

# Topper's Notes

## JAIIB Exam

**Indian Financial System**

Handwritten  
Notes



**Based on JAIIB 2023  
Syllabus and Exam Pattern**



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JAIIB 2022

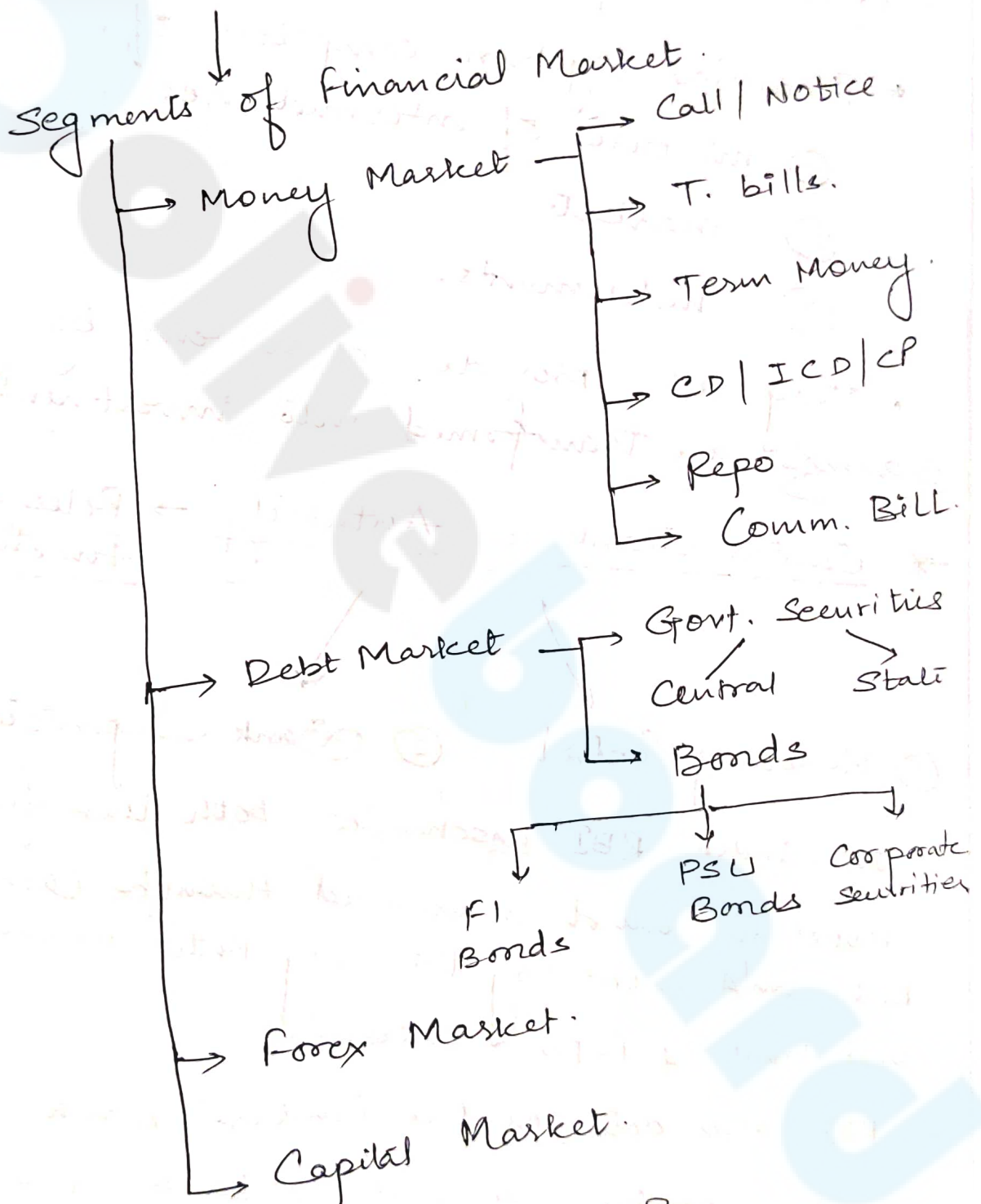
**Quick Revision**

PPB  
MODULE - 1

UNIT - 1 · INDIAN FINANCIAL SYSTEM

\* MINDMAP.

Financial Market



→ What is a financial market?

- The structure in an economy to mobilize the capital from various surplus sectors of the economy and allocate & distribute

the same to the various needy sectors. For this, transformation is aided by various types of financial assets suiting the individual needs & demands of both the 'investors' and spenders. This in turn is supported by 'financial intermediaries'.

• Financial system comprises of:

- ① mixture of intermediaries
- ② markets
- ③ instruments.

• They all provide a system by which Savings are transformed into investments.

\* Central Banking Authority → Roles & Functions

① Monetary Control

② Bank Supervision

- In India, RBI discharges both these functions
- Monetary control is exercised through Cash Reserve Ratio and Statutory Liquidity Ratio mechanism and Bank & Repo Rates.
- RBI also acts as the bankers' bank.
- RBI supervises all Indian banks, and the branches or subsidiary banks of foreign banks in India.

• Commercial Banks : include

- public sector banks
- foreign banks
- old & new private sector banks.

→ main area of activity : Acceptance of deposits from the public for the purpose of lending or investment

→ other areas of activity : fund transfers, trade related services, forex, third party financial products.

• Similarly there are other institutions like small finance banks, Payment banks, RRBs, Local Area Banks, NBFCs, PDS, FIs, Co-op banks.

→ CRR : Cash Reserve Ratio :

• Section 42(1) of RBI Act 1934, CRR is the amount of funds that all SCBs are required to maintain with RBI

→ CA : CRR (as 10.22) → 4.50%.

→ SLR : Statutory Liquidity Ratio

• Apart from CRR, every bank is required to maintain a minimum proportion of Net demand and Time liabilities as liquid assets



in the form of cash, Gold and un-encumbered approved Government securities.

### \* Equity and Debt market.

- 1) Stock exchanges. : A stock exchange is duly approved by regulators to provide sale & purchase of securities on behalf of investors.
- 2) Brokers: They perform the job of intermediating between buyers and sellers of securities.
- 3) FIIs - An investor or investment fund that is from a registered in a country outside of the one in which it is currently investing.

\* IRDAI - Insurance Sector supervisor

\* MCX - started operations in Nov, 2003.  
- operates within the regulatory framework of the Forward Contracts Regulation Act 1952.



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