ISSN 2345-1424 http://jrtmed.uccm.md ISSN 2345-1483

Journal of Research on Trade, Management and Economic Development
VOLUME 3, ISSUE 1(5)/2016

THEORIES REGARDING THE IMPACT OF COMPETITION ON FINANCIAL STABILITY

Elena FUIOR, Prof., PhD,
Trade Co-operative University of Moldova
E-mail: elenafuior@rambler.ru

Natalia BEJENAR, Consultant, PhD student,
Ministry of Economy of the Republic of Moldova
E-mail: bejenar_natalia@mail.ru

Ion MAXIM, Prof., PhD,
Trade Co-operative University of Moldova
E-mail: ion.maxim@competition.md

JEL classification: G21, D40

Abstract

The concept of competition in economic literature is associated with the engine of economic development, which contributes to the increase of competitiveness, efficiency, innovation and creation of new jobs. However, competition in the banking system is a controversial concept and widely discussed by experts in the field, because competition can cause the bankruptcy of economic entities that are not competitive in the market. In these conditions, ensuring financial system stability is a main priority of policymakers, because financial crises cause considerable damage on economic development. The core problem is outlined in finding a balance between promoting competition in the banking system and financial stability. Economic experts have different opinions about the impact of banking competition on the development of the financial system. Some argue that competition in the banking sector generates crises and financial instability, the promoters of so-called "competition-fragility" hypothesis. The other group of economists promotes "competition-stability" hypothesis and argue that competition helps to ensure financial stability. In this work, we intend to present the main arguments and theories developed by the economists about the linkage between competition and financial stability.

Keywords*: competition, financial stability, concentration, banking consolidation*.

1. Introduction

In a market economy, competition is the engine of economic development, which aims to increase competitiveness and create new jobs. In the market, each entity is interested in gaining a more advantageous position compared to other participants.

As a result, healthy competition is a factor of progress, efficiency and welfare. In order to ensure a stable, competitive environment, regulatory framework prohibits the activities of unfair competition, abuse of dominant position and agreements between companies that could reduce the rivalry between economic entities.

Competition in the financial market is a distinct sector, which requires the establishment of specific rules. The financial market is the driving force of the real economy because it provides access to financial products to economic entities and households.

Thus, the economic growth of a country is directly linked to financial market performance. However, the economic literature argues that too much competition in the financial market may cause financial instability. In this context, competition policy for banking sector must take into

account the link between competition and financial instability. From a static view, high competition may be good for efficiency, but can damage financial stability.

The specialized literature contains different views about the importance of competition in the banking system and its impact on financial stability. In this article, we intend to present the most important views of the theoreticians that focus on the link between banking concentration, competition and financial stability.

Thus, experts share two main views. Some argue that competition has a negative impact on financial stability, the promoters of the so-called competition-fragility hypothesis. Researchers who support this hypothesis are: John H. Boyd, Edward Prescott, Arnoud Boot, Anjan V. Thakor, Franklin Allen, Douglas Gale, etc.

The other group of economic researchers argues that competition results in greater financial stability, they support competition-stability hypothesis. Some representatives are: Federic S. Mishkin, Andre Uhde, Ulrich Heimeshoff, etc. In addition, the financial literature provides information about the third group of experts who claim that a direct and close connection between competition and financial stability does not exist (Antonio Ruiz-Porras).

2. The investigation degree of the problem, the research purpose

Competition and financial stability are two key economic concepts. Economic experts have studied in detail the connection between these two concepts, especially due to the importance of each notion on economic development. The competition promotes efficiency, innovation and economic growth, while financial stability is a precondition for sustainable economic development and avoiding financial crises is a desideratum for any economic system.

However, competition in the financial market means the exit of market participants who do not satisfy the market conditions, being created premises for financial instability. Under these conditions, economists of all times tried to find an answer on how to establish a balance between promoting competition in the banking sector and financial stability. The research purpose is to synthesize and present the main economic theories and arguments regarding the impact of competition in the banking sector on the financial stability.

3. Applied methods and materials

In preparing the research, we have used different research methods, with emphasis on comparative and logical methods. Also, to identify key concepts included in the paper the results of some publications, articles made by economic experts, which is an important source of arguments and facts based on empirical data were used.

4. Results and discussions

4.1. Approaches about the role of competition policy and financial stability in banking sector

One of the basic questions that arise when competition in the banking sector is analyzed is: “What is the optimal level of competition to ensure financial stability?” Thus, policymakers in developing

financial policies are guided by the need to find a balance between promoting competitiveness and avoiding financial crises.

