

1) Explain the term Financial System and how it is important in a country.

Financial Systems act as intermediaries between savers and borrowers, channeling funds from those who have excess funds (savers) to those who need funds (borrowers). This intermediation process facilitates the efficient allocation of capital and promotes economic growth.

Important of Financial system in a country:-

- \* Capital Allocation.
- \* Risk Management
- \* Liquidity
- \* Economic Stability
- \* Investment and Savings
- \* Innovation and Growth
- \* Government operations.

2) State role and function of Financial system.  
Role of Financial System:-

- \* Facilitating Payments.
- \* Mobilizing Savings.
- \* Allocating Capital.
- \* Managing Risk
- \* Providing Information.
- \* Supporting Government operations.

## Functions of the Financial System:-

### \* Intermediation.

- Banks and Non-Bank Financial
- Capital Markets.

### \* Liquidity Provision.

- Money Markets.
- Central Bank Operations.

### \* Risk Management

- Insurance Companies.
- Derivatives Markets.

### \* Payments Systems

- Electronic Transfers.
- Clearing and Settlement.

### \* Information Provision

- Financial Reporting
- Market Analysis.

### \* Regulation and Supervision:-

- Regulatory Bodies.
- Consumer Protection.

## 3) Construct structure of Indian Financial system.

### \* Commercial Bank

### \* Regional Rural Bank

### \* Financial Market

### \* Financial Regulators

### \* Financial Service

### \* Financial Infrastructure

### \* Financial inclusion initiation.