

Global financial management and summary slp

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Global Financial Management & Summary SLP The Currency of the Country

Currency is used as a medium of exchange in any country. In US, currency is known as dollar. Since the last decade United State Dollar reported a highly volatile nature with respect to major foreign currencies. As a result, US economy, monetary policies of the country, international and domestic trade, investment and interest rates are affected. Gross domestic product and inflation are few impacts of the volatile nature of USD. Rate of inflation drives the interest rate and for this reason international capital flows within the country is also affected. Sometimes country's interest rate falls lower or rises higher than the other countries which operate the currency fluctuation. Again monetary policy of a central bank try to control the fluctuation of currency value and future prediction of central bank affects this factor. Balance of payment in this country also fluctuate the domestic currency and affects the demand and supply of foreign currencies as well as the exchange rate. Foreign investors who want to invest U. S. (which has a strong dollar market) have to pay more than their own domestic currency and hence investors are not encouraged to invest their money in US economy (Anbarasu, 2010).

Banking System

In United States banking activities are regulated by both the state government and the federal government. Goldman Sachs, Bank of America, Wells Fargo, Citigroup and JPMorgan Chase these are the five major largest banks which hold 56 % position in the US economy. The banking system and economic condition in US are now in a complex situation. Fluctuation in currency is another important reason to discourage the investors for investing money in this economy. So this can be said that investing in banks <https://assignbuster.com/global-financial-management-summary-slp/>

of US is not a safe procedure at least in the present days. Federal government does not take any kind of responsibilities to save and protect the interests of investors and lenders at the time of financial crisis and their financial decisions also may affect the interest of related parties.

US has faced financial crisis in the financial year 2007-08. It was the worst financial crisis after the great depression of 1930. The prices of stock was declined in the US stock market and US economy has faced a large amount of bad loans and lost more than \$ 1 trillion toxic assets.

Financial System

This is observed that business owners are facing difficulties for getting loan from the financial institutions in US. A business can seek foreign investment if the interest rate and value of dollar will be higher. In such case investor can get higher amount of return from their investment and business also can fulfill their demand of capital for further growth of the business. As there is a fluctuating situation regarding value of the currency in the country, so to start a new business or to expand an existing business is quite difficult for the problem of allocating sufficient capital.

A business must predict all the possible financial risk and develop an effective financial risk management plan. They should insure against each and every risk to protect the unforeseen losses. A clear security and directive policy should be taken by them to control the related risks in investments.

Reference

Anbarasu, J. (2010). Global Financial Management. New Delhi: Ane Books Pvt Ltd.