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Indian Economy and its key Financial Institutions in Post-Independence Period

Sudarshan Roy
Assistant Professor, NSOU
E-mail: sudarshanroy1988@gmail.com
and
J. K. Das
Professor, Department of Commerce
University of Calcutta
E-mail: jadabkdas@gmail.com

Abstract
The paper outlines the background and history of Indian Economy and its financial institutions, since country's freedom, August 16, 1947.A detailed information about our economic and financial system are being covered here in the study. The key financial institutions and their role in Indian economy are being discussed in the study. It has been observed that India flourished a financial system since its formation with on-going rectification being initiated to fetch the system with the national and international standards. However, all the amelioration did not have their intended results as political unpredictability and discontinuity in the policies over time obstructed their imputations. Moreover, the study has traced the institutional structure framing the financial system. Under this circumstance, the role of Securities and Exchange Board of India has been considered be indispensable in administrating the stock exchanges and augmenting regulations to avoid insider trading which are evaluated in the paper in an articulate manner.

Keywords: Indian Economy, Financial Institutions, Five–year Plan, Gross Domestic Product, Bank, Insurance, Stock Exchange.

Introduction
The objective of India's development strategy was set up for a socialistic pattern of financial growth with self-reliance, social justice and alleviation of poverty. The study illumines the development of the financial system in India; in this regard some of the government policies are examined. In addition, with, the responsibilities of the financial institutions for the operation of the financial system are considered gradually in detail. This information will provide the knowledge of understanding about the Indian Financial System. According to IMF, India holds the position of third financial growing (by purchasing power parity) countries in the world. Besides these Mumbai, in Maharashtra, is considered the financial capital of India. And the Trade Institutions of India are as follows – WTO, SAFTA, BRICS, G-20, East Asia Summit, G-8+5, SAARC, AIIB, BIMSTEC, RCEP, IMF, World Bank, SCO, and United Nations. India's main export partners are EU, US, UAE, Hong Kong and main import partners are China, EU, Saudi Arabia and Switzerland.

Apart from the section 1 (Introduction), the study has been arranged in different sections viz. Section 2 provides some of the relevant research articles, journals, publications etc.; Section 3 outlines the objectives of this study; Section 4 describes the background information about Indian political system, legal system and geopolitical atmosphere existing within the country; Section 5 acquaintances the information about the different categories of institutions, institutions in detail; Section 6 outlines various stock exchanges operating in India; Section 7 includes market liberalization and its consequences;

The BSE Crash and its consequences are being discussed in Section 8, finally the Section 9 contains concluding remarks.

2. Literature Review

Sandberg (1978) found in his study that an efficient banking system accelerates the industrial growth which may contribute towards financial growth.

Jith and Strahan (1996) found in their study that per capita income growth has a positive relation with financial growth. Thus, with the increase of per capita income the financial growth gets accelerated.

Barno (1997) tried to find the distinction between short and long term financial growth. The study suggests that in short run the changes are happened basically due to business cycle where as in long term is sustainable growth.

Erber and Hagemann (2002) found that supplies are increased with the increase of population or an increased rate of tax and when supplies get increased the financial growth get accelerated.

Strahan (2003) revealed that an overall financial growth happened after deregulation of Banking Sector.

Saygili et al. (2005) found that human capital has a positive role in financial growth throughout the country.

Sarma and Pais (2008) found that financial inclusion has a positive impact to the human development.

Swamy (2011) found that financial inclusion curves the poverty and subsequently the financial growth gets accelerated.

Anwar (2014) found that expansion of banks has a positive role on credit disbursement which initiates financial growth.

Anand (2014) found that Indian economy performed well after 1991 but currently going through turbulent phase.

Arestis et al. (2015) suggested that the development of Banking Sector accelerates the financial growth. It has a positive impact in long run on financial growth.

Anwar (2015) found that the smooth credit facility has appositive role in financial growth of any country. It plays a positive role on the output of agriculture, industry and service sector as well.

Leemput and Wiencek (2017) found that GST system will over all raise the GDP growth along with the Indian financial welfare as a whole.

3. Objectives of the Study

The primary objective of this study is to evaluate the emerging issues Indian Economy. The proposed study also intends to evaluate various key financial institutions and their rolein the Indian Economy. The main objectives of the study are to:

- Study the financial institutions in India especially in the post-independence period.
- Evaluatethe role of various key financial institutions and their impact on Indian economy.

4. Indian Economy in Post-Independence Period

The sovereign, democratic and republic of India came into existence on 15th August, 1947 as a part of European Union. Immediate after that the India was divided into two parts; namely provincial and princely states inside the country. The role of Kashmir was an essential issue at that moment due to the conflict between India and Pakistan. As a result, Indo-Pakistani war of 1947-48 was started during the period. From the very beginning of Independence Delhi was the capital of India, later it was shifted to New Delhi.

Two years immediate before of independence, India became the member of United Nations in 1945 under the British Rule and was also involved with different International Institutions. Now India has achieved the preferable qualities to become a permanent member of the United Nations Security Council.

Being achieved independence, India was looking for a constitution. Immediate after the Constitution Assembly, proposed by a pioneer of the Indian communist movement by Mr. Roy in 1934, was formed to build up India's own constitution and was implemented under the Cabinet Mission Plan on 16 May, 1946. Sachchida Nanda Singha was the first interim president of the Assembly and Dr. B. R. Ambedkar was the chairman of the Drafting committee. The constitution was accepted in 26th November 1949 by the Constituent Assembly and finally acted on 26th January 1950.However, the planning commission, currently replaced by the present Indian Government on 1st January 2015 with a new institution named National Institution for Transforming India Aayog (NITI Aayog), was set up to formulate Five-Year Plans in 1950 for the financial development of India, but it's theoretical efforts had been started much earlier, even before the independence. Simultaneously, the First Five-Year Plan was started and implemented in 1951 with the inception of planned financial development in India by Jawaharlal Nehru, First Prime Minister of India, as the first chairman of Indian Planning Commission according to the Commission Rule.

