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DETERMINANTS OF COMPETITIVENESS IN THE BANKING SECTOR OF POLAND AND UKRAINE

Abstract. The article investigates the determinants of the competitiveness of the banking sector of the national economy on the basis of a comparative analysis of the functioning of the banking systems of Ukraine and Poland. The authors conducted research using the following methodology: comparative analysis of the institutional efficiency of the banking sectors of Ukraine and Poland; comparative analysis of the level of concentration of the banking sector of Ukraine and Poland; comparative analysis of the microeconomic and macroeconomic efficiency of the banking sectors of Ukraine and Poland; comparative analysis of the social efficiency of the banking sectors of both countries in terms of their financial inclusiveness.

The results of the research showed the higher level of competitiveness of the Polish banking system, which is reflected in its stable operation over a long period of time, resilience to crises and excessive risks, effective prudential supervision system, developed institutional structure, close to market and consumer banking needs, and thus dynamic growth of banking financing of national economy and the availability of banking products for businesses and households.

In contrast to Polish banking system, Ukrainian banking system in recent years has experienced a deep crisis and a significant number of bank failures, significant amounts of non-performing assets, liquidity problems, etc. and thus in order to save systemically important banks a significant concentration of state capital, extremely high interest rates and as result significant reduction of the share of bank financing of the national economy and the presence of significant barriers to the availability of banking products for consumers.

The authors summarized, that the key determinants of the competitiveness of the national banking sector are the following: the presence of a developed institutional structure of the banking system; prevention of monopolization and excessive concentration of the banking sector; effectively operated national system of banking supervision and regulation; the development of the banking sector as a key player in the national financial ecosystem and fulfillment by the banking system its main functions in the economy and society.

Keywords: banking sector, banking system, competitiveness, institutional structure, concentration, financial stability, macroeconomic and microeconomic efficiency, social efficiency, financial inclusion.

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ДЕТЕРМІНАНТИ КОНКУРЕНТОСПРОМОЖНОСТІ БАНКІВСЬКОГО СЕКТОРУ ПОЛЬЩІ ТА УКРАЇНИ

Анотація. Присвячено дослідженню детермінант конкурентоспроможності банківського сектору національної економіки на основі порівняльного аналізу функціонування банківських систем України і Польщі. Проведено дослідження, використовуючи таку методику: порівняльний аналіз інституціональної ефективності банківського сектору України і Польщі; порівняльний аналіз рівня концентрації банківського сектору України і Польщі; порівняльний аналіз мікроекономічної та макроекономічної ефективності банківського сектору України і Польщі; порівняльний аналіз соціальної ефективності банківських секторів обох країн щодо їхньої фінансової інклюзії.

Результати дослідження засвідчили вищий рівень конкурентоспроможності польської банківської системи, що відображається у її стабільному функціонуванні протягом тривалого періоду часу, стійкості до криз і надмірних ризиків, ефективній системі пруденційного нагляду, розвиненій інституційній структурі, близькій до потреб ринку, а також динамічному зростанні банківського фінансування національної економіки та доступності банківських послуг для бізнесу і домогосподарств.

На відміну від польської банківської системи, українська банківська система в останні роки пережила глибоку кризу і значну кількість банкрутств банків, високу частку непрацюючих кредитів, проблеми з ліквідністю тощо, а тому з метою її порятунку значної концентрації державного капіталу в банківській системі, високих процентних ставок і як наслідок значного зменшення частки банківського фінансування національної економіки і наявність значних бар'єрів для доступності банківських продуктів для споживачів.

Визначено, що ключовими детермінантами конкурентоспроможності національного банківського сектору є такі: наявність розвиненої інституційної структури банківської системи; запобігання монополізації та надмірній концентрації банківського сектору; наявність ефективно функціонуючої національної системи банківського нагляду і регулювання; формування державної стратегії розвитку банківського сектору на засадах ключового гравця національної фінансової екосистеми і забезпечення виконання банківською системою її основних функцій в економіці та суспільстві.

Ключові слова: банківський сектор, банківська система, конкурентоспроможність, інституційна структура, концентрація, фінансова стабільність, макроекономічна та мікроекономічна ефективність, соціальна ефективність, фінансова інклюзія.

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Introduction. In a market economy, one of the most important indicators of the effective functioning of the economy at the macro, meso and microeconomic levels is competitiveness. That is why the competitiveness issues are discussed in the works of practically all schools of economic science, starting from classics (A. Smith, D. Ricardo, etc.), which emphasized competitiveness mainly from the macroeconomic point of view (international, national, regional competitiveness), and subsequently developed in neo-classical theories, the Austrian school and the institutional concepts of competitiveness, focusing on micro-economic aspects of firms' competitiveness (sources of a firm's competitive advantage: market segmentation, a way of communication (i.e. promotion and advertising) and reaching out to the customers (choice of distribution channel), product development, process improvement, and product innovations) [1]. In recent years, under the influence of permanent crisis processes in the economy, competitiveness of economic agents is especially relevant. In particular J. Stiglitz in his recent work «Market concentration is threatening

the US economy» emphasized that one of the important economic problems of our time «is the growing concentration of market power» that leads to falling aggregate demand and on the supply side, market power weakens incentives to invest and innovate [2]. Obviously, such tendencies limit the potential for economic growth and can generate crisis processes in the economy.

