

# THE *COMPETITIVENESS-STABILITY* RELATION FROM THE VIEWPOINT OF THE BANK SYSTEM IN BULGARIA

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## Abstract

In the study there is made an attempt to provide a satisfactory answer to the following question - To what extent does the competition on the banking market in Bulgaria influence the stability of credit institutions and the bank system as a whole? In this context the former is structured in the following order:

1. A theoretical and applied analysis of: the relation between competition in the banking sector and the stability of credit institutions; the indicators for measuring the bank's competitiveness and stability; the use of the indicators in various research models.
2. An empirical study of the *competitiveness-stability* relation from the viewpoint of the bank system in Bulgaria.

The results of the study show the existence of a positive connection between the competition on the banking market and the Bank Z-Score indicator, measuring the so-called Distance-to-Default of banks. Therefore it provides evidence in support of the *competitiveness-stability* hypothesis. The research thesis being argued is that banking should not be protected from competition, i.e. competition can bring considerable benefits to the banking sector in Bulgaria and should not be sacrificed in the name of greater stability.

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