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The Impact of Macroeconomic Performance on the Stability of Financial System in the EU countries

This study aims to analyze the impact of the development and stability of the financial sector on economic growth on the basis of the quantitative methods that produce robust results. The following research hypotheses are tested: /H1/ The relationship between financial sector development (stability) and economic growth is nonlinear; /H2/ An excessively large size of the financial system does not lead to more rapid economic growth: it may even negatively affect GDP dynamics; /H3/ The inclusion of the post-crisis period gives new insights of the nature of the relationship between financial system and economic growth. A new element of the empirical analysis is the application of the extended econometric and economic modelling, including testing nonlinear relationships and analyzing both levels and changes of the financial variables. The regression equations are estimated by Blundell and Bond's GMM system estimator.