

The ways to Strengthen Financial in System Developing India

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Abstract

The purpose of this paper is to encourage financial system in overall development of the country. Economic development of any country relies on its economic system which incorporates its banks, stock markets, insurance sector, pension funds and governments run financial organization authoritatively. Businesses and industries square measure supported by the money systems that because growth employed and successively increase economic activity and domestic trade. It enables the flow of funds from savers to investors to aid in wealth creation and development.

Finance is that the key to attain semi-permanent growth prospective for any country. throughout the last decade, Indian economy has shown loads of progress from a closed, controlled, slow growing economy to an additional open, additional liberalized and additionally one in all a quick growing economy among the developed nations. The paper additionally shows that so as to form economic system more practical and economical, the necessity of effective management, correct governance and management among the various elements of the economic system is needed.

Keywords

Indian Financial market • Financial system •
Economic Development • Financial Instruments

Introduction

The paper relies to grasp the ways in which to strengthen financial system in developing Indian economy. The main function of a financial system is to provide a connection between savings and investments for creation of wealth. Financial system plays a crucial role in country's economic development. The financial system is a system that allows the exchange of funds between lenders, investors and borrowers. Financial systems operate at national and global levels. It's a complex mechanism wherein the unused resources(savings) are allocated to the needed places in the most potential way. The Indian financial system is the most important aspect of the economic development of a country. It encourages both savings and investment. It ensures the supply of capital in the business. The proper policy formulation regarding to the financial system will greatly affect the overall development of a nation. Thus, the need for adequate structure of a financial system will greatly influence the economic condition of a country. A financial system covers financial transactions and the alternate of cash among investors, lenders and borrowers. Financial structures are made of difficult and complicated fashions that portray financial services,

establishments and markets that hyperlink depositors with investors. A financial system can be described on the global, local or organization precise level. The financial institutions enable the customers to make higher monetary choices by presenting effective monetary in addition to advisory services. It facilitates to sell the development of weaker segment of the society where rural improvement banks and cooperative societies. It aids in the growth of monetary belongings as a percentage of GDP and growing the variety of participants in the economic machine.

The economic system helps to mobilize and pool savings, promote payment services, manufacture and method data regarding investors and investment comes, to modify economical allocation of funds, monitor investments and facilitate to diversify, rework and manage risk. The Indian economy is one in all the quickest growing economies among the developing countries within the world. From the last few decades Indian economy is making rapid progress. The Indian economic system consists of economic establishments (like banks etc.), money markets (like cash and capital market etc.), money instruments (like bills, shares, debentures etc.) and money services (like bourgeois banking etc.)

Financial system performs various functions i.e., Financial system plays a vital role in capital formation, provides money assets for goods and services, perform payment and settlement functions, Risk Management function, Provides necessary information to the

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Received: 02 December, 2021; **Accepted:** 10 December, 2021; **Published:** 22 December, 2021;

operators or players of the market such as investors, individuals, business houses etc.

A financial system consists of financial institutions, financial intermediaries, financial markets, financial instruments etc.

Weaknesses of Indian financial system

1. **Backward financial system:** The major drawback of Indian financial system is its underdevelopment. The financial sectors are not properly managed and guided. The growth rate of these sectors is also inadequate.

The inability of coordinating financial institutions is the main reason of underdevelopment of Indian financial system. The govt is the controlling authority of the most financial institutions involved.

The private sectors are also not given any importance. As there is multiplicity of institutions in the Indian financial system, there is lack of coordination in the working of these institutions.

2. **Monopoly market structure:** In India, only some institutions take privilege to participate in the mainstream. Some financial markets are so large that they have created a monopolistic structure in the financial system.

This leads to the inefficiency in the working of these institutions as well as it inhibits the growth of small institutions.

3. **Dominance of development banks in industrial finance:** The large financial institutions controlled by the govt. Is dominating in the industrial financing today.

Small and private agents and institutions get very less opportunities in this sector. Thus, coming in the smooth growth of an efficient financial system in the country.

4. **Unhealthy financial practice-** As the large and developed institutions are mostly involved and participate in the financial activities. They have adopted unethical practices that is harmful for the growth of financial system in India.

The banks mostly provide capital in the form of term loans. This predominance of debt capital leads to the uneven capital structure for the borrowing business house.

Objectives of the study

1. To study the role and importance of financial system in the economic development of a country.
2. To describe the weaknesses of Indian financial system.
3. To explain the recent developments in the Indian Financial system.
- 4.) To study the various constituents of Indian financial system.
4. To study the Indian financial system and its functions.

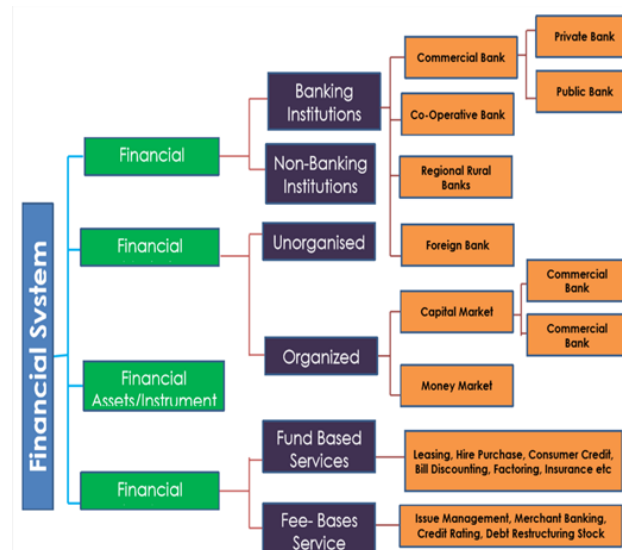


Figure 1. Table of Financial system.

