

Emerging Issues in Banking and Financial Sector

Dr. Sandeep Bansal*

Associate Professor, IGN College. Ladwa

Abstract

During periods of boom, people do not want to hear of criticisms of the forms of economics they benefit from, especially when it brings immense wealth and power, regardless of whether it is good for everyone or not. It may be that during periods of crisis such as now, the time comes to rethink economics in some way. Countries in Asia were increasingly worried about what was happening in the West. Present paper is an attempt to find out the crisis in banking sector of west and what kind of measures can be taken to strength the banking sector. It also highlights the opportunities in recent banking sector. It also highlights the formation of housing bubbles which leads the crisis in banking sector. This study found that banks all around the world have learnt the biggest lesson from the crisis is that they must co-operate each others.

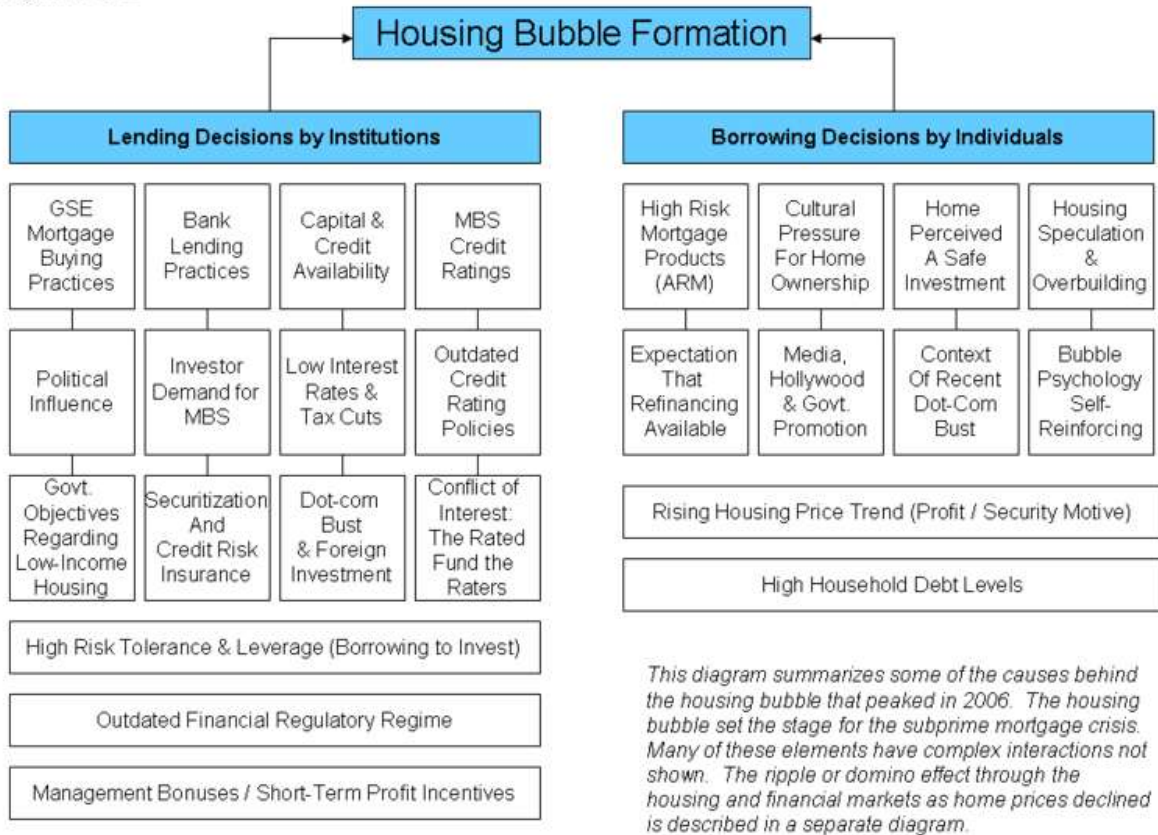
Keywords: Boom, Recession, Housing Loan Bubbles, And Sub-Prime.

*Associate Professor, IGN College. Ladwa

Introduction

During periods of boom, people do not want to hear of criticisms of the forms of economics they benefit from, especially when it brings immense wealth and power, regardless of whether it is good for everyone or not. It may be that during periods of crisis such as now, the time comes to rethink economics in some way. Even mainstream media, usually quite supportive of the dominant neo liberal economic ideology entertains thoughts that economic policies and ideas need rethinking. The global financial system suffered a profound and traumatic shock in September 2008 when US investment bank Lehman Brothers collapsed. As market players withdrew from the financial system, credit dried up and world trade collapsed, there was a real and immediate fear that the world was heading for a repeat of the Great Depression of the 1930s. A collapse of the US sub-prime mortgage market and the reversal of the housing boom in other industrialized economies have had a ripple effect around the world. Furthermore, other weaknesses in the global financial system have surfaced. Three years on and there is growing optimism that both the world economy and the banking industry are recovering from the impact of the financial crisis. But it is equally clear that the financial world has changed permanently, both in terms of who holds the balance of power within global industry and how banks will be allowed to operate in future.

