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An experimental study on financial improvement in India

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Abstract
Financial markets are a part of the changing business paradigms, across the globe. In fact, the financial markets are the first to unleash the creativity and imagination and lead the revolution. Today, globalization of competencies, thinking and perspectives has been the part of Strategic Action Plan of all the major players in the financial markets, globally. The cut throat competition across the market operators and the pressure to perform by the stakeholders has resulted in competition being fiercer than ever before. Both the business landscape and chemistry of the competition has changed significantly over the period of time. All around, there is a fresh thinking on the financial products, structure of market players and possibilities for value creation. We can say financial markets are being redefined, reinvented and reconfigured on a persistent basis. Financial Improvement—like Improvement elsewhere in business—is an ongoing process whereby private parties experiment to try to differentiate their products and services, responding to both sudden and gradual changes in the economy. Surely, Improvement ebbs and flows with some periods exhibiting bursts of activity and others witnessing a slackening or even backlash. However, when seen from a distance, the process of Improvement—in this instance, financial Improvement—is a regular ongoing part of a profit maximizing economy. This paper will cover the recent trends in financial Improvement with reference to Indian scenario. Our attempt is to find out the Impact of GDP, Growth Rate (NIFTY) & Inflation on the financial Improvement revolution in India.

Keywords: financial, improvement, markets, business, market risk, globalization, revolution, market volatility, growth rate, India

Introduction
In India, reforms to perk up efficiency and accuracy of the financial sector started early in the reform cycle that commenced in 1991 - in some ways anticipating the gains that would amass from the resultant flexibility in product and factor markets. However, the process of intensification of the functioning of the financial institutions in terms of prudential framework, operational efficiency and regulatory / supervisory regimes has been ongoing. It was also aligned with the development of money, FOREX, Govt. securities and equity markets. The velocity of capital & credit reforms is brisk & is transforming the scenario. The existence of assortment of financial Improvements with different terms & conditions, now endow with a wider choice of instruments that suits the investment portfolio needs. The current scenario of Indian economy cannot be extant until it is supported by an efficient financial system. The financial system can be defined as a cluster of markets, institutions, instruments and regulations through which the financial securities are traded, interest rates are determined and financial services are produced and delivered around the world. The financial system is considered as the most innovative creation of the modern society.

Review Of Literature: Much of the theoretical and empirical work in financial economics considers an exceedingly stylized world in which there are a small number of securities (debt and equity, perhaps) and maybe a handful of trouble-free financial institutions (banks or exchanges.) However, in reality there is an immense range of diversified financial assets, many different types of financial institutions and a variety of techniques that these institutions take up to do business. The literature on financial Improvement attempts to index some of this variety, described reasons why we observe an ever-increasing diversity of practice, and evaluate the private and social implications of this activity. Economists use the word "Improvement" in an expansive fashion to describe shocks to the economy (e.g., "monetary policy Improvements") as well as the responses to these shocks (e.g., Euro deposits). Broadly speaking, "Financial Improvement is to activate, create and then popularize new financial instruments as well as new financial technologies, institutions and markets."

The "Improvements" are categorized into product or process Improvement, product Improvements can be bundled by new derivative contracts, new corporate securities or new forms of mutual investment products, and the process improvements can be associated with new means of distributing securities, processing transactions, or pricing transactions. In practice, even this innocuous demarcation is not apparent, as process and product Improvement are not always connected The processes by which one churns and creates a new index linked to college costs or invests to produce a return that reveals this index are hard to separate from a new indexed investment product that tries to help parents to bank upon for their children's education.

Improvement works as a tool for the ongoing research and development function and also diffusion (or adoption) of new products, services or ideas. Invention is probably an excessively liberal term, in that most Improvements are evolutionary adaptations of aforementioned products. The lexicographer's addition of the phrase "as if" to the definition of Improvement reflects one difficulty in any study of this phenomenon—almost nothing is completely "new" and the degree of newness or novelty is inherently subjective. (Patent examiners charged with judging the Improvement of inventions face this challenge consistently).

One of the sub-branches of literature on financial Improvement has created lists or taxonomies of Improvements. Given the extensiveness of possible Improvements, this work tends to specialize in particular areas, such as financial Improvements. For example, Finnerty (1988, 1992, 2001) has created a list of over 60 security Improvements, organized by broad type of instruments (debt, preferred stock, convertible securities, and common equities) and by the function served (reallocating risk, increasing liquidity, reducing agency costs, reducing transactions costs, reducing taxes or circumventing regulatory constraints.) One investment bank published a guide to innovative international debt securities in the mid-1980s.

