

FINANCIAL INNOVATION IN INDIA AND AMERICA: A COMPARATIVE STUDY CONSIDERING CORPORATE SECTOR

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Abstract

Financial innovation has developed as life blood of productive and responsive capital market. The Financial innovation includes propels after some time in the financial instruments and installment frameworks utilized as a part of the loaning and obtaining of assets. These progressions incorporates innovations in innovation, chance exchange and credit and equity age, have expanded accessible credit for borrowers and given banks new and less expensive approaches to raise equity capital, are necessary piece of financial innovation. The present paper expects to spotlight the reasonable structure of financial innovations amongst India and America and furthermore the different imaginative financial items that are exchanged Indian and American capital market. The paper additionally managed the ramifications of financial innovations on financial market. At last, the paper closes with that the growth of the financial innovations in the financial segment ought to be advanced in each conceivable way for proceeded with growth and improvement as these innovation and advances drives economic growth and economic advancement of the nation, at exactly that point it will assume a critical part in advancing worldwide growth, particularly in developing markets and creating nations like India and America.

1. OVERVIEW OF FINANCIAL INNOVATION

A significant part of the hypothetical and exact work in financial economics considers an exceedingly adapted world in which there are few securities (obligation and equity, maybe) and possibly a modest bunch of inconvenience free financial organizations (banks or trades.) However, in actuality there is an enormous scope of enhanced financial resources, a wide range of sorts of financial establishments and an assortment of procedures that these foundations take up to work together. The writing on financial innovation endeavors to record some of this

assortment, depicted reasons why we watch a regularly expanding decent variety of training, and assess the private and social ramifications of this action [1]. "Advance" is characterized in Webster's Collegiate Dictionary as "To present as or as though new," with the base of the word getting from the Latin word "Novus" or new. Financial experts utilize "Innovation" in a far reaching design to portray stuns to the economy (e.g., "money related approach innovations") and in addition the reactions to these stuns (e.g., Euro stores). Extensively, "Financial Innovation is to initiate, make and after that promote new

financial instruments and additionally new financial advances, organizations and markets [2]." The "Innovations" are arranged into item or process innovation, item innovations can be packaged by new subsidiary contracts, new corporate securities or new types of common venture items, and the procedure changes can be related with new methods for circulating securities, preparing exchanges, or valuing exchanges [3].

2. FINANCIAL INNOVATION BETWEEN INDIA AND AMERICA

Seen from Silicon Valley, the advance that India has made in building a computerized framework brings out wonderment. The American innovation industry fancies itself as the worldwide pioneer in innovation, yet India has jumped a long ways ahead. Silicon Valley's innovation investors' buildup complex advancements, for example, bitcoin and square chain. In any case, India, with straightforward and viable innovations and huge snort work, has manufactured a computerized framework that will soon process billions a larger number of exchanges than these do. India is going to skip two ages of financial advancements and fabricate something as stupendous as China's Great Wall and America's interstate parkways [4].

Despite the fact that few individuals in the West know about Aadhaar, it has been the biggest and best data innovation venture on the planet. There was across the board doubt

about whether a billion people could be furnished with an irrefutable advanced character, yet it has happened, in a limited ability to focus six years. A huge number of individuals who were destined to live in the shadows of the casual economy would now be able to take an interest as equivalents in the worldwide economy. On account of Jan-Dhan Yojana, they likewise have financial balances; these as of now have Rs 69,000 crore in stores [5].

The reason investors are emptying billions of dollars into advances, for example, bitcoin is on the grounds that it gives a safe method for connecting clients and recording an exchange. Be that as it may, bitcoin requires gigantic, inefficient figuring assets to do what is called mining: exchanges' numerical check. What's more, this mind boggling processing foundation likewise needs steady change [6].

