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New Age Financial Services

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Abstract:

Finance is life blood of any economy. In India, financial services industry is growing rapidly. The economic liberalization has brought in a complete transformation in the Indian financial services industry. Prior to the economic liberalization, the Indian financial service sector was characterized by various other factors, which was related to the growth of this sector. The term financial services in its broader sense refers to- mobilizing and allocation of savings''. It is identified as all those activities involved in the process of converting savings into investment. Financial services also include Commercial banks, Insurance Companies etc. Indian financial services industry comprises several key sub-segments such as financial Intermediaries such as Merchant Bankers, Venture capitalists,, Mutual Funds, Pension Funds, Insurance companies, stock-brokers, financial advisory companies, and commercial banks- ranging from small domestic players to large multinational companies. These financial service providers support to individuals, private businesses and public organizations.

Present paper is descriptive Research paper based on secondary data .Objective of paper is to study new avenues in financial services.

Keywords: *Financial services, Govt., India*

Introduction

Financial services are the economic services provided by the finance industry, which encompasses a broad range of businesses. With a combined government, banking institutions, non-banking financial companies, private sector drive, the scope of financial management and financial services in India is undoubtedly one of the most competitive capital markets in the world.

Financial Sector in the Indian economy has had story of the post-independent 1947 In India, Reserve Bank of India (RBI) was founded in 1935 under the Reserve Bank of India Act 1935. RBI is the regulator of all banking activity, including non-banking financial companies, manager of statutory reserves, debt manager of the government, and banker to the government.

At the time of independence in 1947, India had 97 scheduled,1 private banks, 557 "non-scheduled" (small) private banks organized as joint stock companies, and 395 cooperative banks. Thus, at the time of India's independence, the organized banking sector comprised three major types of players, viz., the Imperial Bank of India, joint-stock banks .On 20 July 1969 , fourteen private sector banks nationalized and later six more commercial banks in 1980. Besides the commercial banks, there were four other types of financial institutions in the Indian financial sector: development finance institutions (DFIs), co-operative banks, regional rural banks and post-offices.

According to the finance and development department of the International Monetary Fund (IMF), "financial services are the processes by which customers or businesses acquire financial goods" Financial goods means loans, stocks, bonds , commodity assets, real estate, insurance policies, etc. Financial services sector is a driver of the nation's economy. It is a flow of capital and liquidity. When sector is strong economy of nation is grows. When sector of finance and economy are strong, consumers definitely earn more, and it boosts the purchasing power of customers.

If the financial service sector is goes down, then it will drag the nation's economy down I.e it leads to the recession. In recession stage we know unemployment of nation is rises, wages may even drop, reduces the customer's purchasing power.

The Financial services sector in India is blooming and has become one of the lucrative areas to professionalism. The sector has undergone metamorphosis since 1990. Indian economy got liberalized during 1991 and the financial sector was kept open for private and foreign players. During the late eighties, the financial services industry in India was dominated by commercial banks and other financial institutions governed by the Central Government.

Financial Services Offered in India:

There are 7 types of financial services provides in India. Following are the services which are provided in India.

1. Banking
2. Professional Advisory Services.
3. Mutual Fund.
4. Insurance.
5. Stock Market
6. Capital Restructuring
7. Portfolio Management.

1. Banking:

The Banking sector is the backbone and foundation of the India's financial service sector. India has approximately 1,00,000+ banks. Banking sector is divided in five sectors i.e. Public sector, Private sector, Foreign sector, Regional rural, Urban/ Rural cooperative banks. Where the public banks are 12 , private banks are 21, foreign banks are 46, regional rural banks are 56. Total India has 98,042 co-operative banks; in that 1,534 are the urban co-operative banks and remaining 96,508 are the rural co-operative banks.

Banking sector is segmented in three ways, individual banking, business banking and loans. Individual banking includes checking accounts, saving accounts, debit cards, credit cards, etc. Business banking involves merchant services, checking accounts and saving accounts for a businesses, treasury services, etc. And loans are business loans, personal loans, home loans, automobile loans, working-capital loans, etc. The banking sector is regulated by the Reserve Bank of India (RBI).

Now a days, Banking sector is undergoing the technological change due to the the rising competition. Banks have been reluctant update their systems. The system which they using now this system is not suitable for the digital age. So it is need to update their systems.

Technologies which banks need to use for sustain in the competition.