Experts affirm that the banking system is more vulnerable to instability in comparison with other sectors, as banks exercise the function of financial intermediation, by transferring funds from those who have a surplus to those who have a deficit. In terms of active operations, commercial banks specialize in assessing the viability and profitability of the projects submitted by entrepreneurs to finance them. Thus, financial instability can be caused by excessive risk-taking in providing loans by commercial banks, aggravated by the existence of safeguard measures in order to cover losses of depositors in case of bank failure. In terms of passive operations, according to the traditional concepts, commercial banks attract deposits, which are used to finance long-term projects.

Maturity mismatch between assets and liabilities operations trigger risks in the financial system, which is the starting point for financial instability. In addition, commercial banks are deeply involved in managing the interbank lending and payment system. These deepen the links between financial market participants. Thus, the bankruptcy of a bank could influence the activity of another bank, creating a systemic risk, because of close ties, asymmetric information and the lack of measures to protect the financial system.

In this context, economists Allen and Gale in the paper "Competition and Financial Stability" cited the research made by Glenn Hoggarth, Ricardo Reis and Victoria Saporta "Cost of banking instability: some empirical evidences" in order to present the high costs of financial instability.

The study was developed based on empirical data on economic crises that occurred during 1977-1998. According to the results, the average cumulative output loss recorded, because of financial instability for all crises, represents about 16.9% of GDP.

The cumulative loss caused by monetary and banking system crises were about 29.9% of GDP and loss caused by banking crises represented only around 5.6% of GDP. In addition, loss caused by financial crises is much higher in developed countries compared to the emerging countries. According to the research, the loss in developed countries equals to 23.8% of GDP, while in emerging countries - 13.9% of GDP [1, p. 454].

Taking into account the extremely high costs of financial crises, it is logical that financial stability is one of the main priorities for policymakers. In contrast, the difficulty in measuring the loss of efficiency because of bank mergers suggests that ensuring a competitive environment has a low degree of importance for policymakers.

The ambiguity about the efficiency costs of reduced competition in the financial market and the need to ensure a balance between competition and financial stability, force policymakers to give priority to financial stability by supporting banking consolidation. However, this subordination of competition policy to financial stability can be irrational because of some arguments.

First, the costs of financial instability are quite large, but it does not mean that is necessary to reduce competition in the banking sector to ensure financial stability. In addition, a number of studies show that gains obtained because of encouraging competition on the market are much higher than cost reduction registered because of banking consolidation.

Moreover, financial crises occur approximately every 10 years, while the costs of banking concentrations are born every day.In this context, we aim to present the economists' views on the link between banking concentration, competition and financial stability.

4.2. Theoretical concepts about harmful impact of competition on financial stability

The specialized literature contains some opinions about the negative effects of competition on financial stability. Proponents of this theory have established the "competition-fragility" hypothesis. According to the "competition-fragility" hypothesis, too much competition in the financial market erodes the market power, reduces marginal profits and result in reduced charter value, which encourage excessive risk-taking by banks.

One of the basic arguments about the negative impact of competition on financial stability is "charter value hypothesis". Referring to the paper of Elena Carletti, among the first who studied this theory was Michael C. Keeley, who in his publication "Deposit Insurance, Risk and Market Power in Banking" explained the indirect relationship between competition and bank's charter value. Thus, due to increased risks regarding banking assets and reduced capitals, the risk of bank failures increases. In his work Keeley found that increased market competition, deregulation, followed by relaxation of legislation on opening branches in the USA in 1980 generated an erosion of the monopoly rents and resulted in a wave of banking bankruptcies [6, p. 19].

Citing the paper of Doll, Guttentag and Herring in the article "The Insolvency of Financial Institutions: Assessment and Regulatory Disposition" define the concept of charter value as "the present value of the net revenue that a bank could gain from new businesses if they keep only the headquarters, employees and consumers" [7, p. 12].

In other words, the concept of charter value means the present value of future earnings that banks could obtain based on its reputation, market and information about consumers. For banks, charters value is an intangible asset and the easiest method to measure it is by the ratio of the bank's market value and book value of tangible assets.

Moreover, Thomas F. Hellman, Kevin C. Murdock, Joseph E. Stiglitz in their paper "Liberalization, Moral Hazard in Banking and Prudential Regulation: Capital Requirements Are Enough?" concluded that financial liberalization increases competition in the financial market and reduces the bank's charter value.