In India, the first census was occurred during the period of British India in 1871-72 with the total population of 238,830,958. Besides this, the most populous region was Bengal Presidency with its population of 62,680,633. The 15th census of India was guided in two phases, population enumeration and house listing based on 29 states and 7union territories. At present, the total population of India is 1,210,193,422 as per 2010-2011 census including the total area of 32, 87, 263 square kilometers. Now, the most populous state is Uttar Pradesh with the population of 199,812,341 and the least populous is Sikkim with its population of 610,577.The census also exhibits that 79.80% of the populations were Hindus, 14.23% Muslims, 2.30% Christians, 1.72% Sikhs, 0.70% Buddhists, 0.37% Jains, 0.66% Other Religion and 0.24% Not Stated. The National and Official languages of India, as per Article 343 of the Indian constitutions, are now-a-days Hindi and English.

The Indian political system, occurred within the framework of its constitution, is based on a federal parliamentary, democratic and republic. According to the system, the Prime Minister of India is the head of the central government and the President is the head of the states. India goes through a system of dual polity which consists of the central government and the state government. The Prime Minister is elected by the Loksabha only whereas the President is elected by Loksabha, Rajyasabha and State Legislative Assemblies. Both the Rajyasabha and Loksabha members are elected for six years and five years respectively. There are 250 Rajyasabha seats and 543 Loksabha seats in Parliament while the State Assembly seats vary from state to state. The country is driven by the Prime Minister, State by the Chief Minister, and the union territories are by the Governor or by the Leftenant General.

India is located in the continent of Asia and covers 2,973,193 square kilometers of land including 314,070 square kilometers of water, comprising it seventh largest nation in the world united with the total area of 32, 87,263 square kilometers. India shares land borders with six countries as- China, Bangladesh, Burma, Nepal, Bhutan and Pakistan. Before independence of India both Pakistan and Bangladesh were parts of it. Under the 1947 independence act, Pakistan was separated from India and was formulated as West and East Pakistan. The old diamond shaped classical country of India expanses from the Himalyan Mountains in the north and south into the tropical arrivals of the Indian Ocean.

The territory of India consists of plains, plateaus and mountains. In the south, the country is bounded by the Ocean of India. And in its immediate south- east the Gulf of Mannar and Palk Strait differentiate India from Sri Lanka. The Indian frontiers of northern area are largely emphasized by the range of Himalayan Mountain, where the country shares the borders with Bhutan, Nepal and China. In its western part both the Thar Desert and the Punjab Plain share the border with Pakistan. The Kachin Hills and Chin Hills, deep forested mountain areas; separate India from Burma in the far most north-east regions. In the east region, India shares its border with Bangladesh largely defined by the Mizo Hills, Khasi Hills and Indo-Gangetic Plan. The fiscal year of India runs 1st April to 31st March of the following year. The Indian Rupee is the official currency of the Sovereign, Socialist, Democratic, Secular and Republic of India and it is subdivided into 100 paisa. On the basis of the Reserve Bank of India act 1934, the Bank controls currency management in India. According to CIA Factbook, based on 2015, the primary exporting countries of India are as follows – Bhutan (83.8%), Guinea-Bissau (63.5%), Nepal (61.3%), Comoros (28.7%), Gambia (27.2%) Ghana (25.2%), Benin (24.2%), Guinea (22.5%), Tanzania (21.4%), Nigeria (18.2%), Togo (14.6%) and importing countries like – Bhutan (72.3%), Nepal (61.5%), Sri Lanka (24.6%), Mauritius (18.7%). India exports near about 7500 commodities (worth us$ 264 billion) with 190 countries and imports with approximately 6000 commodities (worth us$390.7 billion). The major exported commodities are- Cable, Cotton, Yarn, Wool, Basmati Rice, Pharmaceutical, Brass, Banana, Furniture, Onion, Tobacco, Frozen Food. Besides these, the top imported commodities are – Aluminium, Plastic, Brass, Rubber, Finished Leather, Camera, Crude Oil, PVC, Resin, Fertilizer, Gear, Machine, Printing Ink. According to the Ministry of Commerce and Industry, the fifteen largest trading partners represent 59.37% of the total trade during the financial year 2015-2016 by India.

India started for national financial development through the establishment of Planning-Commission. The objective of the First Five-Year Plan (1951-1956) was to highlight domestic savings for growth and to resurrect the economy from colonial rule. The real planning came with the Second Five-Year Plan namely, Mahalanobis Plan. Here, emphasis was given on the development of the heavy industries and envisaged a dominant role in the economy for the public sector through the articulation of industrial strategy. The essential objectives of industrial policy were: building up of indigenous, encouraging small scale industry, reduction of foreign dominance, national self- reliance, a high growth rate, prevention of concentration of financial power, bringing about balanced regional development, reduction of income inequalities and control of economy by the state.

The great failure of Third Plan led to the postponement of 4th Five-Year Plan. Three Annual Plans (1966-69) were initiated. The serious food shortage and crisis in agriculture necessitated the emphasis on agriculture during the Annual Plans. A new exquisite agricultural strategy was implemented for the plans. It involves extensive use of fertilizers, wide-spread distribution of high- yielding varieties of seeds, and exploitation of irrigation potential.

The final preparation of the Fifth Plan (1974-79) was launched by D. P. Dhar on the background of financial crisis which was arising out of run-away inflation fuelled by hike in oil prices and failure of the Government. It offered to recover two main reasons: 'attainment of self-reliance' and 'removal of poverty' or 'Garibi Hatao'. As key instruments like better distribution of income, promotion of high rate growth and significant growth in the domestic rate of savings were seen throughout the period. The target growth of the plan was 4.4% while actually achieved by 4.8%, covered with the GDP of 74,930 and 1.16% real growth. The Plan was successful due to its attainment of target.

