M. Com. Sem. I

Subject - Business finance

Topic - Evolution of the Indian financial system.

The evolution of the Indian financial system may be studied under three phases and at present -

A. Phase I : Prior to 1951

Under this phase the Indian financial system includes the following -

1. Currency and exchange
2. Banking Sector 1910 - 1950
3. Industrial Banks 1923
4. Co-operative Banks 1916 - 1950
5. Reserve Bank of India in 1935
6. Small Savings
7. Insurance funds LIC Act 1912
8. Stock Markets in 1887
9. Public Deposits
10. Govt. Securities and Treasury Bills in 1890

B. Phase II : 1951 to Mid-eighties

Under this phase, following steps

were taken —

1. Nationalisation of Banks 1948-1980
2. ~~Establishment~~ of New Institutions —
   a. Development Banks / financial Institutions
   b. Life Insurance Corporation of India-1956
   c. Unit Trust of India -1964
   d. Commercial Banks -1951

For investor's protection, following steps taken by the Govt. —

(a) Companies Act 1956
(b) Capital Issues (Control) Act
(c) Securities ~~Act~~ Contract (Regulation) Act 1956
(d) MRTP Act 1970
(e) FERA -1993

C. Phase III : After Nineties

Under this phase following steps take —

1. Privatisation of financial Institution
2. Re-structuring of financial Institutions ~~Institutions~~ The main elements are as under —
   (i) Developing financial Institutions
   (ii) Non Banking financial companies
   (iii) Mutual funds
   (iv) Capital Market
   (v) Money Market

D. IFS at Present — The growth of IFS has been accompanied by significant diversification and innovations in respect of financial institutions, instruments and services.