Financial Institutions Management: A Risk Management Approach

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Institutions must rethink their risk management strategy and adopt a holistic approach to NFR in order to reduce potential liabilities while improving effectiveness.

1. Building a comprehensive NFR strategy. An effective NFR management program begins with a comprehensive approach to identify all the non-financial risks facing an organization, based on a detailed risk taxonomy and a holistic risk identification process. The following four specific levers should be considered: First, a clear process and explicit ownership to incorporate all material NFRs into the business strategies and risk appetite. Financial Institutions Management’s central theme is that the risks faced by FI managers and the methods and markets through which these risks are managed are similar whether an institution is chartered as a commercial bank, a savings bank, an investment bank, or an insurance company. As in any stockholder-owned corporation, the goal of FI managers should always be to maximize the value of the financial intermediary.

INTENDED AUDIENCE
Financial Institutions Management: A Risk Management Approach is aimed at upper-level undergraduate and MBA audiences. Occasionally there are more technical sections that are marked with a footnote.

Approach #1. Traditional View: Financial management is primarily concerned with acquisition, financing, and management of assets of business concern in order to maximize the wealth of the firm for its owners. The basic responsibility of the Finance manager is to acquire funds needed by the firm and investing those funds in profitable ventures that will maximize firm’s wealth, as well as, yielding returns to the business concern. The success or failure of any firm is mainly linked with the quality of financial decisions. (a) Arrangement of short term and long-term funds from financial institutions. ADVERTISEMENTSFinancial management in India has changed substantially in scope and complexity in view of recent Government policy.