INDIAN FINANCIAL SECTOR – REFORMS, REGULATIONS AND INNOVATIONS

ANIKET BHORKAR
Department Of Management Studies KDKCE, Nagpur (MBA 4th Sem)
aniketbhorkar1312@gmail.com

Introduction

Financial Sector of India is intrinsically strong, operationally sundry and exhibits competence and flexibility besides being sensitive to India's economic aims of developing a market oriented, industrious and viable economy.

An established financial sector assists greater standards of endowments and endorses expansion in the economy with its intensity and exposure. The fiscal sector in India entails banks, financial organization, markets and services. The sector is classified as organized and conventional sector that is also recognized as unofficial finance market.

Fiscal transactions in an organized industry are executed by a number of financial organizations which are commercial in nature and offer monetary services to the society. Further classification includes banking and non-banking enterprises, often recognized as activities that are client specific.

The chief controller of the finance in India is the Reserve Bank of India (RBI) and is regarded as the supreme organization in the fiscal structure. Other significant fiscal organizations are business banks, domestic rural banks, cooperative banks and development banks. Non-banking fiscal organizations entail credit and charter firms and other organizations like Unit Trust of India, Provident Funds, Life Insurance Corporation, Mutual funds, GIC, etc.

Reform

Financial sector is the mainstay of any economy and it contributes immensely in the mobilization and distribution of resources. Financial sector reforms have long been viewed as significant part of the program for policy reform in developing nations. Earlier, it was thought that they were expected to increase the efficiency of resource mobilization and allocation in the real economy to generate higher rates of growth. Recently, they are also seen to be critical for macroeconomic stability. It was due to the repercussion of the East Asian crisis, since weaknesses in the financial sector are broadly regarded as one of the major causes of collapse in that region.

Financial and banking sector reforms are in following areas:

- Financial markets
- Regulators
- The banking system
- Non-banking finance companies
- The capital market
- Mutual funds
- Overall approach to reforms
- Deregulation of banking system
- Capital market developments
- Consolidation imperative

Regulators

The Finance Ministry constantly formulated major strategies in the field of financial sector of the country. The Government acknowledged the important role of regulators. The Reserve Bank of India (RBI) has become more independent. Securities and Exchange Board of India (SEBI) and the Insurance Regulatory and Development Authority (IRDA) became important institutions. Some opinions are also there that there should be a super-regulator for the financial services sector instead of multiplicity of regulators.

Innovations

Some types of financial innovation are driven by improvements in computer and telecommunication technology. For example, Paul Volcker suggested that for most people, the creation of the ATM was a greater financial innovation than asset-backed securitization. Other types of financial innovation affecting the payments system include credit and debit cards and online payment systems like PayPal.

These types of innovations are notable because they reduce transaction costs. Households need to keep lower cash balances — if the economy exhibits cash-in-advance constraints then these kinds of financial innovations can contribute to greater efficiency. Alvarez and Lippi (2009), using data on Italian households' use of debit cards, find that ownership of an ATM card results in benefits worth € 17 annually.

These types of innovations may also affect monetary policy by reducing real household balances. Especially with the increased popularity of online banking, households are able to keep greater percentages of their wealth in non-cash instruments. In a special edition of 'International Finance' devoted to the interaction of electronic commerce and central banking, Good hart (2000) and Woodford (2000) express confidence in the ability of a central bank to maintain its policy goals by affecting the short-term interest rate even if electronic money has eliminated the demand for central bank liabilities, while Friedman (2000) is less sanguine.

Objectives

To study Indian Financial Sector.
To study Financial Sector reforms, regulation and innovation.

Conclusion

It is assessed that since last many years, there have seen major improvements in working of various financial market contributors. The government and the regulatory authorities have followed step-by-step approach. The entire foreign companies has helped in the start of international practices and systems.

References

1. www.google.com
2. Ww.google.com/Wikipedia.