The sixth Plan (1980-85) illuminated on increase in national income, modernization of technology and ensuring continuous decrease in poverty and unemployment through various schemes as TRYSEM, IRDP and providing slack season employment (NREP), controlling population explosion etc. The initial GDP of the plan was 798,506 with a real growth of 7.17%. Its actual growth covered 5.7% wherever the target growth was 5.2%. On the Whole, the sixth plan could be taken as complete success as most of the target was achieved even though during the last year (1984-1985) many parts of the country encountered severe famine conditions and agricultural output was less rather than the last year.

The most successful seventh plan (1985-90) focused on accelerating food grain production, huge employment opportunities and raising productivity aimed at 'food, work& productivity'. Its target growth was 5.0% whereas achieved 6.0% of the plan. The real growth rate was 4.16% with the GDP of 262,717. No doubt, the plan was extremely helpful for the country.

The eighth Plan (1992-97) was primarily postponed only for two years because of uncertain political situations at the centre. It undertook rigid policy measures to fight the worse financial condition and to undertake an annual average growth through introduction of financial and fiscal reforms with liberalization under the Prime Minister Ship of P V Narasimha Rao. But the Plan successfully achieved with the actual growth of 6.8%. Its real growth was 5.36% with the GDP of 703,723. Above all, following the previous FYP, this Plan may be called as one of the most successful plan.

The ninth (1997-2002) plan was prepared under the United Front Government having based on 'Growth with Social Justice & Equality'. The plan concentrated to depend predominantly private sector – Indian as well as foreign (FDI) and state was visualized to increasingly involve itself with social sector, education, health etc. and infrastructure where private sector participation was likely to be limited. It assigned priority at the top to rural development and agriculture with a view to generate sufficient productive employment and remove poverty. Its actual growth was 5.4% whereas the target was 6.4% with a real GDP of 1,447,613 including 4.30% real growth. Simultaneously, the Tenth Plan (2002-2007) followed as same as Ninth Plan. Its target growth was 8% while the actual growth was 7.6% with a real growth of 3.88% including 2,343,864 GDP.

The eleventh plan was aimed stared at "Towards Faster and More Inclusive Growth" after UPA had returned back to power on the plank of helping common man. The great vision for 11th Plan engaged several interrelated essential components like rapid growth decreasing poverty and generating employment opportunities, access to good services in education and health, especially for the poor, expansion if employment opportunities using National Rural Employment Guarantee Programme, sustainability of environment, reduction of gender inequality etc. Accordingly miscellaneous targets were laid down like headcount ratio of poverty (by 10%) and reduction in unemployment(to less than 5% among educated youth) ,total fertility, infant mortality, reduction in dropout rates , gender gap in literacy, malnutrition in age group of 0-3 (to half its present level),development in sex ratio, tree and forest cover, quality of air in major cities, ensuring electricity connection to all villages and BPL households(in 2009) and reliable power at the end of the Eleventh Plan. Its actual growth was 8% while the target was 9% with the real growth of 9.32% including 4,582,086 GDP. This plan was also moderately successful.

A structural change has occurred afterwards on the Planning commission of India. On 1st January 2015, the Government of India replaced the 64-year-old

Planning Commission (Yojana Aayog) with a new institution named National Institution for Transforming India Aayog (NITI Aayog). The Institution has a different inventive structure to enable states to participate in policy making which would enrich India become a challenging power of economy. The aim of the NITI Aayog is “to provide a critical directional and strategic participation into the development process “. It will take the roll of a “think tank” and advise the Centre as well as States on different policy matters.

The discussion about the Structure of NITI Aayog is concisely explained as follows. Here the chairman will be the Prime Minister of India. Arvind Panagariya, an eminent economist, is the first vice chairman of the Institution. There are four full time members of the Aayog as- Bibek Debroy, V. K. Saraswat and Prof. Ramesh Chand and Dr. V. K. Paul. Also, the Institution has four ex-officio members as- Union Ministers Rajnath Singh, Arun Jaitley, Suresh Prabhu and Radha Mohan Singh including special invitees as- Union Ministers Smriti Irani, Thawar Chand Gehlot and Nitin Gadkari. It will also have a Governing Council, replaces the earlier National Development Council, comprising Chief Ministers of each of the states and Heads of all the Union territories.

There is a basic difference between the NITI Aayog and the Planning Commission. The NITI Aayog has been made for open, frank and ongoing involvement with the partnership of every Indian State. As a result, now the state governments can play a direct and active role in achieving national objectives according to their unique needs. So, the states need not totally be dictated to by the Centre. The Ministries of Government of India had come up in Central with miscellaneous schemes time to time. These schemes were either central-state specific or joint collaboration between the Centre and the States.

5. Establishment of Key Financial Institutions

Till 2018 when we are celebrating our 72nd Independence Day Indian economy has been enjoying with its 24 major financial institutions in the country. A table at the end of the paper in which the name of financial institutions and their year of set up has been given.

India was predominantly an agricultural based country at the time of independence but later it became oriented towards industries and services based on diverse number of areas. The aim of India’s development skill was to set up a socialistic pattern of society through social justice, financial growth with self-reliance and alleviation of poverty. These objectives were to be reached within a political democratic framework utilizing the mechanism of a mixed economy where both private and public sector co-exist. The financial institutions were played an important role in Indian economy with its emerging periods. Decade wise set up of the financial institutions are shown in the following bar diagram.

