

# COMPETITION VS. STABILITY IN BANKING SECTOR (LITERATURE REVIEW). APPLICATION IN CASE OF ALBANIA

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## **Abstract**

Competition in banking sector is a very ‘special’ kind of competition because for the banking sector stability is crucial and for this reason we have to find the right ‘trade-off’ between the competition level and stability of the market. From the competition point of view, Albania has an antitrust policy/law with three main objectives: prohibited agreements, abusing of an (sole/collective) dominant position and merger acquisition control to prevent the creating or strengthening of dominant positions. As it’s our first paper on this field, we want to examine the theoretical models and practical application of the relationship between competition policies and policies to preserve stability in the banking sector. Market structures and the relative importance of the three classical antitrust areas for banking dominance, cartels and mergers are evaluated respectively for treasury bills market, loans and the changing of market structure as a consequence of a number of merger and acquisitions. We will try to build a model to estimate the level of competition in Albanian banking system regarding three main products such as loans, deposits and treasury bills/bonds and to find the way how the increasing of competition can affect the stability of banking sector