



## Chapter – 15

# FINANCIAL SECTOR IN INDIA

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*Ch.Id:-ASU/GRF/EB/MILO/2022/Ch-15*

*DOI: <https://doi.org/10.52458/9789391842826.2022.eb.grf.asu.ch-15>*

## **INDIAN FINANCIAL SECTOR**

To invest in India there are various financial sectors, where people can invest their hard-earned and increase their wealth. The Indian money/ financial sector presently contains many segments such as:

- Share Market
- Mutual Funds
- Real Estate
- Bank (F.D)
- Gold
- Provident Fund
- Insurance
- Post Office

## **SHARE MARKET**

A share market is a market where sellers and buyers come together to buy and sell the listed share of different companies. The share market is also known as the stock market which is generally of two types i.e., primary and secondary market. Less than 40% of Indians invest in the total 23 stock exchanges in India.

Merits of investing in the share market: -

1. Investments help to grow wealth with inflation.
2. There is no requirement for a lot of money for investing.

Demerits of investing in the share market: -

1. There is a requirement for a lot of research before investing.

2. There is a high risk involved.

## **MUTUAL FUNDS**

Mutual Fund is a trust where all the funds from different investors who share a mutual objective are collected and then the funds are invested at the same place under the supervision of professionals/experts

Among the 24 types of mutual, ELSS is the only mutual fund that provides tax benefits.

Merits of investing in mutual funds: -

1. There is a high rate of returns.
2. There is a quick and hassle-free process.

Demerits of investing in mutual funds: -

1. There is non-availability of tax benefits except ELSS mutual fund.
2. Sometimes the investments are over-diversified by the experts.

## **REAL ESTATE**

Real Estate refers to buying and selling property in form of land, houses our other buildings. Commercial and Residential real estate are two types of real estate.

Merits of investing in real estate: -

1. There is a sense of security for people investing in real estate
2. The investment is easier to understand.

Demerits of investing in real estate: -

1. There is a requirement for maintenance and management.

2. There is less liquidity in this sector of investment.

## **BANK (FIXED DEPOSITS)**

Fixed Deposits are lump sums in your bank for a fixed tenure at an agreed rate of interest.

Merits of investing in Bank (fixed deposits): -

1. Fixed deposits are safe investments.
2. Fixed deposits have a guaranteed rate of return.

Demerits of investing in Bank (fixed deposits): -

1. Penalties are to be paid in case of premature withdrawals.
2. There are no tax benefits to the investor if he/she invests in this financial sector.

## **POST OFFICE**

The post office has term deposits where you save money for a definite period, and earn a guaranteed rate of return through the tenure of the deposit. Term deposits are like fixed deposits in the bank.

The post offices were established for the rural people of India, to encourage them to invest.

Merits of investing in the post office: -

1. A high rate of returns is provided to the investors.
2. The investors also get tax benefits if he/she invests in this financial sector of India.

Demerits of investing in the post office: -

1. The post offices are not digitalized.

2. The staff working in the post offices are unfriendly.

## **INSURANCE**

Insurance is a way to manage your risk. Insurance is of two types i.e., general insurance and life insurance.

Merits of investing in insurance: -

1. Investment in insurance encourages the savings of the investor.
2. An investor gets tax benefits if he/she invests in this financial sector of India.

Demerits of investing in insurance: -

1. Insurance companies have tricky terms and conditions.
2. There are lengthy legal formalities to investing in this financial sector.

## **PROVIDENT FUND**

A Provident fund is an investment fund that is voluntarily established so that the employers and employees can get a long-term saving to support after their retirement.

**Provident funds are of 3 types: -**

1. PPF (Public Provident Fund)
2. EPF (Employee Provident Fund)
3. GPF (General Provident Fund)

**Merits of investing in provident funds**

1. There are assured returns in this financial sector.
2. This is a safe investment.

Demerits of investing in provident fund: -

1. There is less liquidity in this investment.
2. There is a longer lock-in period in this investment.

## **GOLD**

Gold is a popular investment among investors around the world.

There are 2 kinds of gold for investment: -

1. Physical Gold
2. Digital Gold

Merits of investing in gold: -

1. Investment in gold provides a hedge against inflation.
2. Gold holds its value for a long period.

Demerits of investing in gold: -

1. There is difficulty in storing physical gold.
2. Gold doesn't provide a steady income.