

## The Role of Financial Intermediation through Banks to the Economic Activity. Case of Vlora's City

**Dr. Klaudja Guga**

*Docent, Chief of Economics Department,  
Faculty of Economy, University "Ismail Qemali" Vlore  
kludjaguga@gmail.com*

**Bledar Guga**

*Master of Science in International Relationship,  
University "Ismail Qemali" Vlore  
bledar.guga@gmail.com*

**Dr. Valbona Gjini**

*Pedagogue of Finance Department,  
Faculty of Economy, University "Ismail Qemali" Vlore  
v\_gjini@yahoo.com*

Doi:10.5901/ajis.2013.v2n9p602

### Abstract

*This study examines the relationship between financial intermediation through the banking sector and increased economic activity in the city of Vlora. The literature on economic growth recognizes this regard due to the decisive role played by financial intermediaries, mainly commercial banks, to collect large amounts of savings and use these savings to support the investments. When we chose to analyze the effect of financial intermediaries, specifically of the banking system in the economic activity of the city of Vlora, we had in mind the development of this city as an important part of Albanian economic development today, representing a significant percentage of GDP and of GDP per Capita for this country. The main questions that this study attempts to answer are as follows:*

- 1. If there is an increased access of external financing possibilities, for the private sector, due to the banking sector intermediation?*
- 2. If the availability of banking intermediation in Vlora's city, provided support for the private sector of this city to grow at higher rates?*

*In order to obtain the correct answer to these questions there are investigated two aspects in particular:*

- The first relates to the bank loans, if they are perceived available as a form of external financing by the private sector in the city of Vlora in order to finance the production and trade activity in this city?*
- The second is an attempt to find if bank loans have funded and continue to fund economic growth of firms operating in this city?*

**Keywords:** *Banking Intermediation, Economic Activity, access to finance, external financing sources, private sector.*

### 1. Introduction

Debates and discussions, and moreover, the scientific research in our country, with the aim to investigate policy issues, challenges and opportunities associated with the relationship of increased access to finance for the development of the country, are scarce.

There is no doubt that the economic development has occurred. However, the movement toward the achievement of this development has been slow, and in this way it must be promoted a more informed debate within the country between its researchers, analysts and politicians.

This study is a small contribution to such debate and consequently the objectives of this paper are:

1. To promote a debate on specific challenges, faced by the private sector toward development, emphasizing the financial sector – as a priority sector in this regard.

2. To study the role of the banking sector on increased opportunities of the entrepreneurs for their investments toward innovative activities, new methods of production and/or increased production capacity of the company. The main questions that this study aims to answer are as follows:

1. Does the private sector have an increased access to external financing due to the banking sector?
2. Does the availability of banking intermediation in Vlora, help the private sector in this country to grow at higher rates?

In other words, what relationship exists between banking intermediation and economic development?

Literature Review on this field shows that the Finance-Growth relationship is an old debate of both theoretical and empirical literature. Hamilton<sup>1</sup> has (1781) first introduced the debate by asserting that "banks are the engine of growth". Bagehot (1873) and Schumpeter (1934) had no problem to agree with. The statement was not welcomed by Adams (1819), which came with an opposing view, claiming that "banks (in fact) damage the moral, the tranquility and even the wealth of nations". His view was later revived by Robinson (1952) and Lucas (1988) and other post-Keynesian economists, who drew their models from all monetary issues, and banking was seen as a monetary issue.

The debate then led to four different versions of finance – growth relationship (Graf, 2001):

- neutrality of finance,
- finance retards growth,
- finance follows growth,
- finance causes growth.

Review of theory and evidence shows that there is no definitive basis of theory or evidence of the banking intermediation - growth relationship. This is probably because most of the theoretical basis relied on the Walras' Law of full information assumption; banks exist because exist the transaction costs, which prevent the agents with deficit and agents with surplus to communicate and break down contracts. *The assumption of complete information makes banks irrelevant in theoretical modeling.*

Also, theoretical models and empirical results are influenced by the conceptualization of developed economies, where the importance and the role of banks can be assumed to be remote because of the *presence of financial institutions similar to banks and of high-level of information spread.*

The situation would be different in emerging economies, *where banks are in practice the only financial institutions and, they play a major role in the transmission of monetary policy.* Thus, banks are essential in the early stages of development for financing growth and for the development of other financial institutions. Banks cannot retard the growth, unless they refuse the competitiveness and the efficiency. Banking development reduces transaction costs and increases the competitiveness and the efficiency, a process that works toward almost complete information. They become irrelevant only if prevails the situation of complete information.

