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## Will banks stay afloat among #fintech challenge and with inadequate financial system?

Here are some of the possible challenges banks are facing to stay afloat...

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### **Has Poor financial system and Regulations challenges made banks weaker?**

Control over banks, mainly around AML, Sanctions, higher capital to address the credit, all this are basically the outcome of pre 2008. With increased cost of Regulations, Banks are now caught between Regulations and growth, this is going to be around for a while till Regulators are able to bring paradigm shift in Financial system, which may not happen in the near future. We had Panama leak, most of the transaction did happen post 2008 crisis, this has seen Trillions of dollar being moved around and when controls were being put in place. There is control on account, lot of duplicate work and cost in the banking system, this along with Physical Cash causing financial system weaker?

### **Has banks grown too big and too quickly?**

When World GDP was around 34 Trillion USD, banks total assets stood at 53 trillion, in 2014 World GDP stood at 77 Trillion, banks assets have grown to 142 Trillion, a gap of 19 trillion has increased to 65 Trillion. World GDP growing at a slow pace, banks growth and profitability from here is going to be a struggle?

### **Finance provided by banks had Impact of the Environment?**

World has seen in last 1 year, 12 hottest months, did banks have the opportunity to fund environmental friendly projects in a better way? Any further growth in funding around non environmental finance can further impact the delicate balance human have with the environment. Will banks embrace #CLIBOR and help fund green projects?

### **Fintech Challenge**

E-commerce companies along with tech giants and telecom companies are seeing a decline in their growth rate in core business, with good technology and brand on their hand, fintech are pushing to Financial areas. Areas like Payments, commercial and personal finances are already being tapped and this is slowly pushing profitability of banks down, there is more opportunity for #fintech and this will squeeze Banks profitability.

### **Higher capital**

With sliding asset quality and with Basel 3 deadline coming closure, banks are now working to increase its capital. In spite of low interest rate, many a cases with poor rating and balance sheet, raising capital has become bit tougher and also made it costlier?

### **Technology Challenge**

Banks have been investing in technology over last 5 decades, today many a system are not aligned to the latest technology, may be banks lost their way as they tried to increase in business and profit. Newer technology and ways of handling finance has come in, banks are catching up mode in spite of spending billions on technology year on year. Banks needs a paradigm shift, however still caught up between profit and balancing balance sheet is preventing banks from making a major shift and compete well with Fintech.

### **Skill challenge**

Banking seen great growth along with it saw migrations through 1990s and 2000s has made skill in banking more weaker? Banks rapidly grew as seen, hiring had seen an increase and in parallel skill were transferred both in IT and Operations to country outside of where businesses were happening. This possible increased gap between various teams, lack of connection to front office and also lack of connect to local country has made banks knowledge more weaker over a period of time?

### **What next?**

Time will tell how banks are going to reshape, however at this point as we see Regulators, Banks and as a whole financial system is in a cross road. If no proper action taken will slide and impact further the growth of the global economy and see many a banks falling by the side in the next few years and decades ahead.

Improving Financial system and simplifying is the answer, will Regulators make the paradigm shift and help Banking system shape up or we going to an era where we are totally confused and not sure of which direction we will be heading towards.

**Many a banks have provided century of service, but will have difficulty to survive the next century!**

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