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An Analysis of the Banking Industry

Recently, almost all industries have been affected by the economic recession. This obviously includes the firms present in these industries. HSBC is an international bank is a firm in the banking industry. The banking industry has been greatly affected by the economic recession and no firm, including HSBC, is immune to its effects. However, HSBC is a firm that has not been severely damaged because its global reach has been expanding in Asian markets.

The banking industry consists of many firms, but there are some overwhelmingly large firms as well, such as JP Morgan Chase. HSBC is also a very large firm and is operated in areas all around the world especially in Europe. There are also many small firms that exist solely in certain cities and countries.

Banks serve the purpose of protecting and securing people’s money. They do this by providing ways for people to borrow, lend, and manage the money they invest. Services provided by banks are differentiated products in the sense that there are many banks that offer similar services but for different companies or firms.

Banks compete through specific aspects of banking such as interest rates. These price decisions are made by the firms so that they can compete with other firms in the industry. This makes banking a monopolistic market. Every bank (firm) provides differentiated services at chosen prices and any other firms can choose whether to enter or exit the market. HSBC is a large player in this industry. It is one of the largest banking firms in Europe. Large banks in this industry do not necessarily control the market however and many other smaller firms can take part in the banking industry.

Usually, banks do profit very well in the market. Firms should be making large profits in this banking industry but because of the current recession people are not investing as much in individual banks. Deadweight losses have increased and social welfare has not been maximized.

Entering the banking industry now is not a wise decision for entrepreneurs because people do not have faith in the economy and are therefore not putting much faith in banking. Most people are withdrawing their money from banks in expectance of bank failure decreasing the profit of the banks. Overall, HSBC has been able to hold up because of increasing international markets, but the banking industry itself has suffered somewhat of a financial loss like most industries in the current recession.