



THE ROLE OF CAPITAL MARKET GROWTH IN SMALL AND MEDIUM ENTERPRISES GROWTH

SANA SARWAR SULEHRI¹

ABSTRACT

This study has provided a detailed role of the capital market in the growth of small and medium-sized enterprises. We go through several stages, such as first presenting a detailed introduction to the capital market and small and medium-sized enterprises, then presenting a literature review in which we look at previous research on this topic, then presenting a model and some variables that influence the growth of small and medium-sized industries, and finally presenting statistics. This study shows how important small and medium-sized industries are for the economy, and we can also say that without small and medium-sized enterprises, Pakistan's economy cannot be stable. On the other hand, capital markets play a significant role in the development of the economy, and we cannot run our country's capital market. Now, our theme was the function of the capital market in the growth of small and medium-sized firms. Because our topic was too broad, we couldn't limit our data, so we talked about the whole economy. Finally, we can give our suggestions and results relating to our topic because we can see that as our capital market gradually grows in terms of contribution to GDP, our small and medium-sized industries also grow in terms of exports, so we can easily conclude that the role of the capital market influences the growth of small and medium-sized industries.

Keywords: capital market, small and medium sized enterprises, GDP growth

JEL Codes: H20, L21

I. INTRODUCTION

The term Market is for interactions and business developments that make easy the business in financial securities for example. a product exchange. He also said that it can get a significant position or a computerized structure and the business of securities and stocks take place on an exchange, for anything cause it can agree to the sale of securities, and using alternate we can place stock from one place to another (Pagano 1993). Selling and buying of any legal tender are regularly in the joint base like if a few currencies sell on a stock exchange Pagano 1993).

There technique in the Financial Market in which many people do sale and purchase securities and stocks, bonds and expensive metals or agricultural commodities, and other things which have value at lower business deals expenses and at prices that again produce the marketplace. Similarly in common markets, most of the commodities and products are traded, and in particular, markets are someplace simply one product survives. The business of the market and many concerned borrowers or lenders at similar conditions hence make it easy to discover each and further. A financial system does rely frequently on relatives among borrowers and lenders to allocate possessions is called the economy of the market.

Financial markets help to send out the risk in the consequent markets, find out the money liquidity in the business, to pull up the capital in the capital market and worldwide businesses in the markets of trade (Encyclopedia).

The financial market includes 2 market types

- Money Market
- Capital Market

The market of money is used by investors as income for buying and selling (investorwords.com). The market of money is a wide collection of contributors or investors through which institutes earn money by selling papers of business in the market to investors. This market depends on the economic organization and deals in cash or noncash who wants to requirements to anything sale or purchase. Contributor sale and purchase for little time, generally about thirteen months. Gaurav Akran in 2010). the majority of the association usually funds them by concern huge amounts of business paper which is confident by the guarantee of proficient assets (Gaurav Akrani 2010).

¹ Lecturer, Department of Management Sciences, Lahore Garrison University, Lahore, Pakistan

The market of capital which includes government and giant companies can invest funds for the long term and the cash is accessible for a long period of more than twelve months it also includes raising small resources that help in the growth of financial markets. (Investopedia) This market is also based on securities bonds and stock (Investopedia). Capital markets are split into two markets secondary and primary. In primary markets, authentic stocks and bonds, and securities are issued (Investopedia). In the remaining markets securities and bonds are sold and purchased by the investor. The type of this capital market gives the majority fundamentals to the new market and guides absolute term economic possessions. Practically therefore capital markets play an important role in financial improvement and in reaching the target. Due to the development of globalization in economies, the worldwide principles of markets are also acceptable as it is included. Whereas the required calculations are positive for financial development, Difficulty, and danger are the dishonesty in results of financial disaster, generally, if its foundations are based on dishonesty in the larger markets.