- **Digital Account Opening:**

Digital account opening is the most popular technology. For both retail customers and commercial customers. In the COVID-19 pandemic this technology is very useful for customers and banks also. Nearly 44% of banks and quarter of unions expects to add new or replacement customers digital account opening system in 2021. Many banks will actually go through with this plan, but some of banks and credit unions have deployed a new customer's digital account opening system in the past three years.

- **Augmented Reality:**

Augmented, virtual, and mixed reality is the immersive technologies. They are enhancing customers' experience. So why they can't do the same for banking customers?

The implementation of augmented reality technology in banking sector it is limited by imagination. But these are these are still in very early stage of development. When this technology implement in banking customers can do their action and transactions from home. According to technology experts, who believe that bank branches as we know them today are a thing of past.

Augmented reality technology is implemented in banking sector of Australia (Bank of Australia). They created a rich date augmented reality application for their customers. Their customers do actions and transactions from their home. It provides the information of their transactions.

◆ **Robotic Process Automation:**

The banks as volume of unstructured data is need to process it increasing exponentially with rise of the digital economy. It is not only for the banking transactions data, but also the other all data that could allow the banks to improve and innovate their customer's experience. The bankers need to this type of technology, which can have mimic human actions and higher speed ,scale and quality. It has a emerged combination of various technologies which enables cognitive and robotic process automation.

These technology is consists of machine learning, natural language processing, chatbots, robotic process automation, and intelligent analytics in banking that allow the bots to learn and improve.

The data of what types of AI are companies deploying today;

- Today most deploying technology in companies is robotic process automation. Robotic process automation are 59% deploying in companies.
- The second technology which deploying in companies is statistical machine learning. 58% companies deploying the statistical machine learning technology.
- Natural language processing or generation is deploying 53% in companies.
- Expert or rule based system is 49% .
- Deep learning neutral networks is 34%.
- Physical robots are 32%.
- None 2%.

◆ **Biometric Technology:**

Customers trust banks with their personal information, and expect the highest level of security and protection. Biometric technology allows financial institutions to balance security, speed, and convenience for a seamless customer experience. Biometric are physical human characteristics (such as fingerprints, iris, and voice) that can be used to verify the identity of customers. Unlike PINs or passwords, biometric identifiers are impossible to lose or forget, and much more difficult to hack.

- Mobile banking Financial institutions include biometric in their mobile apps to let customers safely transfer funds or access their banking accounts while on the go.
- Digital on boarding Biometric authentication allows banks to simplify and speed up due diligence and KYC processes to mitigate risks and ensure excellent on boarding experiences.

◆ **Instant Payment Technology:**

As the world moves towards a less-cash economy, the customer expectations around payments have changed dramatically. Both customers and business expect payments to happen instantaneously, and this is where instant payment systems step in. Instantaneous payment is a must if online payments need to replace cash transactions. Therefore, banks around the world are finding ways of providing their customers options for instant payment, even when the infrastructure required for the service is lacking.

◆ **Application Programming Interfaces:**

Other industries were early adopted the application programming interfaces (APIs), but financial industries lagged. API software allows two applications to talk to each other. The use of API software continues growing. According to Cornerstone Advisors, more than half of credit unions in US have adopted API. Banks use APIs to personalize their services, transfer funds, gather analytics and much more. This type of innovation helps to enhance the efficiency of internal operations and improve customer's experience.

2. Professional Advisory:

Professional advisory management includes a variety of management services, such as portfolio management, corporate debt management, and estate planning. The investment advisors also take into account the tax effect of investment decisions and calculate the effective return on the investments. A professional financial advisor is one of the most important resources you, as an investor, can have in today's changing financial world. Your range of investment choices can be overwhelming and time-consuming. And in your busy life, you may not have time to consistently follow the many options in the market today.

Some are the professional advisory services:

A. GST Advisory
B. Corporate Tax Advisory
C. Income Tax Advisory
D. Audit Advisory
E. NGO Advisory
F. Compliance Advisory

New Technologies in Professional Advisory Services:

◆ **E- Money Advisor:**

E - Money is a very depth program and it is also known as detailed cash flow analysis module. 29.02% are using e-money software, it up from 25% in 2017. According to survey e-money is the top software program for the advisors. Advisors are thinking about adding this software to their arsenal of financial planning resources. One of the e-money's strengths it is financial feed that provides real-time data, alerts, and news, helping advisors on top of important client and market situations.

◆ **Advicent (NaviPlan) :**

Advicent software offers multiple products designed to suit wide range of financial advisor's need. Advicent (NaviPlan) software is the most comprehensive and useful program. This program includes retirement analysis of accumulations and distributions and comprehensive analysis of assets and liabilities, including debt. It offers one of the most detailed cash management modules as well as help to keep the information up to date.