Some of the securities listed were nearly-identical assets offered by banks trying to distinguish their wares from those of their competitors. Others represented evolutionary up gradations on earlier products. Perhaps a few were in fact novel. There has been incredible Improvement in exchange-traded derivatives, over-the counter derivative contracts (such as the credit derivatives, equity swaps, weather derivatives and exotic over-the-counter options), new insurance contracts (such as alternative risk transfer contracts or contingent equity contracts), and new investment management products (such as exchange traded funds).

Need of Financial Improvements: Taxes, regulation, information asymmetries, transaction costs, and moral hazard exist in the real world making the market imperfect. This affects the financial instruments and makes them obsolete as the new requirements arise. Without Financial Improvements new financial process and products will not emerge in the market. This situation will benefit neither private parties nor society and would simply be neutral clones. On this basis, a many researchers have tried to understand how various "imperfections" (and changes in these imperfections) stimulate financial Improvement. These imperfections prevent participants in the economy from efficiently obtaining the functions they need from the financial system. According to many researchers, financial Improvements are simple responses to several basic problem or opportunities present in the market, such as incomplete markets that prevent risk shifting or asymmetric information. Many of the researches are "institution-free" as they are not taking into the account of the role of innovators in the process. At the same time other institutionally-grounded explanations study the role played by financial institutions which are continuously launching new and better financial products to face tough competition in the market.

Financial Technologies & Improvements: In the late 90s, the emergence of New Industrial Policy opened door for many financial Improvements and technologies. These Improvements have proved their significance over time and are an important aspect of today's financial environment. Some of the Improvements that have changes the way we do business are discussed below:

1. Microfinance: "Microfinance typically refers to a range of financial services including credit, savings, insurance, money transfers, and other financial products provided by different service providers, targeted at poor and low-income people." Microfinance is the provision of financial services to low-income clients, including individuals and groups, who traditionally lack access to banking and related services due to low earning and growth potential. Micro finance is an effective in reducing poverty, empowering women and leads to economic growth and development. Microfinance plays a very crucial role in empowerment of women. Traditionally, women were not actively able to participate in the economic activity of households especially those in underdeveloped countries. But microfinance aims to provide women with the financial services to start business ventures and actively participate in the economic activities. Microfinance has given them confidence, improved their status and increased their involvement in decision-making process, thereby reducing gender inequality. Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy especially for women. In India, microfinance industry is dominated by Self Help Groups (SHGs) that aimed at providing a cost effective mechanism for providing financial services to the individuals and groups as they lack access to financial services because of low incomes of their businesses.

2. Venture Capital: Venture Capital is the fund or initial capital provided to businesses at start-up stage for new ideas to small firms with good growth potential. Venture Capital is considered to be a significant source of funding for startups that are not able to get sufficient finance from trusted sources. Since the risk involved in funding venture capital is high, the returns from the investment in startups can also be rewarding. One of the most important factors influencing the returns to the venture capitalists is the growth prospect of the company. Besides getting good returns, venture capitalists also obtain the power to influence the decisions of the companies they have invested their money in. Further, the venture capitalist who is investing his money may not have any business experience associated with the industry. Venture capital can come from a group of wealthy investors, investment banks and other financial institutions. Venture Capital is increasingly getting popular among small startup firms or companies which cannot raise funds by issuing debt.

3. ATM: Automatic teller machine (ATM), is a computerized telecommunications device that provides Bank customers to have access to financial transactions without the need of visiting the bank with the help of ATM Machines and plastic cards. ATMs can be used by customers to have access to bank accounts in order to make cash withdrawals or check account balances. ATMs can be found easily in cities, allowing customers easier access to their accounts. Using a ATM operated by your bank is generally free of cost, but using ATM operated by a competing bank may involve a small fee.

Advantages of Automated Teller Machines (ATMs)

1. ATM provides 24 hours service and convenience to bank's customers as you can withdraw cash at any time of day and night.
2. ATM reduces the workload of bank's staff and provides service to bank's customer without any error.
3. ATM is very beneficial for travelers as it makes it possible to carry money in plastic form that is safer and more secure. The travelers can withdraw cash at ATMs in foreign countries.
4. ATM may give customers new currency notes and maintain the privacy in banking transactions as the ATM card is protected by a PIN.
5. ATMs offer the convenience of multiple locations as they are scattered all over the country. You can withdraw cash at any bank that is part of the system to which your ATM card is linked without being part of any long queues.