Literature Review

Hypertension

Babu GS. (2018) stated that Financial system is very important tool for economic development of a country. It bridges the gap between savers and investors and helps in wealth creation. He also stated that Indian financial system has acquired a lot over the past decade. But still there is need to improve India markets so that they can be equivalent to International markets.

Gasti AK. (2017) stated that Financial sector is the mainstream of any economy, and shows that liberalization can improve financial sector performance. Financial experts recommended that some major reforms should be introduced to remain competitive and attractive for investors from across the world.

Jangra S. (2017) said that economic development of a country depends upon the organization of a developed financial system and Indian financial system is making tremendous growth and across the globe. It has transcended to remote and distant areas. She suggested that there is a need of effective management and control among different components of Indian financial system. A proper governance and regulation of for the efficient working of the financial system is needed.

Naik AH. (2017) stated that Financial markets stated that Financial market plays a vital role in the economic growth of a country. It provides a platform for allocating financial resources in the economy. Financial markets ensure the efficient use of resources by mobilizing savings for investment and facilitating capital inflows. He also stated that implementing the right set of financial market reforms is crucial to the health of economy and financial markets reform should be given priority as it has a wide applicability, affecting the whole financial system and economic growth of the country.

Kumar M E. Gireesh, A. Jithendra (2016) stated that Finance is the key to achieve long term growth for any country. Financial system performs important functions for the economy and is the link between savings and investment. Indian financial markets present three

efficiencies i.e., allocation, information and operational efficiency for development.

Vadde S. (2012) stated that A sound Financial system supports growth through mobilizing and pooling savings, producing information about possible investments and allocating capital, monitoring investment and exerting corporate governance etc. Developing countries give importance to financial sector. He also stated that Industries consists of smaller firms grow faster in countries with better developed financial sector. Micro finance and SME credit programs are considered to improve poor households and social welfare and reduce poverty.

RBI (2007) stated that the core characteristics of a well-developed financial system is to facilitate easy and efficient allocation of assets from savers to the ultimate users.

Discussion

The study focuses towards the financial system for the economic development of a country. Economic growth of every nation is dependent upon the role of financial institutions and the ultimate financial development.

Quantitative research: The research will be done through the Questionnaire surveys, where the data will be collected from Banks, Accountants, Financial Institutions, Markets. The questionnaire will be provided to bank, accountants, Brokers, Investors. The questionnaire will be related to financial markets, development of Indian economy, financial inclusion.

Qualitative research: Here, face-to-face interview will be conducted with investors, bankers, brokers to own their view. It will be related to how financial system promotes capital growth, role of financial system in country's development, growth of financial system beneficial for common people, Role of government in developing financial system.

Sources of data

Primary source: The information will be gathered from Questionnaire survey and face to face interviews. The data through questionnaire will be collected from Bankers, Accountants which will be followed by the interview.

Secondary source: Here, we will refer to books, Reputed journals, magazines, newspapers, reports and websites. The secondary data will help us to know how financial market play an important role in developing Indian economy, helps in allocation of scarce financial and economic resources and strategies implemented by the government towards financial system.

Research Tool

The research tool for conducting the study will be done through the Google scholar and other journals which will help in collecting data from investors, bankers, accountants. A list of interviews will be structured in such a way that, which will only focus to the questions like what are the ways to strengthen Indian financial system? How does financial system encourage growth and Indian economy?

Gaps in Available Research

From the above papers, I would suggest the government to take initiatives towards betterment of financial system, Awareness programs and educating investors for protecting their interests, the introduction of new innovative financial instruments, banks will need to rework their business strategies, innovate on products tailored to customers' needs and improve efficiency in the delivery of customer centric financial services to regain their role as principal financial intermediaries.

Conclusion

The conclusion summarizes that Indian financial sector has changed a lot over the past decade. Indian financial sector plays a really necessary role in developing economy. Financial system performs varied functions in any country which supplies a chance to the businesses and traders for getting and commerce the various monetary instruments and also the monetary securities. It plays a vital role within the allocation of the restricted resources accessible within the economy of any country. It acts as an mediator between savers and also the investors by mobilizing the funds between them and helps within the determination of the costs of securities Indian financial sector has non heritable strength, efficiency, stability by the combined result of competition, regulative measures, and policy setting and also the advancement of reforms has been spectacular throughout the nineties. However, sure concentration is required to bring Indian markets on par with the foremost International markets. Economic system provides a platform to the lenders and borrowers to move with one another for his or her mutual edges and this interaction results in capital accumulation and economic development of the country. Hence, there's a correlation between the expansion in economic system and economic development. Financial market is the true indicator of financial system in a country. Stability of markets is essential to ensure the smooth operation of market transactions, thereby enabling economic agents to raise and operate funds with confidence. The paper also indicates that the financial system reforms should be given priority. At last, it can be deduced that a developed financial system leads the economic growth and development of the country.

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How to cite this article: Fizana Ashraf Malik. "The ways to Strengthen Financial in System Developing India." *Arabian J Bus Manag Review* 6 (2021) : 419.