Capital markets are also categorized into two types:

- Primary market
- Secondary market

A primary market is a place where issue newest securities of exchange are. All government corporations and firms and groups of companies obtain funding through liability or equality (Investopedia). Major markets are facilitated by guarantee groups, which are based on investment banks. (Investopedia) This kind of market is anywhere shareholders can get first breaks at a new security issuance. (Investopedia)

This kind of market is also another name or called aftermarket and the capital market in which market newly issued bonds and securities and financial instruments like securities and bonds are sold and bought here (Wikipedia). One less significant market deals with the loan which is given by an economic institution and bank to an investor(Wikipedia). This type of market is a market where the old stock and shares are traded or alternate use for an available item for utilization of assets in this market customers take a base.

Financial markets play a significant role in all economies as stock markets, markets of money, or any banking system because of this no financial market or system cannot be run by an economy (Berger and Udell 1998).

Banks build the classified knowledge on informational unbending credit customers from side to side curriculum, contracting, and examine in surplus of the way of bank borrower transactions (Berger and Udell 1998) even as an amount of in the black paired than illiquid banks be ineffective, the worth of this in progression and the transactions themselves may be gone, formation it not simple for several borrowers to uphold investment finances this decline in credit extensive may make inferior local or economic difficulties (Berger and Udell 1998).

2. SMALL AND MEDIUM INDUSTRIES

Commonly a small and medium industry, (a small and/ or medium enterprise) is distinctive as an enterprise and is measured to be anybody clutch in a monetary activity, irrespective of its authorized form. This contains specific self-employed beings and families linked with different businesses, and partnerships or relationships regularly demanding an economic activity. at any time, when we converse about the actual work of Small and medium enterprises it be tending to be different from one province to another. In Punjab, a fixed investment of twenty million is required excluding land and building. But on the other side Sindh so it is quite different from Punjab there are ten million required excluding land and building

These days small and medium enterprises are mainly experiential by an expert to give the answers to various financial problems met by the small industries. Demanding, forceful small and medium scale sectors when we will talk about or incorporate the recognizable firm is likely to resolve a variety of complications, as well as unemployment, small development, and scarcity. SAARC countries also have designed policies for the maintenance of this segment, although with no smooth outcome. Yet their trust in Small and medium enterprises is still a creation of progress.

The planer currently is familiar with that since the present construction method is typically more elastic, so urban can be attractive anywhere, and at any height throughout inter-firm linkage. On that Persons of SAARC areas do practices, and also from the other part of the word, It teaches the actual process for the Small and medium enterprises expansion is the wide-ranging economic condition natural of a practical manufacturing strategy. After that opportunity, we determination see how monetary markets results in Small and medium enterprises' development below is a Thesis of mine. I am going to share it with you people for your knowledge.

The development of satisfactory from the countryside to the town area is an additional burning period of the time. even as increasingly well-integrated small and medium enterprises split in the economy, still it will prove the practical possibility that through Small and medium enterprises s we can switch over our urban areas into innovative cities and foundation of earnings and expansion.

Small and medium enterprises will be the main function of this it is providing a shield to the economies and the nation from the declining economy. It also provides a hedge against political instability and bureaucracy. Maintaining and regulating small and medium size enterprises is not easy many financial and technical organizations are included in running the small and medium enterprises, Financial organizations can also get benefits from small and medium enterprises to give them advances. Government can attain its purposes of prosperity and a better economy of Pakistan by enhancing the culture of small and medium-sized enterprises. Through the motivation of small and medium-sized enterprises, we can make our economy better.

3. LITERATURE REVIEW

In this literature review of our topic role of the capital market in the development of small and medium enterprises. Many authors and writers have given their points of view on this topic all over the world.

Financial markets help turn on domestic savings, therefore helping the reallocation of financial capital on or after growing to more active performance (Stiglitz 2004).

(Titman 2002) Financial market raise through the subject of shares, equality securities, bonds or other execute, be capable to be allocated by the business to attain improved construct, apply in an additional well planned unique process and get better competitiveness. improved than before asset through financial markets will direct to get development, profits age group, and with an improved number of the populace receive income, savings and add to following in a sequence of larger than before asset, improved build, better financial development and resources formation (Titman 2002).