Thus, a deregulation of the financial markets allows banks to determine how to allocate the assets and value of interest rates, resulting in outlining the problem of moral hazard and assuming excessive risks by banks. In addition, they studied the role of charter value in an environment where capital requirements are established.

The capital requirements are forcing banks to hold more risk capital when they invest in risky activities. They call this effect the "risk capital" effect. However, they argue that there is another effect of capital requirements concerning banks' attempts to take risks, so-called "future franchise value effect". The capital requirements act as a tax on the banking system. Therefore, they erode bank profitability and reduce the bank charter value and as a result, increase rather than decrease the bank's intentions to take risks [8, p. 27].

Competition on deposit market tends to increase interests paid to depositors. This is due to "market stealing" effect. Banks will offer a higher interest rate compared to its competitors to attract more funds. This kind of competition erodes bank's profitability and reduce the banking charter value. In addition, such situation encourages banks to assume risky activities. The market stealing effect is a common feature of the credit market. Franklin Allen and Douglas Gale, economic experts,

showed that because of the increase in the number of banks, each bank would attract a smaller amount of deposits in their research [7, p. 13].

As a result of the increasing number of banks, on the market was outlined the features of perfect competition, where companies were encouraged to develop their business until the expected profits are positive. The bank profit would tend to zero because of competition, so banks would be engaged in increasingly risky actions to gain profit.

Another argument supporting the "competition – fragility" hypothesis is the relationship between banks and interbank contagion. This theory is closely related to charter value theory. Among those who developed this idea were Franklin Allen and Douglas Gale, who stressed the importance of the interbank market as a source of financial contagion. The interbank market connects different regions and sectors and financial shocks could spread to other sectors of the financial system. In the paper "Competition and Financial Stability", Allen and Gale developed an econometric model that argued that a relatively small shock, initially affecting a small area or only a few institutions, could spread throughout the financial system and cause a financial crisis [1, p. 477].

Several types of contagion were outlined in the specialized literature. The first is contagion through the channels between banks and financial institutions. The second type is contagion that occurs within monetary crisis, and the third type is the contagion through financial markets. The concept of financial fragility is closely linked to the concept of contagion. Thus, when the financial system is weak, a small shock can cause a big effect. In the model developed by Allen and Gale, they demonstrated that perfect competition is one the factors that could cause financial system contagion. A small shock in the liquidity demand in a particular region may cause a systemic risk. Although the shock is small, it could cause a bank failure. The bank that went bankrupt, in turn, could cause failure of the banks, which held deposits in it. The bank, which faced liquidity problems, was insignificant for maintaining balance in the financial market, so, no other bank, would take measures to support it. Referring to the paper by Allen and Gale, Lawrence Saez and Xianwen Shi, in 2004, showed that in a financial market with a limited number of banks, market participants would act strategically and provide liquidities to the problematic institutions. These actions will prevent contagion and ensure the avoidance of a financial crisis [1, p. 477].

Another argument in favour of the "competition-fragility" hypothesis is the importance and duration of relationship banking. Competition can affect the length and quality of the relationship established between the bank and its customers. The economic researcher Arnoud Boot defines the relationship banking as the provision of financial services by a financial intermediary that:

i) invests in obtaining customer-specific information, often proprietary in nature;
ii) evaluates the profitability of these investments through multiple interactions with the same customer over time and/or across products [3, p. 10].

Intense competition in the banking sector reduces the extent and duration of relationship banking. A short connection between banks and consumers may reduce the information credibility about the debtors. Relationship banking could make the banking system more stable, because it would reduce the level of non-performing loans. Citing the paper of Doll, experts Saurina and Jimez demonstrated the empirical link between the probability of failure in bank lending and the relationship banking in Spain. According to the results, they concluded that banks would finance risky loans, especially if they had a close and long-term relationship with the client [7, p. 14].

Although, relationship banking refers to the link between the bank and customer, competition in the deposit market also may reduce the relationship between bank and depositors. Strong competition and the battle for market share could increase liquidity risk. Economic experts Iyer and Puri analysed the depositor behaviour during the banking crisis. Thus, they concluded that depositors, which have a long relationship with the bank, are less likely to panic [7, p. 15].