## 2. A Background on Economic and Financial Sector

This section aims to provide an introductory background of economic and financial situation in Albania, passing in more details toward the economic situation in the city of Vlora. This section also provides an overview of the behavior of the banking sector in Albania, as well as the impact of this sector in our economy.

### 2.1 Economic Situation in Albania

According to their importance, the sectors which make up Albania's GDP are:

- Services (trade, hotel and restaurants, transport, post and communications, other services)
- Agriculture, hunting and foresting
- Construction
- Industry (mining and manufacturing)

Services sector makes up the major part of GDP (56.7%), while agriculture still makes up 18.5% of GDP<sup>2</sup>. This sector, despite its importance in the formation of the GDP, gives a contribution to its growth by only 1.5%. This

---

<sup>1</sup> A part of Levine (2000) "Financial Intermediation and Growth: Cause and Consequence", Journal of Monetary Economics 46, 2000, 31-77

<sup>2</sup> Italian Cooperation in Albania: Private Sector Development, 2010 - 2012

phenomenon is probably due to a less diversified production and undeveloped. The cause of this phenomenon must be sought in the lack of technological innovation, limited access to bank credit and high fragmentation of the land.

Industrial sector is less developed and constitutes one of the major weaknesses of the Albanian economic system. This sector actually represents only 9.8% of GDP and its 8.7% consists of manufacturing industry, characterized almost exclusively from the production of intermediate products destined for export, and only 1.1% of the mining industry. The latter is very little used, although Albania is rich in minerals.

Many foreign investors, attracted by low labor costs and lack of taxes on investments with high impact on the economy, transfer to Albania a part of their manufacturing (especially textiles, footwear and leather industry).

The main problems belong to the lack of infrastructure, electricity and business climate, characterized by the weakness of the judicial system and of the market discipline and by the presence of corruption in mass, affecting even foreign investors.

The characteristics of the production structure affect even the employment structure. According to data published by the World Bank and INSTAT, in fact 58% of the working population is employed in agriculture, 28.4% in services and only 13.5% in industry. Excluding agriculture, 17% of the workforce is employed in the public sector and 23.8% in the private sector.

Albanian labor market is characterized by significant gender differences. These changes are reflected in the percentage of male and female employees, who in 2008 were 59% male and 43.4% female employees.

## 2.2 Banks and the Albanian Economy

After the 1997 financial crisis, privatization of banks paved the way for the birth of a modern financial system. It was this system that enabled a rapid explosive growth of financial intermediation in the economy, enabling the financing of private entrepreneurship and economic activity in general. The loan for the economy grew in an explosive manner and this fast expansion of financial intermediation played a critical role in the economic development of Albania, where according to the Bank of Albania, only the credit to the economy has enabled GDP to grow with an average 1.5-2% more per year. Obviously, this period of financial market developments coincided with the period of rapid economic growth, influencing and being influenced by it simultaneously.

But, now most developed economies, are for more than four years in the declining business cycle, while other emerging economies are facing a strong slowdown in economic activity. These international developments touched even Albanian economy, today more integrated, having as main effect the slowing of its development rates. After 2008, economic growth has come at the most minimum of 20 years of transition.

The slowdown in economic activity and uncertainties increased by the crisis affected the financial system, in terms of increased of non-performing loans and fallen rate of lending to the economy. Currently, the annual growth of loans has shrunk markedly, by conditioning the financing of new investments and of consumption. This is not an issue of liquidity, since banking system remains very liquid and one of best capitalized in the region. Loan / deposit ratio fluctuates around 65%, significantly lower than the regional average of 106%, which indicates that Albanian banks still have extend and liquidity to finance the economy, but increased uncertainty in the market have made them (banks) more careful. Easy to understand, the complex economic situation of Italy and Greece, as the main economic partners of Albania, conduct to the uncertainty and nervousness in the Albanian market.

