WILL A BANKING DEAL LEND TO NEW LENDING?

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How shall the banking system revitalize lending? What steps shall banks and regulators take to reverse the tightness of credit markets? Effective stimulus will need more substance than merely keeping interest rates low, while tolerating high fees and yelling at the bankers…

At any rate, bank lending must undergo cultural change. Pumping liquidity and stretching dumb lending even further could actually makes things worse.

For centuries, banks have weathered distressed market conditions. Credit risk management capabilities have been improving over time. Banks must now show that once again, the future calls for another round of structural improvements.

Healing credit wounds and achieving financial stability will require a different cure than injecting toxic liquidity! And barely putting the blame on the banks and imposing stricter rules could bring unintended consequences.

Managing by punitive example might trickle down as bad sentiment across all sectors and could hamper economic growth. When banks fail, their leadership teams are accountable, but it is the shareholders and the taxpayers who ultimately pay the price.

Are consumers supposed to master banking or corporate business? It is the banks that should take charge and get smarter in managing credit. Every bank, whether large or small needs to rethink how to originate, approve, and extend new loans.

If the banking system wants to extend better and purposeful credit to consumers, small businesses and corporations, then ***the answer shall be cultural rather than procedural***. To be effective, a call to action must resonate with the Boards of Directors and C-level executives at virtually every banking institution.

True financial reform will require deeper changes in the lending process and risk management approach. Banks must evolving their credit management skills and garner more comprehensive, richer and timely information and analytics.