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GREEN DEVELOPMENT IN NEW EU COUNTRIES: DO FINANCIAL INCLUSION, REGULATORY QUALITY AND GOVERNMENT EFFECTIVENESS MATTER?

Abstract:

Due to the increasing consumption of energy resources and environmental emissions, green development is now the focus of research. It also enables broader participation in green initiatives by providing adequate financial resources. In addition, this paper examines the impact of financial inclusion, regulatory quality, government effectiveness and economic growth on green development in the new EU countries for the period 2004 to 2021. In this study, the pooled mean and group mean estimators were used to examine the short- and long-term effects of analysed variables on green development. The results show a strong relationship between the variables and CO₂ emissions in the long run. The results demonstrate that a 1% increase in the level of financial inclusion and the quality of regulation increases carbon emissions by about 0.3% and 0.4% in the long run. However, government effectiveness and economic growth have a negative effect on CO₂ emissions in the long term, while economic growth has a positive effect on CO₂ emissions in the short term. To improve green development at the EU level, member states should implement appropriate green policies in their specific areas and increase financial resources.

Keywords:

green development, financial inclusion, government effectiveness, regulatory quality, new EU countries

JEL Classification: Q56, Q58, C54