Beyond the expected consequences, the global financial crisis highlighted some early weakness of the financial system, not necessarily of banks themselves, but of the environment in which they operate, such as:

1. Uncertainties related with property titles and weakness of contract enforcement, affecting the increasing of loan with problems portfolio and of uncertainties in the financial system, to which banks responded by adding the caution and tightening lending standards;
2. The complex political situation, especially after 2009, has created an expectation situation in the economy and financial system, and
3. High informality, particularly in the labor market, which hinders fair trial of solvency borrowers, thus deteriorating the quality of the portfolio.

Today, at the Albanian economy, as an economy based on the banking system, develop their activity 16 commercial banks, which are privately owned, of which only two are Albanian-owned banks.

## 2.3 A Brief Introduction to the Vlora's Region

Vlora City is included on the region administration with the same name (Vlora Region). The latter is part of the South

Mountain Area, in South-West of Albania. It extends to 2706 km, 1609 km of which belong to the district of Vlora. The region is mostly mountainous with fields and valleys that create opportunities for the population engaged in agriculture and animal farming.

The natural environment in the district of Vlora is the greatest opportunity for economic development and tourism in the region as one of the greatest potentials offered by this district.

Vlora is one of the most ancient cities in Albania with an age of more than 2425 years. It has a population of 210 832 residents and a density of 78.2 residents/km<sup>2</sup>. This region has a favorable position with a junction of roads, sea and air, both inside and outside the country. The area of the city is 2706 km<sup>2</sup>. It is 135 km from the capital city (Tirana) and only 72 km from Italy (Otranto Channel) and 77 miles to Greece (Corfu island).

Tourism is considered as the main sector for the development of the region, to promote the activities of many other initiatives, for creating job possibilities in the region. It is an industry based on human capital and offers a wide variety of jobs for different professional categories, empowering tourism and other economic activities in the region.

### 2.3.1 Data on Economic Activity Vlora Region

In the district of Vlora, currently, the majority of enterprises is occupied by small enterprises, with Physical Person Status, Ltd, etc. The economic sector with the largest number of enterprises in Vlora District is the trade sector, followed by services sector and restaurants – hotels sector, while the least developed remains the agriculture – fisheries sector.

The following tables provide more detailed information on active companies in the district of Vlora, by status and economic activity, based on information received by the Tax Office of Vlora District:

**Table 1.** Active Enterprises by Status in Vlora District

Private Sector in Vlora District		Organisation Status	Number
Large Businesses		Anonymous	6
		Public Ent	3
		NGO-s	3
		Physical Person	109
		Limited Liabilities Society	1049
		Others	27
		<b>Total</b>	<b>1197</b>
Small Businesses		Anonymous	1
		Physical Person	4642
		Limited Liabilities Society	183
		<b>Total</b>	<b>4826</b>
Small Businesses with VAT		Anonymous	1
		Physical Person	674
		Limited Liabilities Society	69
		<b>Total</b>	<b>744</b>
<b>Total of Private Activities in Vlora District</b>			<b>6767</b>

Source: Taxes Office, Vlora District

**Table 2.** Economic activity by sector and the number of active enterprises in Vlora District

	Activity	Subjects	
		Number	%
1.	Trade	2843	42%
2.	Services	880	13
3.	Hotels & Restaurants	677	10
4.	Transport	609	9
5.	Manufacturing Industry	270	4
6.	Construction	541	8
7.	Health	203	3
8.	Agriculture & Fishery	135	2
9.	Processing Industry	203	3
10.	Others	406	6

Source: Taxes Office, Vlora District

### 3. Methodology

In this paper there are analyzed a large number of data from different companies and industries. Therefore, in this paper we have chosen a quantitative research, to increase the probability of obtaining a more statistically accurate result.

The data used to achieve the purpose of research and its objectives, are not numerical, but they are nominal categorical and ordinal categorical, and then there are performed statistical and mathematical analyzes with these obtained data.

