

# Households savings and firms' investments: implications for economic growth

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## Abstract

Over the last decade small and medium enterprises (SMEs) development has emerged as a major issue in the Italian political economy, since they play an important role in the annual growth rate. However the Italian economy still lacks of a bold attempt to reduce the SME equity funding gap. Moreover households' portfolio choices should be better coordinated to the demand for investments from local firms. Even though in Italy there is a high number of small firms that could be potentially listed, only a small percentage is present in the stock exchange. Providing Italian small and medium enterprises with a wider funding market, would support the development of their growth, spreading the benefits over the national economy. In this article, we analyze the effect of sectoral-specific increases in SME equity funding, through stock market listing. The results show that this increase would boost the national economic growth, raising the level of investment. The analysis applies a general computable equilibrium model, using 2000 Input Output (IO) Table. The IO has been integrated with the Bank of Italy Survey of Household Income and Wealth(2000) to obtain the Italian Social Accounting Matrix for 2000.

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