The last global financial crisis significantly updated the issue of competitiveness of the banking sector, both from the macroeconomic and microeconomic point of view, as well as from the position of comparative analysis of the competitiveness models of national banking systems in order to determine the main determinants of their competitiveness.

Literature Review. The issue of competitiveness in the banking sector is the subject of research by many Ukrainian, Polish and other scholars. In particular, in the monograph «Efficiency and competitiveness of the banking system of Ukraine» A. Karcheva, T. Smovzhenko, V. Mishchenko and others, considered the competitiveness of the banking sector from the standpoint of its effective functioning, the criteria of which are liquidity and solvency of the banking system, its profitability, reliability, stable development, and ways to improve efficiency — improving institutional development, effective credit management, banking risks and development of innovations [3]. Similar approaches are followed by V. Britchenko, considered the competitiveness of the Ukrainian banking system through the ways to increase its innovative competitive potential in terms of integration into the European and world financial space [4], V. Umanska, emphasized the internal competitiveness of the banking system from the standpoint of increasing its profitability, compliance goals and programs of banks to market requirements [5].

Noteworthy are the recommendations of Ukrainian scientists on determining the methodology of indicators of competitiveness of banking institutions, namely: Ju. Sotskaya, who proposed to determine the integrated indicator of bank competitiveness based on a system of indicators of economic efficiency, reliability, risk resistance and market position [6]; Yu. Pikush proposed a method of assessing and managing competitiveness based on the calculation of indices of liberalization of banking and the closedness of the banking sector for foreign direct investment in order to determine the competitive environment for the development of the national banking system [7], O. Zolotareva, S. Gura — relative dynamic indicator, which allows to assess the ratio of its quality and cost characteristics in comparison with competitors and to calculate on this basis the integrated level of competitiveness [8].

In the method of studying the competitiveness of the banking sector in the works of foreign scholars, the following methods of determining competition in the banking sector have become widespread: the structural and non-structural approach. The structural approach is based on the «structure-conduct-performance» paradigm, the essence of which is to study the market structure based on the analysis of market concentration indicators (share of assets of the largest 3 or 5 largest banks, Herfindhala — Hirshman index, etc.). It is believed that the higher the concentration of the market, the greater the propensity for anti-competitive behavior of banks, profit growth and market power. The non-structural approach is based on measuring the level of competition without using information about the market structure, but through direct measurement of the behavior of banks in the market. In the non-structural approach, the most widespread is the H-statistic methodology suggested in Panzar and Rosse (1987) [9], which uses bank-level data to investigate the extent to which changes in factor input prices are reflected in revenues earned by market participants with a market equilibrium assumption. According to this method, an empirical assessment of competition in the banking sector was conducted on the example of many countries: European countries (Casu B., Girardone C.) [10]; Poland (Baszyński A.) [11]; Russia (Mamonov M.) [12]; Egypt (Sunil S. P., Binsheng Q.) [13], Turkey (Danisman G.) [14] and other countries.

Studies conducted on these methods on the example of many countries have shown the general trends of increasing concentration of the banking sector and reducing competition in the market of banking services, while increasing the stability and reliability of national banking systems. In this regard, it should be noted that the standard competition paradigm in favor of competition regarding cost minimization and allocative efficiency is not entirely valid for banking because many market failures distort the nature of competition and its outcomes. The main market

failures include asymmetric information, switching costs and networks in retail banking and two-sided competition in deposits and loans.

Therefore, in studying the competitiveness of the banking system is very important regulatory policy (e.g. capital adequacy standards, including the risk adjustments and the vigorousness with which they are enforced), as well as its impact on banks activity, including credit activity of banks, as the development of bank lending stimulates business activity and economic growth.

The importance of banking institutions and the banking system in general in the progressive development of the economy is emphasized by representatives of the new institutional economy J. Stiglitz and B. Greenwald. In their famous work «Towards a New Paradigm of the Monetary Economy» [15] scientists justify the necessity to focus monetary policy on bank lending supply, on available interest rates on loans for business, as well as to prevent bankruptcy of banks as important institutions with huge information, organizational and financial capital for economic development.

However, on the other hand, J. Stiglitz stresses that state regulation and state support of banks, especially in times of crisis, should not destroy the basic foundations of a competitive market mechanism in the banking sector. Therefore, the scientist has a negative attitude to the unappealable state support of large banks «too big to fail», emphasizing «no bank should be too big to fail» [2]. According to J. Stiglitz, the active role of the state should be in getting banks to stop engaging in the types of risky behavior that created the credit crisis: «If you change the management and you change the incentives, you're going to get better behavior» [2].

The presence of controversial and unresolved issues in the development of the competitiveness of the banking sector, as well as Ukraine's integration into the European and global financial sector highlight the necessity for a comparative analysis of the competitiveness of banking systems in Ukraine and European countries, for example the neighboring country — Poland.

The aim of the article is a comparative analysis of the competitiveness of national banking sectors of Ukraine and Poland and highlighting its key determinants.

