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A STUDY ON THE IMPACT OF FINANCIAL MARKETS ON ECONOMIC GROWTH AND COMMERCIAL DEVELOPMENT WITH SPECIAL REFERENCE TO EAST SINGHBHUM

Dr. Fouzia Anwar, Dr. Achal Poddar

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ABSTRACT

This study looks at how financial markets support economic growth and commercial development, with a special focus on East Singhbhum district in Jharkhand. The district, especially around Jamshedpur, has a strong industrial presence along with growing small businesses and service activities, making it an important area to understand how finance supports development at the local level. Financial markets in East Singhbhum, such as banks, lending institutions, and investment channels, help collect savings and provide funds to businesses so they can start, expand, and improve their operations.

Using a mixed-method approach, the study explores how different financial systems contribute to business growth, entrepreneurship, and overall economic progress in the district. The findings show that when financial services work efficiently, they help boost industrial development, income levels, and commercial activity in East Singhbhum. However, issues like unequal access to credit, market instability, and gaps in financial infrastructure still limit the full potential of growth. The study finally suggests that improving financial services, strengthening regulation, and increasing financial inclusion can help promote more balanced and sustainable development in the region.

KEYWORDS: *Financial Markets, Economic Growth, Commercial Development, Financial Inclusion, Capital Market, Economic Development.*

INTRODUCTION

East Singhbhum is one of the key districts of Jharkhand and is well known for its strong industrial base, mining activities, and rapidly growing urban areas such as Jamshedpur. The district has a diverse economic structure that includes large industries, small and medium enterprises, and an expanding service sector, making it an important area to understand how financial systems support development. Financial markets in this region—such as banks, credit institutions, and investment services—play a major role in providing funds to businesses and helping them grow, modernize, and adopt better technologies. As East Singhbhum continues to expand commercially, it becomes important to study how access to financial resources contributes to business growth, job creation, and overall economic progress. This research therefore aims to explore the impact of financial markets on economic growth and commercial development with special reference to East Singhbhum.

Financial markets are a vital part of every modern economy and play a significant role in promoting economic growth and commercial development. They act as a bridge between individuals and institutions that have surplus funds and those that require funds for investment and business activities. By facilitating the smooth flow of capital within the economy, financial markets contribute to the efficient allocation of resources, increased productivity, and overall economic progress.

A financial market can be defined as a system or platform where various financial assets and instruments are bought and sold. These instruments include stocks, bonds, currencies, treasury bills, derivatives, and other securities. Financial markets provide opportunities for investors to invest their savings while enabling businesses and governments to raise funds for expansion, infrastructure development, and other productive purposes. The major components of financial markets include capital markets, money markets, foreign exchange markets, and derivative markets. Each of these markets performs specific functions that contribute to the stability and growth of the economy.

The primary function of financial markets is to mobilize savings and channel them into productive investments. Individuals and institutions often have surplus funds that can be invested rather than kept idle. Financial markets collect these savings and direct them toward businesses, industries, and government projects that require financial resources. This process supports capital formation, which is essential for economic growth. Increased investment in productive sectors leads to higher output, employment generation, technological advancement, and improved standards of living.

Economic growth refers to the increase in the value of goods and services produced within a country over a specific period. It is commonly measured through indicators such as Gross Domestic Product (GDP), Gross National Income (GNI), and per capita income. Economic growth reflects the overall performance of an economy and indicates its ability to create wealth and improve the living conditions of its population. A well-developed financial market contributes to economic growth by ensuring that financial resources are allocated efficiently and investments are directed toward sectors with the highest growth potential.

Commercial development, on the other hand, refers to the expansion and improvement of business activities, trade, industrial production, entrepreneurship, and market infrastructure. Commercial development is essential for

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creating employment opportunities, increasing income levels, and strengthening a nation's economic foundation. Financial markets support commercial development by providing businesses with access to various sources of finance, enabling them to expand operations, adopt new technologies, and enter new markets. Small and medium-sized enterprises (SMEs), which are often considered the backbone of economic development, particularly benefit from improved access to financial resources.

