

## COMPETITION, EFFICIENCY AND BANKING STABILITY IN KOSOVO

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### ABSTRACT

The main purpose of this paper is to provide a theoretical overview, concrete and analytical functioning of the banking sector in Kosovo. Almost all customers use banking products and services. If the market works the best, then welfare certainly would be higher. Taking into account the special characteristics of the banking market, it is assumed that increasing the level of competition, it could increase the level of welfare, but it is frequently objected that it could be dangerous for their stability. Initially analyzed indicators of competitiveness, efficiency and stability of the banking market. analyzing all the indicators, the analysis shows a lower level of competition in recent years. Secondly estimated costs and benefits of competition in this market. Empirical analysis shows that there is a higher degree of market power, which results in increased overall cost efficiency. Although the power of the market has an impact on risk-taking, it seems that its impact on the overall banking risk is insignificant. This means that when policymakers seek optimal structure, they should be guided more by the efficiency of the market as long as there are regulatory policies.

**Keywords:** Competition, efficiency, banking, financial stability, loans.