This document examines the location of possessions in financial markets. Because the beginning portion of the writing to a discussion on the location of monetary organization in the bank and promise to explain his view that why is important is necessary important and how it produces its capital according to the economy and the form that inflexible supplies be believed to attain. It also examines the earlier period trend in bank possessions, complications in determining possessions, and some possible unintentional price of possessions requirements (Titman 2002).

in the current period, there is an increase in the rate of development of Small and medium enterprises (Choong 2009). The majority of the expansion is disturbed between the countries which are related to technology and economics based (Choong 2009). One another thought of the mind is based on the data relating to enhancing Small and medium enterprises. On the other side is the development of Small and medium enterprises which is the permit for traditional in which dynamic of capability and some other issues include (Choong 2009). The relationship between these two variables is extremely close up and predictable which shows the authentic picture (Choong 2009). To enhance the efficiency and improved outcomes and utilization of small and medium industries there is required to get improved and for the betterment of financial development (Choong 2009). There is also a required focus on the progress of the financial market and also the development of economic development this discussion is also in this literature (Choong 2009).

This piece encourages the experimental appraisal by evaluating the theoretical fundamentals unique to the foundation that capital inflows guide to top financial development, except this he says the point of view that the stage of domestic

financial growth is an issue of association among capital Inflows and Small and medium enterprises expansion (M&M 1968). The association between financial inflows and Small and medium enterprises enhancement is newly examined in the surroundings of a straightforward easy to understand growth model. (M&M 1961) This construction will stress the different ways to develop strain in this paper that the possessions stream can maintain and amplify by increasing the national rates of assets, by important investments that are linked with promoting spillover, and or by growing domestic financial associations.

These associations also express the available stature of the development of the financial market which plays a very important role in an economy and also determines the flow of the financial market and the growth of the market (Titman 2002). This part of the talk concludes and tells what the relationship between capital inflow and Small and medium enterprises' growth may differ if the input and the structure of international financial markets structure of allotment are not appropriate (Titman 2002). Some other factors of capital markets are specifically noted down or focus point of this literature (Choong 2009) mentioned in (Barth and Levin 2001) these points are the definite point which is associated with the capital markets and the banking sector for the growth of financial region (Choong 2009) mentioned in (Barth and Levin 2001).

One more role financial institutions in demanding intellectual possessions and human rights are serious to drag towards you high accommodating (Stiglitz 2000). If intellectual property social rights are simply weakly protected in a nation, the far-off firm will take on close to the floor skill reserves which diminishes the opportunity for overflow effects and development of the productivity of Small and medium enterprises firms (Stiglitz 2000).

4. ROLE OF CAPITAL MARKET

According to this author's point of view, the accountability and significance of capital markets have to attract investments from resources (Nowakowski and Borowski 2003). A financial market is a place where management and partnership can be lifted and sometimes grow the capital to encourage the investors for long-term periods and this investment consist of more than one year (Nowakowski and Borowski 2003). Usually, not only have long-term investments but we can also acquire small-term investments.

The investment includes the stock equity and bond markets. There are two choices through which we can raise capital for the economy first bonds and second stock (Nowakowski and Borowski 2003). The new publication of bonds and stocks provide opportunity and give a guarantee to both investor and the capital market (Nowakowski and Borowski 2003). When all the available money grabs or acquired, it reached the company for the purpose and object of investment. (Nowakowski and Borowski 2003). And selling and buying of located bonds and stocks among the other available traders and investors in the stock exchange of capital market secondary, over-respond to, somewhere else (Nowakowski and Borowski 2003). Bonds and stock prices in the capital market show the real position of any company (Nowakowski and Borowski 2003).

Now the theory of capital market plays a very significant part, It includes the instrument of security and the worth of investment of an investor who is from an outsider of the company (Nowakowski and Borowski 2003). From the point of view of the well-organized publicized proposal which was developed by Professor Eugen Fama, capital markets are fine at your jobs meaning this price exists and previously reproduce all familiar in series (Nowakowski and Borowski 2003). Prices are changed to become a sign of a new series, for example, newly investment program of the company.