Methodology and research methods. The starting point for conducting a comparative analysis of the competitiveness of banking sectors of Ukraine and Poland is necessity to choose the research methodology and the indicators that determine the competitiveness of the banking sector. In this regard, it should be noted, that, taking into account the importance and functions of the banking system in the economy and society, banking competitiveness issues should be considered using the methodology of a system approach, from the point of view of concentration and competition in banking sector, its micro and macroeconomic efficiency and role in the processes of financial inclusion.

For this purpose, we will use the following algorithm in order to identify key indicators of the functioning of banking systems and their comparative analysis on the example of the banking sectors of Ukraine and Poland:

- determining the institutional efficiency of the banking system in terms of compliance of its institutional structure with the needs of consumers and national economy;
- determining the degree of concentration in the banking industry based on «structure — conduct — performance» paradigm or bank pricing behavior (market power approach) in order to determine the impact on the market, as well as the level of market power of several largest systemically important banks;
- determining the microeconomic efficiency of the banking sector based on the analysis of profitability indicators of banking activity;
- determining the macroeconomic efficiency of the banking sector based on the analysis of indicators of stability of the banking system (compliance with economic standards, the quality of the loan portfolio), as well as the share of bank loans in GDP;
- determining the indicators of social efficiency of the banking sector in terms of its financial inclusiveness, namely opportunities for access to banking services of business entities and households.

Results. Based on the above approach firstly we will analyse and compare the institutional structure of the Ukrainian and Polish banking sector. In this connection it should be noted that the

banking sector of Ukraine as of 01.2020 consists of 77 operating banks, of which 5 are state-owned banks, 23 are banks with foreign capital [19]. The Polish banking sector consists of 600 banks, of which only 30 are commercial banks, 33 branches of credit institutions and 535 cooperative banks [17].

It should be noted, that the Polish cooperative banks cannot be identified with Ukrainian credit unions, as they occupy their separate niche in Polish banking system: financial supporting of small business at the local level; providing a variety of financial products to support the agricultural sector, the development of rural tourism, the environmental protection etc.; mediating in the implementation of government and European programs for the development of agriculture and farming in Poland. However, the share of cooperative banks in the structure of the Polish banking system is not significant and in 2019 amounted only 7,5% assets of the entire Polish banking system [18].

In our opinion, the institutional differences in the structures of the banking systems of Ukraine and Poland are the first determinant of the different level of competitiveness of the banking systems of Ukraine and Poland. In particular, the institutionally branched banking system of Poland and its specialization contribute to the greater proximity of the banking system to market demand and consumer needs.

In the comparative analysis of the institutional structure of national banking systems an important place is occupied by the analysis of the ownership sources of formation of banking capital. In this regard, it should be noted a certain similarity between the banking systems of Ukraine and Poland, in particular in the part concerning the dominance of national capital in the banking systems of two countries: 53,7% — in Polish banking system and 61,2% — in Ukrainian banking system (*Fig. 1* and *Fig. 2*).

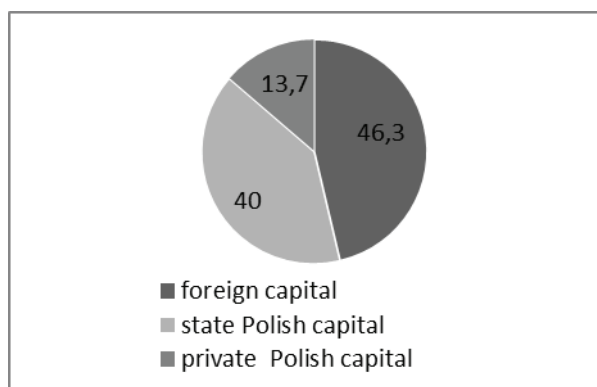


Fig. 1. Capital structure of the Polish banking system by sources of ownership, %

Source: [17].

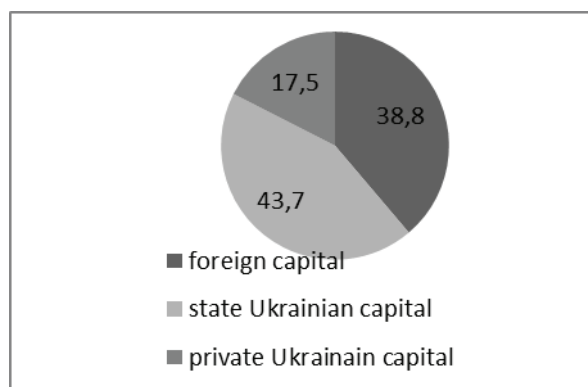


Fig. 2. Capital structure of the banking system of Ukraine by sources of ownership, %

Source: [18].

The predominance of national banking capital in the banking system is a long-term trend for Ukraine, while for the Polish banking system such trends are new, as for a long time, especially before the global financial crisis, the share of foreign capital in the Polish banking system was predominant (75% in 2008) [19].

At present, as it is shown in *Fig. 1* and *2*, the share of foreign capital in the banking systems of Ukraine and Poland is moderate (46.3% in Poland and 38.3% in Ukraine) and illustrates the acceptable level of presence of foreign capital, which promotes competition in the banking sector and at the same time is not threatening in terms of national economic interests and economic security of the two countries.