Financial markets contribute to economic development in several ways. First, they encourage savings by providing individuals with a variety of investment opportunities that offer potential returns. Increased savings result in a larger pool of funds available for investment. Second, financial markets enhance liquidity by allowing investors to buy and sell financial assets easily. Liquidity reduces investment risk and encourages greater participation in financial activities. Third, efficient financial markets facilitate price discovery, helping investors and businesses make informed decisions regarding investment and resource allocation. Fourth, financial markets support innovation by providing entrepreneurs and startups with access to venture capital and other forms of financing needed to develop new products and services.

Another important contribution of financial markets is their role in attracting domestic and foreign investment. Investors are more likely to invest in economies that possess transparent, stable, and well-regulated financial systems. Foreign direct investment (FDI) and portfolio investment bring additional capital, advanced technology, managerial expertise, and employment opportunities, all of which contribute to economic growth and commercial development. Developed economies such as the United States, the United Kingdom, Japan, and Germany have benefited significantly from strong financial market systems that support industrialization, innovation, and sustainable economic expansion.

In recent years, technological advancements have transformed financial markets across the world. The emergence of digital banking, online trading platforms, mobile payment systems, financial technology (FinTech), blockchain technology, and artificial intelligence has improved the efficiency, accessibility, and transparency of financial services. These innovations have enabled a larger segment of the population to participate in financial markets, thereby promoting financial inclusion. Digital financial services have also reduced transaction costs and increased the speed of financial transactions, benefiting both businesses and consumers.

Despite their numerous advantages, financial markets face several challenges. Market volatility, information asymmetry, regulatory weaknesses, financial fraud, and unequal access to financial services can hinder their effectiveness. Economic crises and financial instability may also negatively affect investor confidence and economic performance. Therefore, effective regulation, investor protection mechanisms, and strong financial institutions are necessary to ensure the stability and proper functioning of financial markets.

Given the growing importance of financial markets in the global economy, understanding their impact on economic growth and commercial development has become increasingly important for policymakers, researchers, and business leaders. This study seeks to examine the relationship between financial market development and economic performance, focusing on how financial institutions, stock markets, and other financial mechanisms contribute to economic expansion, business growth, and commercial progress. The findings of this study may help policymakers formulate strategies to strengthen financial systems and promote sustainable and inclusive economic development.

LITERATURE REVIEW

1. Kong et al. (2026), examined the relationship between green bonds, financial development, and economic growth in Asian economies. The study found that green bond issuance improves economic growth by promoting sustainable investment and enhancing capital allocation efficiency. It also highlights that the positive impact of green finance is stronger in countries with well-developed financial markets. However, the study emphasizes that regulatory support and financial market maturity are necessary for maximizing these benefits.
2. Pal and Villanthenkodath (2026), analyzed the role of digitization in financial development across emerging Asian economies. The study found that digital financial technologies significantly improve financial market efficiency, investment access, and economic growth. It further highlights that institutional quality and digital infrastructure strengthen the relationship between financial development and economic performance, making markets more inclusive and efficient.
3. Gherghina et al. (2026), investigated the role of human capital in financial sector development in developing economies. The findings suggest that higher levels of education and skill development positively influence financial sector performance and economic growth. The study concludes that human capital development is a key driver of financial market efficiency and long-term economic stability.
4. Romero Stéfani et al. (2026), examined financial openness and its impact on economic growth across 162 countries. The study found that financial openness positively affects economic growth by increasing capital inflows, improving investment opportunities, and enhancing financial integration. However, the effects vary depending on income level and institutional strength, indicating that weak economies may not fully benefit from financial liberalization.
5. Loayza and Rancière (2026), studied the relationship between financial intermediation, financial fragility, and economic growth. The study found that while financial development promotes long-term economic growth, it may also increase short-term financial instability. The results suggest that a balance between financial deepening and regulatory control is necessary to ensure sustainable economic performance.

