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Parallel banking system: Opportunities and Challenges

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| Title: | Parallel banking system: Opportunities and Challenges |
| Year: | 2019 |
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| Abstract: | <p>The main aim of this article is to explicitly present what the parallel banking system is and its activities. The first part of the paper focuses on how this banking system could support real economy and contribute to the regional (and the wider) growth by operating supplementary to the systemic banking system. A special reference is done on the regulation frameworks that are applied on those banks in European Union and in United States. At this point, it is underlined the importance of the appropriate implementation of the proportionality principle by regulators so as to avoid the excessive burden of small regional banks with unnecessary regulation costs. Challenges that local banks may face during their operation and factors that affect the health of regional and cooperative banks are pointed out, as well. They are also presented significant sources of finance from which community banks may raise capital to fund their activities. Moreover, possible strategies that local banks may follow in order to improve their efficiency and strengthen their role in the banking system are proposed. Finally, the relation between regional and cooperative banks with public development banks is set under consideration and their differentiations and their common goals are highlighted.</p> <p>JEL classification numbers: G20, G21, G23, G24, G28, G29, P51 Keywords: parallel banking system, regional banks, community banks, cooperative banks, development banks, regional growth, proportionality principle, one-size-fits-all rule, dual-regulatory system, allfinanz.</p> |