Asia Pacific Journal of Research in Business Management
Vol. 7, Issue 8, August 2016 ISSN: (2229-4104)
www.skirec.org Email Id: skirec.org@gmail.com

FINANCIAL INNOVATION IN PRODUCT AND SERVICES

Ashu

Assistant Professor in Commerce

S.P.S. Janta College Mustfabad

ABSTRACT

As the future draws upon a set an ever increasing rate, the advancement and coverage of technology will transform the wage in which we will interface in the world. The need for personal experience with the financial professions for complex transactions will be more valued. Where we work, where we live and every place in between will support our need for financial services on our terms.

This research paper "financial innovations in product and services in banks" examines the importance of innovation in banks in contributing to a prosperous and stable industry. It helps in identifying innovative thinking in driving customer loyalty, lending, mortgage lending, customer service models and online banking.

INTRODUCTION

The concept of financial innovation can be defined as making and promoting new financial products and services, developing new processes to facilitate financial activities, to interact with customers and to design new structures for financial institutions.

Today the contribution of services to the economy is ever growing. services are characterized by their intangible nature as well as the joint involvement of the producer and the customers for services to be enacted. This further stresses the need of an in-adapt understanding of the customer's preferences. These elements can clearly be illustrated by the various financial services that can be offered to customer and professional investors. Often legislation will even prescribed certain elements of information that need to be specified in order to collect the customer preferences.

There are various ways to foster innovation in a company, it all requires the allocation of people and funds to collect or create new ideas for the company's service provision. This provision is not limited to the external environment but also involves the company's internal environment. In other words, the concept of financial innovation can be defined as making and promoting new financial products and services, developing new processes to facilitate activities, to interact with customers and to design new structure for financial institutions.

Types of innovation-

- Products
- Services
- Business and enterprise models

- Operations

PRODUCT INNOVATION

Product innovation is a creation and subsequent introduction of a good or service that is either new, or an improved version of previous goods and services. This is broader than the normally accepted definition of innovation that includes the invention of new products which, in this context, are still considered innovative.

Product innovation is defined as

"The development of new products, changes in design of established products, or use of new materials or components in the manufacture of established products".

NEW PRODUCT DEVELOPMENT

New product development is the initial step before the product life cyle can be examined, and plays a vital role in the manufacturing process to prevent loss of profits or liquidation for businesses in the long term new product have to be created to replace the old products.

Advantages of product innovation include-

Growth, expansion and gaining a competitive advantage "a business that is capable of differentiating their product other businesses in the same industry to large extent will be able to reap profits. This can be applied to how smaller businesses can use product innovation to better differentiate their product from others. Product differentiation can be defined as " a marketing process that showcases the difference between products". Differentiation looks to make a product more attractive by contrasting its unique qualities with other competing products. A successful product differentiation creates a competitive advantage for the seller, as customers view these products as unique or superior.

DEBIT CARDS-

"A debit card is a plastic payment card that can be used instead of cash when making purchases. It is similar to a credit card, but unlike a credit card, the money comes directly from the user's bank account when using a debit card".

Some cards may bear a stored value with which a payment is made, while most relay a message to the cardholder's bank to withdraw funds from a payer's designated bank account. the primary account number is assigned exclusively for use on the internet and there is no physical card.

ONLINE BANKING-

Online banking also known as internet banking-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct range of financial institution to conduct a range of financial transactions through the financial institution's website. The online banking system will typically connect to or be a part of the core banking system operated by a bank and is in contrast to branch banking which was the traditional way customers accessed banking services. Fundamentally and in mechanism, online banking, internet banking and e-banking are the same thing.

FINANCIAL SERVICES

Financial services are the economic services provided by the finance industry, which encompasses a broad range of businesses that manage money, including credit unions, banks, credit card companies, insurance companies, accountancy companies, customer- finance companies, stock brokerage, investment funds and some government-sponsored enterprises.

COMMERCIAL BANKING SERVICES

A "commercial bank" is what is commonly referred to as simply a bank the term "commercial" is used to distinguish it from an "investment bank" , a type of financial services entity which, instead of lending money directly to as business, helps businesses raise money from firms in the form of bonds (debt) or stock (equity).

