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Course : Capital Market

## FINANCE

- Finance is the science of money management. Finance is also referred to as “Funds” or “Capital”.
- In common parlance finance is equivalent to money.
- Finance function is an all pervasive one.
- All kinds of business activities, directly or indirectly involve the acquisition and use of funds.



## FINANCIAL SYSTEM

- All activities related to finance are organised into a system called financial system.
- It is a sub system of economic system.
- Financial system refers to a set of activities, which facilitate transfer of resources from savers to borrowers.
- A financial system is a system that allows the exchange of funds between lenders, investors, and borrowers.
- Financial systems operate at national, global, and firm-specific levels.

- They consist of complex, closely related services, markets, and institutions intended to provide an efficient and regular linkage between savers and borrowers.
- The financial system comprises of financial institutions, financial markets, financial instruments and financial services.
- Unorganised financial markets are also part of the financial system.
- The financial system operates as an intermediary and facilitates the flow of funds from the areas of surplus to the areas of deficit.

## FEATURES OF FINANCIAL SYSTEM

- Organised and unorganised financial markets are part of financial system.
- It regulates transactions between various entities.
- It provides a linkage between savers and borrowers.
- It promotes efficient allocation of financial resources.
- It creates liquidity in the economy.
- It promotes economic development.

**CHART 1.1 STRUCTURE OF INDIAN FINANCIAL SYSTEM**