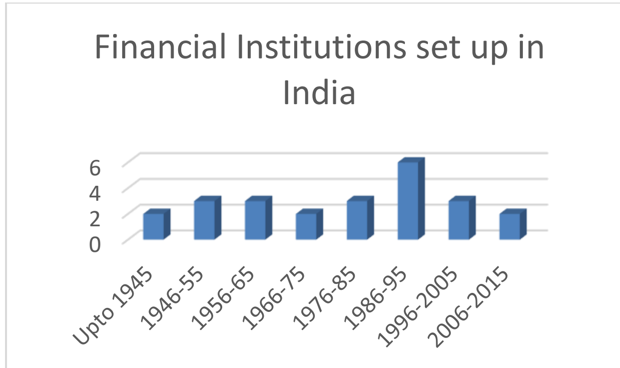

Diagram 1: Financial Institutions in India

From the above diagram it is found that there were only two financial institutions in India at the time if independence and now it has been increased to 24 in 2018. When we see decade wise it is also being noticed that in the 5th decade (1986-95), the largest numbers of financial institutions were added in the Indian economy. The key financial institutions are being discussed below:

5.1 The State Bank of India

The SBI (State Bank of India) contributes different kinds of banking products throughout its network of branches in India and overseas, including products focused at Non-Resident Indians. The Bank has 57 Zonal Offices and 14 Regional Hubs that are situated at important cities all over India with the establishment of 18,354 branches. It had 191 overseas offices expanded over 36 countries among Indian Banks having the largest presence in foreign markets. SBI has branches in New York, Sydney, Tokyo, Muscat, Osaka, Dubai, Frankfurt, Hong Kong, London, Loss Angeles, Tehran, Johannesburg, Dhaka, Colombo, Moscow and Singapore. The offshore banking units of the Bank are placed Bahamas and Baharin, representative offices in Myanmar, Bhutan and Cape Town.

SBI, apart from its associate banks, also has the following non-banking subsidiaries like- SBI Factors and Commercial Services Pvt. Ltd., SBI DFHI Ltd., SBI Cards and Payments Services Pvt. Ltd., SBI General Insurance, SBI Life Insurance Company Ltd., SBI

Capital Markets Ltd. and SBI Funds Management Pvt. Ltd. Till 31st March 2016, SBI has 49,577 ATMs and SBI Group has 58,541 ATMs including associate banks. The Government of India, as on 31st March 2017, held around 61.23% equity shares in SBI while the rests are FIIS/GDRS/OCBs/NRIs(11.17%), Banks and Insurance Companies (10.00%), Mutual Funds and UTI(8.29%), Others (9.31%). As on 31st March 2017, SBI is one of the largest employers in the country with 209,567 employees. The major competitors, other public and private sector bank, for SBI in the banking sector are – Canara Bank, Bank of India, Bank of Baroda, and Union Bank of India, Punjab National Bank, HDFC Bank, Axis Bank, ICICI Bank and Indusind Bank. However, the State Bank of India is the largest player in the market in terms of average and market share.

5.2 Life Insurance Corporation of India

The Insurance industry in India has an important role in economy. It accumulates the small savings may be on annual, month even day basis from every lair of the society and in return it gives assurances their lives or commodities. It also plays an important role in lending money to an individual. There are around 57 players are doing business in this sector; 24 are in life insurance and 33 are in general insurance sector. Out of which Life Insurance Corporation of India plays an important role in insurance sector with its 74% market shares in terms of premium collection (August, 2017) in India. The insurance industry in India registered around 10.99% growth in its premium collection in every year. Life insurance sector as a whole in India touches 1.94 trillion of revenue in 2017-18.

5.3 The Securities and Exchange Board of India

The Securities and Exchange Board of India (SEBI) was set up on 12th April, 1992 according to the provisions of the Securities and Exchange board of India act, 1992. The preamble suggests as "…to protect the interests of investors in securities and to promote the development of, and to regulate the securities market and for matters connected therewith or incidental thereto".

The Securities and Exchange Board of India is the regulating authority for the securities market in India. It was established in the year 1988 and was also provided the statutory powers on 30th January 1992 throughout the SEBI Act, 1992 being passed by the Indian Parliament. SEBI has its four Regional Offices like Northern, Eastern, Southern and Western area in New Delhi, Chennai, Kolkata and Ahmedabad respectively including the headquarters at Bandra Kurla Complex in Mumbai. It has introduced local offices at Bangalore, Jaipur and also has the program to open different branch offices at Bhubaneswar, Chandigarh, Guwahati, Patna and Kochi during the financial year 2013-2014.

Controller of capital issues, before SEBI came into existence, was the regulatory authority as per the Capital Issues (Control) Act, 1947. Initially the Securities and Exchange Board of India did not have any statutory power as it was a non-statutory body. However, the SEBI was provided additional statutory power by the Indian Government in 1995 by an amendment to the Securities and Exchange Board of India Act, 1992. It was formed as the regulator of Indian capital markets under the consideration of Indian Government. The management of the SEBI, managed by its members, consists of as the following- the chairman (nominated by the Union Government of India), two members (Officers from the Union Finance Ministry), one member (from the Reserve Bank of India) and the five members (nominated by the union government of India and out of them at least three shall be whole time members).

The Securities and Exchange Board of India must be responsive towards the essential demands of three groups (the issuers of securities, the investors and the market intermediaries), which would help to constitute the market. It takes three basic functions having rolled into one body with the names of quasi-executive, quasi-legislative and quasi-judicial. It works as a regulatory in its legislative capacity, guides in its investigation, enforces action in its executive function and passes ruling orders in its judicial capacity. There is a proposal to create accountability inspire of making it too strong. According to the international standards, SEBI has taken an important role in streamlining the needed disclosure. It has been provided with the following powers to discharge of its role proficiently and also has enjoyed achievement as a regulator by creating systematic changes advantageously, aggressively and successfully. SEBI is contributed for rapid movement towards preparing paperless and electronic markets. SEBI has been active to establish the regulations according to the laws and on May 30, 2012 it contributed the exit-guidelines for stock exchanges. In such a way the stock market regulator, Securities and Exchange Board of India, had provided the well-known stock exchanges two years to exit or comply the business.

