to high-income countries, because in the majority of aspects their markets are not as deep.

3. Correlation between the Financial System Depth and Macroeconomic and Financial Parameters

Deep financial systems have the capacity to determine a higher level of economic growth.

Figure 1 represents the dependence between the size of the national economy measured by GDP per capita and the financial depth measured by the ratio between the monetary aggregate M2 and GDP. It suggests the idea that more developed financial systems stimulate the growth of national economies.

As it follows from the graphic representation, the financial system of the Republic of Moldova, being characterized by a reduced level of financial depth (the monetary aggregate M2 compared to GDP was 46% in 2022), does not have sufficient potential to trigger sustainable growth processes. At the same time, the size of Israel's national economy (GDP per capita was 54 931 USD in 2022) can be positively associated with the country's financial system, which has a relatively increased depth (M2 compared to GDP being 104%).

Countries whose financial systems are characterized by a reduced level of financial depth (small financial systems) become more open, as a rule.

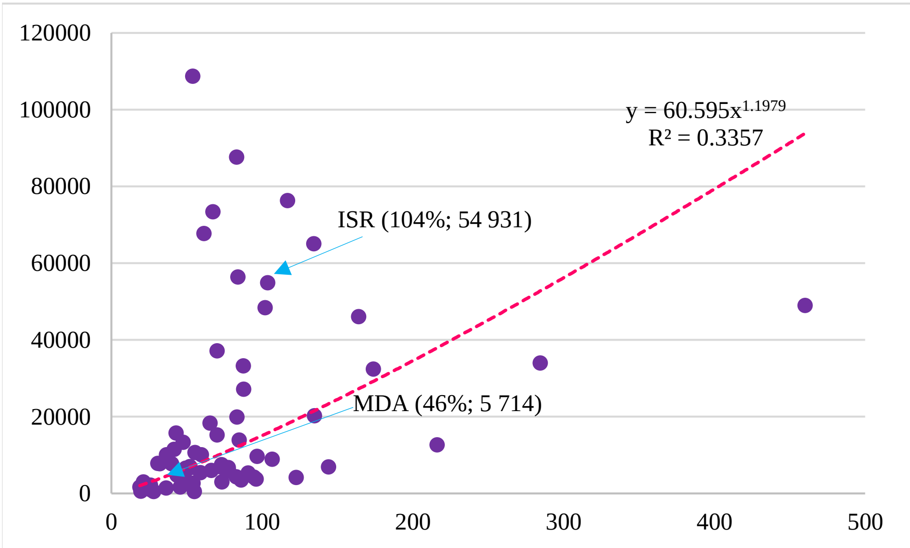

Figure 1. Relationship between Money Supply M2 and GDP (%) and GDP per Capita (USD at the Current Value), year 2022

Source: made by the authors on the basis of the information on World Bank DataBank.

The data presented in Table 2 confirm this affirmation. To measure the level of commercial openness, the value of import and export is used, which is expressed as a percentage of GDP. The table presents the evolution of this indicator over time in countries with small financial systems. To strengthen the conclusion, there is also information regarding the categories of countries, which are classified according to the level of income per capita.

As follows from Table 2, practically all the countries included in the analysis had registered a pronounced expansion of commercial openness until 2019-2020 (except Botswana, the Republic of Moldova and Tajikistan). During the period between 2019-2021, commercial openness was limited due to the impact of the Covid-19 pandemic. As regards the Republic of Moldova, constant restriction of commercial openness is determined by anemic economic activism, which does not generate strong international commercial interdependencies.

Although the level of commercial openness is higher in the group of countries with high income, the tendency of commercial openness growth is more pronounced in the group of countries with small and lower middle income, the countries whose financial systems are small. This evolution can be explained by the fact that commercial openness is considered to be a solution of compensation of their underdevelopment, although it implies some risks for national economies. In its turn, financial liberalization permits achieving and exploring economies of scale in the field of finance, which, otherwise, would be very difficult to achieve.