Therefore, if the competition reduced the length of the relationship between banks and consumers, the probability of banks to face liquidity problems would increase. The effectiveness of banking regulation is another argument, which supports the "competition-fragility" hypothesis. Along with the direct effects of competition in the banking system, competition and market structure may influence the effectiveness of prudential supervision. Citing the paper of Doll, according to Thorsten Beck, a concentrated market with a small number of banks facilitates actions of supervisory authority on financial supervision and financial stability. Supporters of the same argument are researchers Franklin Allen and Douglas Gale, who argued that the creation of a financial system with a large number of banks and other financial institutions is inappropriate from the viewpoint of the efficiency of the banking supervision system [7, p. 15].

In order to support the competition-fragility hypothesis, researchers Franklin Allen and Douglas Gale in their paper "Competition and Financial Stability" published in 2004, analyzed the link between competition and financial stability using spatial competition model [1, p. 468].

The spatial competition model analyses the competition between companies with different products. Spatial dimension can be interpreted as the presence of banks in different localities or the existence of qualitative differences in their services. In the paper, researchers analysed the importance of competition in unitary banking and branch banking. Unitary banking means a banking system where each bank representative is an individual institution.

This model consists of three characteristics: the lock-in effect; limited information and product diversity. The first two refer to the asymmetric information. Thus, the lock-in effect is a fixed cost that is charged when the client changes the bank. In this context, it is well known that the cost of switching to another financial institution offers to the bank some monopoly power.

Limited information refers to the lack of information on prices and services offered by the bank after the relationship between banks and consumers was established. In fact, if the bank was small, it is less likely that the bank's reputations would be a suitable source of information about the quality and the price provided to consumers. A third feature of the model lies in the diversity of products. Once customers have different preferences, depending on the location of the branch, a bank with multiple branches would offer a large spectrum of services adjusted to consumer preferences. Analyzing these three features in the model, experts Allen and Gale concluded that banking concentration would lead to greater efficiency in the banking system.

The affirmation means that small banks with few services and limited presence in different locations would exploit the lock-in effect, manifested in particular by the possibility to charge monopoly prices for banking services. According to the paper of Elena Carletti, experts Michael D. Bordo, Angela Redish and Hugh Rockoff conducted a research in 1994 and got some empirical evidences concerning branch banking and unitary banking, based on the analysis of the banking system in the United States and Canada between 1920 and 1980. During this period, the system in Canada was branch banking; while in the US was unitary banking. The results demonstrated that Canada's banking system was more efficient compared to the US [6, p. 28].

The results consist of several important factors. In Canada, the interest rates on deposits were higher and income received by securities holders were slightly higher than in the USA. In addition, the interest rates on loans were at similar levels in both states. Finally, the return on capital was higher in Canada. In the end, the researchers concluded that branch banking is more efficient and competitive comparing to unitary banking. Another argument in favour of the "competition – fragility" hypothesis is the Schumpeterian model [1, p. 473].

Joseph Schumpeter is an economic researcher, who in his works analyzed the importance of competition for economic development. In 1950, Schumpeter pointed out that perfect competition undermines the intention to innovate because of weak intellectual property rights. In this context, imperfect competition could be more efficient than perfect competition. Therefore, they argued that any company wants to gain a monopoly position. Monopoly rents are a strong reason for companies to innovate and holding exclusive rights conferred by a patent of intent justify the expenditures spend for innovation. Thus, imperfect competition would stimulate innovation and economic progress. This model can be applied to the banking system. If banks were oriented to innovation, they would expand their market share and eliminate inefficient banks from the market. Competition according to Schumpeter's model may be associated with financial instability, based on the concept of "creative destruction".

4.3. Theories about the positive effects of competition on financial stability

Over the past decades, economists have questioned the accuracy of "competition-fragility" hypothesis and developed models and theories that competition in the banking system increases the financial stability. Proponents of this theory have established the "competition-stability" hypothesis.

One of the basic arguments of this hypothesis is the adverse selection and moral hazard in the credit market. According to the theory, banks with greater market power would charge higher costs for market services. Among the first who proved this theory were Joseph Stiglitz and Andrew Weiss in 1981, who demonstrated that higher interest rates would increase the risk of loan portfolio due to adverse selection and moral hazard risks.

Thus, high costs discourage certain borrowers and banks would select the risky borrowers and likely would face high levels of non-performing loans, which could undermine bank stability [11, p. 408].