According to his thought of mind that the capital market conditions in very reduced and the growth of the business responsibility marketplace check financial parties. It productively starves the classified section of a lot considered essential wealth (Awan and Rafique (2013).

superiority knowledge has an approach to competitiveness, and from end to end it, on monetary development (Awan and Rafique (2013) have a status for high-quality commercial dominance is risky for up-and-coming companionship and market in expansion their view competitiveness (Awan and Rafique (2013).

The capital market may be found in the boardroom (Awan and Rafique (2013). The capital market is dependent on the rules and regulations and follows the principles, Sometimes companies raise their capital from the general public, One major responsibility is to express or define carefully and truthfully and the director and organization must give an explanation for the approach of funds which are issued for utilization (Awan and Rafique (2013). This approach is valid for the government and public sector (Awan and Rafique (2013).

Stock exchanges are allowed to expand their business to use technology and computer workstations (Awan and Rafique (2013). Stock exchange in India doing progressing due to technology (Awan and Khan (2015). Stock markets are introduced new technology in whole over the world which made transactions more clear and easy Awan and Khan (2015). It also provides services to risk-averse investors that can minimize their risk through diversification. Finance is very important for every sector and many enterprises are using this approach (Brav 2009). (Brav 2009) Many financial organizations like Banks and other financial establishments obtain pretty little investments of huge numbers of individual's joint memorandum mutually and hence formulate funds accessible for superior scale enterprises. Generally, this is eye-catching because of the worth of level effects if every person feels bound or if he is facing restriction so his investment will be very limited (Brav 2009). It is close by the current straightforward mold that demonstrates how perfection in the fiscal markets pressures the belongings of local manufacturing, and in an open economy, no modification is required (Grossman and Helpman 1991). (Barro and Sala-i-Martin, 1996) A large amount of research and literature reviews tell us firms can enhance their businesses through use the of different techniques and expertise in the capital market providing us the better results (Barro and Sala-i-Martin, 1996). The term capital market is used where the monetary instruments of the market are traded, It should be short-term instruments and long-term instruments. Instruments include papers of business and government include (Stiglitz 2000). we can also say a market of assets which includes capital. Capital markets include both the things equity and debt (Stiglitz 2000). Through capital, market economies grow their investment which directly impacts the industries whether it is small and medium industries or all large-scale industries (Stiglitz 2000).

5. DATA & METHODOLOGY

The data is collected from different websites and from articles through which we subtracted our facts and figures related to small and medium enterprises and the facts and figures related to the capital market. After collection, the growth of both variables is analyzed.

The analysis of data is based on the facts and figures of small and medium enterprises and capital markets in this we discussed the 10 years of growth rates of small and medium-sized industries and the capital market.

6. FINDINGS

Pakistan has come into view as the and prove its self as a second growing economy in Asia after China in 2009-2010, as alleged by the government and glowing recognized by worldwide raters and from the research of financial organizations to Survey of Economics of 2009-2010 this boost in the GDP of economy consideration of well-built presentation of large size mechanized and services segment. Although the huge level of industrialized register 15.5% growth but small and medium size industry (Small and medium industries) is the main issue of economic development of an economy and especially for acquiring satisfactory results due to low level of income Pakistan stands in the position of 135th out of 174 countries by Human development index.

When we talk about small and medium-sized enterprises, We believe as it is only mechanized industry but when we see according to the definition of Small and medium enterprises, the Small and medium industry have 10 to 35 employees with 2 to 20 million rupees of investment integral in equity. Medium Enterprises should have 36 to 99 employees with 20 to 40 million capital integral in equity. Now here we can observe how significant the expansion of the Small and medium industries in Pakistan is.