Table 2. Evolution of Commercial Openness of Countries whose Financial Systems Have Reduced Depth and of Groups of Countries Classified according to the Amount of Income

Name of the Country and Group of Countries	**2000**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Armenia	72	76	72	76	87	92	96	69	80	101
Albania	63	75	72	75	78	77	76	60	76	85
Belize	97	108	104	96	98	101	102	82	99	108
Botswana	92	119	113	100	82	87	83	78	89	85
Comoros	36	39	38	37	40	43	42	34	42	48
Georgia	63	97	99	97	104	112	119	94	103	116
Moldova	126	94	89	89	89	87	88	79	88	111
Paraguay	79	69	67	68	71	72	71	63	70	74
Rwanda	27	44	45	49	54	56	58	55	55	61
Seychelles	151	213	193	194	216	209	197	179	236	233
Tajikistan	175	55	50	56	54	56	56	56	72	n/a
Low income	n/a	48	43	43	48	50	48	46	51	50
Lower middle income	47	56	52	50	53	57	53	48	54	60
Upper middle income	49	49	46	44	45	47	45	43	48	50
Middle income	49	51	47	45	47	49	47	44	49	52
High income	52	63	61	59	61	62	62	57	61	68
World	50	59	56	55	56	58	56	52	57	63

Source: made by the authors on the basis of the information on the World Bank.

Less deep financial systems are characterized by larger interest rate margins as compared to developed banking systems.

Table 3 presents information about bank margin evolution in a number of countries whose financial systems are underdeveloped as compared to some countries having developed financial systems.

As it comes out of the above-mentioned table, the bank margin (the difference between lending interest rates and borrowing ones) increases when income per capita decreases. Thus, the smallest margins are recorded by high-income countries, followed by upper-middle-income countries, middle-income countries, lower-middle-income countries and those with low income.

At the same time, the Republic of Moldova, despite having a less deep financial system, is distinguished by a relatively reduced bank margin (2.5 percentage points in 2022), being comparable with that recorded in developed countries, e.g. Israel.

Table 3. Bank Margin Evolution in the Countries with Reduced Depth of Financial Systems and Groups of Countries Classified by the Income Amount, percentage points

Country Name	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Albania	5.7	6.1	6.5	5.9	5.5	5.2	5.8	5.7	5.5	5.8
Armenia	5.8	6.0	3.4	5.7	5.4	4.1	3.7	3.5	3.5	3.2
Belize	8.0	7.9	7.7	7.5	7.3	7.1	7.1	6.6	6.2	6.3
Botswana	7.1	6.5	5.4	5.2	5.4	5.0	4.8	4.2	3.8	4.6
Comoros	8.8	8.8	8.8	8.8	8.8	8.8	8.8	6.3	6.1	6.0
Georgia	3.9	3.5	3.6	2.7	1.8	2.3	2.1	1.6	2.2	2.0
Moldova	5.1	5.3	2.2	3.6	4.6	4.4	3.6	4.4	3.9	2.5
Paraguay	15.0	16.9	16.2	14.3	13.4	12.2	12.0	10.2	9.1	..
Rwanda	7.4	9.0	9.1	9.4	9.5	9.4	8.9	8.7	8.1	8.7
Seychelles	8.9	9.3	9.2	8.9	8.6	9.0	9.0	8.1	6.4	7.4
Tajikistan	17.8	19.0	21.6	21.4	26.0	23.4	18.4	n/a	n/a	n/a
Low income	7.4	9.2	9.1	9.4	9.4	n/a	n/a	n/a	n/a	n/a
Lower middle income	7.1	7.0	7.0	7.1	7.1	7.0	7.2	7.2	7.0	n/a
Upper middle income	6.1	6.0	6.2	5.9	5.4	5.2	4.9	4.9	4.6	5.1
Middle income	6.4	6.5	6.6	6.5	6.3	6.1	6.2	5.8	5.5	5.6
The Czech Republic	4.1	3.9	3.8	3.5	3.3	3.3	3.3	3.0	3.0	2.8
Israel	3.1	3.1	3.0	2.9	3.0	2.9	2.9	2.8	2.7	2.5
Norway	2.2	2.1	2.2	2.3	2.3	2.2	2.3	2.1	2.0	2.4
Switzerland	2.7	2.7	2.8	2.8	2.9	2.9	3.0	3.0	3.1	2.8

World	5.9	5.9	5.8	5.7	5.6	5.7	5.9	n/a	n/a	n/a

Source: made by the authors on the basis of the information on the World Bank.