Recently, in 2005, economic researchers Gianni Nicolo and John Boyd claimed that large market power would destabilize the financial system and worsen the financial stability. In addition, they argue that banks in determining the allocation of assets based on profitability and price, disregard the information asymmetry that is a common feature of financial markets.

They argue that optimal contracting problem, which means that the debtor's intentions are unobservable or observable at certain costs, is a better description of the environment in which banks operates [4].

Their model takes into account that banks compete in both, deposits and loans market. Less competition in the credit market means banks' probability to charge higher interest rates.

As interest rates are high, the risk of bankruptcy of companies that were credited by banks increase. Moreover, high interest rates lead to adverse selection and moral hazard. Both effects contribute to increase probability of bankruptcy. Thus, more competition in the credit market may reverse the relationship described above between competition and financial stability.

Other researchers that support competition-stability hypothesis are Ramona Caminal and Carmen Matutes. In their paper "Market power and banking failure" in 2002, they demonstrated that it is not the case that the increase of competition would increase the financial instability [5, p. 1355]. They argue that banks in a monopoly environment are prone to monitor borrowers, compared to banks in a competitive environment. These banks have monopolistic market power and the ability to transfer the monitoring costs.

Thus, in a monopolistic environment, banks rely less on credit rationing than banks in a competitive environment. Lack of rationing in the lending process increases aggregate portfolio risk exposure or non-diversified risk, which increases the failure probability of the bank.

In addition, citing the work of Doll, in 1995 experts Petersen and Rajan argued that banks in a concentrated system are prone to finance companies with small loans because later banking relationships gives them the opportunity to exploit gains due to the relationship established [7, p. 16]. The literature said that financing small companies is more risky than providing loans to large companies. Therefore, activity of banks in a concentrated system may be more risky than banks operating in a competitive environment.

Another argument in favour of the "competition – stability" hypothesis is the systemic risk and efficiency of regulations. Some of the researchers that provided some evidences in their works are Thorsten Beck and Federic S. Mishkin.

The "competition-fragility" hypothesis claims that small number of banks allow the supervisory authority to monitor better the activities of banks. However, some researchers have different opinions concerning this. Thorsten Beck, in his paper published in 2008, "Bank competition and financial stability: friends or foes?" argued that the benefits of competition are huge for an efficient financial system and regulatory and supervisory policies should encourage measures compatible with the financial system.

In the last period, a wave of banking consolidation has occurred worldwide, which intensified the concerns of policymakers about the banking concentration. Thus, many foreign banks have broadened their marketplace in developing countries and took place a large number of mergers in the financial market worldwide.

The financial consolidation resulted in the creation of financial conglomerates which offer loans and deposits, insurance and pension funds. Beck argued that the creation of such complex institutions could undermine the proper regulation and supervision from consumers and authorities. Also, the large size of financial institutions would create difficulties for supervisors to intervene in case of bankruptcy, outlining the "too-big-to fail" problem.

In conclusion, he argues that competition does not harm financial stability. Policies associated with a competitive financial system with fewer restrictions, reduced barriers to entry, open foreign banks - are associated with ensuring financial stability. However, the authorities should take the necessary steps to obtain the maximum competition's benefits.

Thus, Beck argued that unbridled competition could lead to fragility in a weak institutional environment. In this context, it is important that supervisory authorities improve the regulatory and relief measures, rather than limit competition in the market [2, p. 18].

Another proponent of this theory is Federic S. Mishkin, who in his paper "Financial Consolidation: dangers and opportunities" demonstrates that the creation of large financial institutions is dangerous for the financial system soundness since the failure of a large financial institutions exposes the entire financial system to a systemic risk [9, p. 5].

Thus, Mishkin argues that banking consolidation puts pressure on policy makers to follow "too-big-to fail" policy, where both depositors and creditors are protected. Financial institutions are aware of the policymaker actions to avoid the failure of a big bank and as a response, the moral hazard problems deepen.

Once depositors and creditors are aware that public authorities will not allow the bankruptcy of a large bank, they undertake fewer efforts to monitor institutions and withdraw funds when the bank takes too much risk.

Due to lack of monitoring, financial institutions take excessive risks and risk of bankruptcy is imminent. As solutions for reducing the risks caused by the intensification of too-big-to-fail problem and moral hazard,

Mishkin suggests to undertake action in order to enhance vigilant surveillance and safety actions of policymakers with an adequate amount of constructive ambiguity. The constructive ambiguity would introduce some uncertainties in the government actions to rescue the problematic banks. Therefore, the financial institutions may not be aware if the government would rescue them in case of bankruptcy.

