

The Role of Savings in the Economic Development of the Republic of Azerbaijan

Nagi Bairamli¹ and Vassilis Kostoglou²

Abstract

This article aims to analyze the possibilities of the accumulation and mobilization of savings and their role in the economic development of the Republic of Azerbaijan. Currently, the national economic growth is mostly based on the resource components; crude oil, natural gas and oil products. For the development of the non-oil sector the mobilization of domestic savings into investments would prove very useful. Savings of people should be the most important investment resource for the development of the non-oil sector, as the foreign capital is mostly involved in production of natural resources like oil and gas. The mobilization of domestic savings is crucial for raising the economic growth and promoting development, as it is the private savings that affect the domestic investments significantly. The most of the savings are made when they are fully channeled into the productive investments. As a result, this will lead to the solution of problems of employment and economic growth.

Keywords: economic growth and development, savings, investments, financial institutions

JEL Classification: O16, O11, E44

1. Introduction

Over the last three years the economy of Azerbaijan is being developed at an accelerated pace, so that its growth rate has become one of the highest in the world. The speedy growth of the economy is due to the existence of huge oil reserves and the increased production of oil. This increase has accelerated a rapid growth of GDP as the oil sector accounted for over 50% during 2007 and 2008 (Economy, 2009).

Azerbaijan's integration into the World Economy has been intensified in recent years. More than forty-nine billion USD were invested into economy over the period 1995-2007, 70% of which were foreign investments. Eighty percent of foreign

¹ Ph.D. candidate, TEI of Thessaloniki, e-mail: nbayramli@hotmail.com

² TEI of Thessaloniki, Department of Informatics, P.O. Box 141, GR-574 00, Thessaloniki, e-mail: vkostogl@it.teithe.gr