To strengthen the above-made conclusions, Figure 2 presents the relationship between the lending interest rate and the depth level of the financial system.

This time, the financial system depth is measured through domestic credit to the private sector expressed as a percentage of GDP. As follows from Figure 2, the decrease in lending interest rate can be associated with the increase in financial depth. The Republic of Moldova, in 2022, recorded an average interest rate of 11.8% on the domestic credit of 27.5% of GDP to the private sector. For comparison, find below the values of this pair of indicators (domestic credit to private sector vs. lending interest rate) in some countries included in the analysis in Figure 2, which, unlike the Republic of Moldova, have developed financial systems:

Israel - domestic credit to the private sector: 70.2% vs. interest rate: 3%; Italy – 71.5% vs. 2.3%; Norway – 110.8% vs. 3.2%; Australia – 133.9% vs. interest rate: 5.1%; Thailand – 156.4% vs. 3.1%; South Korea - 175% vs. 4.3%; Hong Kong – 263.6% vs. 5.1%.

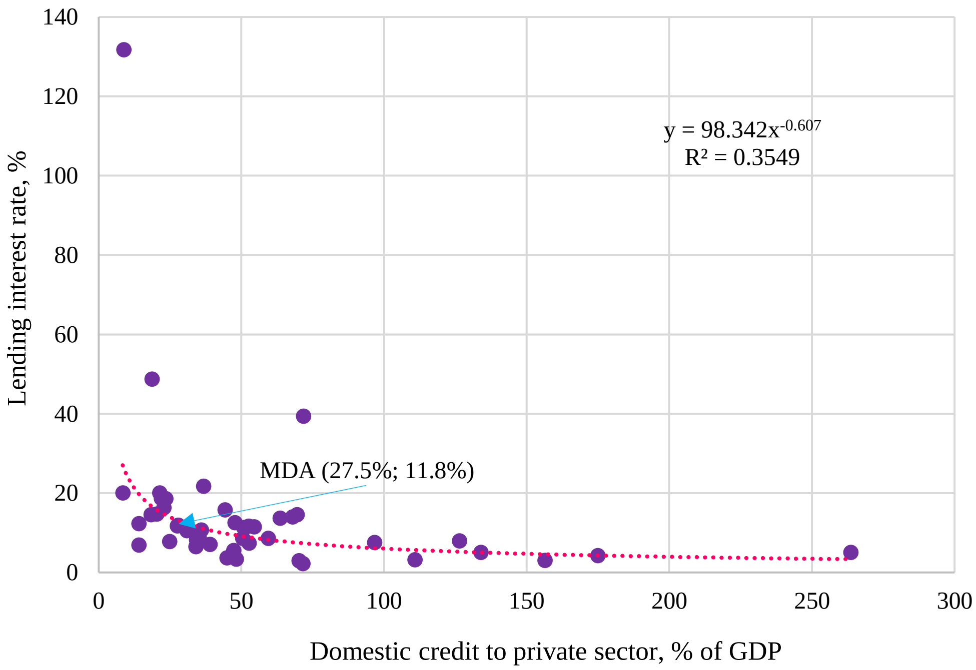

Figure 2. Relationship between Domestic Credit to Private Sector and Lending Interest Rate, %, year 2022

Source: made by the authors on the basis of the information on World Bank.

In general lines, the financial system of the Republic of Moldova, in spite of the consequences of the Covid-19 pandemic crisis and the war in Ukraine, is relatively stable.

Thus, as it follows from Table 4, banks are capitalized enough and demonstrate an increased liquidity rate, much exceeding the limits imposed by the regulations of the National Bank of Moldova. During the period 2018-2023, the rate of non-performing loans shows constant decreases, although it exceeds the maximum limit of 3% established by the European Banking Authority.

Table 4. Evolution of Some Indicators Characterizing Financial Stability on the Level of the Banking System of the Republic of Moldova

Indicator Name (the Limit Imposed by National Regulations)	2018	2019	2020	2021	2022	2023
Rate of total own funds (≥ 10%)	26.55	25.25	27.25	25.89	29.25	29.91
Rate of non-performing loans	12.54	8.49	7.38	6.14	6.44	5.55
Long-term liquidity (≤1)	0.72	0.72	0.71	0.74	0.67	0.69
Current liquidity (≥ 20%)	54.64	50.65	50.62	48.57	n/a	n/a
The indicator of coverage of the necessary liquidity (≥ 100%)	n/a	n/a	n/a	n/a	235.47	282.43

Source: made by the authors on the basis of the information from the interactive data base of the National Bank of Moldova.