The basic outline of India's advanced installments framework, Unified Payments Interface (UPI), enables banks to exchange cash straightforwardly to each other in light of an Aadhaar number or, a cell phone number in addition to stick. Truly, this doesn't have the namelessness of bitcoin, yet I would contend that secrecy is for the most part for illegal tax avoidance and tax avoidance - which should be disposed of. There is no overhead in UPI and exchanges occur inside seconds instead of the 10 minutes that bitcoin takes. In the US, clients pay a roundabout duty of 2-3% on customer exchanges in light of the utilization of credit

cards. Organizations, for example, Visa, MasterCard and American Express don't deal with the cash or give keeping money benefits, whatever they do is to go about as a go between banks. The vendor has the obligation of checking the personality of a client. With UPI, India needn't bother with credit cards or go between; it can fabricate the up and coming age of back [7].

The moment and non-respectable verification of character that Aadhaar's know-your-client innovation - e-KYC - gives, gives India a major preferred standpoint. A great many people in the US have drivers' licenses and standardized savings numbers. In any case, these are not certain with biometrics or portable numbers, so mind boggling check innovations should be incorporated with each financial framework. Indian business people building applications don't have to stress over this [8].

Going past cash, India Stack gives an advanced locker through which to store and offer individual information, for example, addresses, restorative records, and business records. With this, the administration is giving an open administration that is what might as well be called streets and power[9].

3. FUNCTIONS OF FINANCIAL INNOVATION

1. Channelizing cash crosswise over time and space

2. The pooling of assets
3. Hazard administration
4. Data database to help basic leadership
5. Tending to moral danger and hilter kilter data issues
6. Installment framework based deal and buy of merchandise and ventures through an installment framework.

4. PURPOSE OF THE STUDY

1. To study the effect of GDP on Financial Innovation in India and America
2. To study the effect of Growth Rate on Financial Innovation in India and America
3. To study the effect of Inflation Rate on Financial Innovation in India and America
4. To study the joined effect of GDP, Growth Rate and Inflation on Financial Innovation in India and America

5. RESEARCH DESIGN

Four financial innovation enterprises are decided for this study: financial/institutional; process innovation; item innovation; and investment innovation. These businesses were chosen since they supposedly were dynamic in financial innovation and working in both created and rising economies [10].

Table 1: Summary of sample characteristics

	Percentage of firms	Number of firms	Percentage of firms	Number of firms
Level				
CEO/CIO	26.6	45	17.8	26
Manager (marketing, service, financial, production)	51.5	86	64.4	94
Manager (other)	21.7	37	17.3	25
Service industry	42.4	72	35.6	52
Financial/banking				
Process innovation	28.3	48	26.5	39
Product innovation	15.9	28	11.0	16
Investment innovation	5.4	9	20.5	30
Other Services	8.0	13	6.4	9
Annual Sales				
>\$900 million	8.3	14	11.0	16
\$401 to \$900 million	3.6	6	4.8	7
\$201 to \$400 million	5.9	10	12.3	18
\$51 to \$200 million	13.0	22	15.8	23
<\$51 million	69.2	117	56.2	82
Number of employees				
>1000	15.4	26	19.2	28
200 to 1000	26.6	45	41.1	60
<200	58.0	98	39.7	58

Data Collection

The instrument utilized for information gathering was produced utilizing existing scales gathered from a broad writing survey. Before gathering the information, the examination instrument was tried forconfront legitimacy and substance

legitimacy. Subsequent to setting up face and substance validities, pretesting of the instrument was directed. After the pre-testing, an online research firm with corporate board individuals from the United States and India was enlisted for information accumulation purposes. Information was gathered from U.S. what's more, Indian

managers utilizing an online survey strategy. The review was sent to the respondents through email alongside an introductory letter clarifying the reason and significance of the study.

Construct Measurement

Empowering agents of financial innovation included three hidden builds: I) investment growth; ii) competition; and iii) knowledge-based network. Similarly, another three develops were utilized as hindrances of financial innovation: I) economic factors; ii) internal factors; and iii) other (external) factors. The association's performance was measured as far as two dimensions, financial and non-financial. The nine fundamental builds analyzed [consumer demand (CD), competition (COMP), knowledge-based network (KRN), internal factors (IF), economic factors (EF), other (external) factors (OF), service innovation (SI), non-financial outcome (NFO), and financial outcome (FO)] in this study were measured using a sum of thirty-six things. The things measuring the fundamental develops were removed from distributed marketing, innovation and service administration writings.

