

A Role of Financial Intermediaries in India

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ABSTRACT

This study is to show who is the intermediaries, what are their major work and how do they help investors to invest in various securities and help them manage the related cause. The study is made on the basis of interview method from financial intermediaries working in financial brokerage company. The study reveals a clear idea for the investors in basic investment concepts. In adding up, financial intermediaries assist cut informational asymmetries struggle through credits screening delegated monitoring with most advantageous debt contracts with bankruptcy costs. Financial liberalization helps take away boundaries and financial suppression on financial intermediaries and arouse economic development.

1. Introduction

The term financial intermediaries may refer to an agency, broker, company or person who acts as an intermediary on more than one side in a financial situation. Typically, the first party is the supplier of the products or services, and the second party is the consumer or customer. Financial intermediaries are banks and non-bank banks that transfer money to economic agents (in red), who want to use the funds from economic agents with excess funds. Financial intermediation agencies consist mainly of banking intermediaries, BFI (central banks and commercial banks) and non-bank financial intermediaries, NBFIs (insurance companies, trust funds, investment companies, pension funds, mutual and convertible offices).

This document develops the theory of financial intermediation, which emphasizes the information of intermediaries as information intermediaries in markets with imperfect information. We look at venture capital markets, where entrepreneurs choose the quality and rare consumption of their projects. This shows that if all investors have a positive search value, the employer must submit a very low project, and investors will not enter the venture capital market.

2. Objectives of the study

- To know the mechanism of financial intermediation system.
- To identify the perception of financial intermediaries on shareholders handling and equity share transfer.

3. Need for the study

- The present study focuses on different roles of financial intermediaries in India.
- To focus that the financial intermediaries approaches towards the shareholders handling.

4. Scope of the study

- Generally everyone not aware of share transfer. To get basic idea about share transfers this study is required.
- How to work the equity share transfer and complete process has been given to make the investors to get a clear idea of investment.

5. Limitation of the study

- Some of the persons were not so responsive.
- Possibility of error in data collection.

6. Types of financial intermediaries

Financial Intermediaries are broadly classified into two major categories:

▪ **Fee-based or Advisory Financial Intermediaries**

These financial Intermediaries/institutions provide financial advisory services and therefore charge for the services provided.

Their services include:

- i. Issue Management
- ii. Underwriting
- iii. Portfolio Management
- iv. Corporate Counseling
- v. Stock Broking
- vi. Syndicated Credit
- vii. Arranging Foreign Collaboration Services
- viii. Mergers and Acquisitions
- ix. Debenture Trusteeship
- x. Capital Restructuring

▪ **Asset Based Financial Intermediaries**

These intermediary / financial institutions fund your specific needs. The infrastructure required in the form of a qualifying asset or loan is provided as rent or interest. These companies benefit from the difference in interest rates, which is the difference between interest paid and interest. Financial institutions should be regulated by various regulatory agencies

or disclose their qualifications to potential customers. Observers may also impose specific behavioral requirements on financial intermediaries when providing services to investors. In recent years, financial intermediaries have evolved to perform the financial functions necessary for households, enterprises, government agencies, and foreign economies. But some of them are, in fact, legislative bodies, such as the central bank.

A Non-bank financial institutions do not accept deposits of ordinary people. Brokers can provide acquisitions, leases, insurance, or other financial services. Many brokers participate in stock exchanges, use long-term management plans and increase financing. The overall economic stability in the country can be explained by financial intermediation and the growth of the financial services sector.