Although the financial system is stable, financial intermediation in the Republic of Moldova remains underdeveloped, but the access to financing was limited by the COVID-19 pandemic, in a greater extent, and then by the consequences of Russia's war against Ukraine. According to the World Bank, more than 80% of economic agents finance their working capital from their own financial sources. The necessity to improve the access to financing for the corporate sector, maintaining financial stability at the same time, is emphasized by a relatively modest role played by capital markets in Moldova. At the same time, local commercial banks offer mainly short-term loans with increased interest and require big amounts as a guarantee, which reflects an increased economic risk in the country.

At the same time, the Republic of Moldova does not have any national strategy for durable financing, which would consistently approach the problem of access to financing and financial inclusion. Durable financing is taken into account in the Strategic Plan of the National Bank "BNM 2025" (NBM, 2023) in terms of consolidation of NBM's supervision function and promotion of durable development. It is necessary to design a new economic model which will support the country's transformation towards more inclusive and durable growth based on consumption financed by remittances to a lesser degree and the growth of the private sector and competitive markets to a greater one. This growth model should generate business opportunities and work places, being accompanied by efforts of human capital development. At the same time, it is necessary to pay attention to the improvement of transport and logistics: the outdated transport infrastructure and underdeveloped logistics represent critical constraints on the way of a more intensive commercial integration of the Republic of Moldova into the EU.

As mentioned before, reduced access to financing and increased loan costs represent critical barriers to the development of the private sector, especially that of microenterprises and small and medium-sized ones. The national financial sector continues to be constrained by its reduced dimensions and low degree of sophistication.

4. Solutions for the Financial System of the Republic of Moldova Characterized by Insufficient Depth

Table 5 synthesizes the problems tackled by the Republic of Moldova's financial system, formulating them in a generalized form.

Table 5. The Nature of Problems Tackled by the Financial System of the Republic of Moldova and Potential Solutions

Problems	Solutions
Insufficient competition; increased intermediation costs; inadequate management and corporate government at the level of financial institutions; inadequate supervision; insufficient and unsophisticated financial products and services.	Increase of foreign ownership of financial intermediaries
Limited potential for the development of financial intermediation, reduced risk diversification, and increased shock vulnerability.	Financial integration, including at the regional level
Insufficiency or reduced quality of the financial market infrastructure determined by the increased organizational costs; insufficient competition; the problem of providing operational independence to regulating institutions.	Infrastructure or the services of regional infrastructure
Ordinary regulations do not correspond to the characteristics of financial systems with insufficient depth and increased financial fragility.	Regulations adapted to the specifics of financial systems which are characterized by insufficient depth
Specific and non-homogeneous projects; inadequate risk diversification.	Liberalized flows of capital
Increased risks and costs of cross-border transactions.	Common currency (or foreign one)

Source: made by the authors on the basis of the international experience analysis.

As regards foreign ownership of financial intermediaries, financial practice demonstrates enough evidence to support the conclusion that small financial systems are characterized by an increased share of foreign ownership. This statement is valid for the Republic of Moldova as well. At the same time, as Table 6 shows, as of 30 April 2024, the lowest value of the share of foreign investments in banks' registered capital at the level of the banking system during the period 2014-2024 was recorded.

Table 6. Share of Foreign Investments in Banks' Registered Capital, at the Level of the Banking System of the Republic of Moldova, %

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Trimester I, 2024
77.56	82.92	81.03	81.01	78.08	87.06	86.63	86.64	88.87	88.87	70.47

Source: made by the authors on the basis of the information from the interactive data base of the National Bank of Moldova.

At the same time, the problem of foreign investments in the registered capital of banks in the Republic of Moldova consists of the quality of investments, an aspect that needs supplementary evaluation.

The status of the candidate country to join the European Union was obtained in March 2022, and the EU accession negotiations, which started in December 2023, form favourable prerequisites that the Republic of Moldova will benefit from a free circulation of goods and services, having reduced obstacles to entering the Moldovan financial sector and the guarantee that the national regulating authorities will not discriminate foreign financial institutions.

