

FINANCIAL DEVELOPMENT AND ECONOMIC GROWTH: GOVERNANCE OF FINANCIAL INSTITUTIONS

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Abstract *India has witnessed significant growth in the economy over the past seven decades. Economic growth has been consistent and higher than many other developed countries even though there were few ups and downs. At the same time, the financial system has seen drastic changes, from composition, to markets and instruments, and to governance systems. In this study, first the process of financial development is studied. The issue of governance in financial systems is discussed. Next, the impact of financial development is studied, using type of financial institution to indicate governance, on the economy's overall development. It is hypothesised that the quality of governance of financial systems will affect financial development and ultimately growth. It leads to the finding that the financial system contributes to economic growth in India. Governance of financial systems is crucial, but does not impede the process.*

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