◆ **Money Tree:**

Money Tree is the most popular software. Its best product is Silver program. It offers good flexibility in its basic approach capabilities in that it can be focused on various goals like retirement, estate planning or educational funding plans. It is not comprehensive as some other programs. It considered as some of the best program. It offers goals and cash flow on the basis of planning projections and also useful for clients to meet their unique needs.

3. Mutual Fund:

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by professional Money Managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

4. Insurance:

Insurance is a contract, represented by a policy, in which an individual or entity receives financial protection or reimbursement against losses from an insurance company. The company pools client's risk to make payments more affordable for the insured.

Insurance policies are used to hedge against the risk of financial losses, both big and small, that may result from damage to the insured or her property, or from liability for damage or injury caused to a third party.

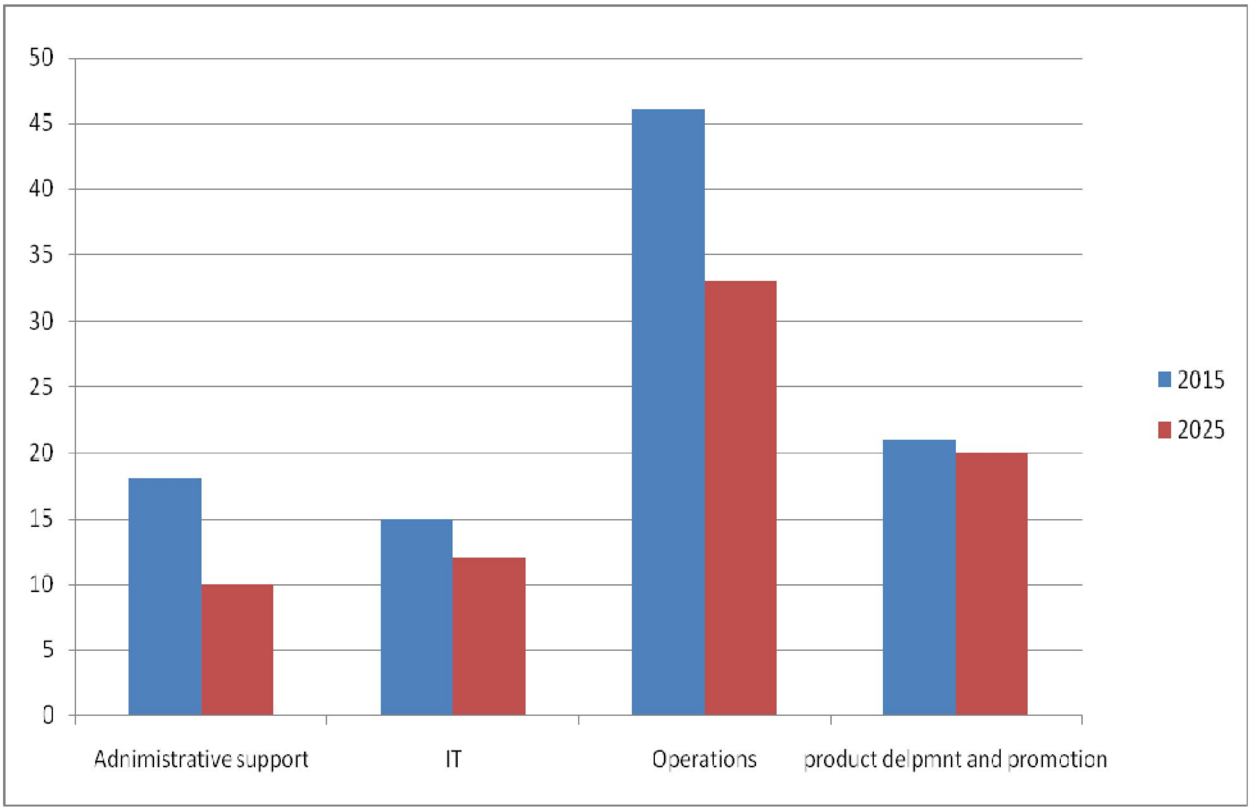
Digital transformation use cases in Insurance Services:

◆ **Automation:**

According to Mckinsey study, 25% of insurance service industry will be automated in 2025 due to use of AI and machine learning techniques, since the industry is full of bottleneks and manual processes such as claims processing, fraud detection, underwriting, policy administration and customer service.

