

# Management (impact of recent economic crisis)



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The recent economic crisis has a great impact all over the world. Its not only crushes the business but also the world economy. The major victim of this economic crisis is financial institutions such as Banks and other money lender/investing organization. By the examination of the themes of representation, control and accountability the explanation of the recent failures of financial institutions should expose. All these are a major factor for an organization as the image, performance, objectivity etc are assessed and depends on these factors. Such as accountability show the facts of transparency and control shows the overall hands on the situation. With a literature review these are discussed below:

A representation is a collateral statement, either by writing not inserted in the policy, or by parole, of such facts or circumstances relative to the proposed adventure, as are necessary to be communicated to the underwriters, to enable them to form a just estimate of the risk. A representation, like a warranty but there is a material difference between a representation and a warranty. A warranty, being a condition upon which the contract is to take effect, is always a part of the written policy, and must appear on the face of it. Whereas a representation is only a matter of collateral information or intelligence on the subject of the voyage insured, and makes no part of the policy. A warranty being in the nature of a condition precedent, must be strictly and literally complied with; but it is sufficient if the representation be true in substance, whether a warranty be material to the risk or not, the insured stakes his claim of indemnity upon the precise truth of it, if it be affirmative, or upon the exact performance of it, if executory; but it is sufficient if a representation be made without fraud, and be not false in any material point, or if it be substantially, though not

literally, fulfilled.

The major reason, the financial institution comes victim of crisis is the lack of representation and accountability to its stakeholders. As it has seen that the cash flow within the market by the financial institution was too higher. They lend money to borrowers at a high notable rate but they didn't disclose it to its primary stakeholders. As a result when the crisis hit in the market borrowers came bankrupt and the financial institutions were unable to take the money back and they falls in shortage of money. These information has disclosed after the financial fall down by several research from the assesment of representation and accountability. The assesment shows that the information was provided by institution to its clients or shareholders and stakeholders was not transparent, in some case some were hidden. The route cause for this inconvinence is the lack of assesment and examination of the institutional accountability, control and representitiveness. To avoid or defend this sort of problem again institution should work strictly on their Representantion, control and should make clear their accountability to their stakeholders.

References:

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- 2) Raghunath, Shastri, 2008, " The Crisis and the Financial Institution of USA", University of Dhaka.
- 3) Definitions available at-  
" <http://www.google.com/search?q=definition+of+accountability+%2C+representation&rls=com.microsoft:en-us&ie=UTF-8&oe=UTF-8>  
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References (indirect use):

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