5.4 Other Financial Institutions

Though State Bank of India, Life Insurance Corporation of India and Securities and Exchange

Board of India are the measure players we have Reserve Bank of India which is known as the Indian Central Bank plays important role in banking industry. We have Industrial Finance Corporation of India (1948), Industrial Credit and Investment Corporation India Ltd. (1955), Export Credit Guarantee Corporation of India (1957), Industrial Development Bank of India (1964), General Insurance Corporation of India (1972), Regional Rural Bank (1975), Housing development and finance Corporation Ltd (1977), EXIM Bank (1982), National Housing Bank (1988), Small Industries Development Bank of India (1990), Bharatiya Reserve Bank Note Mudran Private Limited (1995), Rural Infrastructure and Development Fund (1995), Infrastructure Development Finance Company (1997), Unit Trust of India (2003), Indian Infrastructure Finance Company (2006), National Payments Corporation of India (2008) etc. who are very much important to Indian economy.

6. Stock Exchanges

The Capital Market of India was not well-developed even prior to the independence. The country, during the British Rule, kept away from most of the basic fundamental qualities of an underdeveloped financial purpose in a particular way. It was an arrested financial development at the time of British Imperialism. The economy of India had lost its growth and was rapidly trying to settle down into a semi-static equilateral condition. Before the British Rule, two main features were more note-worthy in that period in India, namely, a attractive expenditure by the rich class and enormous difference of income inequality. The inclinations of the surplus wastage of the country by the rich people in the conspicuous consumption form of silver and gold items in lieu of investment to create larger surplus for the development of economy, continued even after the arrival of British in India.

The all-round financial-growth and development of India were not quietly appropriate, initiated by the British. Its aim was to make Indian economy complementary to the economy of Britain and also under the observance of political control. In short, due to the poor financial development of India, its political sub-ordinance was attributed to Great Britain. At the onset, the country was assumed as a genre of financial complement to Britain. Accordingly, the aspiration of the British policy was never a basic objective to make India strong and financially rounded. As a result, a lot of people were encountered by the appalling poverty. The savings rate of economy was undoubtedly low and the advantages gained in trade, industry and communication was hardly enough to reach the pressure of the population.

The capital market of India had been suffering from some particular problems during the pre-independence period. The capital market of unorganized sector, indigenous banking as totally different in views or systems from the Western Countries, was set up in the form of a family or individual business. The indigenous bankers were specially called the Seths, Chettis, Shroffs, Mahajans, Sahukars and so on. In spite of the prominent role played by the indigenous bankers, in the financial life of India, they had still remained in their previous position instead of organized banking. When the Reserve Bank of India, initiated different strategies in 1935 to unite the indigenous bankers under its control and also activated a scheme for these bankers to link them directly, then RBI advised them to give up their old commission based and trading business by switching over to the western accounting system to improve the banking activities having audited their accounts by certified accountants through submitting periodical statements of their relations to RBI. The Reserve bank of India took its attempt to cease the Hundi system in replacement of a negotiable process introducing an authentic business transaction. Apart from these obligations, RBI assured to contribute them with all the privileges like borrow or rediscount bills of exchange having enjoyed by the scheduled banks.

But the indigenous bankers were disagreed to accept the restriction and secured provision on favourable terms from RBI by declining their age-old traditions with compensating benefits and also unwilling to provide enormous publicity to their accounts, state of affairs etc. They did not accept the provisions proposed by RBI as it were not sufficient to fulfil the loss of their non-banking business. As a result, the scheme was completely failure to RBI on behalf of indigenous bankers. In spite of all these crucial defects, they also possessed a very significant role in the capital market of the country aiming to attain at least 90% of the basic financial needs of the farmers, trade and industry.

However, the succession of independence marked a strong trade environment towards a cumulative growth of the capital market. Having achieved the political freedom, the government had taken over the responsibility to shape those adequate ideals of our economy which were enacted in our constitution as the way of the Directive Principles of State Policy. After the framing of Indian constitution, the government particularised its basic economy and social targets which were later summed up as "socialist pattern of society". In 1954, during the Avadhi Session of Congress, the resolution was adopted to build the society on the basis of socialistic pattern. These objectives had a crucial impact on the institution of the capital market. The government had promised to reorganize the capital market of India on the basis of financial development throughout the post-independence days. The existing financial institutions had the only power to observe the financial requirements of the basic and heavy industries. Afterwards, the priority was shifted from private partnership to public control. The first one, among all the institutions, was the nationalization of Reserve Bank of India in 1948 immediate after the independence. Later the State Bank of India, followed by above mentioned rule, was set up in 1956 having taken over the Imperial Bank of India. Simultaneously, the government initiated a rigid action in the same year by merging at least 245 life insurance companies into a monolithic form as Life Insurance Corporation of India. After an era, the year 1969 was too much important in the history of Indian capital market due to the nationalization of 14 major commercial banks. On 1st July 1964, the Unit Trust of India was set up for mobilizing the small savings for the investment in provident fund, industrial securities, life insurance and corporate securities to strengthen the base of capital market.

Apart from these, there was a real challenge in the field of stock exchanges to serve the increasing number of investors effectively and hastily. There should be created a better improvement and infrastructural facilities for the investors. But it is absolutely quintessential for the investors to have ambidextrous communication system to reach their markets. Although, some conspicuous development was made according to the direction, yet the Indian capital market could reach in its favour in contrast with other developed countries. So the concentrated efforts and drastic actions were necessarily needed for a strong foundation in the superstructure of capital market on behalf of the entrepreneurs, investors and the government.

