Good and Bad practices of interregional Bank Recapitalization, during Crisis periods and its impact on the enhancement of Real Economy and Local Entrepreneurship

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Abstract

This Paper is a discussion literature review oriented research one, which is divided in 2 parts:

In the first part, it is presenting the Bank Recapitalisation as key pivot for the banking funding. Afterwards, via a through critical analysis it is examining (**key research question) whether this strategy it could be considered as a necessary and or not sufficient condition for resumiong lending** and consequently to strengthen the local entrepreneurship and support the real economy of the examining case studies. Under this umbrella, government-initiated bank rescue programs primarily focus on recapitalizing banks to boost their financial stability and ability to facilitate lending during economic downturns. In this framework, they are used the characteristic case studies like the ones of Japan, the United States, and Greece reveals varying approaches and outcomes. Indicatively it is referring here that Japan's slow response in the 1990s, with inadequate capital injections and delayed structural reforms, failed to resolve underlying issues like non-performing loans (NPLs). Conversely, the United States swiftly implemented the Troubled Asset Relief Program (TARP) during the 2007-08 crisis, aiming to stabilize banks and promote lending, though results varied across institutions. Whereas, Greece, facing external pressures, undertook multiple recapitalizations with stress testing and NPL resolution strategies, highlighting the importance of timely capital injections and comprehensive reforms. The learned lessons, deriving from the said analysis, emphasize the need for prompt, sufficient capitalization, proactive NPL management, and robust structural reforms to ensure banks can effectively support economic recovery and stability in future crises.

In the second part of the study, the research sample is enlarged as having been considered apart from Japan, USA and Greece and other European countries (like Germany, Italy, France and Spain). In this regards, it is interfered more into these case studies critical analysis, highlighting the good and bad practices and pinpointing the main features and key factors and reasons that have contributed, per country case study, to the successful or insufficient performance of each one of them. The research question of this part is relying on whether " **the U.S. and Europe Avoid a Lost Decade? Lessons from Japan's Postcrisis Experience".** In a more detailed way, in this session, they are discribing the economic recoveries of the United States, Japan, and various European countries (like the aforementioned ones), following the 2008 financial crisis, focusing on structural and policy differences. It highlights that the United States benefits from lower employment protection, higher labor market mobility, and fewer regulatory barriers for new businesses compared to Japan and some European nations, like France, Italy, and Spain. Germany is the only exception due to the fact that the needed structural reforms there were undertaken before the awake of the Global Financial Crisis. While IMF reports on the US historically emphasized fiscal sustainability rather than structural impediments, it notes similarities in the pre-crisis consumption-driven growth, particularly with housing, akin to Japan. Post-crisis, challenges such as weak construction, restrained government spending, and economic policy uncertainty have slowed US recovery. The study underscores the significance of prompt bank recapitalization and structural reforms, contrasting US and German responses more positively with Japan's delayed actions. In conclusion, it provides insights into how distinct economic policies and structural issues have influenced recovery trajectories in these regions.

Key Words: Bank recapitalization, Structural Reforms, Cross interregional case studies, good and bad practices, Local Entrepreneurship, crisis periods.