

Shikshan Mandal Karad's
Mahila Mahavidhyalaya , Karad

B.Com – II

Money and Financial System

Paper – I (Sem- III)

By

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Unit 1 Introduction to Money

Evolution, Meaning and Functions of Money. Meaning and Features of Crypto currency, Digital rupee, Approaches the Measurement of money supply; RBI's Measures of money supply.

Unit 2 Financial System

Structure and Importance of Financial System, Features and structure of Money market in India, Features and structures of Capital market in India. Important reforms in Indian money and Capital market in India.

Unit 3 Introduction to Banking

Meaning and Functions of commercial banks , Types and features of Banks – Commercial, Co-operative' Public and Private, Foreign. Payments Banks, small finance banks. Process of credit creation and its limitation

Unit 4 Banking Business and Practices

Meaning, Types and features of Bank Deposites, Meaning, Types and Features of Bank Loan, Sources of funds and Income for Banks. Changing nature of Banking Business.

References

1 Bhole L.M(2009) Financial Institution and Market,Tata McGraw Hill,New Delhi

2 Bhasin Nitin(2010),Financial Institutions and Financial markets in India:Functioning and Reforms New Century Publications,New Delhi.

3 Gupta.L .C.(1997). Stock Exchange Trading in India,Society for Capital Market Research and Development.

4 Sethi Jyotsna and Bhatia Nishwan(2003)Elements of Banking and Insurance,Prentice Hall of 4 India,New Delhi.

5 Joshi Vasant C.and Joshi Vinay V (1998) Managing Indian Banks: The Challenges Ahead Response Books,New Delhi.

6 Anil Varma and Promad Rao(2007)Globalization:Indian Financial Sector Reforms,Prabhat Prakashan.

Introduction To Money

Money :- Anything which is widely accepted in payment for goods or in discharge of other kinds of business obligations is called Money

Evolution of Money:-

- ❖ Commodity Money
- ❖ Coin Money
- ❖ Paper Money
- ❖ Credit Money
- ❖ Digital Money
- ❖ Crypto Money

Functions of Money



Primary Functions

1. Medium of Exchange
- 2 Medium of Exchange
- 3 Deferred Payment

Secondary Functions

- 1 .Store of Value
- 2 .Money Transfer

Contigent Functions

1. Distribution of National Income
2. Marginal Utility
- 3 Credit Money
- 4 Equality in Income

Other Functions

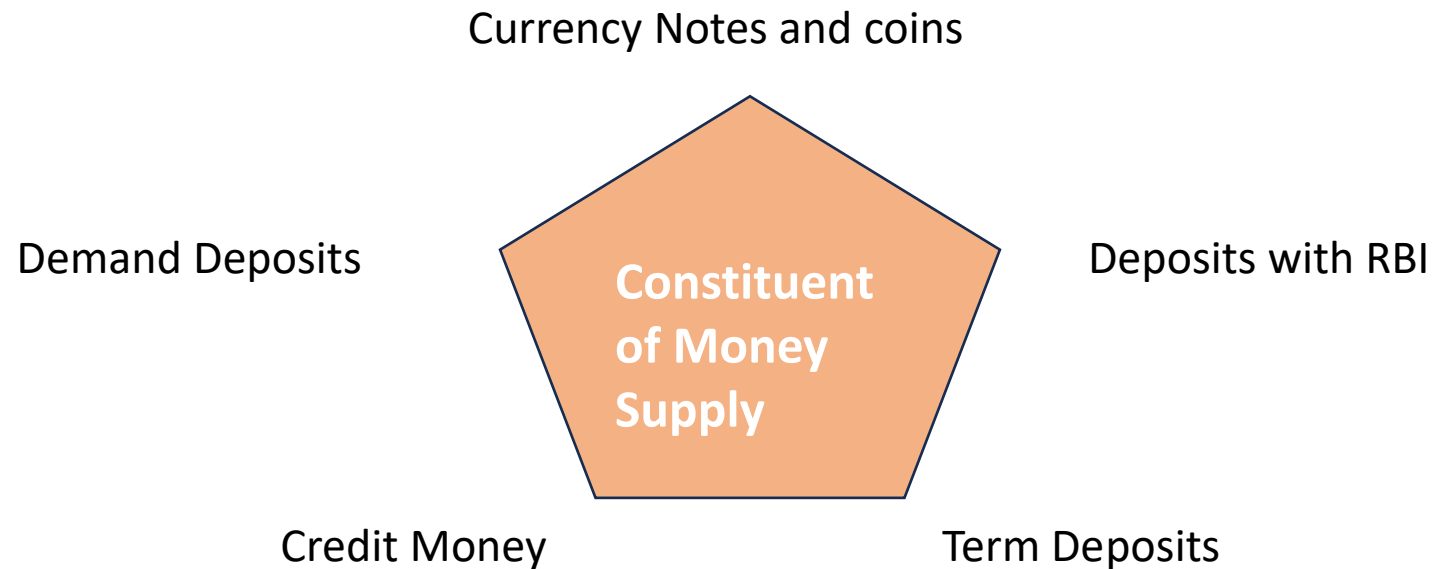
1. Consumer
2. Trading
- 3 Govt.
- 4 Living standard
- 5 Division of Labour

