

AN INVESTIGATION INTO THE FACTORS CAUSING FINANCIAL CRISIS: LESSONS FROM RECENT OVERWHELMING EPISODES

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Abstract

Financial crisis has an enormous effect on economic growth as it reduces the efficiency of financial system to transfer funds through proper channels and thereby causes economic downturn. The paper examines the factors causing financial crisis for understanding how its build up looks like before we get into it to take necessary measures in advance to avoid the financial crisis or at least to abate its consequences a country or the world might follow. Major factors that are contributing to financial meltdown are- stock market crash, bank panic, housing bubble, financial liberalization, just name but a few. The paper consults with available literature on major financial crisis episodes of late twentieth and early twenty-first centuries to identify factors causing such great economic events.

Keywords: Financial Crisis, Liberalization, Contagion

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