In this paper we will test our hypothesis using primary data collected for the purpose of our research. The data will be handled and analyzed in SPSS, for the statistical investigations.

In this research, with the reason to investigate the relationship between banking intermediation and economic activity:

- The primary data used, are the data obtained from questionnaires distributed to private activities operating in the city of Vlora.
- The secondary data, are the data published about economic and financial situation in Albania in the recent years in country level, but and even at prefecture level, the Prefecture of Vlora, but they are used for the tangent comparison of these data with the results our analysis. The secondary data are taken from annual reports and statistics of the Bank of Albania, and other official institutions, competent for issuing such information.

#### 3.1 The Sample Size

To be able to test the research hypothesis, the sample size should be representative of the population, in order to perform reliable statistical analysis. The type of technique used to select the sample used in this paper is the random technique. So the analyzed companies are chosen at random.

The sample was stratified and the selection was made at random based on the percentage of private activities type, trying to reflect the respective percentages, in order to reduce the statistical error or a wider confidence interval, allowing more representative and more reliable results for the private activities, which operate in the city of Vlora.

Of the total of private activities, registered at the Taxes Office, Branch of Vlora, which in total are 6767, we have chosen a sample of 362 private activities (based on a statistical formula to enable the sample size), divided according to the respective percentages of their types, with the aim that this sample to be more representative. But the result was overturned because of the 362 private activities selected only 200 of them filled in the questionnaires regularly, affecting the number of valid questionnaires taken into consideration for our analysis. And of these 200 respondents, four of them belonged to non-profit associations, or other activities excluded from our study.

During the implementation of research it was intended for the questionnaires to be filled out within June-July-August of 2011 and at the same time to minimize the costs of research in general.

After completing the questionnaires we processed the data, generated by the needed information with the aim to analyze the role of the banking sector to the economic activity in the city of Vlora, *and to draw conclusions and recommendations*.

### 4. Presentation and Analysis of Data. The Main Results

This analysis includes a comprehensive study of the financial situation of the private sector in the city of Vlora, of the structure and financing needs of this sector, funding opportunities, as well as expectations for growth of the private sector, based on funding opportunities and obstacles to growth in the city of Vlora. This study extends to a period from 2008 to mid-2011. This analysis includes 200 of micro, small, medium and large firms, which develop their economic activity in the city of Vlora.

According to the importance of the economic sectors in relation to their contribution to GDP, there were identified these economic activities: Processing Industry & Manufacturing Industry, Construction, Production (including electricity, gas and water), Wholesale or Retail Trade, Transport and Telecommunication, Hotels and Restaurants, Real Estate, Other Services for Businesses and People, while Agriculture and Fisheries, Public Administration and Financial Services were excluded from this study. Micro, small, medium and large firms were identified based on their number of employees, and on the basis of their turnover.

We will take into consideration the terms and conditions of bank financing available to the private sector.

The aim is to prove the relationship that exists between:

- the level of interest rates available to the firms,
- the level of financing costs,
- other costs than interest rates (fees, taxes, commissions, etc.),
- size of available loan, or line of credit,
- the valid loan maturity,
- collateral requirements,
- deadlines and other conditions of financing through banks available to firms, with the consideration of private sector for the bank loans availability as a manner of their financing.

Will try to discover how the terms and conditions of financing mentioned above affected the considerations for the availability of bank loans as a manner of financing, depending on the situation if they are tightened, remained unchanged, or facilitated, during the period specified in the questionnaire?

Also, we will aim to prove the relationship that exists between:

- the impact of needs for external financing for inventories and working capital, with the use of bank overdraft, or credit line as an external source of financing,
- the impact of needs for external financing for fixed investment, with the use of bank loans, credits (excluding overdraft) as a funding source, and
- the amount expected to be taken in order to support the growth aspirations with, the fact that is the banking intermediation the most preferred type of external financing source, if there is a need for external financing, the pursuit these growth aspirations!

We expect to discover that in their decision of choosing external financing source, firms will prefer to use the options offered by the banking sector, regardless of the fact whether the external funds are needed to purchase inventory, or working capital, or to use them in the realization of fixed investment!

