Financial Institutions in Kosovo and Their Role in Economic Stability

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Abstract

This topic analyzes banking system developments over the years, as the most important part of our financial system. Linking the financial system to macroeconomic developments based more on the most important moments, the crisis and the turbulence in 1995 and 2019. Analyzing the main features of the banking system as well as the factors affecting this sector, it is proved the fragility that characterizes it. After this fragility lies the financial crisis caused by pyramid schemes, which directly affected the formation of the public. The growth of the trust of the latter directly affects the banking sector. By thus providing a real economy development, improving the payment system and boosting competition.

Most of the financial system is dominated by the banking sector, which is then associated with the privatization of state-owned banks. The financial market situation is characterized by good liquidity conditions. The purpose of the Bank of Kosovo is to maintain stability. This will be achieved through taking measures to promote lending. The latter remains one of the main problems of the banking sector. The roles of the financial system in the economy are irreplaceable, as they make possible the creation of payment instruments as well as the financial intermediation process. The analysis of financial intermediaries clearly shows their importance in an economy.

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