



INDIAN FINANCIAL SYSTEMS & SERVICES

18MBA202



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MODULE- I


INDIAN FINANCIAL SYSTEM






Introduction:


- The economic development of any country depends upon the existence of a well-organised financial system. It is the financial system which supplies the necessary financial inputs for the production of goods and services which in turn promotes the well-being and standard of living of the people of a country.
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- Thus, the 'financial system' is a broader term, which brings under its fold the financial markets and the financial institutions which support the system.
 - The major assets traded in the financial system are money and monetary assets.

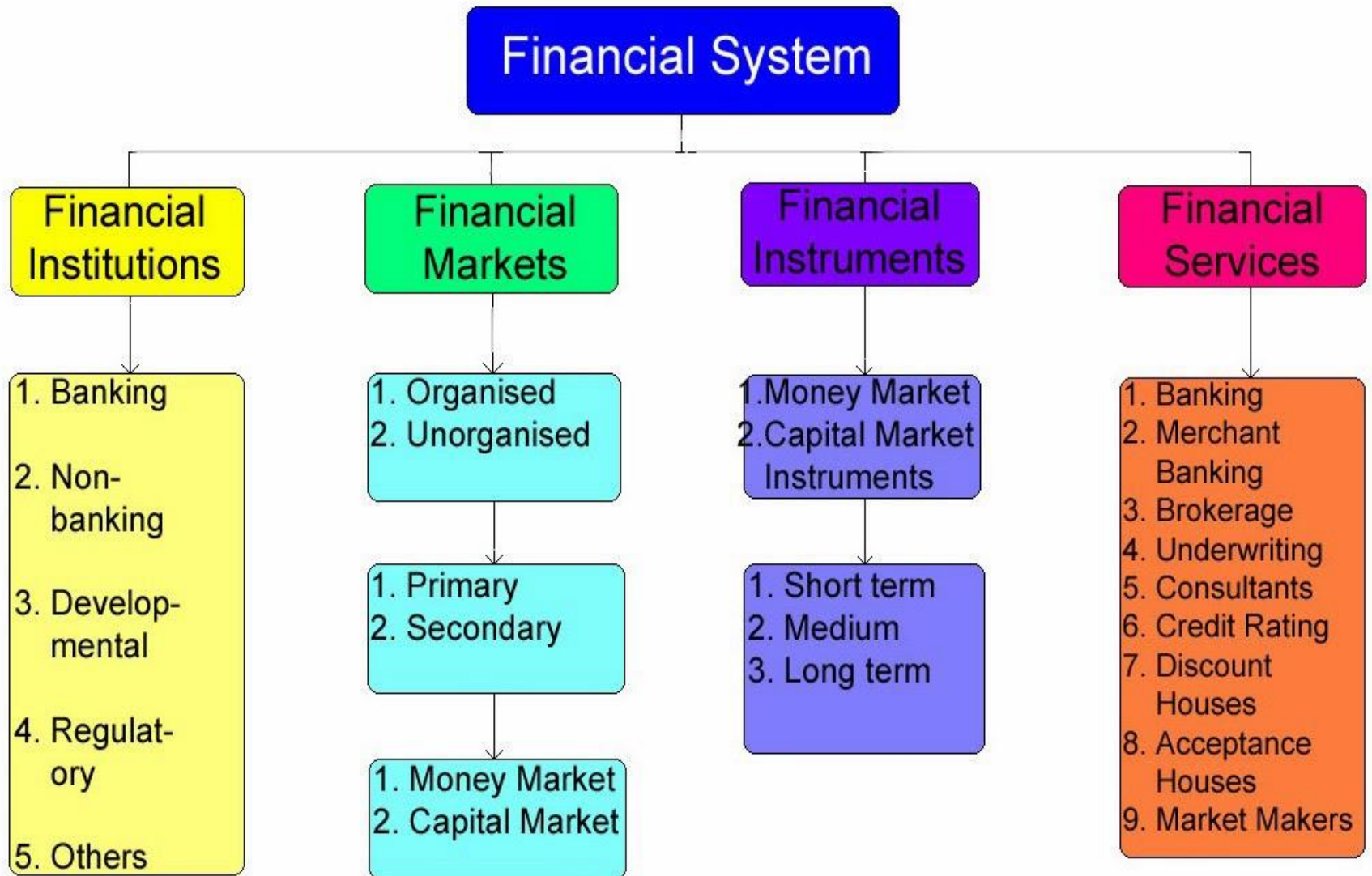
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- The responsibility of the financial system is to mobilise the savings in the form of money and monetary assets and invest them to productive ventures.
 - An efficient functioning of the financial system facilitates the free flow of funds to more productive activities and thus, promotes, investment. Thus, the financial system provides the intermediation between savers and investors and promotes faster economic development.

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- Of all the systems, financial system is the crucial as it plays a decisive role in economic development. To measure or judge the economic progress of a country, the health and strength of the financial system will be considered because the economic development directly reflects in the financial systems.