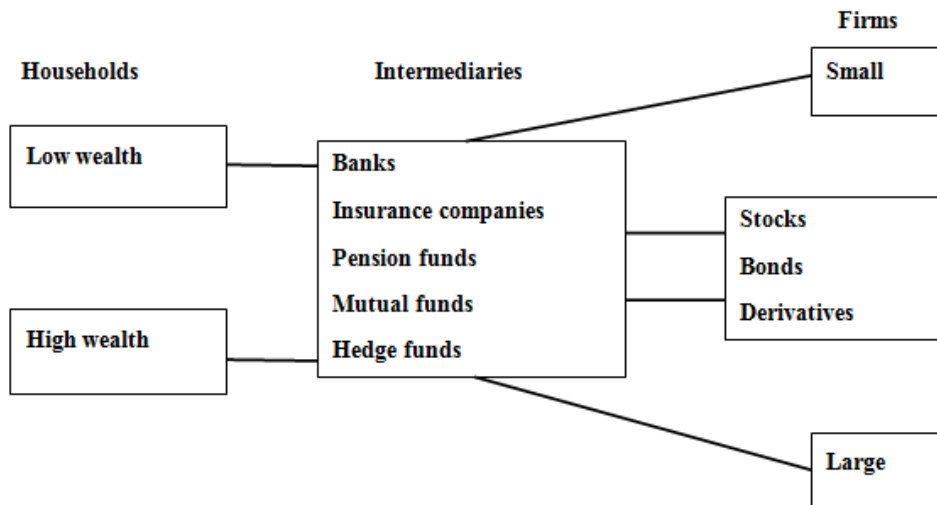


Figure 1: complex financial transaction

7. Interview method

Following given below the answer arecollected from the financial intermediaries by using interview method.

a) WHAT IS THE TIME DURATION FOR HOLDING SHARES?

Long stay - one year or more without expiration. All investments with a participation rate of less than one year are short-term. Payment of dividends in the report has a retention period.

b) HOW MUCH COST CHARGING FOR BROKERAGE FEE?

Per share minimum brokerage

Minimum of 5paisa to 10paisa per share.

Flat fee minimum brokerage per executed order

Charges flat minimum brokerage that Rs 35 (or) Rs 25 per executed order.

Exchange Transaction Charges

The commission for converting a transaction is charged when the volume of transactions made by the client is exchanged. This is usually expressed as Rupees based on sales. These costs include the transaction fee and the clearing fee charged by the exchange (NSE, BSE, and MCX) and clearing members

GST

State tax on the services provided is 18% for brokerage commissions and transaction fees.

SEBI Charges

The SEBI charges is calculated presently @ Rs. 15 per Crore for both equity and commodity trades on the traded volume of the customer in all segments.

Stamp charges

The value added tax is a state duty charged by a country, indicated at the address corresponding to the client. Tamil Nadu - 0.006%.

Call-n-Trade Charges

In case of order completion through the call center, a nominal amount of Rs 20+GST is charged.

DP (Depository participant) charges

The size of the transaction Rs.14.5 DP from GST to Scrip (each value) is charged only for all sales transactions. Funds approved by the contract will be subject to Rs 5.50+GST per slide (for the amount) for reimbursement.

Equity Intraday Brokerage

0.75% to 0.25%.

Equity Futures Brokerage

0.05% to 0.03%.

Equity Options Brokerage

Rs 95 to Rs 65.

c) WHAT IS THE FREQUENCY OF COMMUNICATION WITH INVESTORS?

Very clear and honest communication with investors about the long-term fundamental view of a company's business: frequency, accessibility and consistency are fundamental

considerations in a clear form. It does not provide investors with sufficient grounds for holding shares and does not provide a lot of data that can be easily found on the website or in the annual report. Do not continue when negative news appears on the horizon and do not press negative information. Communicate publicly and renew long-term goals when the company is regulated.

d) WHAT ARE THE INVESTORS RETAINING STRATEGIES?

- Adding CRM (customer relationship management) system.
- Prioritize around retention, rather than acquisition, strategy.
- Budget for retention marketing.
- Measure customer value.
- Focus on service.
- Send frequent communications.
- Interact on social media.
- Turn complaints into opportunities.
- Reward programs.
- Host an event.

e) HOW TO ADDING NEW CUSTOMERS OR INVESTORS?

- Build an Angel List Profile.
- Create a Strategic List of Investors You'd Like to meet with.
- Comb Your Networks.
- Thoughtfully Craft Your Own Introduction.
- Give Investors a Reason to Reach Out to You.

f) WHAT ARE THE SUGGESTIONS GIVES TO INVESTOR?

- Set Long-Term Goals.
- Handle Basics First.
- Understand Your Risk Tolerance.
- Diversify Your Investments.
- Avoid Leverage.
- Control Your Emotions

g) WHICH ONE IS BEST RISK OR RETURN?

Risks and benefits are contradictory in the financial world, and a compromise between them can be considered a "hibernation test". Depending on factors such as age, income, and investment goals, you can either invest significant financial risk in your investments or prefer safety. Although investors are well aware of their investments, it is very important to determine how much risk they must take. The basic definition of "risk" is the likelihood that actual capital returns may differ from those expected. You can measure risk in statistics based on standard deviation.

