

**THE THEORIES ABOUT CONSTRUCTION OF FINANCIAL
SYSTEM AS REFLECTION OF THE ECONOMIC AND
FINANCIAL STRUCTURE OF A COUNTRY – THE CASE
OF KOSOVO**

ENVER BAJÇINCA, PhD Candidate

European University of Tirana, Albania

Email: e_bajcinca@yahoo.com

Abstract

This paper reviews the theoretical views on the construction of the financial sector and linking it with the structure of the real sector and economic growth. Two main views are those that support the financial sector i) based on banks and ii) based on the financial market. Each of these states finds its advantages and disadvantages of another view. Some analyzes suggest that countries with underdeveloped financial sector and economic structure that consists mainly of small firms should be defined for a financial sector based on the bank, while the countries with developed financial sector and economic structure that have a significant part of large firms, financial sector should be based on the market. Two other theories have beyond the debate reliance on a bank against the market and focus more on the level of financial services and legal environment in the country. I appreciate that financial sector in Kosovo, based on local circumstances need for a long time based on the bank and there is no need to take steps to set up the financial market.

Keywords: theory, financial sector, bank, market, economic structure