Free circulation of goods and services means that a financial institution authorized to function in an EU country does not need to get any supplementary permissions to find structural subdivisions in another EU country. Consequently, more intensive competition in the financial market will reduce financing costs, especially for small and medium-sized enterprises.

Financial integration has the potential to increase the volume of capital inputs in the Republic of Moldova.

At the same time, if financial integration is not well prepared in advance and is not properly managed later, it can prove harmful and generate obstacles to development.

In this regard, the so-called "collateral benefits" of financial integration are important, namely the formation of a favourable background for encouraging macroeconomic reforms, reforms related to the national financial system and those connected with the national juridical system, and improving financial institutions' infrastructure. Consequently, financial institutions from the Republic of Moldova will increase their financial potential and consolidate their property rights, which will stimulate investments directly.

Depending on geographical considerations, the possible integration for a small country is more likely connected with a large neighbour rather than a region consisting of a number of smaller countries. This situation can offer small countries a possible alternative to build their own infrastructure. Alternative options might include getting access to the big neighbour's infrastructure or facilitating the compatibility of its infrastructure components so that they could at least interact with those of the neighbour so as to allow exploitation of economies of scale.

To solve the problem of insufficient depth of the financial system, the supreme regulating authorities of the Republic of Moldova responsible for this aspect should, among other things, adapt the national regulations to the specifics of this financial system type, forming prerequisites for removing weaknesses and challenges faced by a small financial system. The simplest way to achieve this goal is compliance with European values and standards reflected in the EU legislation which regulates financial systems' functioning in the context of efforts that should be applied by the Republic of Moldova to join the European Union. EU norms tend to ensure loyal competition and financial institution stability and refer to the authorization, functioning, and supervision of these institutions.

In accordance with the European Commission's recommendations, the Republic of Moldova should make additional efforts to align with the acquis in the field of financial services, which implies the following:

- implementing the legislation concerning the financial sector supervision in the conditions of transferring the role to supervise the insurance sector, non-banking financial institutions, savings and loan associations and credit bureaus to the National Bank of Moldova;

- compliance with the EU acquis regarding the regulation of the banking and insurance sectors (including bank resolution and bank deposit guarantee schemes) and regulation of securities markets, investment funds and investment services.

5. Conclusions

The financial system of the Republic of Moldova is characterized by a reduced level of financial depth, having as a result a limited capacity to develop in a sustainable way.

Although, in general lines, countries with small financial systems are more and more open, the Republic of Moldova represents an exception to this tendency because of the production sector of the national economy being in a chronic recession. At the same time, commercial openness can partially compensate countries' economic underdevelopment, but financial liberalization, being efficiently managed, represents a basic prerequisite to reach economies of scale in the financial field with beneficial consequences for the sustainability of national economies.

Another obstacle on the way of national economies’ sustainability development are increased banking margins, which are characteristic of small financial systems.

The financial system of the Republic of Moldova is relatively stable. At the same time, it does not succeed to effectively fulfil its intermediary role. Financial intermediary in the Republic of Moldova remains underdeveloped.

The fact that the Republic of Moldova lacks any National strategy of durable financing partially explains inconsistent and sporadic approach to the problem of access to financing and financial inclusion.

The specifics of the problems determined by the insufficient depth of the national financing system suggest solutions that can be recommended with the purpose to overcome the impact of the financial system’s small size on the sustainable character of the national economy. Among these, the most prominent are the following: the extension of foreign ownership of financial intermediaries; financial integration, including at the regional level; development of infrastructure or regional infrastructure services; adaptation of regulations to the specifics of financial systems that are characterized by insufficient depth.

Acknowledgements

The article was developed within the framework of Subprogram 030101 “Strengthening the resilience, competitiveness, and sustainability of the economy of the Republic of Moldova in the context of the accession process to the European Union”, institutional funding.

References

Almanaseer, S. R. (2023). The relationship between financial integration and financial stability: an application of panel smooth transition model. *International Journal of Professional Business Review,* 8(5), 1-22.

Arcand, J.-L., Berkes, E., & Panizza, U. (2012). *Too much finance?* Working Paper No. 12/161. IMF. Retrieved from https://www.imf.org/external/pubs/ft/wp/2012/wp12161.pdf.