From the point of view of the analysis of the competitiveness of national banking systems, it is important to analyze the concentration of the banking sector in terms of assets of the largest banks. In particular, the five largest banks in Poland controlled 49.8% of assets, while in Ukraine, the five largest banks controlled 61.4% of assets, which is much larger share of banking assets (*Fig. 3*).

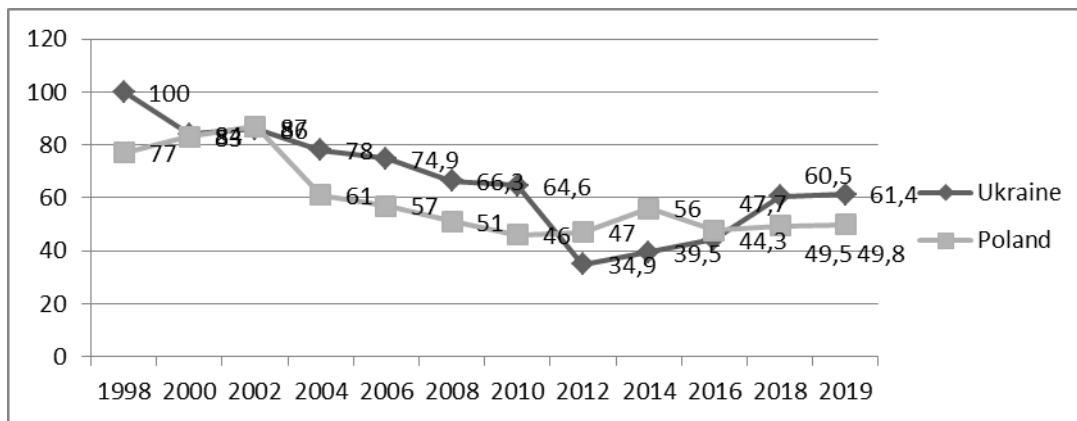


Fig.3. 5-Bank Asset Concentration for Ukraine and Poland

Source: [20].

From Fig. 3 it is clearly visible that the level of concentration of the banking sector of Ukraine and Poland has decreased since 1998 (in Ukraine from 100% to 61.4%, and in Poland from 77% to 49.8%), which, firstly seems, that the banking sector in both countries is moderately concentrated and competitive, compared to most European countries, where this indicator reaches over 70%. But, in Ukraine, the level of 5-bank asset concentration is higher than in Poland by 11.6%, furthermore 4 out of these 5 banks are state-owned banks and occupy 54% of the assets and 55% of the liabilities of the Ukrainian banking system [23].

Obviously, such a high concentration of the share of Ukrainian state banks in the assets of the banking system does not contribute to increasing its competitiveness on market principles.

Additional confirmation of the growing market power of the largest banks in Ukraine is the analysis of the competitiveness of its banking sector in comparison with Polish banking system by the market power method, using the Herfindahl-Hirschman Index (HHI) — (HHI values below 1000 indicate a non-concentrated market, HHI values more than 1000 — moderately concentrated market, more than 2000 — highly concentrated market).

According to the National Bank of Ukraine, the value of HHI in 2019, based on total assets, was 1250, that illustrate moderate concentrated Ukrainian banking sector. While in Poland, according to the EU banking sector statistics, the value of HHI in 2019 is only 688, which confirms comparatively low level of concentration of the banking sector in Poland (Fig. 4).

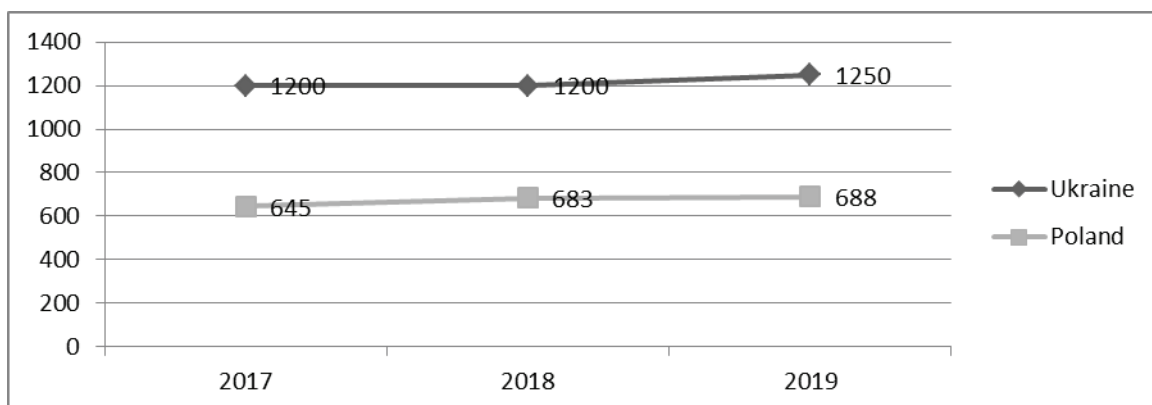


Fig. 4. Herfindahl index for credit institutions (based on total assets)

Sources: [18; 19].

From Fig. 4 we can see over the last three years almost unchanged trends of much higher level of concentration of the banking sector of Ukraine compared to the Polish banking sector. It is illustrated by the dynamics of the value of HHI during 2017—2019, which was almost twice higher in Ukraine compared to Poland. It should be noted, that in Ukraine this indicator is quite high not

only in comparison with Poland, but also in comparison to many developed European countries (Germany, France, England), where this indicator is even lower than in Poland [22].