6.1 The Bombay Stock Exchange

The Bombay Stock Exchange is the stock exchange of India situated at Dalal Street, Mumbai, and Maharashtra, India. It was set up on 9th July, 1875 demanding the Asia's first and World's fastest stock exchange with a median trade motion of 6 microseconds. As of March, 2017 the BSE possesses the position of 11th largest stock exchange all over the world including the overall growth and market capitalization of $1.83 Trillion. There are publicly listed more than 5500 companies in the Stock Exchange of Bombay. The famous Premchand Roychand was the founder of Bombay Stock Exchange in India. During the 19th century period of Bombay, he was one of the effective businessmen in the country by stock broking business and also came to be known as the Cotton King, the Bullion King or just the Big Bull. He also founded an institution, namely, the Native Share and Stock Brokers Association. But the BSE is one of the oldest exchange systems inside the Asian-Country since its birth. Its memorable history commemorates back to the incident of 1855 when 22 stockbrokers were united under banyan trees in front of the Town Hall of Mumbai. The place of these meetings encouraged them in so many times to unite an increasing number of brokers for the business purpose. In 1874, the business group incidentally moved themselves from the banyan tree to Dalal Street and became an official institution in1875 naming as "The Native Share and Stock Brokers Association". The Bombay Stock Exchange, on 31st August 1957 under the Securities Contracts Regulation Act, became the first stock exchange system to be introduced by the Government of India. Then the exchange system moved in 1980 from the previous location to the Phiroze Jeejeebhoy Towers at Dalal Street in Fort Area. It initiated the BSE SENSEX index in 1986 to measure the overall performance of the exchange. The BSE utilized this index to open its overall decisive market by trading SENSEX for future contracts. The improvement of SENSEX in 2001 and 2002 scattered out the trading platform of BSE.

Historically the Bombay Stock Exchange, an open outcry floor trading stock exchange, transferred to an electronic trading system in 1995 supported by CMC Ltd and took only 50 days to make this transition for the exchange. This automatic screen-based trading platform is called the "BSE online trading" having the capacity of 8 million orders per day. The Bombay Stock Exchange of India has also started a centralized exchange-base trading system to capable investors all over the World to trade on the BSE platform naming as "bsewebx.co.in". On September, 2012 the BSE became an exchange partner of "United Nations Sustainable Stock Exchange Initiative". The BSE is in many ways a symbol of India's aspiration as well as potential to be a leading power of economy in the World.

The number of companies, over the years, listed on Bombay Stock Exchange has carried on registering a natural increase. The prompt growth of the market postulated aggregation of a new series of board based index and delivered a great representation of the enlarged equity stocks, new Group of Industries and the capitalization of market. On 27th May 1994, the Bombay Stock Exchange opened up as BSE200 and Dollex200 respectively. The companies, under BSE200, have been fixed on the basis of their market capitalization, turnover volumes and other essential basic factors. The significant financial year, during the period 1989-90, has been determined as the base of BSE500 index. This BSE500 index, comprising 500 scrips, is playing an important role since 1999 and now a day it manifests more than 90% capitalization of the total marker on Bombay Stock Exchange Limited. On 4th June 2001, the BSE PSU Index hastily and seriously. This Index has taken over major Public Sector Undertakings listed in the exchange system at that moment and simultaneously, tracks the performance of listed PSU stocks. The companies listed under Bombay Stock Exchange is growing promptly and sumptuously. Statistically, the companies listed to the end of March 1994 relatively arrived at 3200 compared to 992 in 1980.

The Bombay Stock Exchange Ltd. contains and manages the BSE exchange platform, formerly the Bombay Stock Exchange, which was formed as the first stock exchange in Asia. The company is associated in excessive monitoring of its members, enlisted companies and market activities in order to decrease the risk of default, generate market availability and equanimity. Incidentally, it along with the other Indian Stock exchanges provide the rising of the Indian capital markets and encourage metamorphosis and contest across distinguished market portions. The BSE has excessively increased electronic systems like entry, clearing, trading, depository services and settlement. It continuously tries to seek the development in its core areas as IT capabilities, consistency and the reliability which would help it to manage its place of competitiveness. However, to carry on the developing of its product and service proposal, the company has entered into a lot of dexterous partnerships and joint ventures.

6.2 The National Stock Exchange

The National Stock Exchange of India Limited, located in Mumbai, is recognized as India's leading stock exchange. It was set up in 1992 with the inception of the first demutualized electronic exchange system in the country. NSE was the first automated screen-based electronic exchange trading system in the country to provide a modern and easy trading facility to the investors expanded across the length and breadth of the country. As of March 2016, NSE is the world's 12th largest stock exchange including a total market capitalization of more than US$1.41 trillion. The flagship index of NSE, the NIFTY 50, is enormously used by the investors in India and around the world as an excellent barometer of Indian capital market. Whatsoever, only 4% of the Indian economy / GDP is eventually originated from the stock exchanges in India.

The National Stock Exchange of India was established with a group of leading Indian financial institutions at the order of the Indian government to continue transparency to the capital market of India. According to the recommendations of the government committee, the NSE was set up with a miscellaneous shareholding embodying domestic and global investors like State Bank of India, IFCI Limited, IDFC Limited, Life Insurance corporation of India, stock holding corporation of India Limited, Gagil FDI Limited, GS Strategic Investments Limited, SAIF II SE Investments Mauritius Limited, PI Opportunities fund and Aranda Investments PTE Limited. NSE also proposed for settlement, trading and clearing in debt, equity derivatives, currency derivative segments and equity. It has 3000 leased lines and 2500 VSATs expanded over more than 2000 cities across India.

The exchange started its work in 1992 as a tax paying company including the consideration of stock exchange in 1993 according to the Securities Contracts Act 1956 under the Prime Ministership of P V Narasimha Rao and Finance Ministership of Manmohan Singh respectively. On June 1994, the NSE began operations in the Wholesale Debt Markert Segment and in November it also started operations in the capital market segment, whenever the derivatives segment operations were started in June 2000.

The National Stock Exchange of India was mainly established to fetch placidity in the market. It assured to trade for the qualified, experienced and minimum financial required person instead of being engaged to a trading membership group of brokers. In this respect, the NSE was in front of its items while the ownership and management in the exchange were differentiated under the observation of SEBI. The NSE also established a well-developed and robust risk management system to protect the settlement guarantees of investors against broker defaults. The National Securities Exchange developed itself by creating the National Securities Depository Limited having allowed the investors to hold and transfer their shares, bonds securely and electronically including as few as one share or bond. But this not only made the existing financial instruments congenial, it also deleted the demand for paper certificates and enormously decreased the events of fake certificates and fraudulent transactions which had persecuted the Indian Stock Market. The security of the NSDL, collaborated with the liquidity productivity and lower transaction prices offered by NSE, substantially enlarges the attractiveness of the Indian Stock Market to Domestic as well as International.

