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## "BEAUTY OF SMALL" WORLD IS TOO SMALL THAT IS WHY WE NEED SMALL BANKS.

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### **Abstract:**

*Objective-*To understand the interdependencies and complexities of the economic system and how in an attempt to reduce the volatility of the financial markets, central governments and banks try to control and regulate the interest rates, credit creation and supply of money, but creates havoc in the economy and to understand that big banks are not the solutions anymore because to bail out such giant banks is very difficult. In this era of technology it has become easy to communicate, distance is no problem at all. If just hundred years back someone would have said that you can talk to someone or send documents, pictures etc. sitting thousands of miles away. Well here we are all connected to each other no matter where we are in the world. Well what a boon technology is! Sure it is. But relax, sit back, think a little before you jump the gun. Remember those essays we use to write in school (SCIENCE & TECHNOLOGY: BOON OR CURSE). Conclusions of those essays invariably use to be that "It is both, a boon and a curse". From the beginning of time human beings have not been in a habit of handling information as there was barely any communication with the rest of the world. From the beginning of 20th century, we have assumed that large banks lead to economies of scale. Larger the bank, better it is for the economy as it leads to efficiency, economies of scale, increased productivity, higher GDP etc.. Big banks certainly can do this but probability is a single edged sword. An outcome may happen 9 on 10 times and most of the people get excited about it, ignoring that on one occasion when things did not turn up the way we expected, it may lead to disaster. Instead of a few large 'too big to fail' banks if there are many small banks then we can easily avoid disasters. Let's say because of reckless lending practices if a couple of small banks fail that will not lead to contagion. Only a very small number of bank's customers will be affected and these small reckless banks will lose their credibility.

*Design / Methodology/ Approach-*The present research paper is conceptualized and is based on secondary data collected from various resources like books, newspapers, management journals and internet. Many researchers and practitioners of finance are working in this direction because in the past one decade we have seen many downturns because of huge big bank world over.

**Findings-** *Effective formulation of financial and banking strategies needed for improving the global conditions emerged due to faulty financial practices..*

**Limitations-** *Present research is conceptualized and based on secondary data; research could have been more authenticated if it would have been based on primary data.*

**Practical implications-** *This paper can inspire bankers, policy makers, economists, fund managers and experts of their fields for bringing certain changes in their existing strategies for better financial future. By implementing such banking solutions, economies (emerging or developed) can be better off, because an effort to smooth out volatility generally turns things upside down.*

**Originality/Value-** *The paper includes practical examples of economies, quotes by financial experts and veterans of the financial markets, be it emerging economy or the developed world, each and every country needs a robust banking solution. “Too big to fail”; “Too big to bail” and “Too big to jail” are the consequence of faulty financial policies. This paper can at least trigger the sense of realization that small banking solutions are the key.*

**Key Words-** Financial Markets, Technology, Too big to fail, Interest Rates, Volatility, Business Fluctuations.