#### 4.1 Key Findings of Study

In this section we present the main results of the empirical study. This section aims to highlight in an executive summary, the role of banks in determining the conditions of external financing for the private sector in the city of Vlorë. These main results are as follows:

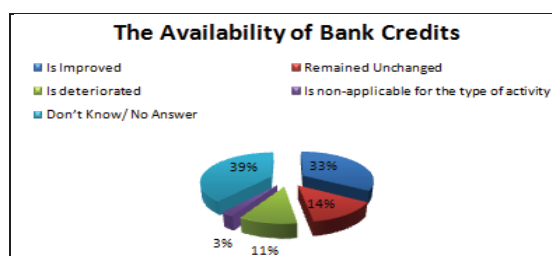
External Funding of Private Sector mainly rely on Banks

In terms of financial structure, the study highlights the sources used for financing, which have been internal funds and external funds. Not surprisingly, the private sector relies on banks when choosing the external sources of funding (42.5% reported having used a bank loan in the last six months and 27% of them reported having used a bank overdraft or loan line). Private sector was less oriented towards other forms of external funding sources, such as commercial loans, other loans, leasing or hire-purchasing or factoring, or other insignificant forms of financing. *However, it should be noted that the above results do not reflect a banking intermediation in accordance to the funding capacities of this sector.*

Access to financing has tended to deteriorate in general, while regard to the availability of banking accessibility the research shows an improvement, and according to the firms which have applied for external funding, this application is addressed primarily to bank financing alternatives and, the application has resulted mainly successful

The research indicates a deterioration in general in regard of the availability of external financing, but this conclusion is not valid in terms of the availability of the banking sector. In fact, 61% of those who responded for the availability of bank credit, 33% reported an improvement of this availability, while only 11% considered it deteriorated, and 3% of them considered the bank loan as a non- applicable manner of financing the to the type of activity of their firm (see Figure 4.1).

Figure 4.1



Moreover, based on the responses received on the availability of trade credit, the latter seems to have been deteriorated significantly. 60% of those who responded for the availability of trade loans, only 7% reported an improvement of the availability, 23% claimed for an unchanged availability, while 12% of firms considered it deteriorated, and moreover, 18% saw the trade loans as a non-applicable source of financing for the type of their activity.

In terms of factors that affect the availability of external financing, 80% of all firms, consider that the general economic downturn had a negative impact on this availability.

If we refer to the new applications for external funding, again we verified the tendency of firms to use mainly bank loans and less use of trade loans or of other forms of external sources of financing. Thus (see Figure 4.2),

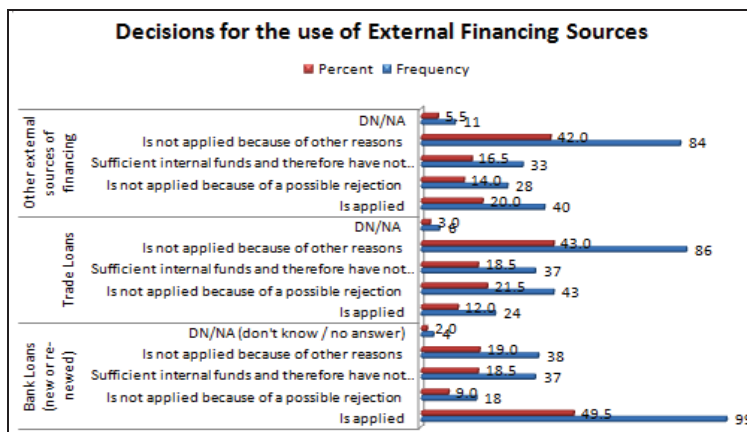
- 50% of firms said that they have applied for bank loans during the last six months,
- 9% of them did not apply because of a possible rejection,
- 18.5% of them stated that they had sufficient internal funds and therefore they have not applied for any form of external source of financing,
- 19% of them have applied for trade loans for other reasons,

Interestingly, only 9% of firms which responded to the issue, did not apply for bank loans for fear of a possible rejection.

