

Topper's Notes

JAIIB Exam

Indian Financial System

Handwritten
Notes



Based on JAIIB 2023
Syllabus and Exam Pattern



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JAIIB 2022

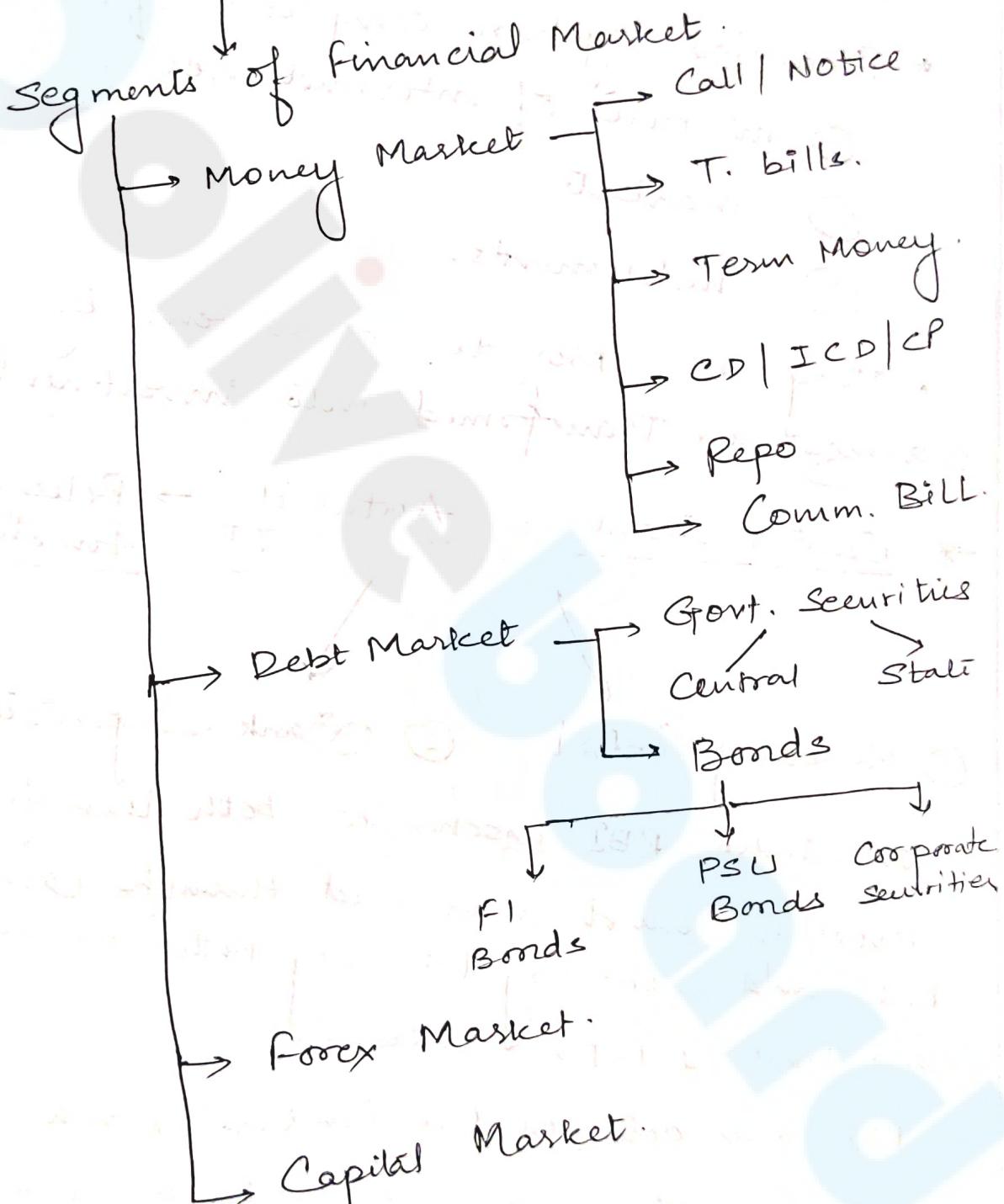
Quick Revision

MODULE - 1

UNIT - 1 - INDIAN FINANCIAL SYSTEM

* MIND MAP.

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

→ CR : 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 one 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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