4. Mobile Banking: Mobile banking is a system that allows one to conduct a number of financial transactions through a mobile device such as a phone. Mobile Banking in increasingly getting popular with the increasing use of smartphone and it is becoming very successful with time.

Advantage of Mobile Banking

1. Mobile Banking uses the network of service provider and it doesn't need internet connection which makes it a convenient & cost effective option in developing countries like India where there are less internet connection.
2. Mobile Banking is can be used and it is convenient mode for many users and it is more secured and risk free compared to online or internet Banking.
3. With the help of Mobile Banking you can avail many services like paying bills, funds, check account balance, review your recent transaction, ATM card etc.

Key Drivers for Financial Improvements to Be Succesful in Long Run: Financial Improvements once implemented are not sure of being successful in long run. There should be certain key drivers to make it stand in the long run as well. Five factors should be taken into considerations to make a financial Improvement successful in long run:

- Well trained human capital.
- Smooth flow of investments into the market to facilitate future Improvement efforts.
- Development of technological leadership.
- Ability to adapt to changes in Improvement projects in financial markets.
- Facing dynamism in public support systems for Improvements.

Firstly, there should be high skilled man power or human capital with expertise knowledge of the particular financial Improvement to deal with day to day technical problems. Secondly, investments which can be done now but are not made can have negative effects in the future as the pool of opportunities will be reduced due to limited investments. Therefore, tacit knowledge should be possessed by the investors in order to avoid such losses and negative effects and proper Research & Development should be done keeping in view the future prospects. Third, technological leadership should be preserved as key businesses which are located abroad may respond to low demand of local markets and also difficulties in financing may occur. Partial relocations of companies should be avoided to hinder the unequal distribution of industrial growth. Fourth, many companies are affected by the financial crisis in the recent past and they may continue to pay their debts in the near future also. In order to avoid this they should have self-supporting financial system and risk management plans to overcome such crisis. v) Fifth is that the companies should be flexible enough to face any kind of dynamism showed by public support systems which may stop or slower down their growth by imposing various regulations.

Effects and Scope of Financial Improvements: The last decade have seen the emergence of many financial technologies and Improvement like NEFT, Mobile Banking, E-banking among many other. But there exist a lot of room for improvement in the financial Improvements and technologies as after the liberalization and globalization of Indian Economy, India has been trying to adapt to the turbulent financial market but there has not been any Improvement in this area.

- India even lack the drivers of the financial Improvement and technologies like Internet, computer that hinder the growth of adoption of these financial Improvements as part of present way of doing business.
- Countries should start spending more on financial Improvement to get better growth opportunities and take advantage of the benefits of these financial Improvements. The future of these Improvements can be brighter if countries start spending more on these Improvements.

There is a huge scope of financial Improvements in our country. It has been observed that with time people are becoming more familiar to latest technologies like Internet that form a crucial part of these financial Improvements and technologies and therefore, the scope of these Improvements is becoming wider with time. Still, there exists a lot of scope in all areas for further improvement.

Conclusion: As the Growth rate is increasing there is an increase in Inflation and GDP of Indian Economy. Thus through our analysis we found that the GDP, Growth Rate & Inflation rate are having positive impact in contributing Financial Improvement in India. But it is a matter of concern as market is becoming volatile day by day and risks are increasing. True such conditions favour economic growth and Improvement but such a growth is inorganic growth.

India being a developing country must follow a long term sustainable development policy. It is only possible when it maintains low inflation rate.

We need to practice to some extent counter cyclical monetary and fiscal policies with suitable external sector management, ensuring a by and large financial firmness – price stability, low inflation, low inflation prospects and low inflation volatility. It is only under these conditions, that investments, Improvements and growth can be maintained in a sustainable manner. We must continue to ensure that the growth thrust is sustained with price permanence.

The prospects in financial markets are toning somewhere and at the same time escalating elsewhere. Both alteration and the rapidity of alteration in the financial markets would be different tomorrow. Continuous exploration of scopes and values would demand a radiant focus on emerging opportunities, competence building, strategies for leadership position in the opportunity zones and principles centered business practices. Financial Improvement is viewed as the "driving force" of the financial system towards its goal of improving the performance of what economists describe the "real economy". Therefore, we need to create a culture, which embraces alteration and moves ahead with an aim to lead.

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