Section	2015	2025
Administrative support	18	10
IT	15	12

Operations	46	33
Product development, marketing, and sales support	21	20



Process mining tools are beneficial for the insurers who wish to identify processes that can be handled autonomously. Some tangible automation use cases include:

Claims processing:

Claims processing has multiple layers such as review, investigation, adjustment, remittance or denial of the claim. For each layer, issuers need to process a large volume of documents that can be automated by document automation tools. With document automation, insurers can automatically extract data from documents, identify fraudulent claims and validate claims that are in line with policies.

Claim fraud detection:

Insurers feed predictive analytics tools with data captured from the claimant's story and use text analytics to detect fraudulent claims based on business rules.

Underwriting / Risk Scoring:

Insurers can collect data about individuals' historical health on lab testing, biometric data, claims data, patient- generated health data and then they ask for the price according to risk score. AI can improve underwriting processes from data collection to calculating risk scores of clients.

Omni-channel:

Designing a self - service portal where customers and insurers can access to find answers to questions. conduct business (transactions, orders, make a claim, pay bills, etc), check on status, summit support tickets and download resources is an effective approach to increase customer experience.

Smart Contracts:

Blockchain- based Insurtech companies create better risk-sharing models while giving people more custom and affordable insurance options. For example, Nexus Mutual aims to replace existing insurance models with smart contract - driven mutual markets. By enabling people to share risk across larger population, thier purpose is to lower insurance costs and replace the need for bigger insurance companies.

5. Stock Market :

The stock market broadly refers to the collection of exchanges and other revenues where the buying, selling and issuance of shares of publicly held companies take place. Such financial activities are conducted through institutionalized formal exchanges (whether physical or electronic) or via oer the - counter (OTC) market places that operate under a defined set of regulations. In India Stock Market is controlled by Security Exchange Board of India (SEBI) and also there are two depositories Central Securities Depository Limited (CDSL) and National Securities Depository Limited (NSDL). There are two types of share market Primary market and Secondary market.

Technologies In Stock Market:

- **Digital Stock Trading :**

Technology has changed how people trade. For instance, technology resulted in high-frequency trading. This is where traders ought to purchase and sell stocks within a short period. High frequency trading is also known as day trading. This has had a huge impact on people's lives. That is because it is simple to make investments on stock trading with minimal risk. In fact, you can even earn a lot of money within a single day. Investors that want to make huge investments will always feel great impact on the returns.

- **Monitoring Real- time Stock Performance :**

The use of advanced computers has made it easy to buy and sell stocks. It makes displaying them quite easy. That makes it for both investors and brokers to know the share prices of a stocks and details of the stocks within a few seconds. If you want to invest in a particular company's stock , you can easily gather a lot of information concerning to the company before your investment. Also this technology has reduced the incidences of human errors in transactions.

- **Algorithms :**

Central to the development of many of the technologies on this list has been the rise of algorithmic trading. It use programmatic rules to analyze trading volume, volatility, timing and other factors at super speed, ultimately giving investors the power to execute orders expontially quicker and with less bias than human operators are able to. Algorithms have given quantitative analysts and computer scientists an increased role in financial firms as companies race to develop faster and more powerful anlytical platforms.

- **Robo- advisors:**

Robo- advisors are algorithm- driven financial planning tools that are require to no human interaction, allowing for law management and commission fees. It first introduced in 2009, companies like Wealth front and Betterment have become the defacto industry leaders in this new world of computer- driven financial planning.

Today, there are over 100 robo- advisors totaling $224 billion in assets under management. These new investing options have helped democratize financial planning for the masses.

- **Crypto-currencies:**

Crypto-currencies have emerged as one of the biggest financial stories. Crypto currencies are digital currencies that use cryptography to provide an anonymous and secure payment system. The underlying technology for crypto-currencies is blockchain, which uses a network of distributed digital ledgers to post and verify transactions while preventing the fraudulent manipulation of records. Bitcoin, the first and most well- known cryptocurrency, has seen incredible growth.

6. Capital Restructuring :

These services are offered primarily to organizations and involve the restructuring of capital structure (debt and equity) to bolster profitability or respond to crises such as bankruptcy, volatile markets, liquidity crunch or hostile takeovers. The types of financial solutions in this segment typically include structured transactions, lender negotiations, accelerated M&A and capital raising.