There is a possibility of losing some or all of the potential investments due to the risk. Conversely, "income" is the profit and loss necessary for investment. If the risk is low, the potential return is usually low. High risk is usually associated with high potential returns. Risky investments mean you are likely to lose everything. On the other hand, the amount you can bring is higher. Therefore, the exchange between risk and reward is a balance between the lowest possible risk and maximum return. The following graph shows a visual

representation of this standard. The higher the standard deviation, the higher the risk and the higher the yield.

8. Recommendations and suggestions

- Better transaction management can reduce downtime and improve customer feedback.
- The most important issue is ignorance. You must provide investors with information about your benefits.
- To must be clear about the investment goals, expected returns and the desired allocation into equities and debts.
- Choosing an appropriate category of share for investment, the investor must look at the long term past return of the share.
- In the past, incomplete inventory filters were used to save stocks, which increased the results in this category longer.

9. Review of literatures

Khanna, T., & Palepu, K. (1999). This paper examined the several countries have undergone quick transitions in their financial environments. So far small is known about firms' responses to such transitions. We use playing field-together data to study the development of eighteen large and diversified business groups in Chile (1987–1997) and India (1990–1997). The selected periods correspond to major deregulation in the main markets in both countries. Conventional understanding suggests that the intermediation roles played by business groups ought to decrease during these times. However, we discover an add to in group capacity an increase in the strength of the social and economic ties that attach mutually group firms, an increase in self-reported intermediation attempts by the groups, and some verification that these performance are connected with improvements in secretarial and stock-market act of the group affiliates. We propose that the slow growth of market intermediaries, in a method recommended by institutional financial side, and the assistant be short of decrease in operation expenses in main markets, can describe these conclusion

Morgan, G. E., & Smith, S. D. (1987). This paper describes the result of capital sufficiency needs, which have been mistreated to scheduled time in the prevarication creative writing, on the self-assured prevarication decision of financial mediators Using a more common structure than has been used in the creative writing on intermediary performance in self-assured markets, cases are industrial where capital and self-assured constricting are substitutes as well as where growing the capital requirement increases the volume of required forward constricting. The representation shows that the most significant factors in shaping the balance rate and the balance position of intermediaries are the arithmetical union between the level of the self-assured rate and the broaden between interest rates, the stage of the capital-to-assets part and the degree of risk hatred of intermediaries and other participants in the self-assured market. To differentiate whether the intermediary's most favorable forward location is long or short, one must have awareness of at slightest the indication of the union between the point and extend for the exacting intermediary, the intermediary's capital point and whether the self-assured market balance corresponds to a positive or

negative quality. The model also demonstrates that a full hedge of property is always sub-finest, and a generally relevant look for the best possible get around percentage when hedging is costless is imitative.

Powell, L. S., Sommer, D. W., & Eckles, D. L. (2008). This paper depicts the clearness of inside capital markets (ICMs) inside affirmation gatherings to inspect the development and support of ICMs inside confirmation gatherings. Totally we gauge the association worried inside capital exchanges and venture to that with capital from different sources and supposition the capacity to path the solid ICM correspondence takes into account more straight appraisal of ICM relationship than most past investigations. Ordinary with hypothesis, we find check that ICMs assume a noteworthy job in the venture conduct of partnered safety net providers. We at that point utilize these nitty gritty information to execute a more straightforward trial of ICM productivity than at present exists in the writing. Reliable with ICM proficiency, results recommend that capital is designated to backups with the best expected execution.

Schaub, N. (2018). This examination explores whether monetary information suppliers fill in as data middle people in capital markets. To this end, I look at whether the opportuneness of income data dispersed by First Call (Thomson Reuters) influences the market's response to profit declarations. I archive that the prompt cost and volume reaction is weaker and the post-income declaration float more grounded for profit news scattered with a postponement by First Call. To moderate endogeneity concerns, I examine the market response upon the arrival of the deferred scattering and demonstrate that a critical piece of the more grounded float is grouped around this day.

Stapleton, P., & Woodward, D. (2009). This paper explore the Corporate social duty envelops a variety of various ideas, to such an extent that its inclination is befuddled, and it stays hard to operationalize on the grounds that opening discourse with and reacting to the different desires for assorted partners is past the limit of numerous organizations. This paper adjusts Mayston's regularizing "data recipients" system and spotlights on mediators who may possibly utilize distributed monetary data to open a confined type of exchange with organizations, which may profit unsophisticated partners. The paper looks at the Mayston structure utilizing interviews led in associations that may follow up for the benefit of three partner bunches related with gas and power providers in the United Kingdom, these being: buyers, representatives, and the earth. While a long chain of correspondence exists between service organization and partner, and numerous associations don't satisfy their maximum capacity as data go-betweens, there is some proof that Mayston's system may well work by and by.

