

# [Evolution period and the third phase on post-1990](https://assignbuster.com/evolution-period-and-the-third-phase-on-post-1990/)

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EVOLUTIONOF INDIAN FINANCIAL SYSTEM: For many yearsthe presidency banks acts as quasi-central banks and they did their successor. The three banks merged in 1921 to form the imperial bank of India and afterIndia’s independence the bank became the state bank of India.

The between theperiod of 1906 and 1911 there was the establishment of banks inspired by theswadeshi movement. And this swadeshi movement attracted local businessmen andpolitical to found banks for the Indians. After that number of banks was  established then have fully running atpresent also such as bank of India, corporation bank, Indian bank, bank ofBaroda, Canara bank and central bank of India. Evolutionof Indian financial system was characterised by:     Absence of organised capital market.     Dependence of industries and other useron internal sources.     Rare cases of public issues of capitalfor expansion and modernisation.     Very few financial institutions andplayers in the market.

Very strict condition for loanassistance to companies. The Indianfinancial system has faced several fluctuations from the barter system inpre-industrial economies to universal banking. Evolution Indian financial systemdevelopment is divided into three phases.      The first phase on pre-1951 period.     The second phase is from 1951 to 1990period and      The third phase on Post-1990 period. FIRSTPHASE ON PRE-1951 PERIOD: Indian financialsystem before 1951 had with the theoretical model of a financial organisationin a traditional economy, as formulated by R.

L. Bennett. The principals of pre-1951financial system were described by L. C. Gupta. The principal ofpre-independence industrial financing organization have certain characters ofindustrial entrepreneurship a semi organised and narrow industrial securitiesmarkets and devoid of issuing institutions and the virtual absence ofparticipation by intermediary financial institutions in industry.                                                 Asa result from this, the industry had restricted access to the outside         saving.

Such a financial system wasclearly incapable to sustaining a high rate of industrial growth, particularlygrowth of new and innovating enterprises.     Control of money lenders     No regulatory bodies     No laws –total private sectors     Hardly any industrialization