

INTERACTIONS BETWEEN FINANCIAL SYSTEM DEVELOPMENT AND TOURISM DEVELOPMENT: CONDITIONS IN REPUBLIC OF MACEDONIA

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Abstract

On the example of the Macedonian economy, this paper examines the connections and mutual influences between the development of the financial system (with all its components) and the development of the tourism industry. Intentions are directed towards utilizing the potential of financial development in order to maintain and accelerate the development of tourism.

Without any doubt, an important functional connection between the financial system and economic growth and development exists. The increase in capital portion as one of the basic elements of the production function makes accumulation notable source of economic growth. The accumulation of capital and forms of its investments are determined by numerous factors in the primary place by has its price – i.e. level of interest rates.

Numerous econometric studies confirm the link between economic development and development of the financial system. The analysis also confirmed that the contribution of the financial system for long-term development is achieved not only by the capital accumulation rate, but also by improving total factors productivity in the economy. The analyses of developing countries financial systems show a striking dependence on the volume and complexity of the financial systems of developed countries. Basic factors that condition the development of tourism are the level of economic development and the level of the population living standard. Both factors have strong connection with the development of the financial system.

In this direction, by analyzing the situation in the Macedonian economy this paper leads to the determination that the modern economic progress in general, and in that context, sustainable development of tourism is much more financial - intense than previously thought and that economic policy makers in developing countries must devote more attention to the establish in their countries effective financial systems.

Keywords Financial system, Tourism, Development, Interactions, Sustainable