Oreglia, E., & Srinivasan, J. (2016). The article talks about an examination on the particular procedures through which ladies arrange sexual orientation elements and power structures inside their families and their towns around data and correspondence innovation (ICT) use by illustration on female ICT go-betweens in country China and India. It refers to discoveries that ladies are continually occupied with arranging

their jobs in a family and network in their job as ICT middle people.

Rose, J. T. (1993). The article considers the job of business banks as money related middle people. A significant number of the real changes happening in keeping money today can be tied, in any event to some degree, to extensive banks' declining job as providers of here and now credit to huge non budgetary firms. Generally at that point, monetary middle people, including business banks, exist due to wasteful aspects in open market back that make coordinate exchanges of assets from extreme loan specialists to extreme borrowers all the more expensive and additionally more hazardous than aberrant exchanges through money related delegates. Various investigators lately have noticed the declining job of business banks as providers of here and now credit to extensive non-monetary firms, as these organizations have made expanding utilization of the business paper showcase. To ingest smaller spreads and declining net premium edges with negligible unfavorable impacts on productivity, huge banks have likewise endeavored coordinated endeavors to expand their working effectiveness and lessen their non-premium costs. Enhancements in working productivity are hard to see because of the way that these banks have simultaneously extended their charge based administrations, with an orderly increment in non-premium expenses.

Howells, J. (2006). This article looks at the job of budgetary go-betweens in the obligation deal process in Great Britain. The point of utilizing mediators is to augment cost and free up the assets of the venders through re-appropriating and specialization. There is positively some intrigue to an unpracticed dealer in re-appropriating the deal procedure to a pro specialist co-op, who guarantees to accomplish ideal costs for a sensible commission. The issue is that an aggregate re-appropriating arrangement isn't conceivable. The portfolio information still must be extricated utilizing the data innovation asset of the dealer, despite everything it must be checked and scrubbed by the merchant.

Gassmann, O., Daiber, M., & Enkel, E. (2011). In this article, we explore the job mediator's play in the cross-business development process. Mediators are outside establishments that help organizations in their inventive exercises. They are every now and again used to connect holes between various businesses. Our exploration centers around the subject of which abilities a mediator ought to have with the end goal to make progress in starting a cross-industry development. Our exact base comprises of a review of 107 European assembling organizations and an investigation of six synergistic cross-industry development ventures. The organization review is utilized to recognize the abilities a middle person ought to have amid every one of the three periods of the development procedure. The cross-business extends, every one of which includes a Swiss or a German modern organization and a mediator, give us analyzable information. We close our examination by distinguishing three kinds of go-between: the advancement broadener, the development leverage, and the advancement multiplier.

Doukas, J., & Arshanapalli, B. (1992). This paper research the optimal prospects supporting positions are determined with no from the earlier confinements forced on the money related middle people's administration utility capacity. Ideal supporting positions are assessed utilizing genuine time-arrangement fates supporting information over the 1982-88 period and contrasted with real supporting figures. It is demonstrated that from the earlier limitations are a bit much. It is additionally demonstrated that such from the earlier confinements yield problematic prospects contracts which may clarify why past investigations have demonstrated that banks are under hedged. The outcomes emphatically propose that money related delegates' fates supporting positions do counterbalance the general financing cost and amount danger of tasks.

10. Conclusion

As we have seen so far, financial intermediaries play an important role in the global economy today. These are "lubricants" that support the economy. Due to increasingly

complex financial transactions, it is imperative that financial intermediaries continue to reflect and consider different portfolios and investor requirements. Financial intermediaries have the important responsibility of borrowers and lenders. Even the term "intermediary" indicates that these institutions are very important for economic activity. Together with the monetary authorities, they must ensure that they are offered to those who need it, without threatening the interests of investors. This is one of the biggest problems they face. Financial intermediaries play a central role in a market economy, where effective market distribution affects market mechanisms. As the financial system becomes more complex, banks and other financial intermediaries must develop new and innovative products and services to meet the various needs of borrowers and lenders. This is a suitable combination of the need to reduce systemic risks that determine the effectiveness of financial products and financial intermediaries.

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