Such tendencies illustrate the trends of growing monopolization of the Ukrainian banking sector by largest banks, especially by state banks. The objective consequence of such processes is the high cost of banking services (the average interest rate on loans in 2019 in Ukraine was 16.2%, while in Poland — 3.7%) [18; 19], high banking margin (6.2% — in Ukraine, while, 2.5% — 3.4 — in Poland) [18; 19], and hence the rapid growth of profitability of banking assets of the Ukrainian banking system in recent years (ROA indicator) (Fig. 5).

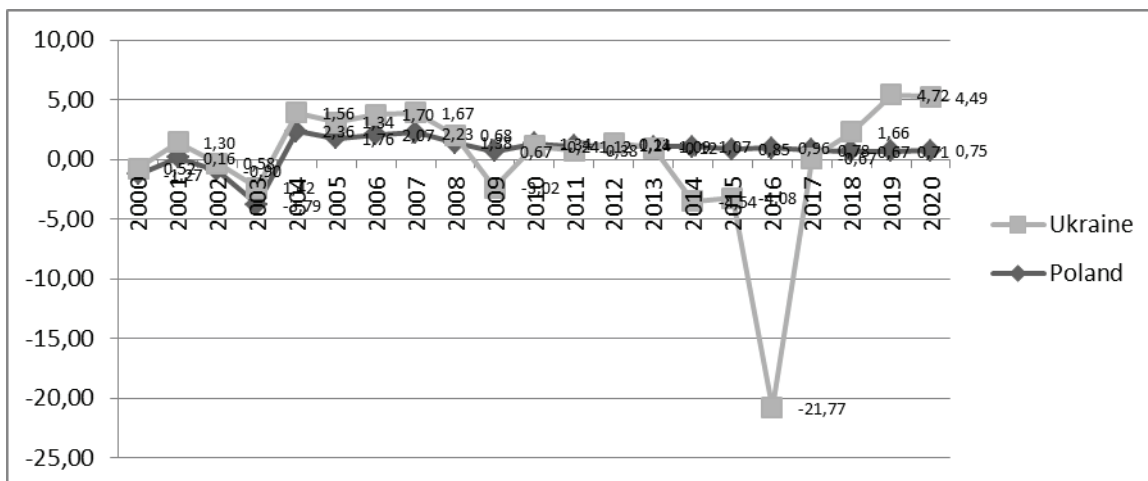


Fig. 5. Dynamics of ROA (Bank's Return on Assets) for Poland and Ukraine

Sources: [22; 23].

Fig. 5 clearly shows that in the Polish banking sector the ROA indicator has been virtually unchanged since 2004 and ranges from 2,3 to 1,7. While in Ukraine there was a high degree of volatility of the ROA indicator during 2014—2019, in particular its sharp decline in 2016 to -21,77, and then a sharp increase in 2020 to 4,49.

The same trends are illustrated by another important indicator of economic efficiency of the activity of banking sector — ROE (bank's return on equity) (Fig. 6).

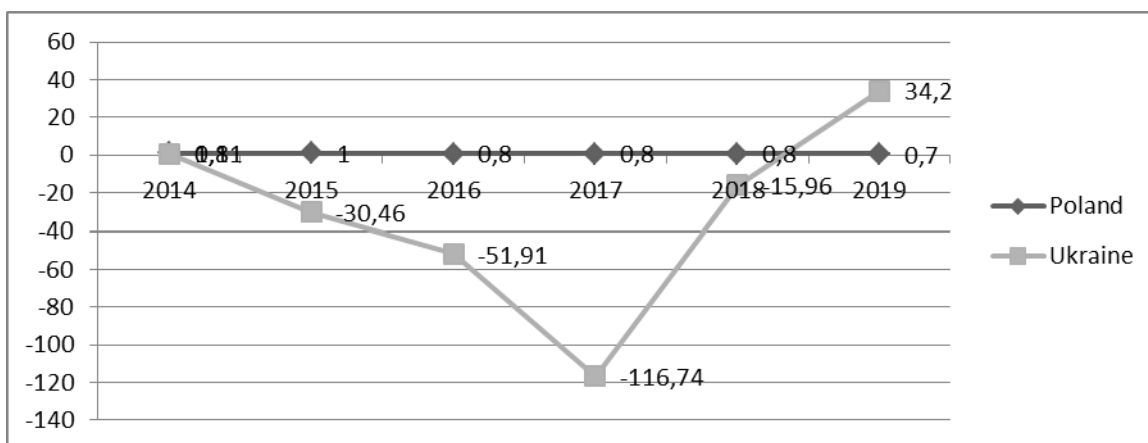


Fig. 6. Dynamics of ROE (Bank's Return on Equity) for Poland and Ukraine

Sources: [22; 23].

Fig. 6 clearly shows that the Polish banking sector is characterized by the stability of the ROE indicator, which ranges from 0.7 to 1.1%. While in Ukraine the ROE indicator during the period 2014—2019 was characterized by significant instability and volatility and in 2017 dropped to — 116,74 and and already in 2019 reached the level of 34.2%. This is much higher not only than in Poland, but also than the European average, which is — 7%, and than in neighboring countries: Hungary — 18%, Romania — 17%, the Czech Republic — 16% [22].

