

Financial services in india essay sample

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The financial services sector accounts for a significant share of economic activity in most countries. The sector is recognized for its contribution towards long-term growth and efficiency given its intermediate role in channeling resources to all sectors of the economy. Improved provision of financial services enables greater efficiency in other sectors by expanding the range and enhancing the quality of such services, by lowering costs of funds, and by encouraging savings and more efficient use of these savings. The financial services sector has undergone important structural changes in recent years with growing numbers of worldwide cross border mergers and acquisitions and increased competition among different types of financial institutions. These structural trends are evident from rising cross border trade and foreign investment flows in financial services, with the developed countries being the main exporters of such services. As a result, the financial services sector has become an important part of the overall globalization of the service sector.

The internationalization of financial services has mainly been driven by the liberalization of this sector around the world, which includes domestic financial deregulation, capital account liberalization, and opening up to foreign competition. In addition, technological advances have also made possible a wider range of services and competitors in this sector.

Liberalization of financial services across countries has in turn been prompted by the growing recognition of the need to have an efficient and globally competitive financial sector with international practices and standards, and a high quality and wide range of financial services, that enables efficient intermediation of financial resources. Studies indicate that

openness to foreign competition puts pressure on domestic financial firms to improve their productivity and services and also gives them access to new technologies.