

Financial Industry



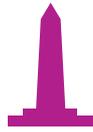
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Credit, and the banks that issue it, are the cornerstone of the national and global economies.

Historical development



Banks have been around since the first currencies were minted in the 7th century BC, and perhaps even before that.



The first written insurance policy appeared in ancient times on a Babylonian obelisk monument with the code of King Hammurabi (one of the first forms of written laws) carved into it.



In 1776, Adam Smith's "invisible hand" theory was pivotal in the development of free market capitalism and competitive banking.

The industry today

Today, since the global financial crisis of 2007–2008, banks must adopt bold new strategies as they face challenges around regaining trust, legacy issues, regulation and technology.

The financial services industry is comprised:



Banking and Investment Services



Foreign Exchange Services



Insurance



Other financial services e.g. intermediation/advisory services, bank cards, credit card machine services

Major players in the industry



Some of the world's largest financial services companies are insurance companies with revenue of up to 200 billion US dollars.



There has been a geographical diffusion of banking structures and instruments, but also a concentration of banking power in a few financial centres within each country.

Major finance and insurance companies:



The future for the industry

➤ Both credit expansion and greater uptake of financial products will continue, but will be bounded by stricter leverage limits and conduct rules.

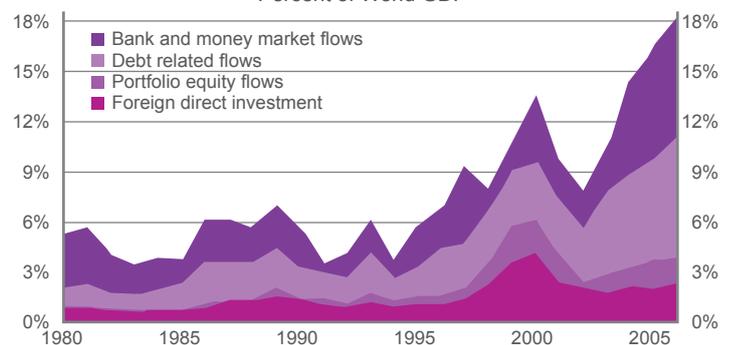
Many large banks will have to sell or spin off their most risk intense businesses and focus on being steady, low growth public utilities.



Emerging countries will continue to develop their financial sector, as an engine of economic development.



Gross International Capital Movements
Percent of World GDP



There has been a sharp increase in the movement of capital around the world since the mid- 1990s – a clear sign of financial globalisation.

Insight

The banking and insurance industry has reached a crossroads where banks must include a major focus on selling products and services.



Large companies have advantages in access to cheaper capital and name recognition. Small companies can compete through customer service and knowledge of the local market.



During this period of intense industry reorganisation, there is room for more entrepreneurial approaches to providing financing services to clients.



Developments in technology and data will challenge firms that are slow to adapt and be key to maintaining a competitive edge.