Terms and conditions of bank loans are important determinants of their availability. In general, most of the firms included in the study reported (see Figure 4.3):

- Increased interest rates (43% from 61% who answered to this question),
- Increased financing costs (41% from 59.9% who answered to this question),
- Increased of the available size of the credit line or of loan (31% from 57% who answered this question),
- Unchanged available maturities of credits (41.5% from 57.5% who answered to this question)
- Increased collateral requirements (43% from 59% who answered to this question),
- Increased of other terms and conditions applied by the banking sector (44% of the 56.57% who answered to this question).

Figure 4.2



The main determinant objective for obtaining an external funding was for (see Figure 4.4):

- Working capital (47%), followed by Land/ Building or Vehicle Equipment (29%), a low percentage declared other purposes, like for Research and Development or Intellectual Property (1%), Promotions (1%), Staff Training (1%), Purchase of Other Business (6%), other (2%), and 13% did not answer this question
- The economic activity growth in the last three years was proved to *have been moderated at a rate lower than 20% per year in terms of employment* (37% of firms reported this growth rate), while 23.5% of them reported no growth, and 18.5% reported growth in employment terms at a rate of over 20% for the past three years, and also 18.5% of firms reported small growth in employment terms during three years.
- Also, the economic activity growth in the last three years has resulted to *have been moderated at a rate lower than 20% in terms of turnover* (48.5% of firms reported this growth rate), while 23.5% of them reported a growth with a 20% rate in terms of turnover over the last three years, 10% of them reported no growth and 15.5% of firms reported small growth in terms of turnover over the past three years.



However, the highest percentage of firms involved in the study, expects a deterioration, non-changing situation, or not availability other forms of external sources of funding, *except of financing through banks*. Specifically,

- 44% of firms involved in the study stated that they expect an improvement of the situation of bank loans as a source of funding,
- 42% stated that they expect an unchanged situation of bank loans, and
- Only 7% of firms involved in study stated that they expect a deterioration of the situation of bank loans.
- Only 5% of them said that they forecast for the future on the bank loan is that this funding source will result in a not applicable instrument for their activity

Figure 4.3

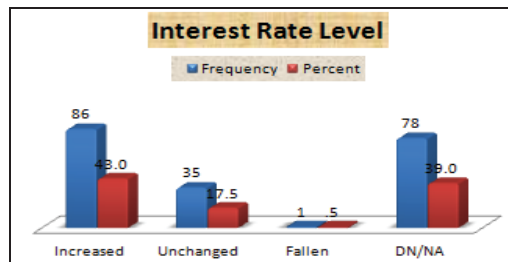
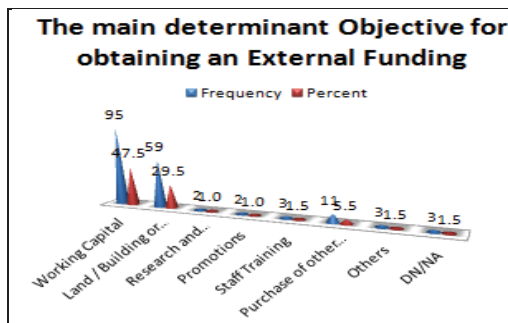


Figure 4.4



Regarding the growth outlook over the next 2-3 years, *the private sector appears somewhat optimistic* (see Figure 4.5):

- The majority of the firms involved in the study expect a moderate growth of their activity at a rate below 20% per year in terms of turnover (47% of the firms included in the study),
- 30% expect a significantly growth of their activity at a rate over 20% per year, in terms of turnover,
- 16.5% of them expect that their economic activities will remain at the same size in terms of turnover, and
- Only 4.5% expect a deterioration of their own economic activity.

Figure 4.5





Nearly 32% of firms which preferred bank loan or other bank credits do not foresee any obstacles in obtaining credit, for supporting the growth ambitions.

At the same time, a significant number of firms included in the study, which preferred loan as their main source of external funding, stated that *the cost (interest rates or prices too high)* (43%), *the availability or insufficient collateral and guarantees* (16%) represent particularly important concerns.

