Interscience Management Review

Volume 4 | Issue 1 Article 1

January 2011

# Editorial

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# Editorial

I admire that this issue of the journal has received a response of papers representing various dimensions to encourage the authors to maintain the spirit of articulating their thoughts and continuously presenting it in various conferences of repute.

Indian Economy survived number of substantial and radical policy reforms in the recent decade. Being a socialist economy it is marching ahead towards a "Democratic Capitalism". The term "Democratic Capitalism" is gaining importance with NDA government new investment policies. If we make a synthetic view of the last financial year we can find four important events that provoke research stimulation among us, the commerce and management educationists and practitioners.

- First one: The youngest CEO of Tata Group SyrusMistry was sacked from his positions.
- Second one: The most ethical company Infosys suffered from leadership crisis when visalsikka resigned from his position as CEO.
- Third one: The pursuit of the nation to implement a uniform taxation system called GST.
- Fourth one: The decision of demonetisation of old 500 and 1000 notes

All these four events are of national as well as international importance .on one hand our corporations are trying to build an exemplary corporate governance regime and on the other hand our government is trying to check corruption and prevent a parallel economy to grow. That's the two fold objective of "Democratic Capitalism". That is to ensure formation of wealth with social justice.

The financial sector in the Indian economy has had a checker history. The story of post-independent (i.e.,post-1947) Indian financial sector can perhaps be portrayed in terms of three distinct phases–the first phase spanning over the 1950s and 1960s exhibited some elements of instability associated with laissez faire but underdeveloped banking; the second phase covering the 1970s and 1980s began the process of financial development across the country under government auspices but which was accompanied by a degree of financial repression; and third phase since 1990s has been characterized by a gradual and calibrated financial deepening and liberalization.

With reference to the recent Willey India publication on Indian financial sector reform I can classify the important five trends through which Indian financial sector are moving across.

**1. Financial Reforms** **2. Financial Crisis** **3.Financial convergence**
**4. Financial Engineering** **5. Financial Inclusion**

## FINANCIAL REFORMS

To my assertion, Indian financial reforms started with the Narasimham Committee recommendations."The committee proposed a wide range of proposals which laid the strong foundation for the strength and the resilience of the financial system today. reforms were focused on the banking sector, financial institutions (FIs), capital market, and money market," as a result of the committee's recommendations,SEBI(Securities and Exchange Board of India) was made a statutory body ,and the capital issues Control Act was repealed to pave the way for an era of free pricing ."SEBI issued guidelines for each of the market intermediaries and made the market micro-structures ready for a more transparent and orderly growth of the market. Global depository receipts (GDRs) were launched in 1992, and investment norms for NRIs (non-resident Indians) and OCBs (overseas corporate bodies) were also prescribed. FIIs (foreign institutional investors) were permitted to invest in the Indian capital market”

**FINANCIAL CRISIS**

Financial crisis, the second trend, is a topic that is fresh in the minds of most of us. Through a timeline, therefore, the happenings of recent times, beginning with the surfacing of the US sub-prime crisis in mid-2007,followed by the collapse of Bear Stearns, and the avalanche of failures thereafter. The spill-over to other economies, or the contagion effect, manifested as reverse capital flows and non–availability of credit, leading to financial turbulence, he rues. “The crisis has affected the real economy. Growth prospects of emerging economies have been affected by the financial crisis”.

**FINANCIAL CONVERGENCE**

Under ‘financial convergence,’ the focus is ‘universal banking,’ whereby all financial services are made available to customers under one roof. For example, a bank, apart from its ordinary business of accepting deposits and lending money, may also offer investment banking, credit card services, or sell insurance policies.

“Commercial banks in India also market the mutual fund schemes. India post sells a whole range of saving schemes, gold coins, etc. in addition to its postal services.” Subtle differences in the lines of business of different entities in the systems have narrowed down.

**FINANCIAL ENGINEERING**

‘Financial engineering,’ the next trend, is about development and creative application of financial technology for solving financial problems ,exploiting financial opportunities, and for making value addition. The phrase, however, came under a cloud when derivative securities such as CDS (credit default swap) and CDO (collateralized debt obligation) were behind the excessively speculative positions that caused the down fall of many FIs. Hence the caution sounded by Warren Buffett, that these instruments could be ‘financial weapons of mass destruction’

**FINANCIAL INCLUSION**

The fifth and the final trend,’financial inclusion,’ is what has repeatedly been mentioned in policy pronouncements of many nations. “Financial inclusion is the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable group such as weaker sections and low-income groups at an affordable cost, “reads a quote from the report of the Rangarajan Committee (2008).

At last I urge to the basic tenet of the educational ethos that
Let education empowers us
Let research enriches us and
Let our collective conscience transcends every barrier to prosperity.

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