These trends are a clear reflection, on the one hand, on the example of Poland, of the stable functioning of the banking system and its ability to resist systemic crises and challenges, and on the other hand, on the example of Ukraine — instability and significant disturbances and shocks in the functioning of the Ukrainian banking sector and the Ukrainian economy in the period of 2014—2017. During this period, the economic crisis in Ukraine due to the military conflict in eastern Ukraine, the bankruptcy of a significant number of enterprises and banks, led to a significant deterioration in the quality of the loan portfolio of the banking system of Ukraine (*Fig. 7*).

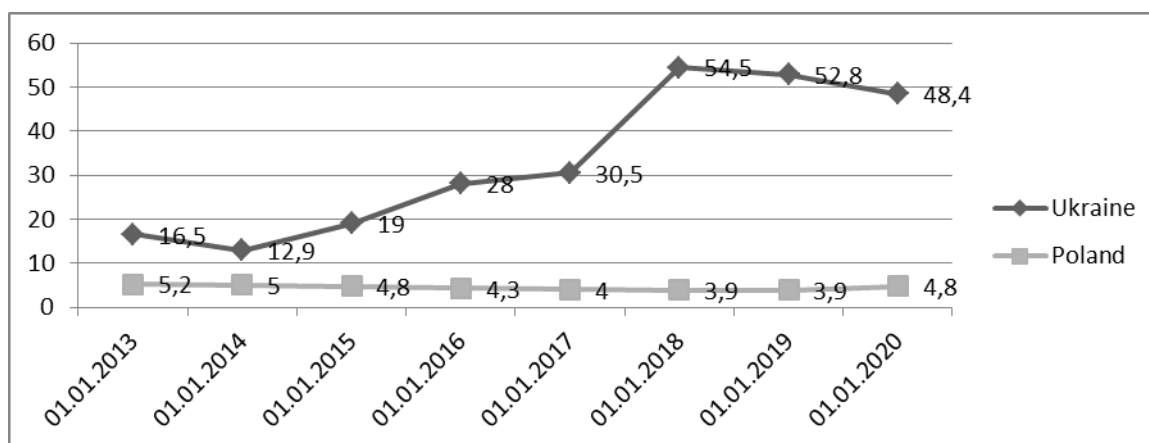


Fig. 7. The share of nonperforming loans in credit portfolio of Ukrainian and Polish banking systems

Sources: [18; 19].

Fig. 7 shows that during the crisis in Ukraine there was a significant deterioration in the quality of the loan portfolio, which in 2018 reached 54.5% of the total loan portfolio of the Ukrainian banking system. While the quality of the loan portfolio of the Polish banking system in recent years (2013—2020) remained almost stable and at a high level, as the share of non-performing loans ranged from 5.2% to 3.9%.

The above trends are additional confirmation of the high level of competitiveness and stable functioning of the Polish banking system and the presence of problematic aspects in the functioning of the Ukrainian banking system, in particular, in terms of the presence of a significant share of non-performing loans. This fact confirms the high level of credit risks and a number of problems that have occurred in the Ukrainian banking sector in previous decades, that concerned risk management directly at the bank level and the whole system of banking regulation and supervision in Ukraine.

In order to prevent the collapse of the Ukrainian banking system during the global financial crisis of 2008—2009, and later during the next banking crisis of 2014—2016, large-scale measures were taken in Ukraine to support the banking sector: refinancing operations, recapitalization, payments from the State Deposit Guarantee Fund, etc.

As a result of a whole set of measures, the Ukrainian banking system is gradually emerging from the crisis, following regulatory ratios for banks. In particular, during the period from 2014 to 2019, the Ukrainian banking system managed to more than double the regulatory capital adequacy ratio, which at the end of 2019 even exceeded the corresponding indicator of the Polish banking system (*Fig. 8*).

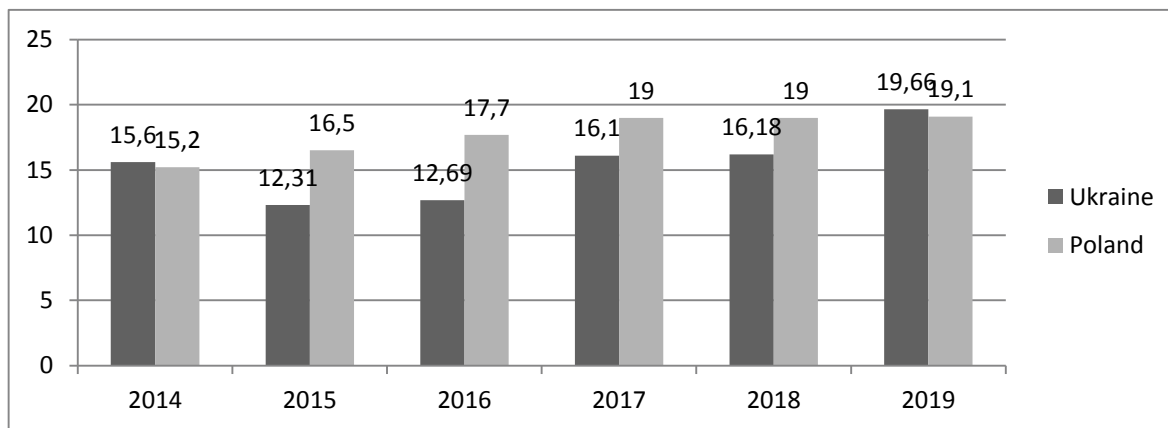


Fig. 8. Dynamics of regulatory capital adequacy in the banking systems of Ukraine and Poland

Sources: [18; 19].

