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For publication of research paper titled

A Study on Catastrophe of Financial Sector due to Shadow Banking in India

Published in *Purakala* with ISSN 0971-2143 (9)

Vol. 31 Issue 9 Month April Year 2020

Impact Factor 5.60

The journal is indexed, peer reviewed and listed in UGC Care.

Editor

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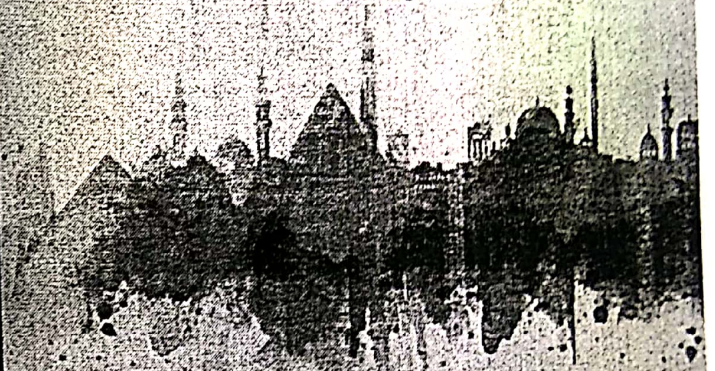
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Vol 31 Issue 09 April 2020



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A Study on Catastrophe of Financial Sector due to Shadow Banking in India

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Abstract

This research paper examined about the shadow banking and its impact on banking as well as financial sector. Moving ahead to ascertain this phenomena at first how this term came into existence and from where it was originated. The term shadow bank was firstly coined by Paul Maculley. It implies financial institutions engaging in maturity transformations (i.e. use of short-term deposits to finance long-term loans). After the horrible experience of great financial crisis of 2008, the world has now become more anxious and serious about the existence, contribution, magnitude, significance and risks of non-banking financial sector (NBFS). In the developing economies like India, shadow banking play a gainful role in credit delivery and financial inclusion. They play substitute as well as complementary role for commercial banks as they able to fulfill the needs of borrowers outside the preview of regulated banking system.

Key words: financial system, NBFCs, NBFS, shadow banking, shadow banks

Introduction

One of the crucial matter discussing on this issue is Shadow banking is a blanket term, which refers to the financial intermediaries involved in facilitating the creation of credit across the financial system without any direct. As far as concerned about Indian economy and trajectory of financial progress in respect of unprecedented challenges undergone every now and then policies formulated for the stability in the field of finance. The sector was neglected from the beginning either by default or by deliberate choice but now the sector has enhanced attention, monitoring and regulation as a post crisis lesson.

Shadow banking, on the other side, plays constructive role in the countries with underdeveloped financial system of where banks are reluctant to lend because of too many