In addition, John H. Boyd and Mark Gertler supported the assumption that the bankruptcy of a large financial institution could cause a systemic risk empirically. They demonstrated that the main pressure on the financial system wasn't the large number of bank failures, but low performance of large banks [7, p. 16].

5. Conclusions

Both, the promotion of a competitive environment in the financial market and ensuring financial stability are important priorities of policymakers. However, economic researchers constantly try to find answers to the question about the optimal level of competition in the banking system that will not harm the stability of the financial system. By the present work, we intend to present a summary of the main arguments of the theories concerning the impact of competition on financial stability.

Among the basic arguments in favour of the "competition-fragility" hypothesis, which argues that competition is harmful to financial stability are:

i) Assumption of reducing charter value, due to a large number of banks and finally, such banks are prone to undertake risky activities in order to increase profits;
ii) Interbank contagion risks, which refers to the lack of safeguard measures in order to support small banks in difficulties, which could cause a systemic risk and financial crisis;

iii) Weakness of relationship banking, which reduces the quality of information about the bank's client credibility and could increase the level non-performing loans;

iv) Effectiveness of bank regulations, which says that is much easier to monitor a small number of banks;

v) Results of spatial competition model, which shows that branch banking is more efficient than unitary banking;

vi) Results of Schumpeterian model, showing that competition promotes innovation and as a result, the failure of uncompetitive banks.

The other group of economists has made the following arguments in favour of "competition-stability" hypothesis:

i) Adverse selection and moral hazard risk, which claims that a small number of banks, which hold a higher market power, would charge higher costs for its services, which would increase the customers' bankruptcy risks;

ii) Systemic risk and efficiency regulations, which are relate to the impact of big bank failure on the financial system stability and the difficulties in supervising large banks, which result in complex financial institutions because of banking consolidation.

In conclusion, we would like to mention that the financial literature does not have a right answer about the relationship between competition and financial stability. Each financial system contains certain features which are essential in determining the balance between financial stability and competition policy. The policy makers should take into account the importance of each priority for economic development and welfare of society in setting development priorities.

REFERENCES

1. ALLEN, F., GALE, D. Competition and Financial Stability. Journal of Money, Credit, and Banking [online]. 2004, vol. 36, no. 3, part 2, pp. 453-480. ISSN 1538-4616 **(IF: 1.090)**. Available: http://finance.wharton.upenn.edu/~allenf/download/Vita/compfinstabpublished.pdf
2. BECK, T. Bank Competition and Financial Stability: Friends or Foes?. The World Bank Policy Research Working Paper, [online]. 2008, 4656, 32 p. Available: http://siteresources.worldbank.org/INTFR/Resources/BeckBankCompetitionandFinancialStability.pdf
3. BOOT, A. Relationship Banking: What Do We Know? Journal of Financial Intermediation. 2000, 9, pp. 7-25. ISSN 1042-9573 **(IF: 1.661)**. Available: http://citeseerx.ist.psu.edu/viewdoc/download;jsessionid=2D45ED7F6E965D15167FF89F5CBBEF60?doi=10.1.1.194.7960&rep=rep1&type=pdf
4. BOYD, J., DE NICOLO, G. The theory of bank risk taking and competition revisited. The Journal of Finance. 2005, Vol. 60, no. 3, pp. 1329-1343. ISSN 1540-6261 **(IF: 5.424)**. Available: http://www1.american.edu/academic.depts/ksb/finance_realestate/mrobe/Seminar/Boyd.pdf
5. CAMINAL, R., MATUTES, C. Market Power and banking failures. International Journal of Industrial Organizations. 2002, vol. 20, no. 9, pp. 1341-1361. ISSN 0167-7187 **(IF: 0.984).** Available: http://www.iae.csic.es/investigatorsMaterial/a9167113500archivoPdf20526.pdf
6. CARLETTI, E., HARTMAN P. Competition and Stability: What's Special about banking? European Central Bank Working Paper Series [online]. 2002, no. 146, 50 p. ISSN 1561-0810. Available: http://ssrn.com/abstract_id=357880
7. DOLL, M. Bank concentration, competition and financial stability. – Tilburg: Tilburg University, 2010. 69 p. Available: http://arno.uvt.nl/show.cgi?fid=113128
8. HELLMAN, T., MURDOCK, K., STIGLITZ, J. Liberalization, Moral Hazard in Banking, and Prudential Regulation: Are capital requirements Enough? American Economic Review. 2000. 90(1), pp. 147-165. ISSN 0002-8282 **(IF: 2.690)**. Available: http://strategy.sauder.ubc.ca/hellmann/pdfs/aerpaper.pdf
9. MISHKIN, F. Financial Consolidation: Danger or Opportunities. Journal of Banking and Finance. National Bureau of Economic Research [online]. 1999, 23 p. ISSN 0378-4266 **(IF: 1.290)**. Available: http://www.nber.org/papers/w6655.pdf