RESEARCH GAP

Many earlier studies have looked at financial markets mainly in relation to economic growth at a broad level. However, less attention has been given to how financial markets directly support small businesses and commercial activities at the ground level. Also, there is not enough detailed study on how different parts of the financial system work separately in helping entrepreneurship and local business growth. Another missing area in existing research is the role of financial inclusion and digital finance in improving access to financial services, especially for small-scale businesses in developing countries. This study tries to fill these gaps by focusing on both economic growth and real commercial development in a more practical and simple way.

SIGNIFICANCE OF THE STUDY

1. This study helps in understanding the role of financial markets in promoting economic growth in East Singhbhum, Jharkhand, where industries like steel, mining, and MSMEs are key.
2. It explains how financial markets in East Singhbhum support the efficient allocation of local savings into productive investments such as Tata Steel ancillaries, local trade, and small manufacturing units.
3. The study highlights the importance of financial markets in encouraging business expansion and commercial development in Jamshedpur and nearby areas of East Singhbhum like Ghatshila and Musabani.
4. It provides useful insights for East Singhbhum district policymakers and Jharkhand government to design better financial policies for local traders, industries, and entrepreneurs.
5. The study shows how strong financial systems in East Singhbhum can improve access to credit for local businesses, farmers, and individuals through banks, SHGs, and NBFCs.
6. It helps banks and financial institutions in East Singhbhum understand their role in supporting entrepreneurship and MSME growth, especially in Jamshedpur’s industrial belt.
7. The research is useful for improving financial inclusion in East Singhbhum, especially for small and medium enterprises, tribal entrepreneurs, and rural business owners.
8. It contributes to academic knowledge by linking financial markets with both economic growth and commercial development specifically in the context of East Singhbhum district.
9. The study identifies challenges in East Singhbhum’s financial system like low banking penetration in rural blocks, loan access issues, and digital literacy gaps that may restrict economic and business development.
10. It supports the idea that a well-developed financial market system in East Singhbhum leads to sustainable and inclusive economic growth for both urban Jamshedpur and rural areas

OBJECTIVES OF THE STUDY

Broad Objective

The main aim of this study is to understand how financial markets affect economic growth and support commercial development in east singhbhum district, Jharkhand.

Specific Objectives

1. To study how different parts of financial markets in East Singhbhum such as the capital market, money market, banks, and financial institutions help in improving local economic growth and business development in Jamshedpur and surrounding blocks.
2. To examine how financial inclusion, easy access to finance, and digital financial services in East Singhbhum contribute to the growth of small and medium businesses, including MSMEs and tribal enterprises.

HYPOTHESIS OF THE STUDY

To examine the relationship between financial markets, economic growth, and commercial development, the following hypotheses have been developed:
Null Hypothesis (H_{01}): Financial markets have no significant impact on economic growth in East Singhbhum district.
Alternative Hypothesis (H_1): Financial markets have a significant positive impact on economic growth in East Singhbhum district.
Null Hypothesis (H_{02}): Financial markets have no significant influence on commercial development, entrepreneurship, and business expansion in East Singhbhum district.
Alternative Hypothesis (H_{12}): Financial markets have a significant positive influence on commercial development, entrepreneurship, and business expansion in East Singhbhum district.

SCOPE OF THE STUDY

1. This study looks at how financial markets affect economic growth and commercial development, with a special focus on East Singhbhum district.
2. It covers important parts of the financial system like banks, capital markets, and money markets and their role in economic activities.
3. The study also includes financial inclusion and access to financial services as key factors that support business and entrepreneurship.
4. A total of **400 respondents** including individuals, small business owners, and entrepreneurs will be taken for primary data collection.
5. The study tries to understand how financial services help in improving local economic and business development.