It should be noted I, that government spending to overcome the banking crisis in Ukraine ranged from 2.4% to 5.7% of GDP that corresponded with the share of government spending to support the banking sector during the crisis in the following European countries: Germany (5.5% of GDP), Denmark (4.4%) Lithuania (4.3%), Austria (3.2%) [21].

While in this period Polish banks, as one of the few in the EU, which worked stably, not only did not take advantage of such support, but even strengthened their level of security by counteracting excessive indebtedness of customers and tightening regulations on consumer and mortgage loans [21].

The consequence of the stable functioning of the Polish banking system is a stable positive trend of increase in the share of domestic credit in GDP (from 12.9% in 2003 to 54.5 in 2016) since 2003 and fluctuations in the range of 52% during 2016—2019 (Fig. 9).

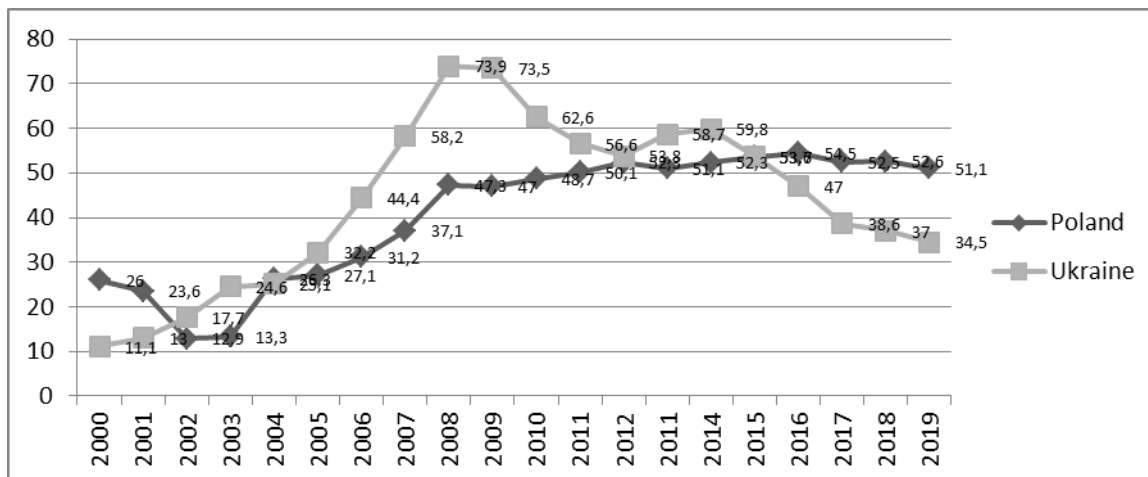


Fig. 9. Domestic credit to private sector in Ukraine and Poland (% of GDP)

Source: [26].

At the same time, from fig. 9. it is seen that in Ukraine due to the economic crisis and the crisis in the banking sector since 2011 there has been a decrease in the share of domestic credit to GDP from 59.8% in 2011 to 34.5% in 2019. Such level of lending to the national economy in Ukraine is very low given the need for post-crisis recovery of the national economy and accelerating economic growth.

This is confirmed by comparative data on the share of domestic credit to GDP on average in the world and in some highly developed countries, which shows a much higher level of lending to the national economy: the world average — 133.8%; USA — 192.2%; Canada — 124.4%,

Australia — 134.9%, Japan — 174.9%; Great Britain — 133.7%; France — 107.6%; Germany — 80.5%; Finland — 95.3%; Norway — 151.3%; Sweden — 132.7%; Switzerland — 174.6% [27].

The objective consequence of different levels of credit support for the national economy in Ukraine and Poland are different opportunities in these countries for business access to sources of financing (*Fig. 10*).

