

## Financial Stability: Albanian Case

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**Abstract:** *Defining financial stability is very difficult, and it is even harder to measure it. Generally speaking, a financial system can be characterized as stable in the absence of excessive volatility, stress or crises. This paper tries to give a clearer definition of financial stability and its importance in the economy of a country. An efficient and stable financial system is very important, as it is one of the main factors that promote economic development and growth. It also focuses on financial stability progress in which Albania has undergone during the last two years (2012-2013). All statistical data and information are collected from both national and international sources, including Central Bank of Albania, Ministry of Finance, as well as IMF and World Bank. In order to measure and understand the financial state of Albania, it was necessary to make an analysis of the real sector (GDP growth), behavior of financial markets, performance of banking sector and corporate sector's riskiness. Banks play an important role in the global financial system and have become more important during liberalization and technological progress. This phenomenon is quite obvious even in Albania. Empirical studies show that banking sector should be more careful with non-performing loans, even though lending procedures have been tightened. The ratio of non-performing loans to total loans reached up to 24.2% in June 2013. Credit risk remains the main threat of Albanian banking sector, due to low economic growth and political instability. Based on the collected data we may conclude that the performance of financial system and banking sector in Albania has been quite stable.*

**Keywords:** *financial Stability; Banks; Monetary Policy.*