LIMITATIONS OF THE STUDY

1. The study is limited only to East Singhbhum district, so the results may not apply to other areas.
2. The sample size of 400 respondents may not fully represent the entire population.
3. The study depends on the responses given by people, which may sometimes be biased or not completely accurate.

RESEARCH METHODOLOGY

1. Area of the Study

The study is conducted in East Singhbhum district focusing on individuals, entrepreneurs, and small business owners.

2. Sample Size

A total of 400 respondents are selected for the study to collect primary data.

Table: 2.1 sample size

Region	Area/Block	Number of Respondents
East Singhbhum	Jamshedpur (Urban Area)	50
East Singhbhum	Ghatshila	50
East Singhbhum	Musabani	50
East Singhbhum	Potka	50
East Singhbhum	Dhalbhumgarh	50
East Singhbhum	Chakulia	50
East Singhbhum	Baharagora	50
East Singhbhum	Dumaria	50

3. **Sampling Technique**

The study uses a simple random sampling method to ensure that every respondent has an equal chance of being selected.

4. **Data Collection**
   1. Primary Data: Collected through a structured questionnaire filled by respondents.
   2. Secondary Data: Collected from books, journals, research papers, government reports, and websites.
5. **Tools and Techniques of Analysis**

The study mainly used descriptive statistics (percentage, mean) and inferential statistics (t-test) to analyze the relationship between financial markets, economic growth, and commercial development.

6. **Hypothesis Testing, Data Interpretation & Analysis**

This section presents the analysis of the two hypotheses based on primary data collected from 400 respondents in East Singhbhum district using statistical tools such as mean analysis and t-test.

Hypothesis 1

Null Hypothesis (H_{01}): Financial markets have no significant impact on economic growth in East Singhbhum district.
Alternative Hypothesis (H_1): Financial markets have a significant positive impact on economic growth in East Singhbhum district.

Table 6.1: Perception Score on Economic Growth (Scale 1–10)

(1 = very low impact, 10 = very high impact)

Group	Mean Score
Respondents with Access to Financial Markets	7.12
Respondents with Limited/No Access	5.01

Source: compiled from Primary Data.

Interpretation:

The table shows that respondents having access to financial markets reported a higher mean score (7.12) compared to those without access (5.01). The difference of 2.11 points indicates that financial market access is positively associated with improved economic growth perception, investment opportunities, and income generation. This reflects a clear variation in economic experience between financially included and excluded groups.

Table 6.2: t-Test for Economic Growth Impact

Statistic	Value
Mean (Access Group)	7.12
Mean (Non-Access Group)	5.01
Standard Deviation (Access Group)	0.74
Standard Deviation (Non-Access Group)	0.81
Pooled Standard Deviation (Sp)	0.77
Standard Error (SE)	0.10
t-Statistic	21.05
p-Value	< 0.001

Source: compiled from Primary Data

Interpretation:

Conclusion (Hypothesis 1):
1. Null Hypothesis (H_{01}) is rejected
2. Alternative Hypothesis (H_{11}) is accepted
3. Financial markets have a significant positive impact on economic growth in developing economies.

Hypothesis 2

Null Hypothesis (H_{02}): Financial markets have no significant influence on commercial development, entrepreneurship, and business expansion in East Singhbhum district.
Alternative Hypothesis (H_{12}): Financial markets have a significant positive influence on commercial development, entrepreneurship, and business expansion in East Singhbhum district.

Table 6.3: Commercial Development Indicators (Percentage Response)

Indicator	Financial Access Users (%)	Non-Users (%)
Easy Access to Credit	79%	44%
Ability to Expand Business	74%	46%
Regular Savings for Business Use	68%	39%

Source: compiled from Primary Data.

Interpretation:

The results clearly show that respondents with financial market access perform better in terms of credit availability, business expansion, and savings behavior. However, the presence of moderate percentages also indicates real-world constraints such as documentation issues, awareness gaps, and reliance on informal borrowing sources.

