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## FORMATION OF INTERBANK COMPETITION

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**Abstract.** This article discusses the process of formation of interbank competition, its role and significance in economic development. It is emphasized that healthy competition between banks serves as an important factor in improving the quality of financial services, introducing innovations and creating favorable conditions for customers. At the same time, factors hindering the development of interbank competition and proposals for using international experience in this area are presented. Interbank competition plays an important role in ensuring economic stability, introducing new technologies and expanding financial services.

**Keywords:** Interbank competition, financial services, innovations, economic development, digital technologies, financial stability, customer needs, risk management, international experience, state regulation.

The banking sector is one of the main components of the economy, and its efficiency affects the stability of the entire economic system. The formation of a competitive environment in this sector plays an important role in improving the quality of financial services, introducing innovations and ensuring overall economic development. Interbank competition is necessary for the effective functioning of market mechanisms, and it has a positive impact not only on the mutual relations of banks, but also on the services provided by them. For the formation of interbank competition, the specific features of the economic environment and state support measures are of primary importance. The functioning of the banking system in market conditions, the large number of banks and the level of equality in their market share create the basis for the formation of a competitive environment. At the same time, the level of monopolization in the banking services market should be low. If the market is controlled by several large banks, this will lead to a restriction of competition and create unfavorable conditions for customers.

The introduction of innovations is of particular importance in the process of forming competition. By implementing digital technologies in the field of modern banking services, banks can provide their customers with convenient and fast services. For example, mobile banking, online payment services, and automated advisory systems save bank customers time and money. Banks that successfully implement innovations will have an advantage in competition. In the development of interbank competition, it is important to improve the quality of customer service and reduce the cost of services. Low interest rates and reasonable service fees for banking services are one of the main criteria for interbank competition. This, in turn, allows banks to attract a large number of customers. At the same time, expanding the range of banking services and offering services tailored to the needs of customers through an individual approach are important factors in competition.

The competitive environment also requires banks to introduce effective risk management systems. Banks can strengthen their market share by minimizing risks and ensuring financial stability. For this purpose, modern risk management technologies and analysis methods are being widely introduced. In a competitive environment, banks can succeed only by achieving high efficiency. The success of measures taken to form competition in the banking system largely depends on the strategies implemented by financial institutions. Banks develop various marketing strategies to attract customers, offer new types of services and strive to improve the quality of service. In particular, an individual approach to customer service, the widespread use of innovative technologies and customer loyalty programs are important factors for successful performance in competition. However, it is necessary to take into account the risks that arise with the development of interbank competition. Excessively fierce competition may attract some banks to high-risk financial operations in order to make a profit. This, in turn, may negatively affect the stability of the banking system and cause financial crises. Therefore, effective state supervision of banking activities and further strengthening of risk management systems are of great importance.

The formation of interbank competition also depends on the regulatory policy of the state. Supervision of banking activities by financial market regulatory authorities, increasing transparency and preventing illegal practices are important factors in the development of the banking sector. At the same time, the state should implement anti-monopoly measures in order to create equal conditions for banks. At the same time, international experience shows that banking systems operating in an open economic environment develop more effective competition. The entry of foreign banks into the market encourages domestic banks to improve their services and increase efficiency. For example, in developed countries, competition in the banking sector helps to ensure high quality of financial services and fully satisfy customer needs. The development of interbank competition also has a direct and indirect positive impact on other sectors of the economy. Healthy competition between banks stimulates support for investment projects, which creates the basis for the development of small and medium-sized businesses. A well-developed banking system allows you to quickly and efficiently meet the financing needs of business activities, which serves the process of creating new jobs and diversifying the economy.

At the same time, the formation of a competitive banking environment also brings a number of advantages to the population. Banks are forced to adapt to the needs of customers in the process of providing services, which leads to increased convenience, security and speed of service provision. For example, increased competition among banks leads to improved credit conditions, while a decrease in interest rates ensures the popularization of mortgages, consumer loans and other financial services for the population. Expanding cooperation with international financial organizations also plays an important role in forming a competitive environment. The experience and resources of international financial institutions help local banks improve their services, expand lending processes and effectively manage risks. In general, the formation of interbank competition serves not only the development of the banking system, but also the sustainable growth of all sectors of the economy. Therefore, it is advisable to ensure the formation of a competitive banking system by strengthening cooperation between the state, financial institutions and international organizations. This is an important condition for creating favorable financial conditions for the population and entrepreneurs and for the comprehensive development of the economy.

In conclusion, it can be noted that the formation of interbank competition is one of the important factors in increasing the efficiency of the banking system and ensuring economic growth. Innovative approaches, improving the quality of service provision, and the implementation of measures by the state to stimulate competition contribute to the formation of a competitive environment in the banking sector. This, in turn, helps to ensure the sustainable development of banks and improve the quality of services provided to customers.

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