6.3 The Calcutta Stock Exchange

The Calcutta Stock Exchange is placed at Lyons Range, Kolkata, India. It is regarded as the oldest stock exchange in South-Asia. The bourse activities of Kolkata were incorporated in 1830 under a neem tree. The loan securities of the British East India Company were the earliest record of dealings India. The CSE was collaborated and built with150 members in the year 1908. In 1928 the present building of the CSE was constructed at the Lyons Range. On 14th April 1980, the Calcutta Stock Exchange, under the relevant provisions of the Securities Contracts Act 1956, was contributed permanent recognition by the Indian government. The Stock Exchange of Calcutta observed the well-known outcry system until 1997 for stock trading including the replacement of an electronic system known as CSE Screen Based trading and reporting(C-STAR).

7. Market Liberalisation

The Indian financial liberalisation introduced in 1991 with an aim of making the economy more market-oriented and dispersing the role of private and foreign investment, refers the financial development policies of the country. Some particular changes occurred a reduction in import tariffs, reduction of taxes, greater foreign investment and deregulation of markets. During the year 1990s and 2000s, liberalisation has been accredited by its exponents for the high financial development recorded by the country. Its oppositions have accused on it for increased inequality, poverty and financial degradation inside the country. The overall suggestion of liberalisation has been remain unchanged since the beginning without consideration of the ruling party whereas no political party has solved a variety of difficult issues such as reducing agricultural subsidies and liberalising labour laws. There is an existence of vigorous controversy in India as to what made the financial ameliorates support. The financial policy of India was influenced by the colonial experience after the independence and those leaders' attempt of reveal to Fabians Socialism. The FYP of India agreed with the central planning of Soviet Union. In the midst of the 1950s water, steel, mining, telecommunications, machine tools, insurance and electrical plants were effectively nationalized among other industries. Between the years 1947-1990, elaborate licences, regulations and the accompanying red tape, usually mentioned as Licence Raj were need to set up business in India.

Also, the Government affiliations have suggested carrying on liberalisation. It develops at slower pace rather than China which has been liberalising its economy since 1978.The Mckinsey Quarterly tells to remove main hindrance "would free India's economy to grow as fast as china's, at 10% a year". However, there has been an adequate controversy about liberalisation as a comprehensive financial growth strategy. The income Inequality has been propounded in India with expenditure among the poorest staying stable whereas the richest create expenditure growth. The Gross Domestic Product rate of India became lowest in the year 2012-13 over a decade. But in the financial year 2013-14, the growth recoiled 6.9% and then 2014-15 it increased to 7.3% as the outcome of the rectifications kept by the New-Government that organise the economy to be healthy again and the current account deficit coming under control. The growth succeeds in achieving 7.5% in January-March quarter of 2015 before decreasing to 7.0% in April-June quarter.

According to the BBC, "Indian currency, the rupee, was inconvertible and high tariffs and import licensing prevented foreign goods reaching the market. India also operated a system of central planning for the economy, in which firms required licenses to invest and develop. The labyrinthine bureaucracy often led to absurd restrictions-up to 80 agencies had to be satisfied before a firm could granted a license to produce and the state would decide what was produced, how much at what price and what sources of capital were used. The government also prevented firms from lying off workers or closing factories. The central pillar of the policy was import substitution, the belief that India needed to rely on internal markets for development, not international trade - a belief generated by a mixture of socialism and experience of colonial exploitation. Planning and the state, rather than markets, would determine how much investment was needed in which sectors.

8. The BSE Crash and its Consequences

The rise and fall of Sensex has been bewildering. The Bombay Stock Exchange Sensex was crashed by 1071 points to close at 8701 points. It had been an inconceivable year for the markets having computed from the 21000 peak to fall of 8000 in January 2008.Not only the BSE was smashed but also the global market across the world was also crunched. Institutions alike the Japan's Nikkei was dropped 9.6% to 7649, the Hang Seng was submerged from 6% to 12939 and Seoul Composite Index was plunged from 10.5% to 939. The least impact stocks were Tata Motors, DLF, Reliance Industries, Ranbaxy Laboratories Hindalco Industries and Mahindra & Mahindra. The Stock market submerged on Thursday about the sustained capital outflows like the worse company results, unsteady global markets and the International Monetary Fund's alertness by revealing the financial growth for the next generations would be zero. The Sensex of BSE knocked to the ground by 398.20 points or 3.92% to 9771.70 points.

It is very much clear that the BSE of India, listed in it, has the maximum number of stocks comparing to any other exchanges over the world. The BSE Sensex Index is the most popular index than any other index in the county. It comprises with 30 stocks including 12 major sectors. The BSE contributes a strong platform to trade in equity, derivative and debt instruments. Essentially, it has become the greater part of Indian capital market and also provides the live prices of BSE stocks from morning 9 am to 3.30 pm. The BSE India has reached at the high level through the media like television, computer and internet. So, the human being finds the trading system of BSE India more easily and hastily by the help of this media. Hence, the investors can track the current price of the market and make strategies accordingly through the BSE Live Tracking. Simultaneously, a trader can also make investment strategies, operating system and future aspects through the BSE India.

The Bombay Stock Exchange works as a market investigator as well and reconstructs its composition and reflection of the current market conditions. This index is premeditated depending on a free float capitalization method which is different kinds of variation among all the market capitalization method. It always uses available ready and available shares for trading instead of company's outstanding shares. Therefore, the free-float method does not embrace restricted stocks being grasped by the government, promoters and the strategic investors. At the onset, the index was preconceived by the full market capitalization method. On 1st September 2003, this was shifted in a state of free float method system. However, the free float market capitalization is evaluated as the best practice of the industry. According to the free float capitalization methodology, the index level reflects at any point of time for the free float market value of 30 component stocks relative to a fundamental period. Obviously, a company's market capitalization is resolved by accumulating the value of its stock issuing a number of shares by the company. This process is proliferated through a free float factor, referred as adjustment factor, for the establishment of free float market capitalization and also represents the availability of share trading.