Subprime Mortgage Crisis
Diagram 1 of 2



Countries in Asia were increasingly worried about what was happening in the West. Many believed Asia was sufficiently decoupled from the Western financial systems. Asia has not had a subprime mortgage crisis like many nations in the West have, for example. Many Asian nations have witnessed rapid growth and wealth creation in recent years. However, this crisis has shown that in an increasingly inter-connected world, there are always knock-on effects. And as a result, Many Asian countries have seen their stock markets suffer and currency values going on a downward trend. Asian products and services are also global, and a slowdown in wealthy countries means increased chances of a slowdown in Asia and the risk of job losses and associated problems such as social unrest. India and China are the among the world’s fastest growing nations in Asia. From 2007 to 2008 India’s economy grew by a whopping 9%. Much of it is fueled by its domestic market. But, India’s growth have slowed quickly to 7.1%. Although this is a very impressive growth figure, the speed at which it has dropped—the sharp

slowdown—is concerning. Asian and other developing countries have often been treated as second-class citizens when it comes to international trade, finance and investment talks. This time, however, Asian countries are potentially trying to flex their muscle, maybe because they see an opportunity in this crisis, which at the moment mostly affects the rich West.

How management contribute to banking success

The core challenge for banks, as for all organisations, is to create long-term sustainable success. Banks need to understand their business models and have the confidence that these will deliver sustainable value – with appropriate risk mitigations as necessary. They also need to understand the role of performance indicators and executive incentives in driving the right, or wrong, behaviours – as well as how good governance can make a difference. The financial crisis showed that some banks did not grasp these issues adequately.

Providing high quality management information, the management supports business success by enabling evidence based decision making as well as effective allocation of resources and risk management. Activity based costing help banks to achieve cost leadership. Managers also have the skills that enable them to progress in all areas of banking, for example they might work in lending functions where their skills can be applied to credit assessment Or they might work as business advisors to ensure the long-term success of their customers. This is especially true for the small business sector, which is usually a key engine of growth in many economies.

The major challenges –

- Comfort levels
- Security and trust issues
- Convenience factor
- Getting rid of myths
- Migration from existing to new systems
- Changing the habit
- Challenge of Technology:

New markets, products, services, delivery channels

Opened up a market for “risks” – derivatives

Challenge of financing tech firms & IT innovation

all have implications for the stability of banks and of the economy

● The Opportunity

● Regulators have new tools

● Focus of all recent financial sector reforms

● Emergence of non-intrusive, focused supervision

● ...with a view to prevent frauds and disturbances to financial stability

Conclusion

Perhaps, the biggest lesson from the crisis is that banks all around the world have learnt that they must co-operate more. As Xiao Gang, Chairman of the Bank of China, says: *'It is not about who should learn from whom. Instead, it is about learning from each other, strengthening co-operation and seeking development together.'* It is this trend – north and south, east and west, rather than north versus south and east versus west – that is likely to shape the future of global banking in the financial crisis world.

The future will be not be more of the same..... we need to be ready..

Bibliography

- *Mishra, P.K.; Das, K.B.; and Pradhan, B.B. 'Credit Market Development and Economic Growth in India'. 2009. Middle Eastern Finance and Economics. ISSN: 1450-2889 Issue 5. Euro Journals Publishing, Inc. 2009*
- *R.B. Sharma & Shyam Lal Pandey(2010),ImPact of financial crisis on Investor's psychology, Management , Vol.4 pp-14-24*
- *Vinod Kumar(2010) , Global Financial crisis & Indian economy, Political Economy Journal of India, Vol. 19 pp-1-10*
- *Anand Wadadekar(2009), Recession in U.S. & its impact on India, Journal of Business Thought.*
- *Planning Commission, Approach Paper to the Tenth Five Year Plan (2002-07), New Delhi, 2001.*
- *Planning Commission, Report of the Working Group on Agricultural Credit, Co-operation and Crop Insurance for the Tenth Five Year Plan (2002-07), New Delhi, 2001.*
- *World Bank, ' India : Scaling-up Access to Finance for India's Rural Poor' (Report no. 30740-IN), New Delhi, December, 2004.*

- *Ministry of Finance, Task Force on Revival of Cooperative Credit Institutions (Draft Report), New Delhi, 2004.*
- *International Monetary Fund (2008a), “Global Financial Stability Report”, Washington D.C. October.*
- *International Monetary Fund (2008b), “World Economic Out Look”, Washington D.C. October.*