Focusing on financial impact and innovation tlmt 441 forum 2

Food & Diet

Financial Impact & Innovation Financial innovation can be defined as the process of creating and popularizing new financial markets, technologies, instruments, and institutions (Allen, 2004). The innovators are divided into process or product variant, where production innovation entails corporate securities and derivative markets. In essence, innovations consist of diffusion and invention acts. Arguably, financial innovation has been on the economic landscape for many years (Bansal, 2006). They provide new choices for consumption and investment that produce returns for innovator. For instance, the growth of corporate brand market provides firms with alternatives sources of funding.

According to Mullineux (2008), financial innovation enables firms to raise funds for investment, which is critical in lowering production cost. Similarly, the growth is developed by new technologies and not driven by profit-maximization. They help in supporting entrepreneurs to create new methods to fund and screen technologists.

Financial innovation is poised as the economic engine of the societies, at the same time, castigated as source of weakness of the economy (Bansal, 2006). Empirically, the source of financial innovation is poorly understood by entrepreneurs. These innovations refer to advances in technology that expedite access to information, payment, and trading approaches (Bansal, 2006). Financial innovation shapes the monetary policies of countries.

On the other hand, financial development in media and payment systems has created a substitute for note, which is a reserve of the central banking (Bansal, 2006). For instance, they have enhanced e-banking and online money transfer that enhances money circulation. In other words, financial innovation facilitates the operation of monetary policies (Allen, 2004). They enhance transfer of money, contract on futures values, and allow negotiability of claims.

References

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