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New Economy and Its Challenge to Financial Intermediation and Banking¹

ABSTRACT

Technological progress and knowledge-based innovations have more important role in economic growth and development than ever. This conjecture is often called the new economy, referring to economic growth which is strongly associated to the development of information and communication technology. In order to understand an ongoing process it is important to separate short and long term as well as micro- and macroeconomic aspects of the new economy.

Financial intermediation and banking are under constant structural change due to new technologies and deregulation. Despite that, the basic functions of banks do not change. However, in the changing environment banks have to manage the potential threat of disintermediation, i.e. structural change from direct to indirect finance. As an example of the new challenges, banks are forced to create an online strategy in order to survive the ever increasing global competition.

Keywords: *new economy, globalization, information and communication technology, economic growth, financial intermediation, banking*

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