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Recent Trends And Developments In The Indian Financial Sector

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INTRODUCTION

The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small, and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guidelines to banks regarding collateral requirements, and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

OBJECTIVES OF THE STUDY

1. To know the recent changes and industry analysis in financial services in India.
2. To identify the Government initiatives towards financial services.

RESEARCH METHODOLOGY

This paper collected data from secondary sources such as Media Reports, Press Releases, IRDAI, General Insurance Council, Reserve Bank of India, Union Budget 2021=22.

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LITERATURE REVIEW:

Suresh Aaluri, Dr. M. Srinivasa Narayana, Dr. P. Vijay Kumar (2016): The Studies the trends in the banking sector for financial inclusion, regulation, technology in India. The recent initiatives taken by the Government of India boost to promote financial inclusion and surely leading to the position where all Indians have their bank accounts, using Information Technology enabled services.

Manendra Singh*(2012): In the above-mentioned paragraphs, we can see the variety of financial services that are available in the Indian environment. In its banking sector, there is huge potential in the market where RBI has suddenly developed its keenness to allow foreign direct investment and the role of private players. In NBFC, it is one of the fast-emerging markets in India. In the insurance sector, India is ranked as the 5th largest marketing Asia by premium following Japan, Korea, China, and Taiwan. Similarly, the reissue potentially untapped in the refinance services sectors including capital market, mutual funds, etc. All in all, the financial sector in India provided it meets the required attention of the policy makers will emerge in to a strong market that will be able to bear any shock and take the country on the path of growth.

MARKET SIZE

As of March 2021, AUM managed by the mutual fund's industry stood at Rs. 3,142,764 crore (US\$ 425.87 billion). Inflow in India's mutual fund schemes via systematic investment plan (SIP) was Rs. 96,080 crores (US\$ 13.12 billion) in FY21. Equity mutual funds registered a net inflow of Rs. 8.04 trillion (US\$ 114.06 billion) by end of December 2019.

Another crucial component of India's financial industry is the insurance industry. The insurance industry has been expanding at a fast pace. The total first-year premium of life insurance companies reached Rs. 2.59 lakh crore (US\$ 36.73 billion) in FY20. Furthermore, India's leading bourse, Bombay Stock Exchange (BSE), will set up a joint venture with Ebix Inc to build a robust insurance distribution network in the country through a new distribution exchange platform.

Fundraising from the equity market grew by 116% to Rs. 1.78 lakh crore in Initial public offering (IPOs), Offer for Sale (OFS), and other market issuances in 2020. In FY20, the number of listed companies on the NSE and the BSE were 1,795 and 5,377, respectively.

INVESTMENTS/DEVELOPMENTS

- In February 2021, the Reserve Bank of India (RBI) cleared the Rs. 34,250 crore (US\$ 4.7 billion) acquisition of Dewan Housing Finance Corporation (DHFL) by the Piramal Group.
- In January 2021, Sundaram Asset Management Company announced the acquisition of Principal Asset Management for Rs. 338.53 crores (US\$ 46.78 million).
- In January 2021, the National Stock Exchange (NSE) launched derivatives on the Nifty Financial Service Index. This service index is likely to provide institutions and retail investors more flexibility to manage their finances.

- In November 2020, LIC took initiatives to facilitate quicker proposal completion by launching adigitalapplication – ANANDA.
- In November 2020, Paytm reported 2 x growths in digital gold transactions in the last sixmonths. New customers have increased 50% since the beginning of this financial year and theaverageorder value has increased by60%.
- In November 2020, the Reserve Bank of India (RBI) announced the establishment of its Innovation Hub. To encourage access to financial services and goods and foster financial inclusion, this initiative would create an ecosystem. The Innovation Hub of the Reserve Bank(RBIH) is intended to promote innovation across the financial sector by leveraging technologyandcreatingaconduciveenvironment forinnovation.
- VC investments grew to US\$ 3.6 billion in July-September 2020 from US\$ 1.5 billion in theprevious quarter, powered by the mega-deals, which included the US\$ 1.3 billion raised by theonlineretailer— Flipkart.
- On November 6, 2020, WhatsApp started its UPI payment services in India on receiving theNational Payments Corporation of India (NPCI) approval to 'Go Live' on UPI in a gradedmanner.
- InApril2021, Unified Payments Interface (UPI) recorded 2.64 billion transactions worth Rs. 4.93 lakh crore (US\$ 66.88 billion).
- The number of transactions through Immediate Payment Service (IMPS) increased to 322.96millionand was worth Rs. 2.99lakh crore(US\$ 40.58 billion)in April 2021.