Model specifications and analysis

Theory and hypotheses suggest the following model of service innovation:

$$\begin{aligned} \text{Non-financial outcome} &= \beta_{11} \text{ Service innovation} + \epsilon_1 \\ \text{Financial outcome} &= \beta_{12} \text{ Service innovation} + \epsilon_2 \end{aligned}$$

$$\begin{aligned} \text{innovation} &= \gamma_{21} \text{ Customer demand} + \gamma_{22} \text{ Competition} + \gamma_{23} \text{ Knowledge-based network} + \gamma_{24} \text{ Economic factor} + \gamma_{25} \text{ Internal factor} + \gamma_{26} \text{ other (external) factors} + \epsilon_3 \end{aligned}$$

This model was tried using halfway slightest square (PLS) approach, specifically PLS-Graph (version 3.00, form 1126) software. The PLS approach was picked because of the little specimen size, control analysis and notoriety as an all around substantiated strategy for evaluating cause-effect relationship models in business inquire about. At least 93 cases are required to acquire a standard 0.80 power level at the 0.05 alpha level and 127 cases are required for 0.01 alpha level. Moreover, the PLS approach isn't compelled to test size and can consolidate a little example, contingent on the given model. Given the little example size (169 U.S. directors and 146 Indian supervisors), the PLS approach was decided for analysis over a two-advance covariance based approach.

6. RESULTS

Once the information were inspected for suspicions of multivariate analysis, the PLS approach was utilized for theories testing. The way tried in this study forms a recursive framework; that is, every one of the theories tried are directional in nature. A one-followed significance test for theories testing was utilized. PLS approach for basic condition demonstrating was utilized to test the proposed show, in which the estimation display was first evaluated and then the

auxiliary model was tried. The following area talks about the estimation and auxiliary consequences of the empowering influences and boundaries of service innovation for the U.S. and Indian sample.

Measurement model results (U.S. vs. India)

In the PLS analysis, the sufficiency of the build was first analyzed by identifying whether every one of the things measured the proper basic develops. The estimation model outcomes show that every one of the things measuring the fundamental builds went from 0.52 to 0.93 in the U.S. sample

and 0.69 to 0.97 in the Indian sample, meeting the unidimensionality limits of 0.50 or above. As Consequences of the cross-loadings in both the U.S. and the Indian samples show that none of the things stacked higher on some other develop than on their fundamental build. In the wake of assessing the unidimensionality and cross-loadings, the alpha coefficients and composite reliabilities were ascertained for all builds. Results demonstrated that the alpha coefficient and composite reliabilities ran from 0.78 to 0.90 and 0.87 to 0.92 for the U.S. sample and from 0.78 to 0.96 and 0.87 to 0.98 for the Indian sample.