Money Supply

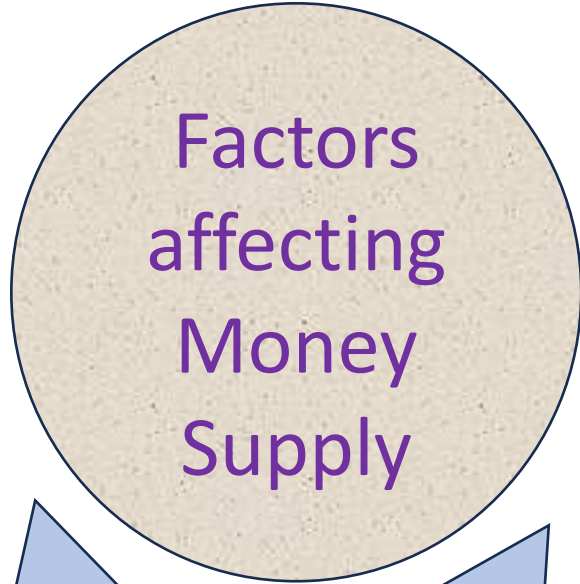
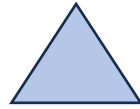
- **Narrow Approach**
- **Modern Approach**
 - **1 Milton Friedman's Approach**
 - **2 Gurley –Shaw Approach**
 - **3 Central Bank Approach**

Reserve Bank's Approach:-

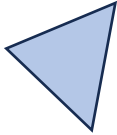
- $M1 = C + DD + OD$
- $M2 = M1 + \text{Saving Deposits in Post Office}$
- $M3 = M1 + \text{Time Deposits}$
- $M4 = M3 + \text{Time Deposits in Post Office}$
- Constituent of Money Supply



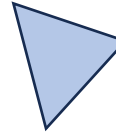
Net banking credit to the Government



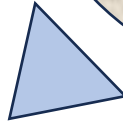
Bank Credit to the Commercial Sector



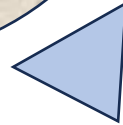
Foreign Exchange Assets With Banking Sector



Government Currency Liabilities to Public



Non-Monetary Liabilities of the Banking Sector



Functions of Commercial Banks

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graph TD; Title[Functions of Commercial Banks] --- Line[ ]; Line --- Primary[Primary Functions]; Line --- Secondary[Secondary functions]; Line --- Other[Other Important Functions]; Primary --- P1[1. Accepeting Deposits]; Primary --- P2[2. Advancing Lones]; Secondary --- S1[1. Agency Services]; Secondary --- S2[2. Utility Services]; Other --- O1[1. Invesment]; Other --- O2[2. Credit Creation]; Other --- O3[3. Promoting Cashless Economy];
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Primary Functions

