

BREAKING THE MAZE OF FINANCIAL ENGINEERING

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ABSTRACT

The random nature of the financial markets and the need to innovate had resulted in the genesis of many financial innovations that set newer trends in investing, hedging investment risks, enhancing the profitability by the use of certain special financial instruments, the financial derivatives and such other financial innovations. Other than this, the commodity derivatives etc. had contributed to the growth and proliferation of the concept of investing other than the deposits made to savings at the investor's banker or financial institutions. Now, other than that, numerous neo financial investment propositions are in vogue and newer ones get introduced at intervals to appeal to the investors minds and pockets as well as a necessity to the changing times and the economic and financial market needs.

These financial innovations have made it to light as a result of financial engineering efforts after detailed planning and analysis of the needs domain. But then, there are quite some misconceptions about the utility and what financial engineering could do and what it could not. This research paper tries to unravel and break the maze of financial engineering and proposes its use in better ways by offering suggestions.

KEYWORDS: 'CAFE' system, Closed Box Approach, Financial Engineering Needs.

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