GOVERNMENTINITIATIVES

- The government has approved 100% FDI for insurance intermediaries and increased the FDIlimitin the insurancesector to 74%from 49%under theUnionBudget 2021-22.
- In January 2021, the Central Board of Direct Taxes launched an automated e-portal on the e- filing website of the department to process and receive complaints of tax evasion, foreign undisclosed assets, and register complaints against 'Benami' properties.
- In December 2020, the Reserve Bank of India issued a draft circular on the declaration ofdividends by NBFCs, wherein it proposed that NBFCs should have at least 15% Capital to Risk-Weighted Assets Ratio (CRAR) for the last 3 years, including the accounting year for which itproposes todeclareadividend.
- In November 2020, the Union Cabinet approved the government's equity infusion plan for Rs.6,000 crores (US\$ 814.54 million) in the NIIF Debt Platform funded by the National Investmentand Infrastructure Fund (NIIF) consisting of Aseem Infrastructure Finance Limited (AIFL) andNIIFInfrastructureFinanceLimited (NIIF) (NIIF-IFL).
- In November 2020, two MoUs were signed—one between India International Exchange (IndiaINX)andLuxembourgStockExchangeandanotherbetweenStateBankofIndiaandLuxembourg Stock Exchange for cooperation in financial services, ESG (environmental, social,andgovernance), andgreen

finance in the local market.

- On November 11, 2020, The Cabinet Committee on Economic Affairs approved the continuation and revamping of the scheme for financial support to public-private partnerships (PPPs) in the 'Infrastructure Viability Gap Funding (VGF) Scheme' until 2024-25 with a total outlay of Rs. 8,100 crore (US\$ 1.08 billion).

Road Ahead

India is expected to be the fourth largest private wealth market globally by 2028. India is today one of the most vibrant global economies on the back of robust banking and insurance sectors. The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters, there could be a series of joint venture deals between global insurance giants and local players.

The Association of Mutual Funds in India (AMFI) is targeting nearly five-fold growth in AUM to Rs. 95 lakh crore (US\$ 1.47 trillion) and more than three times growth in investor accounts to 130 million by 2025. India's mobile wallet industry is estimated to grow at a Compound Annual Growth Rate (CAGR) of 150% to reach US\$ 4.4 billion by 2022, while mobile wallet transactions will touch Rs. 32 trillion (USD\$ 492.6 billion) during the same period.

FINANCIAL SERVICES IN INDIA

Muthoot Finance:

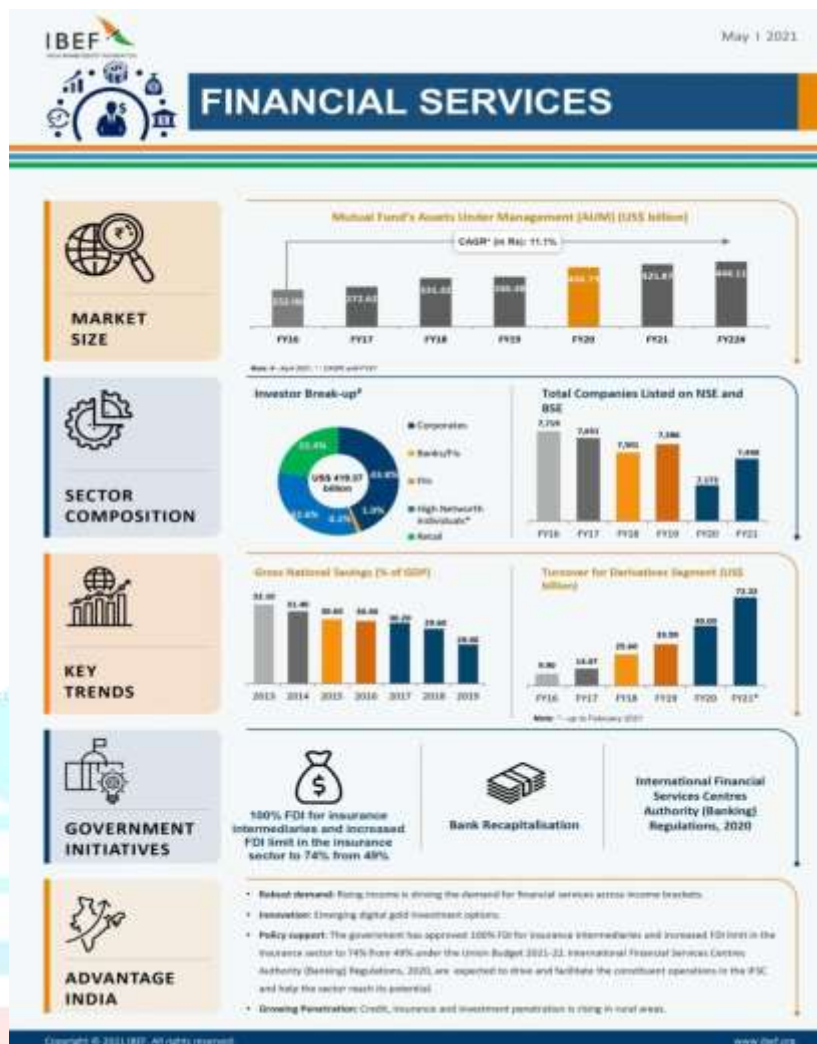
Muthoot Finance Limited is a gold financing company. The company is a non-banking financial company (NBFC) that is engaged in providing loans (financing) against the collateral of gold jewelry. The company operates through two segments: financing and power generation. The company provides personal and business loans (secured by gold jewelry) primarily...