The primary operations of banks include:

- Keeping money safe while also allowing withdrawals when needed.
- Issuance of cheque books so that bills can be paid and other kinds of payments can be delivered by posts.
- Provide personal loans, commercial loans and mortgage loans (typically loans to purchase a home, property or business)
- Issuance of credit cards and processing of credit card transactions and billing
- Issuance of debit cards for use as a substitute for cheques
- Allow financial transactions at branches or by automatic teller machine(ATMs)
- Provide wire transfers of funds and electronic fund transfer between banks.
- Facilitation of standing orders and direct debits, so payments for bills can be made automatically.
- Provide overdraft agreements for the temporary advancements of the banks own money to meet monthly spending commitments of a customers in their current account.
- Provide internet banking system to facilitate the customer to view and operate their respective account through internet
- Provide charge card advances of the bank's own money for customers wishing to settle credit advances monthly.
- Provide a check guaranteed by the bank itself and prepaid by the customer, such as a cashier's check or certified check.
- Accepting the deposits from customer and provide the credit facilities to them.
- Sell investment products like mutual fundsetc.

INVESTMENT BANKING SERVICES

- Capital market services- underwriting debt and equity, assist company deals (advisory services, underwriting mergers and acquisition and advisory fees), and restructure debt into structured finance products .
- Private banking-private banks provide banking services exclusively to high-net-worth individuals. Many financial services firms require a person or family to have a certain minimum net worth to

qualify for private banking services. Private banks often provide more personal services ,such as wealth management and tax planning, that normal retail banks.

- Brokerage services- facilitating the buying and selling of financial securities between a buyer and seller. In today's stock brokers, brokerages services are offered online to self trading investors throughout the world who have the option of trading with 'tied' online tradin platforms offered by banking institutions or with online trading platforms sometime offered in a group by so-called online trading portals.

FOREIGN EXACHANGE SERVICES

Foreign exchange services are provided by many banks and specialist foreign exchange brokers around the world. Foreign exchange services include :

- **Currency exchange** -where clients can purchase and sell foreign currency bank notes.
- **Wire transfer**- where clients can send funds to international banks abroad.
- **Remittance**–where clients that are migrants workers send money back to their home country.

INVESTMENT SERVICES

- Investment management – the term usually given to describe company which runs collective investment funds. also refer to services provided by others, generally registered with the securities and exchange commission as registered investment advisors. Investment banking financial services focus on creating capital through client investment.
- Hedge fund management- hedge funds often employ services of "prime brokerage" divisions at major investment banks to execute their trades.
- Custody services- the safe-keeping and processing of the world's securities trades and servicing the associated portfolios .

INSURANCE

Insurance brokerage – insurance brokeragers shop for insurance (generally corporate property and casualty insurance) on behalf of customers. Recently a numbers of website have been created to give consumers basic price comparisons for services such as insurance, causing controversy within the industry.

FINANCIAL SOLUTIONS FOR THE CUSTOMER-

Retail banking Asset management

Private individuals
life and pension insurance
The smallest mutual funds

Businesses portfolio management

Real estate broking private bank
Internet and telephone Banking

Corporate customers financial and payment services

Large corporations cash management
Shipping credit/debit cards
Small and medium factoring Sized business Energy sector

CHANGING ENVIRONMENT OF BANKS

Due to their intermediary role in the economy, banks hold a unique position with regard to sustainable development. This intermediary role in both quantitative and qualitative. Due to their efficient credit approval systems, banks are well equipped to weigh risks and attach a price to these risks.

Through such price differentiation, banks can foster sustainability. Banks can also develop more sustainable products, such as environmental or ethical investment funds. In addition there is great scope for banks to improve their internal environmental performance.

The whole face of banking is changing. One of the primary reasons that banks are changing is due to the increased competition in the industry. Also, banks are no longer bound by geographical boundaries, due to globalization process. This increased competition is changing the way banks are generating funds.

Many new entrants and factors into the banking market provide real competition for the established banking industry. The banking sector will become more competitive as customers have greater and easier access to information. Since banks will no longer be able to operate in the future as they have in the past, there has been an increasing trend in bank mergers and acquisition

CONCLUSION-

The banks must continue to innovate in order to meet the changing needs and desires of the consumer. Innovation and behavior change lies at the heart of the modern banking organization.

Banks are beginning to deploy innovate new branch that reflects the much broader set of products and services that they are offering- often with brokerage and wealth management areas in addition to the more traditional banking services.

The banks must provide a multi-disciplinary research approach to the problems and opportunities facing the financial services industry in its search for competitive excellence. The banks research should focus on the issues related to managing risk at the firm level as well as ways to improve productivity and performance.

REFRENCES-

1) Fonesca Isabella, Hickman Meredith and Marenzi Octavio.

2) http:/www.Infosys.com

3)Levine R." Finance and Growth: Theory and Evidence".

4) Mohan, Rakesh (2006), "Financial sector Reforms and Monetary Policy", RBI Bulletin.

5) " services Marketing"- Bhattacharjee

6) ICFAI , " Journal of Marketing Management".