The option of the role of capital market in small and medium enterprises in Pakistan holds extremely significant importance. Occasionally we have bright figures and facts and concerning data on the economy of Pakistan like GDP development in per capita income but these figures should be uncertain since investors in this huge expansion are not bunch except this consumer in the country. Small and medium enterprises manufacture the income flow for sufficient positions in rural areas and the entrepreneur connected due to this action are usually medium or small industries.

The link between Pakistan's Small and medium enterprises is not only the small share turnover thus far, authenticity is that Pakistan's whole financial system is very much dependable on the performance and effectiveness of small and medium industries. Pakistan consists of 3.2 million organizations or enterprises and 95% s industries which of 99% of employees are in the sector of private manufacturing sector and utilize almost it includes almost 78% of the non-agriculture labor force. Small and medium enterprises donate or take part in the exports of the country is 25 % and contribution to GDP is 30%.

First of all, we have to talk about the major approaches we have to get better the growth and efficiency of Small and medium enterprises. The actual prospective of Small and medium enterprises development In Pakistan miserable citizens of Pakistan who contributed to the development of industries. Generally, it means the vision of Small and medium enterprises is linked with the attraction of extremely competent but underprivileged ample investment in Pakistan and this vision will help the economy of Pakistan from the dark days of the economy. But in actual or in real we are facing two problems one is investment and technical support. These were two problems which are facing by Pakistan s economy capital markets try to solve these two problems it provides investment.

Investment in Small and medium enterprises is in a deep liquidity stage for financial institutions, Banks are not included in it but they also give finances in the shape of loans to small and medium industries. By giving a loan to small and medium enterprises Through this two benefits can be acquired. The first one is they advance loans to small and medium enterprises more as compared to large organizations. By giving the loan to small and medium-sized enterprises risk is spread among the different customers and it is easily recoverable. The involvement of the capital market and small and medium-sized enterprises gives strength to the economy.

Discover the exact location creation of an additional path to increase small and medium enterprises sector The advantage of small and medium enterprises' growth impacts production and reduced cost. In Pakistan, we are producing very economical products like in Wazirabad surgical instruments are manufactured which are many economical and good in quality Sialkot is also very famous for producing sports goods. As small and medium-sized enterprises help to produce economical products because we have much skilled laborers. These industries are spread in whole over the country, especially in villages. It is the worldwide fact no country cannot capture the market until it produces good quality products and economical products.

Pakistan needs to improve some things in small and medium enterprises (a) Enhance the growth of new products (b) Too strong the economy import substitutes are required (c) Exports products produce more (d) Produce those goods whose demand is very high. As we know to produce a quality product good quality raw material is also required, To get the required results and what to produce entrepreneur should know the market trend. SME institutions have to play the role of the channel in this procedure. Government is seriously interested to get better technology from Japan and China to make our small ad medium industries better, For the betterment of industries government tries to push these small industries to villages which are better for the economy and progress and resources move villages and in small towns. As we know that in Pakistan many cities like Lahore Sialkot Faisalabad and Karachi includes which have very good industries Pakistan, first choice is to push back our industry into the village side. When we want to see manufacturing estates in Punjab 14 estates, In Khaiber pakhtonkhawa includes 9 industrial cities Sindh has 17 industrial cities. Governments take part in the development of small and medium enterprises but the outcomes or

results are unpredictable. These can turn into real enlargement some points survive existing indications of budding industrial development. For example, the victorious organization of new industrial units and workshops and the creation of new lines produce good quality indications for the possible development of such centers. The success of rural development revolves around some factors like (a) How many factories and industries are working in the village; (b) How many services and facilities are available like energy security investment finance (c) How much the local public is involved in industries in term of the investment (d) How much Research labs educational and technical institutions are available.

50% of small and medium enterprises want to moderate their businesses and almost ¼ of the industries want to carry or maintain their business, 12.3% want to grow their business. only 1.4% of owners want to shut down their setup. through these figures, we can see how important small and medium enterprises and safe and sound, and steady.