#### 4.2 Hypotheses

Our two main hypotheses of the study were:

1. Does the private sector have an increased access to external financing due to the banking sector?
2. Does the availability of banking intermediation in Vlora, help the private sector in this country to grow at higher rates?

We used Chi-Square test, to test the above hypothesis for the independence or dependence between variables. Based on this test, the P-value (0.000 in majority of the test) of the below relationships, results to be less than the significance level (0:05), which highlights the fact that there exist a strong evidence of the relationship between:

The improvement in the availability of bank loans and:

- o increased decisions regarding to the use of bank loans (new or renewed) as a financing source {with P-value (0.000), and Pearson Correlation Coefficient 0.751 \*\*}, and inversely.
- o increase of positive results regarding to the application for bank loans (new or renewed) as a financing source { with P-value (0.000), and Pearson Correlation Coefficient 0.635\*\*} and inversely.
- o increased of cases, that it was the bank that provided the most recent loan for each of firms included in the study, which approved that they used external financing sources, { with P-value (0.000), and Pearson Correlation Coefficient 0.784\*\*} and inversely.

Compared to all other forms of alternative external financing sources, financing intermediation through banks is considered as the most applied form the most used by the private sector.

Also, bank loans are considered applicable and available to finance productive and trade activity in the city of Vlora

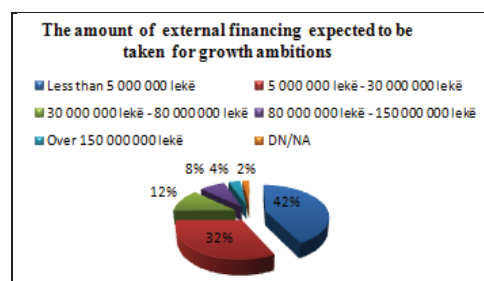
Commercial banks have helped manufacturers to provide machinery and equipment by ensuring their deferred payments. Moreover, despite the needs are addressed to fixed investments or purchasing Inventories and working capital, the type of the most preferable external financing source is through banks.

*But we should take into consideration the private sector responses regarding the amount of funding that expect to borrow for their ambitions of growth.*

So since the most of firms had an expectation that their economic activity would increase moderately, the amount that the sector intends to borrow from banks results corresponding to this expectation. Specifically (see Figure 4.6),

- o the largest percentage of firms (42%) indicated that the amount of funding that expect to borrow to fund the future growth is less than 5 000 000,
- o 32% of them said that the amount of funding expect to borrow to fund the future growth is 5 000 000 - 30 of 000 000,
- o 12% of them said that the amount of funding that expect to borrow to fund the future growth is 30 000 000 - 80 million leks
- o and only 6% of firms involved in the study said that the amount of funding that expect to borrow to fund the future growth is over 80 000 000.

Figure 4.6



Concluding, financing through banks is the most preferable external financing source to fund the future growth, but, on the other hand, it is expected a slow rate of growth of private sector credit giving a low contribution to economic expansion. The banking sector has even higher capacities to respond to the requests for credit from the private sector in the city of Vlora.

Capital formation is the most important determinant of economic development. Banks are promoting capital formation in Vlora, but it should be noted that their contribution in this direction is not in the preferred rate. Financial intermediation through banks is happening at a lower level compared to the capacities of this sector to support needs financial of the private sector to realize their ambitions for growth.

Thus, financing through bank is enabling entrepreneurs to increase more their short-term assets than investments in innovative activities, or in adopting new methods of production and if so, increasing the productive capacity of the economy.

## 5. Recommendations

The downward trend of bank credit to the private sector is worrying, since any change in this variable can have a lasting impact on economic production, capital stock and efficiency. Banks need to change this downward trend. In addition to business loans there are many other services that should be applied in the market; some of them have already been introduced, such as mobile banking, investment funds, etc.

Central Bank and commercial banks should work together to reduce the difference between the interest rate of loans and the interest rate of deposits. This current difference reduces savings in the banking system, encourages the public to hold more amount of money in the form of higher cash and causes inflation increases. The large difference between the loans interest and deposit interest also shows the inability of banks to seek and choose profitable projects, and to monitor their credit portfolios.

