

**IQAC S.K. Somaiya College of Arts, Science & Commerce,
Vidyavihar**

Financial Literacy series

Hello all,

We are initiating a financial literacy drive in our college.

Under this initiative, we will acquaint ourselves with some basic terms in finance, principles & strategies in financial planning and management.

This is the second topic in this series.

2. Components of Financial system

A financial system has four components: Financial institutions, financial markets, financial instruments & financial services.

- Financial institutions are organizations in the business of finance. They intermediate between savers & investors. Financial institutions could be banking & non-banking institutions. Example: SBI, Bank of Baroda, UTI mutual fund etc
- Financial market is an arrangement for borrowing & lending. It provides a platform for the participants to carry out financial transactions. Example: money market, stock market, derivatives market, foreign exchange market etc
- Financial instruments are medium for saving & investing. They can be in the form of contracts or agreements or assets. They can also act as a medium for payment & settlement. Example: cheques, demand drafts, securities, mutual fund units, bonds, debentures.
- Financial services are facilities provided by the financial system to savers, investors and to borrowers & lenders of funds. Example: ATM, safety lockers by banks, internet banking services, other customer services.