From the above data, we can see Small and medium enterprises play an important role in the Pakistani Economy, As we can see Total number of economic establishments is 3.2 million when we talk about our Total number of Small and medium enterprises is 99% of enterprises, Contribution in Employment of Pakistan is 90%, when we talk about our nonagricultural workforce related to the nonagricultural sector is 78%,

Only 1-10 persons are interlinked with Small and medium enterprises and this strength is 99%. We earn from exports from Small and medium enterprises 25%, and its share in GDP is 30%, and it has shared in the manufacturing industry is 35%.

Table-1

Total Number of Economic organizations	3.2 million
Number of Small and medium enterprises (Total)	99% of all enterprises
Contribution in Employment	90%
Total % of the workforce of Non-Agricultural	78%
Avg Employees in 99% of Small and medium enterprises	1-10 persons
Share in Earning of Export	25%
contribution in GDP	30%
Share in Manufacturing	35%

These were some important stat statistics that tell how important Small and medium enterprises in the development of Pakistani Growth, and above mentioned statistics we can see no country cannot be survived every country's economy is heavily dependent on Small and medium enterprises' growth.

We can see how important is small and medium size enterprises for Pakistan s economy, 90% of employment is dependent on small and medium-sized enterprises.

Table-2: Distribution of Small and Medium Enterprises by Sector, As % of GDP

Sr	Sector	Share in GDP
1	Services	17%
2	Manufacturing	30%
3	Trade and Hotel	53%

To elaborate on how much small and medium enterprises affect the economy we will further explain the different sectors of small and medium enterprises, we can see above services contributes 17 % small and medium size industries related to manufacturing contributes 30%, related to trade and hotel contributes 53% how effects to the GDP some graphical representation is attached below. We can see small and medium sizes take part in GDP taking 30 % which is very a huge amount.

Purpose of this pie chart is to draw that the reader easily understands the distribution of small and medium enterprises by sectors on the above table it is mentioned that 30% of the total sectors are occupied by the manufacturing industries 17% is occupied by services sector and the widest sector is 53% occupied.

From the above table, we can see the contribution of dominant sectors to the manufacturing of small and medium enterprises is defined as we can see there are many sectors mentioned as we can see the total percentage in 2010 was 39 % and in 38.98 %, From the above table we can see cotton weaving industry produce more than any other sector.

The outcome expresses the growth of exports due to small and medium enterprises, we acquired the data in millions, and by own calculating the percentage of growth we calculate the total exports for ten years, and after that, we took the percentages that in which year what is the percentage of growth with respect of ten-year export because if the exports from small and medium enterprises grow, so it means the small and medium enterprises do progress, we can

see from 2001 to 2008 our exports of small and medium enterprises flows upward but after that our exports start declining now we will further explain it through the graphical representation

