Capital Market - (CM)

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ASSIGNMENT - 1

1:). Explain the term financial System and how it is Important in a Country?

Ans:-

* A Set of institutions such as banks, Insurance Companies, and stock exchanges, that permit the exchange of funds.

* A financial system is a net-work of Institutions and markets that facilitate the exchange of funds between entities.

* It includes banks, insurance Companies, stock exchanges, and other financial Intermediaries.

* The financial System also includes laws and policies that lenders and creditors use to determine which projects are funded, who funds them and the terms of the financial deals.

* A Country's financial System is Important because it helps money flow through the economy when and where it's needed. It also encourage savings and Investment, which are vital for a Country's economic development.

* The financial system is a Collection of institutions which allow the exchange of funds, such as banks, Insurance Companies, and stock exchanges.

* The financial system exists in the Corporate, national, and global level.

* Multiple components make up the financial system at different levels. The firm's finance system is the set of implemented procedures that track the financial activities of the company.

Important in a Country :-

* A Country 's financial system is a vital part of a framework for economic transactions, Monetary policy, and channelling savings into Investment.

* It includes institutions such as banks, Insurance Companies, financial markets, Central banks, and financial regulators.

2) Q. State the role and function of financial system.

* The financial system plays a vital role in the economy by Mobilizing savings, allocating Capital efficiently, and facilitating productive Investments.

* It provides services that enable smooth financial transactions, facilitates price discovery and information dissemination, and supports economic stability through risk management and financial intermediation.

* In short, the financial system serves as a crucial intermediary, promoting economic growth and facilitating the efficient allocation of resources within an economy.

* The key roles and functions of a financial system are:-

Mobilization of Savings:-

Collecting funds from individuals and institutions.

Allocation of Resources:-

Channeling funds to productive Sectors and investments.

Risk management:-

providing Instruments to manage risk such as Insurance and hedging.

Liquidity provision:-

enabling easy Conversion of assets into Cash

payment Services:-

Facilitating transactions and fund transfer.

Information Intermediation:-

providing financial Information and Research.

Capital formation:-

facilitating Investment in Capital Markets.

3. Construct structure of Indian financial system brief explanation.

The Indian financial system consists of the following structure-

1. Money Market.

* Commercial banks

* Reserve Bank of India (RBI)

* Money Market Instruments (e.g, Commercial paper, treasury bills.

2. Capital Market:-

* Stock exchange

* Securities and Exchange Board of India (SEBI)

* Investment Instruments (e.g Stocks, bonds Mutual funds).

3. ~~Financial~~ non-Banking financial Intermediaries

* Insurance Companies.

* Pension funds

* ~~Cooperative~~ Banks

4. Regulatory Bodies:-

* Reserve Bank of India (RBI)
* Securities and Exchange Board of India (SEBI)
* Insurance Regulatory and development authority