People are increasingly involved in the banking system, if small banks have access to the facilities. Our economy is still in the early stages of economic development, and banking, in order to accelerate the development and economic prosperity, should be engines of growth, they should do what the banks did in the early stages, of the developed economies today. So they should be the promoters and financiers of private enterprises in the economy.

## References

- Ardian Fullani, January 2011, "Arsyet e Rritjes Ekonomike në Shqipëri", on web-site of "Koha Jonë" Journal, [www.kohajone.com/zarticle.php?id=58003](http://www.kohajone.com/zarticle.php?id=58003)
- Bank of Albania, December 2012, "Raporti Statistikor Mujor"
- Barro, Robert J., and Sala-i-Martin, Xavier; 1995, "Economic Growth", McGraw- Hill, Inc.
- Beck, T., Levine, R. and Loayza, N., 2000. "Finance and the sources of growth". *Journal of Financial Economics*, 58(1-2), 261-300.
- Cameron, R. (ed.), 1972. *Banking and Economic Development - Some Lessons of History*. New York: Oxford University Press.
- Dawson, P. J., 2003. "Financial development and growth in economies in transition". *Applied Economics Letters*, 10(13), 833-836.
- Demetriades, P. and Law, S. H., 2006. "Finance, Institutions and Economic Development". *International Journal of Finance and Economics*, 11(3), 245-260.
- Demirgüç-Kunt A. and Levine, R., 2008. "Finance, Financial Sector Policies, and Long-Run Growth". Policy Research Working Paper No. 4469. Washington: World Bank.
- Dornbusch, R. and Reynoso, A., 1989. "Financial Factors in Economic Development". *American Economic Review*, 79(2), 204-209.
- Fink, G., Haiss, P. and Mantler, H. C., 2005. "The Finance-Growth Nexus: Market Economies vs. Transition Countries". *Europainstitut Working Paper*, No. 64.
- Graf, Michael and Karmann, Alexander; January 2001, "Does Financial Activity Cause Economic Growth?", *Dresden Discussion Paper Series in Economics* No. 1/01, Technische Universität Dresden.
- King, Robert G. and Levine, Ross; 1993, "Finance and Growth: Schumpeter might be right", *Quarterly Journal of Economics*, 108(August).
- King, Robert. G. and Levine, Ross; 1993b, "Finance, Entrepreneurship, and Growth: Theory and Evidence", *Journal of Monetary Economics* 32, pp. 513 – 542.
- King, R. G. and Levine, R., 1993a. "Finance and Growth: Schumpeter Might be Right". *Quarterly Journal of Economics*, 108(3), 717-737.
- Levine, R., 2005. "Finance and Growth: Theory and Evidence" in P. Aghion and S. N. Durlauf, eds. *Handbook of Economic Growth*. Vol. 1A, pp 865-934, North-Holland.
- Mehl, A., Vespro, C. and Winkler, A., 2005. "The finance-growth nexus and financial sector environment: new evidence from Southeast Europe". *Conference on European Economic Integration*, 14-15 November, Vienna.
- Neusser, K. and Kugler, M., 1998. "Manufacturing Growth and Financial Development: Evidence from OECD Countries". *Review of Economics and Statistics*, 80(4), 638-646.

- Schumpeter, J. A., 1989 (English Translation) "Economic Development: An Inquiry into Profits, Capital, Credit, Interest and the Business Cycles", Transaction Publishers.
- S. Hadëri, "Sistemi Bankar", Lecture Notes, March 2011
- Tuuli, Koivu; 2002, " Do Efficient Banking Sector Accelerate Economic Growth in Transition Economies", BOFIT Discussion Papers No.14
- Regional Labor Office - Vlorë, Regional Directory of Taxes - Vlorë, District of Vlorë – Documentations, Analysis and Annual Rapports.  
[www.bankofalbania.org](http://www.bankofalbania.org)  
[www.instat.gov.al](http://www.instat.gov.al)  
[http://www.aab.al/bankieri/4/Bankieri\\_4\\_alb.pdf](http://www.aab.al/bankieri/4/Bankieri_4_alb.pdf)