Figure1: Sectors comparison of small and medium enterprises

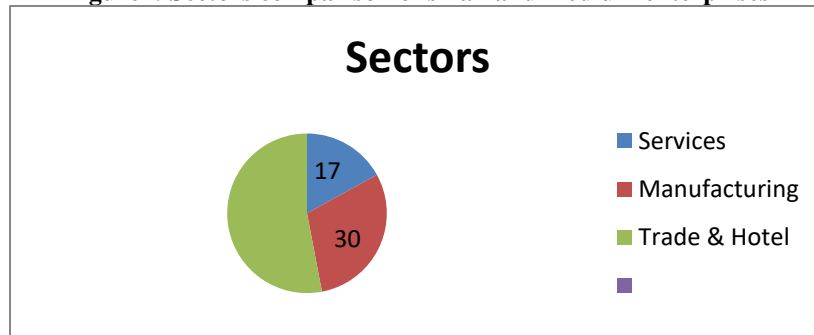
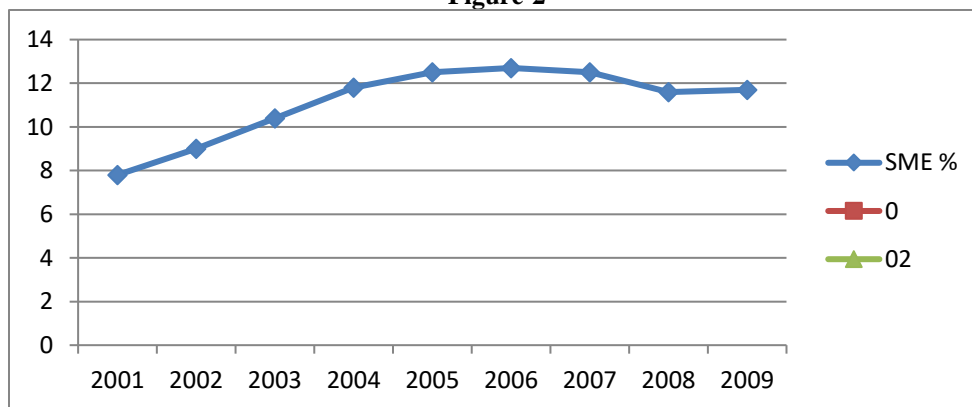
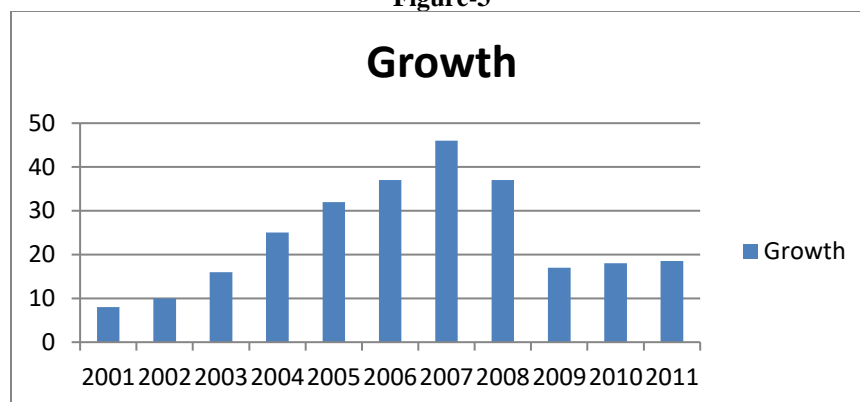


Figure-2



For more clearance, we show the 10 years growth in export due to small and medium-size industries mentioned on the graph. We take the growth in exports on the X-axis and the financial years on the Y-axis. Above we have collected 10 years data of from Pakistan in this we can see how much the capital market grows and take part in the GDP of the economy. as we can see the higher rate of the capital market growth was in 2007

Figure-3



We take the growth of the capital market on the x-axis and we take the financial years on Y-axis, Now we can see in 2001 capital market growth started rising in 2002 growth reached from 8% to 10% in 2003 it shifted from 10% to 16% in 2004 it moves to the 25% in 2005 it reached at 32 % in 2006 it reached at 37% and in 2007 it reached the highest point of 46% and after that, it starts to decline

As we know when the capital markets contribute to the GDP of the economy of any country it tells us whether the capital market of an economy is doing growth or not on the other hand when we see the contribution of small and

medium enterprises in the exports we can easily find out the growth in small and medium industries sector, Now through these two variables we can find out the relationship between capital market and small and medium enterprises, Now the comparison of capital market and small and medium-size enterprises are mentioned below. Now we will do a comparison of ten years to prove our topic hence we are presenting the growth of the capital market and the growth of small and medium-size enterprises. Which helps us to do the compare and results.

7. CONCLUSIONS

We do a detailed study of the role of the capital market in the growth of small and medium enterprises we pass through different phases First we present a detailed introduction to the capital market and small and medium-sized enterprises in the second step we present the literature review in which we see the past research on this topic after that we present a model and some variables which influence the growth of small and medium-sized industry then we had present the statistics related to our topic and after that, we have done the analysis of data and give the comparison. From the whole study, at last, we realized how important are small and medium size industries for the economy, and in other, we can also say that without small and medium size enterprises the economy of Pakistan cannot be stable, and on the other hand, capital market plays also a vary significant role in the development of the economy and we cannot run our capital market of the country.

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