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The financial sector continues evolving towards the features of financial sectors of mature market economies, hence becoming one of the basic factors of the overall economic growth. In the last years, the banking sector is permanently developing by offering various opportunities for saving and financing of wide range of economic entities. The Banks dominate in the financial sector, which is why they have a crucial impact on the development and evolution of financial sector.

In conditions of insufficiently developed capital market, the bank loans are the basic source for obtaining external financing. Taking this into account, the basic feature of the Macedonian economy is that you cannot be entrepreneur without being debtor to banking industry. Thus, the growth of debt towards the banks has become the synonym for growth of companies, opening new jobs and economic prosperity.

The increased trust, long-term stability of prices, and high economic growth, considerably contributed to the overall growth of banking activities and improvement of performances in banks' operations. The domination of foreign capital in the banking sector resulted in entry of know-how, which set the grounds for effective competition in the banking industry, higher standards for corporate governance, risk management, and wide range offer of customer-tailored products.

In such conditions, the role of banks in the efficient allocation of funds has increased and deepened. This is unambiguously shown by the basic indicators for financial mediation. Namely, in 2008, the share of loans and deposits in gross domestic product reached 36.6% and 41.6% respectively. These are the highest indicators for financial intermediation from the time of gaining monetary independence to date. In addition, the credit activity of banks, despite the global financial crisis and freezing of international credit markets, has remained on a high level. Nonetheless, the financial sector, compared to the financial sectors of mature market economies, has remained shallow, which resulted into the conclusion that, in future, there may be expected a high growth of deposits and considerable credit expansion.

The global financial crisis had no direct impact on the stability and soundness of the banking sector. Macedonian banks remained uncontaminated, because, in their portfolios, they did not keep structured financial derivatives purchased at international financial markets. Banks have implemented prudent risk management policies, especially regarding the credit risk. This affected the continuation of reduction of bad loans share in the total credit portfolio. In the period January–September 2008, the share of non-performing loans decreased by 0.9 percentage points and reduced to 6.6%, the lowest level since the monetary independence of the country.

At the same time, the capitalization of the banks remained high. The capital adequacy ratio, at the end of September 2008, was 15%, which is almost twice the prescribed minimum (8%). Macedonian banks had higher capitalization of about 6 percentage points than the commercial banks, and 3.5 times higher capitalization than the investment banks in the highly developed countries.

The shortage of capital in the global financial markets and the freezing of global credit markets also did not affect Macedonian banks. The indebtedness of Macedonian banks is lower than the claims they have towards abroad. In accordance with this, the limited access to the private international financial markets, and the inability to refinance the existing credit liabilities towards abroad, cannot lead to financial instability. The banks finance credit activities exclusively from domestic deposits of the private sector. The credit expansion on the basis of domestic deposits by the end of the previous year approached its limit, the loans to deposits ratio reached 94.9%.

The slowdown of economic activity will cause difficulties for the opening of new jobs, while the profitability of companies will considerably reduce. This will stop the fast growth of saving, hence limiting the grounds for expansion of credit activity based on local deposits. By this respect, the import of foreign saving will be of necessity so that to further provide easy access to bank lending for economic agents.

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