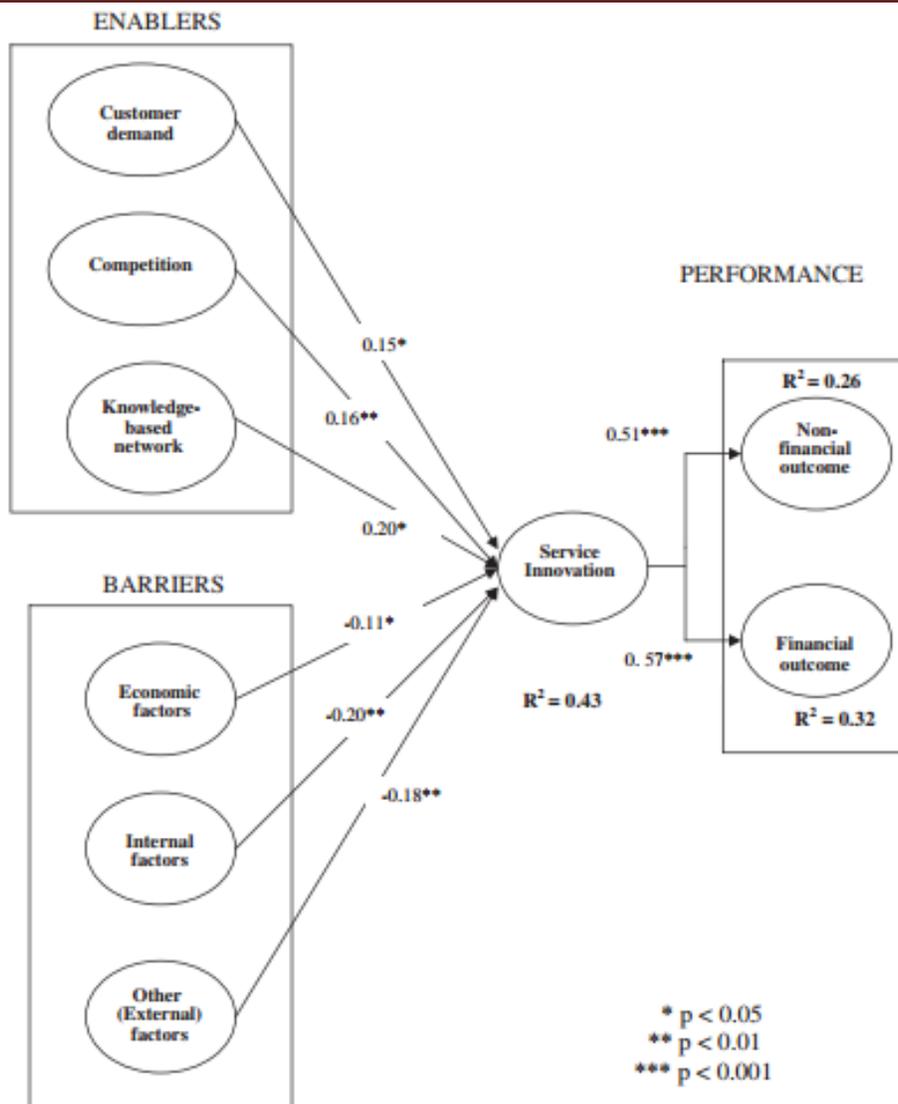


Figure 1: Enablers and barriers of financial innovation (U.S. managers)

In this manner, both alpha coefficients and composite reliabilities were more noteworthy than the prescribed esteem (alpha>0.70: Nunnally; composite reliability>0.80). To test the build legitimacy, joined legitimacy and discriminant legitimacy were performed. Concurrent legitimacy is upheld if the loadings and

normal difference separated (AVE) gauges for each fundamental develop surpass 0.70 and 0.50. Discriminant legitimacy is indicated when the common change (squared relationship) between any two builds is not as much as the square base of the AVE by the things measuring the development.