1. Accepeting Deposits
2. Advancing Lones

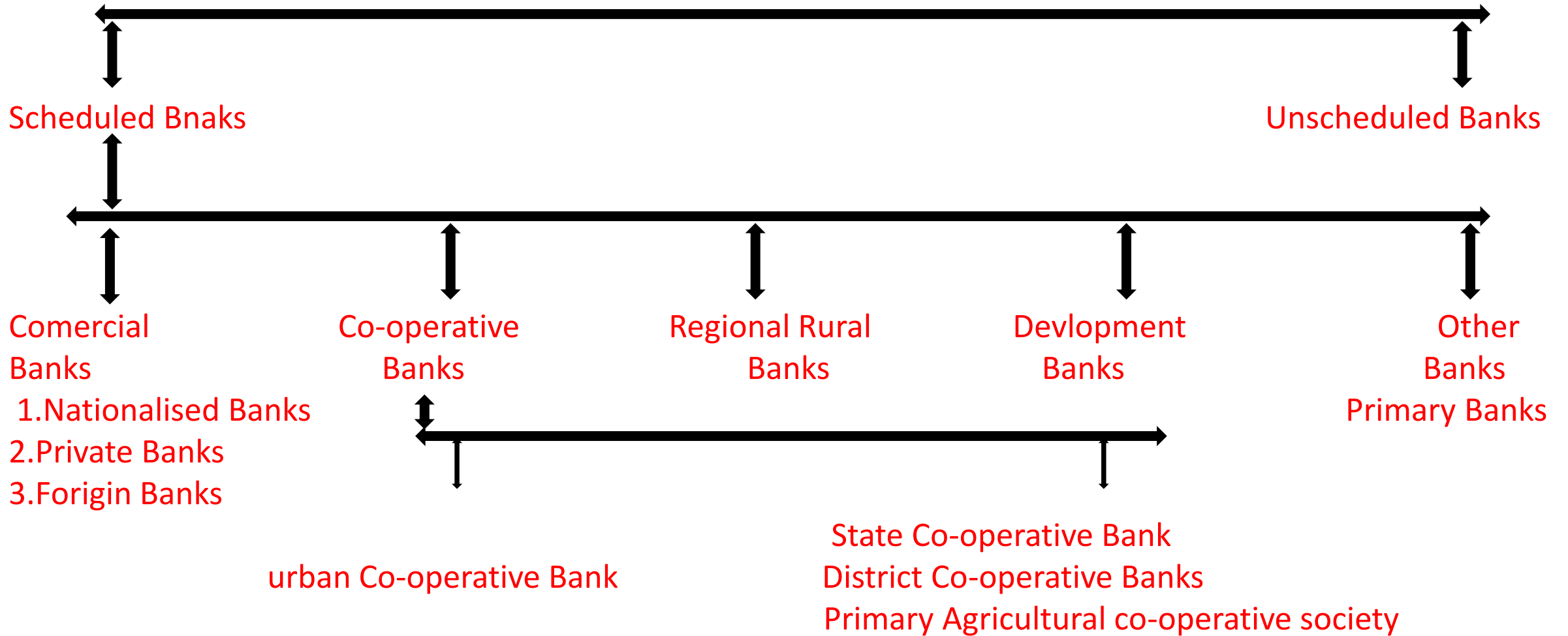
Secondary functions

1. Agency Services
2. Utility Services

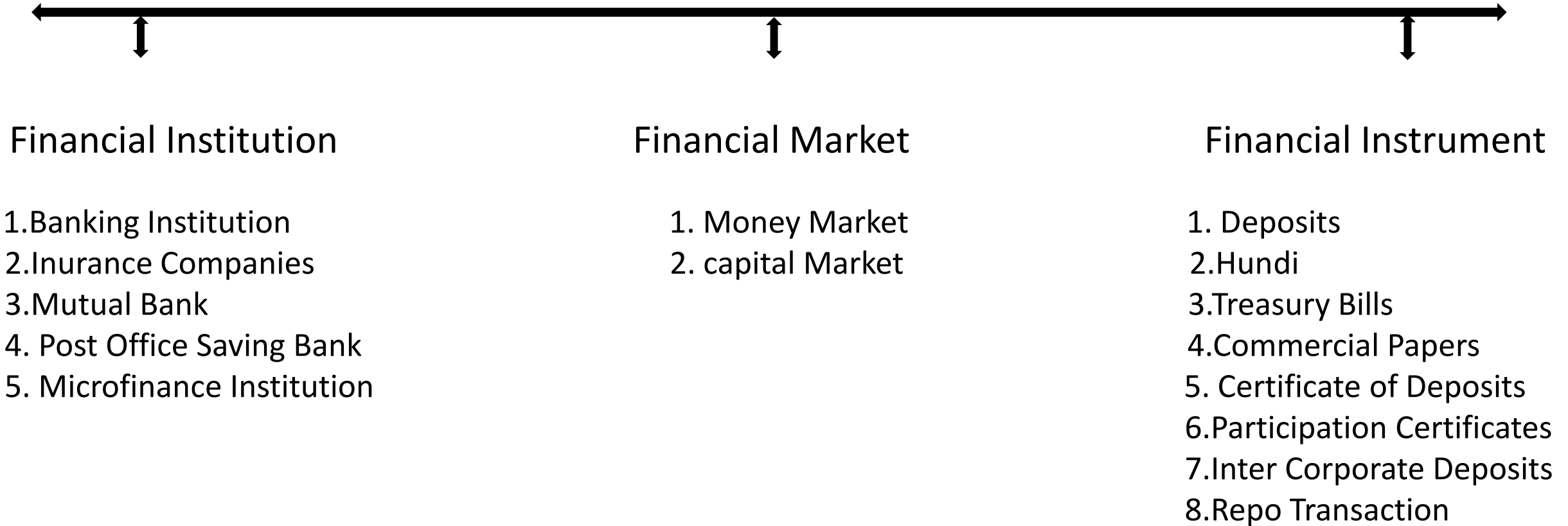
Other Important Functions

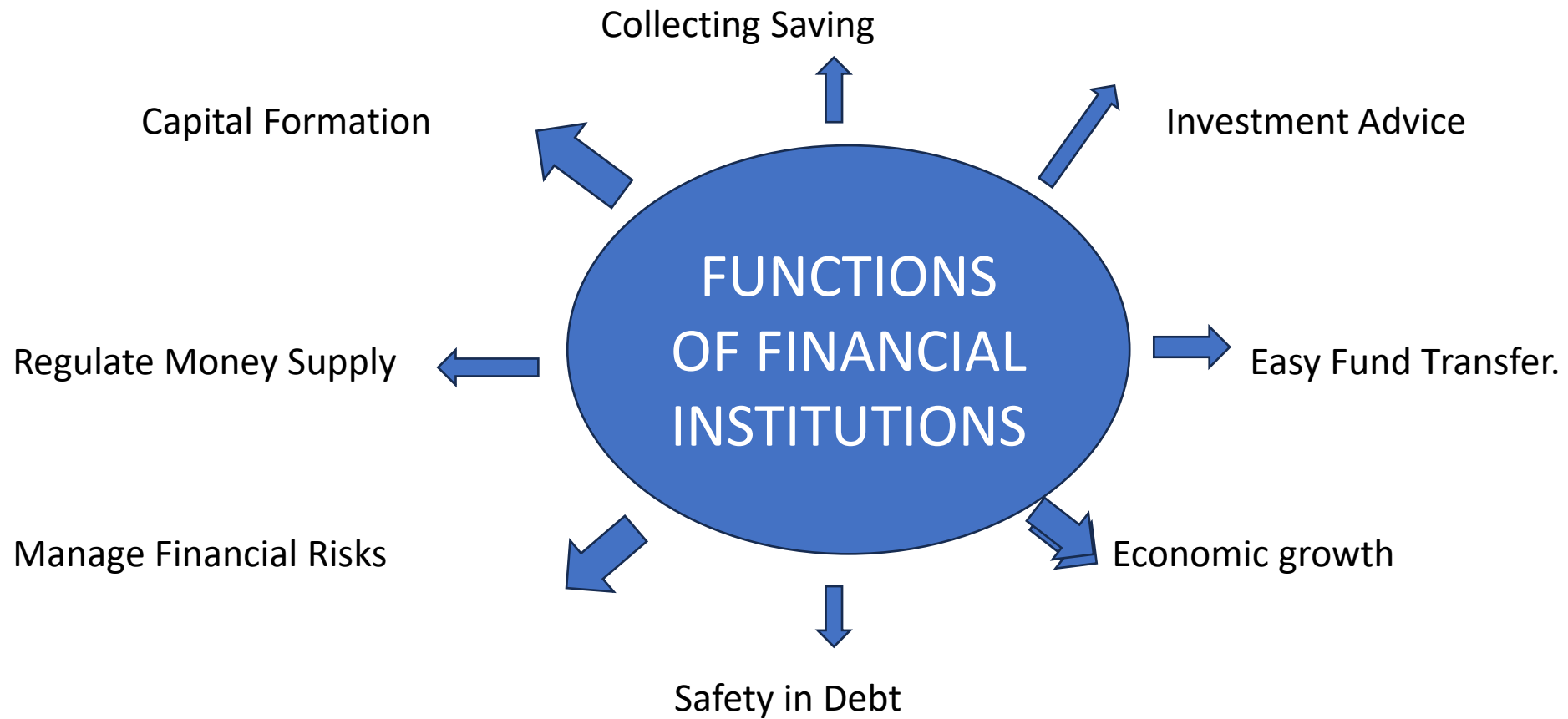
1. Invesment
2. Credit Creation
3. Promoting Cashless Economy

Reserve Bank of India



Components of Indian Financial System





Money Market

➤ Meaning of Money Market :

“The Money Market is the collective names given to the various firms and instruction that deal in the various grades of near Money ”

➤ Features of Indian Money Market :

1. Structure Of The Coin Market
2. Seasonal Nature
3. Greater Involvement
4. Lack of Banking Habit
5. Inadequate Development Of financial instruments and sub-markets
6. Variation in interest rates
7. Fluctuation in Money Demand
8. Isolation from Foreign Currency Markets
9. Increasing Use of Advanced Technology

IMPORTANCE OF
FINANCIAL
SYSTEM

Link in saving and investment

Development of capital market

To attract foreign investment

Boost to foreign trade

Fulfilment of financial needs of Govt.