In accordance with the individual stocks, the Bombay Stock Exchange has also a market derivative which was first established in India. Again, the listed derivatives of the exchange incorporate the stock future options, weekly options and the index future options. The BSE is also vigorously concerned with the improvement of retail and debt market. The Indian debt market is admitted adequately significant, as the country carry on to improve and depends on this genre of investment. But now, the debt market of India is not only congested to wholesale market but also having engaged with the banks and non-banking financial institutions. The BSE trusts that a retail market always brings enormous opportunities for the individual investors throughout a better variegation. The debt market, offers investment solutions for growth and development, is an additional feature of the Bombay Stock Exchange. The BSE also necessitates that the retail market will bring huge prospects to the individual investors by the way of better variegation. Its market is present across 417 cities and towns inside every corner of the country. Till January 2011, there are approximately 5040 listed Indian companies used to trade through the Bombay stock exchange. As a result, the market occupies an important trading volume.

The Bombay Stock Exchange achieved a post in United Stock Exchange to control the improvement and growth of the currency derivatives portions. On September, 2010 the USE inaugurated operations and created a world record for a number of contracts traded by any exchange on the first day of trading. The trading features of BSE are as follows; market for securities, deals in second hand securities, regulates trade in securities, allows dealings only in listed securities, transactions effected only through members, association of persons, recognition from central government, working as per rules of SEBI Guidelines, specific location and financial barometers. The features it possesses now, the investors can trade with the BSE easily and promptly.

9. Concluding Remarks

A stock exchange can be termed as a buying-selling, centralized stock market where the value of stock is fixed through demand-supply mechanism. The stock exchange, in accordance with the Securities Contracts Regulations Act. 1956 which is the main law of governing stock exchanges in India, measures any incorporated body of individuals or not, constituted for the purpose of assistance and regulation or dealing in securities or controlling the buying-selling business. The continuous trading of securities in stock exchanges always occurs at different prices. As a consequence, the prices of securities may even fluctuate within a single day trading. The prices, on any trading day, can be definitely recognized as opening price, closing price, highest price of the day and the lowest price of the day. Generally, the prices flow in a rotational way including the increasing and decreasing susceptibility. Also the financial variation in prices of securities demonstrates the short and long term fluctuations. The stock market index is a technique of evaluating component of the stock market. Many indices are mentioned by the news or any financial service firms having used as guideline or paradigm to calculate the performances of the portfolios such as Mutual Funds. As a substitute, an index may be furthermore interpreted as an instrument of trade delivering through its value from other indices or instruments. The reflection of the market capitalization, along with its components, may be completed by the index purely constitute to the change in the prices of an unending mechanisms. Whereas, the stock market indices are convenient in grasping the level prices and the tendency of the market price movements. A stock market index is generated through opting a group of stocks that are capable to depict the entire market. The transfigure, in the prices of this basket of securities, is evaluated with reference to the base period. Moreover, the stock market index acts as an indicator of the financial performance of a sector. Besides these, market capitalization is the perfect utility of all superlative shares of a company. It manifests the total capability of a company. It also has facilitated the advancement of the Indian corporate sector by contributing with its cost, time and expert access towards the resources.

Finally, it has been observed that India flourished a financial system since its formation with on-going rectification being initiated to fetch the system up to national and international standards. However, all the amelioration did not have their intended results as political unpredictability and discontinuity in policies over time obstructed their imputations. Moreover, the institutional structure framing the financial system has been radically changed over time. The role of Securities and Exchange Board of India is indispensable in administrating the stock exchanges and inaugurating regulations to avoid insider trading. The Indian economy, especially each of the stock markets, has shown incredible elasticity in the awakening of service crises like; the war with China and Pakistan, devastating natural disasters such as earthquakes and floods, political instability and a degenerating law and order decision. Yet, the Indian economy has kept its prodigious position with its key financial institutions among all other countries till now.

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Table 1: Financial Institutions set up in India

Sl No.	Name of Financial Institutions	Year of Set up
1	**Imperial Bank of India (renamed as State Bank of India in 1955)**	**1921**

2	**Reserve Bank of India (RBI)**	**April 1, 1935**
3	**Industrial Finance Corporation of India (IFCI)**	**1948**
4	**State Bank of India**	**July 1, 1955**
5	**Industrial Credit and Investment Corporation India Ltd.(ICICI)**	**1955**
6	**Life insurance corporation of India (LIC)**	**Sept, 1956**
7	**Export Credit Guarantee Corporation of India (ECGC)**	**30thJul, 1957**
8	**Industrial Development Bank of India (IDBI)**	**July,1964**
9	**General Insurance Corporation (GIC)**	**Nov, 1972**
10	**Regional Rural Banks**	**Oct. 2, 1975**
11	**Housing development and finance Corporation Ltd (HDFC)**	**1977**
12	**EXIM Bank**	**January 1, 1982**
13	**IRBI (now it is called IIBIL since march 1997)**	**March 20,1985**
14	**Board for Industrial and Financial Reconstruction**	**1987**
15	**Securities and Exchange Board of India (SEBI**	**April 12, 1988**
16	**National Housing Bank**	**Jul, 88**
17	**Small Industries Development Bank of India (SIDBI)**	**1990**
18	**Bharatiya Reserve Bank Note Mudran Private Limited**	**1995**
19	**Rural Infrastructure and Development Fund (RIDF)**	**April 1, 1995**

20	**Infrastructure Development Finance Company (IDFC)**	**Jan 31, 1997**
21	**Unit Trust of India**	**Feb 1, 2003**
22	**Bifurcation of UTI (UTI-I & UTI-II)**	**Feb, 2003**
23	**Indian Infrastructure Finance Company (IIFCL)**	**April, 2006**
24	**National Payments Corporation of India**	**Dec, 2008**