

## Abstract

Market concentration and competition are arguably, especially in last decade, one of “hotly debated topic” in banking and financial industry. Their importance is clearly visible on financial stability. Financial stability is important issue because of influence on the real economy and potentially large government costs. Topic importance is obviously seen in bank restructuring and consolidation, peculiarly when global financial crises begun. Explanation of these correlations and multilateral effects are resulted in the existence of numerous theories and many researches in that area. Between policy makers and academics there is still discussion about how bank competition and concentration with regulatory framework, which is given from state, influence on financial stability. This paper reviews the importance of market structure for financial stability according to competition policy, regulatory environment, “too-big-to-fail-institutions”, etc. Therefore, this paper exhaustively gives concentration and competition measures as well as causes for further investigation of financial stability. All mentioned are “conditio sine qua non” for the development of the banking industry.

*Keywords: banking industry, bank concentration, bank competition, financial stability*