7. Portfolio Management :

This segment includes a highly specialized and customized range of solutions that enables clients to reach their financial goals through portfolio managers who analyze and optimize investments for clients across a wide range of assets (debt, equity, insurance, real estate, etc.). These services are broadly targeted at HNIs and are discretionary (investment only at the discretion of fund manager with no client intervention) and non-discretionary (decisions made with client intervention).

****IMPACT OF TECHNOLOGY ON FINANCIAL SERVICES:**

Progressive financial services companies are on the lookout for new technologies to improve efficiency and speed of service, as well as provide better customer experience. Exponential growth in information technology has prompted companies to leverage digitization of banking technology to transform the financial services industry through customer experience management.

The financial services industry is looking at improving online customer service enabled by competition with customers brand like Amazon, Facebook, and Google. Importantly, most financial services executives feel improving the customer experience to be the top driver of digitization in banking.

The advent of smart analytics allows financial services companies to mine the wealth of consumer data to understand and service customer better. Technology has also helped organizations develop innovative financial services. The development of better payment systems is a key challenge for organizations. There is also possibility that robo-advisory will be a significant application in the future. Similarly, blockchain- based services will gain in popularity in the coming years.

Digitization of financial services is an ongoing revolution. Enterprises have the choice of making innovation the focus of stand- alone organization pr they may integrate it throughout their organization. This demands "great engineers". Firms will do well to have a full stack of engineers who can introduce dynamism to deal with innovation while adopting a start-up approach. Financial services organizations can tap the potential of the cloud to make processes more transparent and collaboration easier. Evolving technologically is at the heart of efforts to serve customers better through customer experience management. Adopting new technology is, therefore, critical for financial services organizations to thrive.

*** **ROLE OF FINANCIAL SERVICES SECTOR IN INDIAN ECONOMY:**

Given below are the roles of the financial service sector in growth of country's economy.

Savings- Investment Relationship:

The financial services are helps efficiently direct the flow of saving and investments in the economy. Here financial institutions like banks play a major role. They allow depositors invest money in various deposits like FDs and RDs by offering attractive rates of interest. This savings are then channelized by the banks to provide credit to different business entities, which are involved in production and distribution. Banks help in the allocation of resources across different sectors of the economy.

Growth of Capital Markets:

Business entities require capital for funding business activities and production. Businesses require two kinds of capital: Working capital and Fixed capital. Therefore, various business entities use the financial system to raise funds for both short term and long term money requirements.

Foreign Exchange Markets:

The foreign exchange market helps exporters and importers raise and receive funds for settling transactions. It also enables banks borrow money and provides funds to different types of customers in various foreign currencies like Dollers or the Euro. The market also provides opportunities for banks to invest short term ideal funds and earn profits. Even governments have benefited as they can meet their foreign exchange requirement through this market.

Government Securities:

The financial sector enables the government raise funds, helping them borrow at a lower rate of interest. The state and central government can raise short term and long term funds from government securities market, to finance capital requirements by issuing bills and bonds. The government can also borrow funds from money market by issuing treasury bills. These instruments offer attractive rates of interest. Therefore, the money and the foreign exchange market help in the development of trade, industry and commerce within and outside India, ensuring the development of the economy.

Infrastructure and Growth:

The financial infrastructure has a strong financial bearing on economic growth. The financial infrastructure signifies the financial assets, the financial market and the financial intermediaries which are the three main pillars of the economy. Financial services play a crucial role by providing funds for the growth of infrastructure and industry. The financial market provides the mechanism for trade in financial assets through financial intermediaries, by serving as a link between savers and investors and also facilitating the transfer of resources between them.

Employment Growth:

A properly functioning financial system helps generate more employment opportunities within the economy. The financial system helps provide funds to the growing business houses and industries, which results in an increase in production. Consequently, it generates more employment opportunity for both the organized sector as well as the unorganized sector. Increase in business and industrial activity leads to various employment opportunities like sales, marketing, advertisement and so on. Funding availed by startups helps create additional employment opportunities.

Balanced Economic Growth:

Economic development needs balanced growth which can be attained by propelling growth in all sectors, simultaneously. The financial system helps allocate savings into investment channels. It helps in mobilizing saving and make better use of these funds by allowing investments in various sectors in the economy. The financial system helps channelize available funds, thus leading to productive use of money by distributing it across sectors in such a manner, that there is balanced growth in industries, agriculture and service sector.

Conclusion:

In India, Financial sector is increasing with high speed, causing boom in Indian economy.

After economic reforms, Indian Financial sector has opened new avenues in financial sector. Private and Foreign Market players have got good scope for development. As India as still huge population living in rural area, awareness about new financial avenues need to created.

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