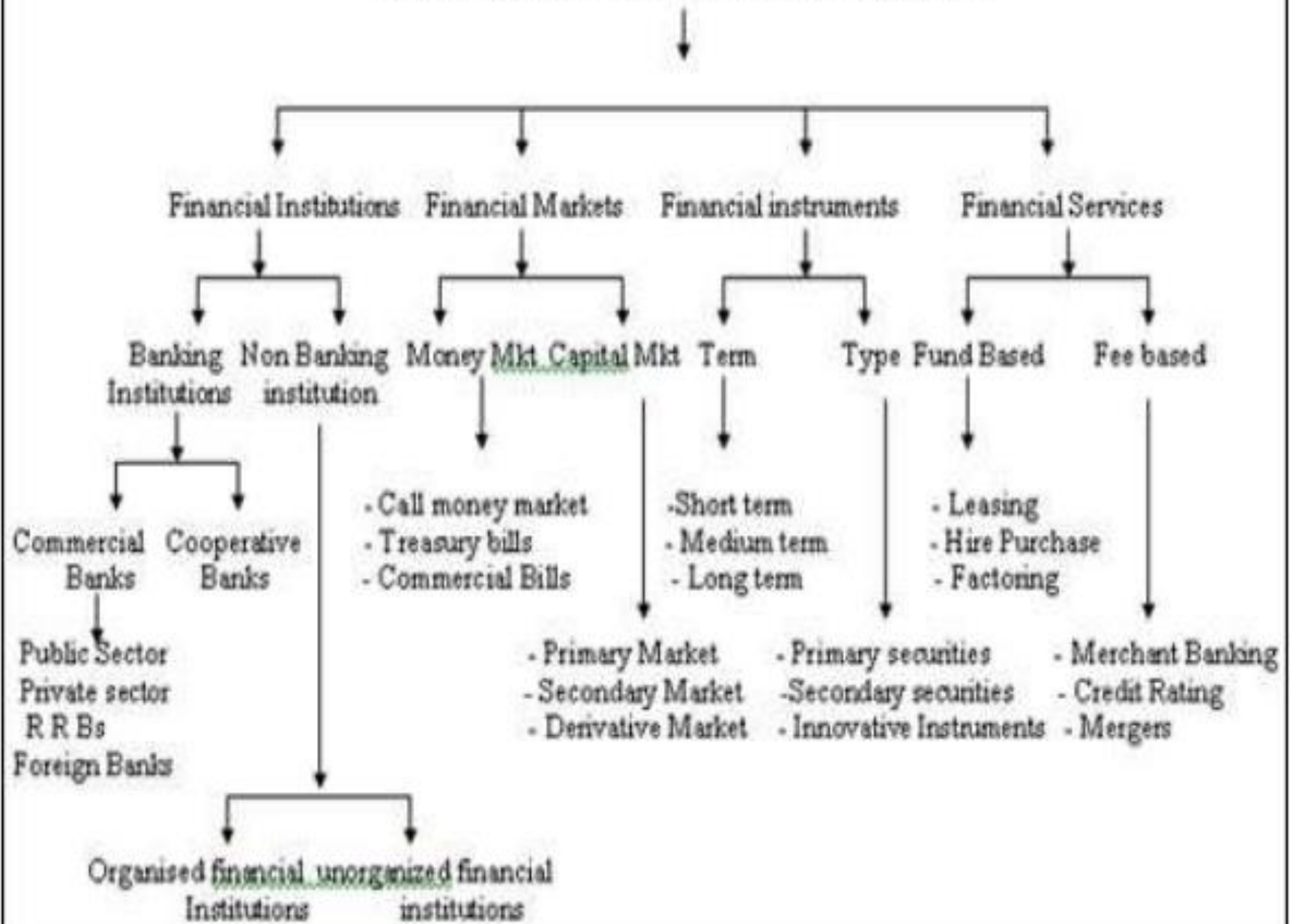
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- Financial system is a network of institutions and individuals who deal in financial claims through instruments in financial markets which are interconnected and interdependent.
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- “ A financial system may be defined as a set of institutions, instruments and markets which foster savings and channels them to their most efficient use” – H. R. Machiraju
 - “ Financial system is a set of complex and closely connected or interlinked institutions, agents, practices, markets, transactions, claims and liabilities in the economy” – Bhole. L. M.

Components of Indian Financial System




COMPONENTS OF INDIAN FINANCIAL SYSTEM



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- All the components of financial system are developed around three key concepts: Money, Credit and Finance.
 - All the components of financial sector can be broadly classified under two sub- sectors;
 - SURPLUS SECTOR
 - DEFICIT SECTOR



Functions of Financial system:

- Provision of liquidity
 - Mobilisation of savings
 - Financing Trade, Industry & Agriculture
 - Provision of Financial Services
 - Size Transformation Function
 - Maturity Transformation Function
 - Risk Transformation Function
 - Investment as per National Priorities
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Thank you class