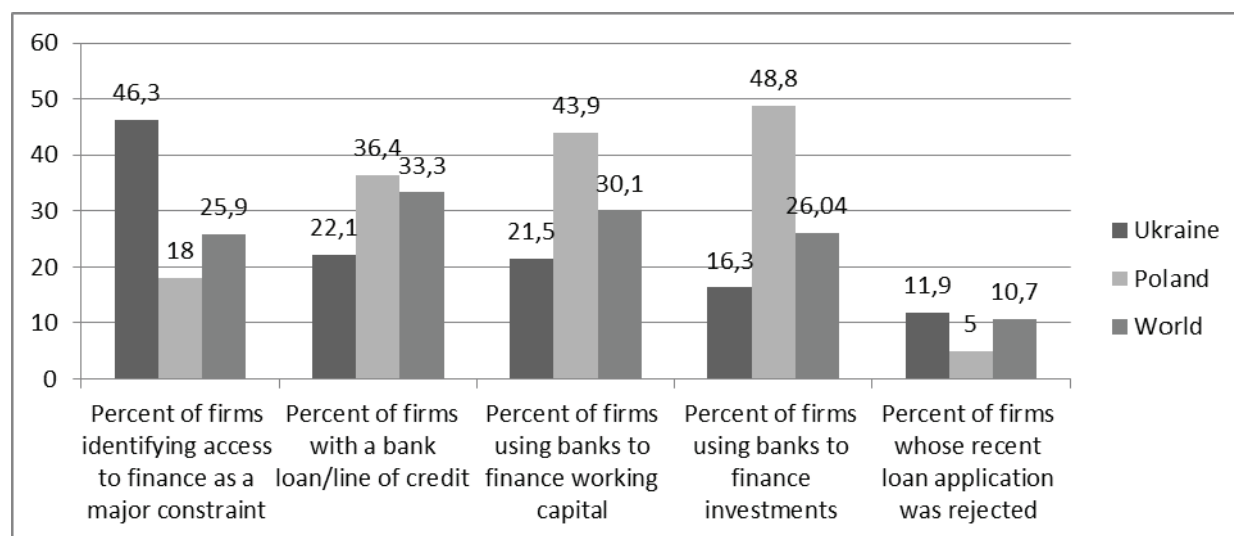


Fig. 10. Business access to bank financing in Poland, Ukraine and the whole world in 2019

Source: [27].

Fig. 10 shows that according to a World Bank enterprise survey, almost half of companies in Ukraine cite limited access to funding as a major obstacle to their business development. While in Poland only 18% of firms have difficulties with financing, and in the world as a whole this indicator is 25.9%.

In accordance, in Ukraine a small percentage of firms use bank credit (only 22.1%) to finance their business, while in Poland bank lending is used by 36.4% of firms. In Ukraine a small proportion of firms finance their working capital, using financial resources, attracted from the bank (22.1%), while in Poland the share of such firms is twice higher — 43.9%. In Ukraine a small share of firms (16.3%) use bank financing of investments, in Poland the share of such firms is three times higher and is 48.8%, and in the whole world the share of such firms is 26.04%.

It should be noted that in Ukraine the share of firms to which the bank rejected their loan application, ie those that are not creditworthy, is twice as high as in Poland and is 11.9%, and in Poland the share of such firms is only 5%, while in the world as a whole — 10.7%.

The above data is further evidence of the different level of competitiveness of the banking systems of Ukraine and Poland, which is reflected in the different possibilities of business access to banking services. In our opinion, access to banking is an important determinant of the competitiveness of national banking systems, which reflects not only economic but also social efficiency of the national banking sector and illustrates the level of financial inclusion, which nowadays is an important indicator of competitiveness and socio-economic development in general.

Conclusions. Summarizing the study of the comparative analyses of the banking systems of Ukraine and Poland in terms of their competitiveness, should be emphasized the higher level of competitiveness of the Polish banking system, which is reflected in its stable operation over a long period of time, resilience to crises and excessive risks, effective prudential supervision system, developed institutional structure, close to market and consumer banking needs, and thus dynamic growth of banking financing of national economy and the availability of banking products for businesses and households.

In contrast to Polish banking system, Ukrainian banking system in recent years has experienced a shock and an unprecedented number of bank failures, significant amounts of non-performing assets, liquidity problems, etc. And thus in order to save systemically important banks a

significant concentration of state capital, extremely high interest rates and as result significant reduction of the share of bank financing of the national economy and the presence of significant barriers to the availability of banking products for consumers.

At the same time, it should be noted, that the banking sectors of both countries, as well as in most countries of the world, operates in conditions of monopolistic competition, because the banking product is slightly diversified, which, however, has close substitutes, and the existence of potential competition causes that entities use market power to the extent to which it allows monopolistic competition. In addition, the growing concentration of the banking sector and the emergence of banks «too big to fail» do not contribute to creating an equal level playing field in the banking sector.

From these positions, based on a comparative analysis of the development of banking systems of neighboring countries — Poland and Ukraine — we can identify the following determinants of the competitiveness of the national banking systems:

- the presence of a developed institutional structure of the banking system that meets the requirements of the market, meets the needs of consumers of banking services and provides an appropriate level of competition in the banking sector;
- prevention of monopolization and excessive concentration of the banking sector and ensuring the conditions for its operation on a market basis, which objectively stimulates the development of innovation, reducing the price of banking services and bringing them closer to the needs of consumers;
- the presence of an effectively operated national system of banking supervision and regulation, using a risk-oriented approach, aimed to prevent excessive risks in banking sector and to ensure its stable functioning;
- the development of the banking sector as a key player in the national financial ecosystem and fulfillment by the banking system its main functions in the economy and society: financial stimulation of sustainable and inclusive economic growth, ensuring access to banking services for broad sections of the population and improving public welfare.

At the same time, it is obvious that the competitiveness of the national banking system is closely interrelated with the competitiveness of the national economy and its ability to respond to various challenges, shocks and crises. Equally important are social cohesion and political stability, which should be considered as institutional factors of both the competitiveness of the national banking system and the national economy as a whole.

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