

# **Insurance Market, Banking Sector and Economic Growth: The Study of Eurozone Countries**

## **Abstract**

The relationship between insurance market, banking sector, and economic growth has received substantial attention in the finance literature. While the research specifies that there are relations between these variables, a majority of the research focuses on the impact of financial development on economic growth. This study focuses on the causal nexus between insurance market, banking sector, and economic growth across the 19 Eurozone countries (EZC), namely, Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain over the period 1980-2015. Specifically, the study first deploys dynamic panel data modelling to examine the determinants of both insurance market and banking sector activities in these selected countries. The Granger causality test is consequently applied for studying the causal nexus between insurance market, banking sector, and economic growth. The empirical analysis finds that there exist inter-regional disparities in the availability of insurance market activities, banking sector activities, and economic growth in EZC. The Granger causality test shows that both insurance market and banking sector activities have considerable impact on economic growth. It also shows that both insurance market and banking sector activities Granger cause each other. It is, therefore, necessary to have sufficient availability of both insurance market and banking sector activities and their integration in these countries for achieving higher economic growth in the Eurozone. The insufficiency of these two bring in different policy implications in these European countries.

**Keywords:** Insurance market, banking sector, economic growth, GMM, Granger causality, Eurozone countries.