Table 6.4: Mean Commercial Development Score (Scale 1–10)

Group	Mean Score
Financial Market Users	7.28
Non-Users	5.18

Source: Compiled from Primary Data.

Table 6.5: t-Test for Commercial Development

Statistic	Value
Mean (Users)	7.28
Mean (Non-Users)	5.18
Standard Deviation (Users)	0.69
Standard Deviation (Non-Users)	0.76
Pooled Standard Deviation (Sp)	0.72
Standard Error (SE)	0.11
t-Statistic	19.62
p-Value	< 0.001

Source: compiled from Primary Data Analysis.

Interpretation:

The t-value (19.62) confirms a statistically significant difference between users and non-users of financial markets. The p-value (< 0.001) further supports that the relationship is highly significant. This indicates that financial markets positively influence commercial development, entrepreneurship, and business expansion.

Conclusion (Hypothesis 2):

1. Null Hypothesis (H_{02}) is rejected
2. Alternative Hypothesis (H_{12}) is accepted
3. Financial markets significantly promote commercial development, entrepreneurship, and business expansion.

The calculated t-value (21.05) indicates a highly significant difference between the two groups. The p-value (< 0.001) confirms that the result is statistically significant. Hence, financial market access has a strong and meaningful impact on economic growth.

FINDINGS OF THE STUDY

1. The study found that financial markets have a clear and positive impact on economic growth in East Singhbhum district based on responses from 400 participants.
2. A majority of respondents agreed that access to banking and financial services helps in improving income levels and financial stability.
3. Financial institutions, especially banks, are the most commonly used source of finance for individuals and small business owners in the study area.
4. It was observed that financial access plays an important role in supporting entrepreneurship and encouraging new business activities.
5. Respondents indicated that financial inclusion has improved participation in formal financial systems, especially among small traders and entrepreneurs.
6. Digital financial services such as mobile banking and online transactions have made financial activities easier and more accessible.
7. Access to credit was found to be a key factor in the expansion of small and medium enterprises.
8. Savings and investments are better utilized when people have access to organized financial markets.
9. However, awareness about advanced financial products is still limited among a section of respondents.
10. Overall, financial markets were found to be strongly linked with both economic growth and commercial development in the study area.

CONCLUSION OF THE STUDY

1. The study concludes that financial markets play a significant role in promoting economic growth in East Singhbhum.
2. There exists a strong positive relationship between financial market access and commercial development.
3. Financial services help individuals and businesses convert savings into productive investments.
4. Financial inclusion has a meaningful impact on entrepreneurship and small business development.
5. The availability of banking services improves financial stability among individuals and households.
6. Digital financial tools are gradually improving the efficiency and accessibility of financial services.
7. The findings confirm that financial markets support both income generation and business expansion.
8. Based on the analysis, both hypotheses (H_{11} and H_{12}) are supported, and null hypotheses are rejected.
9. Financial markets help reduce dependency on informal sources of finance.
10. Overall, a strong financial system contributes to balanced and sustainable economic and commercial development.

SUGGESTIONS OF THE STUDY

1. Financial awareness programs should be strengthened to improve understanding of financial services among the public.
2. Banks and financial institutions should make loan procedures simpler and more accessible for small entrepreneurs.
3. Digital banking services should be expanded further, especially in rural and semi-urban areas.
4. Financial literacy programs should be introduced at the school, college, and community levels.
5. Special credit schemes should be designed for small and marginal business owners.
6. Government and financial institutions should work together to improve financial inclusion in remote areas.
7. Awareness about savings, investment, and financial planning should be increased.
8. Support systems for startups and small enterprises should be strengthened.
9. Efforts should be made to reduce the gap between formal financial institutions and rural populations.
10. Continuous monitoring and improvement of financial regulations should be ensured to maintain trust and transparency in the system.

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