Cecchetti, S., & Kharroubi, E. (2012). *Reassessing the impact of finance on growth.* Working Paper No. 381. Monetary and Economic Department, Bank for International Settlements. https://www.bis.org/publ/work381.pdf.

European Commission. (2023). *Commission Staff Working Document: Republic of Moldova 2023 Report*. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Retrieved from https://neighbourhood-enlargement.ec.europa.eu/system/files/2023-11/SWD_2023_698%20Moldova%20report.pdf.

Fang, X., & Yu, J. (2014). The promoting effect of financial development on economic growth: evidence from China. *Emerging Markets Finance and Trade*, 50(1), 34-50. Retrieved from https://www.researchgate.net/publication/276003644_The_Promoting_Effect_of_Financial_Development_on_Economic_Growth_Evidence_from_China.

Goldsmith, R. W. (1969). *Financial Structure and Development*. New Haven, Connecticut: Yale University Press. Retrieved from https://archive.org/details/financialstructu0000gold/page/570/mode/thumb.

Hassan, K., Sanchez, B., & Yu, J.-S. (2011). Financial development and economic growth: new evidence from panel data. *The Quarterly Review of Economics and Finance*, 51, 88-104. Retrieved from https://www.sesric.org/imgs/news/image/585-paper-4.pdf.

Kaya, H. D. (2020). The Depth of the Financial System: A Comparison of Developed and Less Developed Countries. *Financial Markets, Institutions and Risks*, 4(4). 109-118. Retrieved from https://armgpublishing.com/wp-content/uploads/2021/01/9-1.pdf.

King, R. G. & Levine, R. (1993). Finance and growth: Schumpeter might be right. *Quarterly Journal of Economics*. 108(3), 717-737. Retrieved from https://www.researchgate.net/publication/24091420_Finance_and_Growth_Schumpeter_Might_Be_Right.

Levine, R., & Zervos, S. (1998). Stock Markets, Banks, and Economic Growth. *The American Economic Review*, 88(3), 537-558. Retrieved from https://www.researchgate.net/publication/4901422_Stock_Markets_Banks_and_Economic_Growth.

Lucas, R. E. (1988). On the mechanics of economic development. *Journal of Monetary Economics*. 22(1), 3-42. Retrieved from https://www.parisschoolofeconomics.eu/docs/darcillon-thibault/lucasmechanicseconomicgrowth.pdf.

McKinnon, R. I. (1973). *Money and Capital in Economic Development*. Washington, D.C.: Brookings Institution.

National Bank of Moldova. (2023). *Planul Strategic al Băncii Naționale a Moldovei „BNM 2025”/Strategic Plan of the National Bank of Moldova “NBM 2025”.* Retrieved from https://www.bnm.md/ro/printpdf/content/planul-strategic-al-bancii-nationale-moldovei-bnm-2025.

National Bank of Moldova. (2025, February). *Interactive Database of the National Bank of Moldova*. Retrieved from https://www.bnm.md/bdi/pages/reports/drsb/DRSB1.xhtml?id=0&lang=ro.

National Bank of Romania. (2024). *Raport asupra stabilității financiare: iunie 2024/Financial Stability Report: June 2024*. Retrieved from https://www.bnr.ro/Publicatii-periodice-204.aspx#ctl00_ctl00_CPH1_CPH1_19966_lnkTitle.

Shaw, E. S. (1973). *Financial Deeping in Economic Development*. New York: Oxford University Press.

Sheridan, N., Schipke, A., George, S. M., & Beddies, C. H. (2004). *Capital Markets and Financial Intermediation in The Baltics.* International Monetary Fund.

Take Profit. (n.d.). *Take-profit statistics*. Retrieved from https://take-profit.org/en/statistics/money-supply-m1/.

US Department of State. (2023). *Investment Climate Statements: Moldova.* Retrieved from https://www.state.gov/reports/2023-investment-climate-statements/moldova/.

World Bank Group. (2016). *Key Terms Explained*. The World Bank. Retrieved from https://www.worldbank.org/en/publication/gfdr/gfdr-2016/background/financial-development.

World Bank Group. (n.d.). *DataBank*. The World Bank. Retrieved from https://data.worldbank.org/indicator/FM.LBL.BMNY.GD.ZS?view=chart.