

# Review on indian financial system

[Parts of the World](#), [Asia](#)



Financial investment is a benefit that you put money into with the desire that it will form or recognize into a greater aggregate of money. The financial system of a country is an important tool for economic development of the country, as it helps in creation of wealth by linking savings with investments. It facilitates the flow of funds from the households (savers) to business firms (investors) to aid in wealth creation and development of both the parties.

The financial system of a country is concerned with:

- Allocation and Mobilization of savings
- Provision of funds
- Facilitating the Financial Transactions
- Developing financial markets
- Provision of legal financial framework
- Provision of financial and advisory services

There are various advantages of investing in financial system of India by the foreigners, which can be explained as follows:

### **Successful Economy:**

India positions third regarding favored investment goal. (Soon after China and the United States) India has developed as a standout amongst the most appealing goal for investment as well as for working together in the ongoing years. One of the quickest developing economies on the planet which has not just maintained worldwide downturn of 2008-09, India is slated to develop at reliably higher rates amid next couple of decades. A portion of the reasons which make India as a head honcho of speculations seem to be:

- Large and quickly developing working class and graduation of poor to white collar class and thus developing local utilization
- Indian Government's continually advancing financial specialist neighborly strategy
- Lower cost of generation because of lower work rates
- Availability of skilled labor
- Abundant characteristic assets
- English as one of the significant business dialects
- Government's accentuation on framework change
- India's area, near business sectors of South East Asia, Middle East and furthermore Europe.
- India is probably going to wind up one of the biggest economies of the world constantly 2025 according to projections made by universally eminent advisors and IMF. Organizations around the globe don't prefer to miss the development openings offered by Indian markets and consequently some of them are as of now venturing up their speculations and rest peering toward India for interests in coming years.

**There is the presence of countless worldwide banks in the nation.**

India is home to greatest number of monetary organizations and it is evaluated more than 130 unique banks and in excess of 50'000 bank offices in India. A bank is a budgetary establishment where you can store your cash. Banks give a framework to effortlessly exchanging cash starting with one individual or business then onto the next. Utilizing banks and the numerous administrations they offer spares us a mind blowing measure of time, and

guarantees that our assets “ pass hands” in a lawful and organized way. When you store cash in a bank, you have the solace of knowing your cash is in a protected, safeguarded put. A great many people and organizations, including your manager, need a paper trail to report exchanges. Checks are an ideal method to keep a perpetual record of business exercises, notwithstanding when they are close to home.

## **Weaknesses of Indian financial system:**

### **Dominance of development banks in modern financing:**

The development bank occupies an integral place in the capital market and is considered to be the prime part of the Indian financial system. Both of the government bodies, i. e., the national and local levels helps to create the modern financing in India through various finance institution. These development banks act as distributive agencies only, since, they derive most of their funds from their sponsors. In that capacity, they neglect to activate the reserve funds of the general population. This would be a genuine disadvantage, which obstructs the development of a proficient financial system in the nation. For businesses abroad, institutional back has been a consequence of standardization of individual investment funds through media like banks, LIC, annuity and provident assets, unit trusts et cetera. But they play a less significant role in the Indian financial system, as far as industrial financing is concerned. It will lead to a long way in forging a link between the normal channels of savings and the distributing mechanism.

### **Monopolistic market structure:**

In India, some FI's are large to the point that they have made a monopolistic market structure of money related framework. For example, almost entire

life insurance business is in the hands of LIC of India. So expansive structures could hinder improvement of budgetary arrangement of the nation itself.