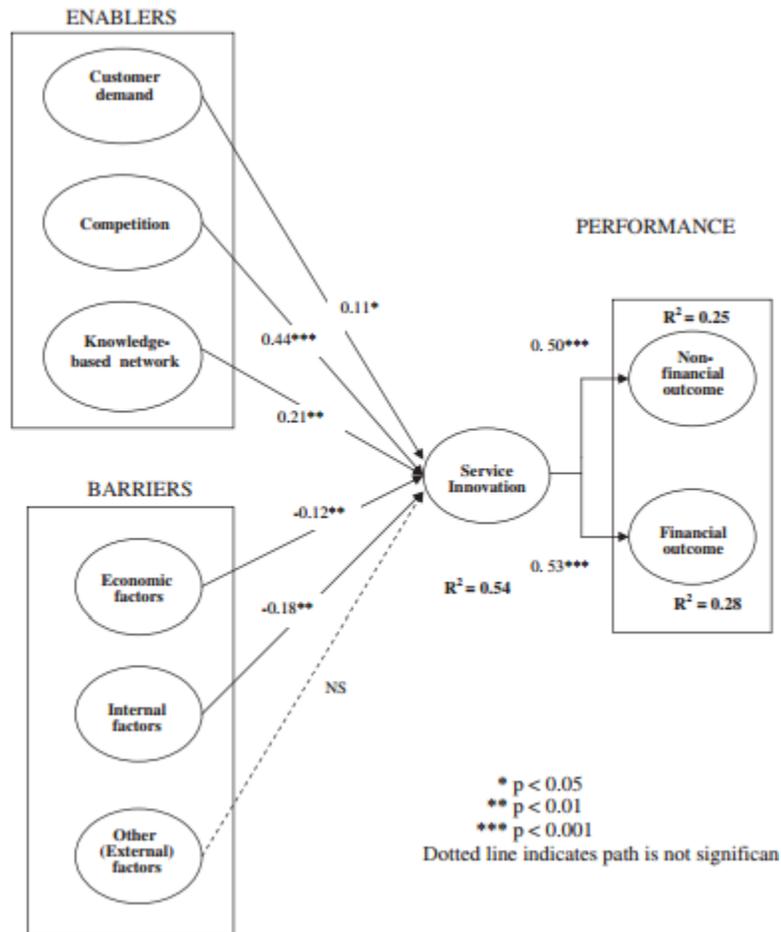


Figure 2: Enablers and barriers of financial innovation (Indian managers)

Structural model results (U.S. vs. India)

Once the estimation model was evaluated, the auxiliary model was tried for significance. Figs. 1 and 2 exhibit the basic model outcomes for U.S and Indian samples using PLS Graph. The two figures give the way coefficients alongside relating significance levels and R-square esteem. The figures likewise feature all the significant and non-significant speculations that were tried in the proposed model. From the aftereffects of Fig. 1 (U.S sample) every

one of the eight speculations tried for significance were bolstered at the 0.05 level. An immediate way from client demand (H1) (b= 0.15), competition (H2) (b= 0.16) and knowledge-based network (H3) (b= 0.20) to service innovation are positive and significant. Results bolster the idea of the key innovation worldview and the S-C-P worldview. Hindrances to innovation, for example, economic factors (H4) (b=-0.11), internal factors (H5) (b=-0.20), and other (external) factors (b=-0.18), have a converse association with (and are

significant indicators of) service innovation. Results recommend that expanded obstructions diminished the association's contribution in service innovation. The outcomes likewise recommend that service innovation is positively identified with the association's non-financial ($b=0.51$) and financial ($b=0.57$) performance; which is consistent with the S-C-P worldview, which proposes that the association's performance (P) is controlled by its transmit (C, for example, innovation. The worldview additionally proposes that the convey (C) of the firm is affected by the market structure. Therefore, Hypothesis 7a (non-financial performance) and Hypothesis 7b (financial performance) were bolstered. Results from the Indian sample show that, except for hypothesis six, all theories were significant and in the normal heading. From Fig. 2 it might be said that of the eight speculations tried for significance:

- Hypothesis 1 ($b= 0.11$) was significant at 0.05 level;
- three hypotheses, H3 ($b=0.21$), H4 ($b=-0.12$) and H5 ($b=-0.18$), were significant at the 0.01 level;

And the remaining three hypotheses, H2 ($b=0.44$), H7a ($b=0.50$) and H7b ($b=0.53$) were significant at the 0.001 level.

7. CONCLUSION

Administrative recognitions about the factors that upgrade and block financial innovation are astoundingly consistent for

both the U.S and Indian gatherings. While the rank requests of the factors changes, the rundown of significant empowering agents and obstructions indicates considerable parallelism for the two samples. This study reveals some insight into financial innovation however experiences various confinements that make a few open doors for future research. Because of constrained economic assets, just chose things, ventures, and nations are inspected.

Notwithstanding, this present study's primary goal was not to build up a comprehensive model of the considerable number of drivers and hindrances of financial innovation, yet to step toward a model that can be tried in both created and developing economies. Second, asset limitations forced the gathering of information from two specific nations. Furthermore, asset restrictions necessitated a focus on understanding the administrative recognitions about the potential drivers and obstructions of financial innovation and their outcomes.

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