Bajaj Finserv

Bajaj Finserv Limited is a holding company for various financial services businesses. The company is engaged in the business of promoting financial services, such as finance, insurance, and wealth management, through its investment in subsidiaries and joint ventures (JVs). The company is also engaged in the business of generating power through win...

ICICI Prudential Life Insurance Company

ICICI Prudential Life Insurance Company Limited is a joint venture between ICICI Bank Limited and Prudential Corporation Holdings Limited. The company provides life insurance, pensions, and health insurance to individuals and groups. It conducts business in participating, non-participating and unit-linked lines of businesses.



INDIAN FINANCIAL SERVICES INDUSTRY ANALYSIS

The country's financial services sector consists of capital markets, the insurance sector, and non-banking financial companies (NBFCs). India's gross national savings (GDS) as a percentage of Gross Domestic Product (GDP) stood at 30.50% in 2019. In 2019, US\$ 2.5 billion was raised across 17 initial public offerings (IPOs). The number of ultra-high-net-worth individuals (UHNWIs), with a wealth of US\$ 30 million or more, is expected to rise 63% between 2020 and 2025 to 11,198; India has the second-fastest growth in the world.

India has scored a perfect 10 in protecting share holders' rights on the back of reforms implemented by the Securities and Exchange Board of India (SEBI) in the World Bank's Ease of Doing Business 2020 report.

As of January 2021, AUM managed by the mutual fund's industry stood at Rs. 32.29 lakh crore (US\$ 438.27 billion). Inflow in India's mutual fund schemes via the Systematic Investment Plan (SIP) route reached Rs. 82,453 crore (US\$ 11.70 billion) in 2019. Equity mutual funds registered a net inflow of Rs. 8.04 trillion (US\$ 114.06 billion) by end of December 2019.

16% of assets in the mutual fund industry were generated from B30 locations in December 2020. These assets increased by 3%, from Rs. 4.95 lakh crore (US\$ 62.26 billion) in December 2020 to Rs. 5.13 lakh crore (US\$ 70.75 billion) in January 2021.

The Government of India has taken various steps to deepen reforms in the capital market, including simplification of the IPO process, which allows qualified foreign investors (QFIs) to access the Indian bond market. In 2019, investment in Indian equities by foreign portfolio investors (FPIs) touched a five-year high of Rs. 101,122 crore (US\$ 14.47 billion). Investment by FPIs in India's capital market reached a net Rs. 12.52 lakh crore (US\$ 177.73 billion) between FY02-21 (till August 10, 2020).

Indian stock markets—S&P Sensex and Nifty50—rose 15.75 and 14.90%, respectively, in 2020. For the decade ended in 2020, the Sensex gained a whopping 173% and Nifty surged by 169%. In January 2021, the National Stock Exchange (NSE) launched derivatives on the Nifty Financial Service Index. This service index is likely to provide institutions and retail investor's more flexibility to manage their finances.

In January 2021, the Central Board of Direct Taxes launched an automated e-portal on the e-filing website of the department to process and receive complaints of tax evasion, foreign undisclosed assets, and register complaints against 'Benami' properties. Fundraising from the equity market grew by 116% to Rs. 1.78 lakh crore in Initial public offering (IPOs), Offer for Sale (OFS), and other market issuances in 2020.

In December 2020, a US\$ 50-million policy-based loan to enhance financial management practices and operational efficiencies aimed at achieving greater fiscal savings, fostering informed decision-making, and enhancing service delivery in West Bengal were signed by the Asian Development Bank (ADB) and the Government of India.

In December 2020, the Reserve Bank of India issued a draft circular on the declaration of dividends by NBFCs, wherein it proposed that NBFCs should have at least 15% Capital to Risk-Weighted Assets Ratio (CRAR) for the last 3 years, including the accounting year for which it proposes to declare dividend.

The government has approved 100% FDI for insurance intermediaries and increased the FDI limit in the insurance sector to 74% from 49% under the Union Budget 2021-22.

CONCLUSION:

India is expected to be the fourth largest private wealth market globally by 2028. India is today one of the most vibrant global economies on the back of robust banking and insurance sectors. The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters, there could be a series of joint venture deals between global insurance giants and local players. The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to

finance for Micro, Small, and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guidelines to banks regarding collateral requirements, and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

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2. Manendra Singh (2012); An Overview of Financial Services Sector in India: A Huge Untapped Potential in the Market, Chartered Accountant Practice Journal, vol.38, pp.18-26.

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2. www.ibef.org