Balanced growth

Development of infrastructure facilities

Employment generation and removal poverty

❑ Capital Market –

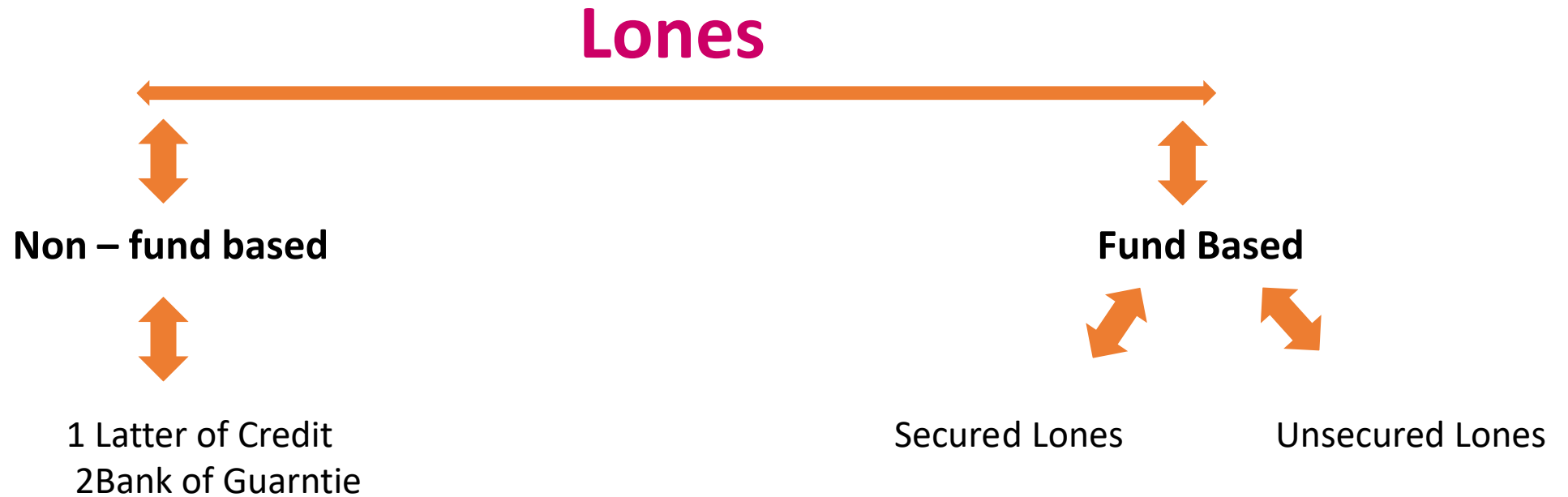
- ❑ Capital market is a broad term which includes primary markets, secondary markets, term lending institutions, banks, investors and just about anything and everybody who is engaged in providing long term capital.

❑ Features of Capital Market

- ❑ Link in Savings and Investment
- ❑ Medium and Long Term Investment
- ❑ Instrument in Capital Market
- ❑ Intermediaries in Capital Market
- ❑ Regulation of Capital Market
- ❑ Component of Capital Market
- ❑ Liquidity
- ❑ Determinant of Capital formation and Economic Development.

☐ Bank Product :

1. Deposits
2. Current Deposits
3. Saving Deposits
4. Time Deposits
5. Recuring Deposits



Sources of funds for Banks

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graph TD; A[Sources of funds for Banks] --> B[Owned Funds]; A --> C[Borrowed Funds]; B --> D[Paid-up Capital]; B --> E[Reserve and Surplus]; C --> F[Deposits]; C --> G[Loans and Advance];
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Owned Funds



Paid-up Capital



Reserve and Surplus

Borrowed Funds



Deposits



Loans and Advance

Sources of Income for Banks



Interest Income

1. Interest On Loan
2. Interest On Investment

Non- Interest Income

1. Service & Other Charges
2. Forex Operations
3. Commission

Changing Nature of Banking Business

1.Core Banking

2.E- Banking

3.Mobile Banking

4.Tele Banking

5.ATM

6.Credit Card Debit Card

7.Electronic Fund Transfer

- ✓ NEFT... National Electronic Fund Transfer
- ✓ RTGS ... Real Time Gross Settlement
- ✓ IMPs... Immediate Payment Service
- ✓ UPI ... Unified Payment Interface

THANK YOU