10. NOVICKYTE, L., PEDROJA, G. Assessment of mergers and acquisitions in banking on small open economy as sustainable domestic financial system development. Economics and Sociology [online]. 2015, Vol. 8, no. 1, pp. 71-87. ISSN 2306-3459. Available: http://www.economics-sociology.eu/files/ES_Vol8_1_Novickyt%C4%97.pdf
11. WEISS, A., STIGLITZ, J. Credit Rationing in Markets with Imperfect Information. The American Economic Review [online]. 1981, vol. 71. No. 3, pp. 393-410. ISSN 0002-8282 **(IF: 2.690)**. Available: http://pascal.iseg.utl.pt/~aafonso/eif/pdf/crrinf81.pdf

Rezumat

Conceptul de concurență, în literatura de specialitate este asociat cu motorul de dezvoltare economică, care contribuie la sporirea competitivității, eficienței, inovării și crearea de noi locuri de muncă. Totuși, concurența în sistemul bancar este o noțiune controversată și discutată pe larg de către experții în domeniu, deoarece concurența poate provoca falimentul entităților economice care nu sunt competitive pe piață. În aceste condiții, asigurarea stabilității sistemului financiar este o prioritate de bază a factorilor de decizie, deoarece crizele financiare produc pagube considerabile asupra dezvoltării economice. Nucleul problemei se conturează în găsirea unui echilibru între promovarea concurenței în sistemul bancar și asigurarea stabilității financiare. Totuși, cercetătorii economici au păreri împărțite privind impactul concurenței bancare asupra dezvoltării sistemului financiar. Unii consideră că concurența în sistemul bancar este catalizatorul crizelor și instabilității financiare, fiind promotorii ipotezei ”concurență-fragilitate”. Celălalt grup de economiști promovează ipoteza ”concurență-stabilitate” și susțin că concurența contribuie la asigurarea stabilității financiare. În lucrarea dată, ne propunem să prezentăm principalele argumente și teoriile dezvoltate de economiști privind legătura dintre concurență și stabilitatea financiară.

***Cuvinte-cheie**: concurență, stabilitate financiară, concentrare, consolidare bancară.*

Аннотация

В экономической литературе концепция конкуренции ассоциируется с рычагом экономического развития, который способствует росту конкурентоспособности, эффективности, инноваций и созданию новых рабочих мест. В тоже время, в банковской системе, конкуренция является противоречивым понятием, широко обсуждаемым экспертами в этой области, так как может привести к банкротству хозяйствующих субъектов, которые не являются конкурентоспособными на рынке. В этих условиях, обеспечение устойчивости финансовой системы является основным приоритетом государственной политики, поскольку финансовые кризисы наносят значительный ущерб экономическому развитию. В этой связи, основная проблема состоит в нахождении равновесия между поощрением конкуренции в банковской системе и обеспечением финансовой стабильности системы. В тоже время, специалисты в области экономики, имеют разные мнения о влиянии конкуренции в банковской сфере на развитие финансовой системы. Некоторые ученные утверждают, что конкуренция в банковском секторе является катализатором кризисов и финансовой нестабильности, являясь двигателем, так называемой гипотезы "конкуренция-неустойчивость". Другая группа экономистов продвигает гипотезу "конкуренция-стабильность", утверждая, что конкуренция способствует обеспечению финансовой стабильности. В данной статье, авторы стремились отразить основные разработанные экономистами теории о взаимосвязи конкуренции и финансовой стабильности.

***Ключевые слова:** конкуренция, финансовая стабильность, концентрация, банковская консолидация.*

The publication is fulfilled within the research Project „Domestic trade and consumer cooperatives development in the context of economic integration of the Republic of Moldova in the European Community” (code 15.817.06.28A).

Received 25.09.2015
Accepted 28.10.2015
Published 30.06.2016