

SVKM's Mithibai College of Arts, Chauhan Institute of Science & Amrutben Jivanlal College of
Commerce & Economics (AUTONOMOUS)

Name of Course: Indian Financial System - I

Course Code: _____



**Shri Vile Parle Kelavani Mandal's
MITHIBAI COLLEGE OF ARTS, CHAUHAN INSTITUTE OF
SCIENCE &
AMRUTBEN JIVANLAL COLLEGE OF COMMERCE AND
ECONOMICS (AUTONOMOUS)**

*NAAC Reaccredited 'A' grade, CGPA: 3.57,
Granted under RUSA, FIST-DST & -Star College Scheme of DBT, Government of India,
Best College, University of Mumbai (2016-17)*

Affiliated to the
UNIVERSITY OF MUMBAI

Program: S.Y.B.Com

Course: Indian Financial System -I

**Choice Based Credit System (CBCS) with effect from the
Academic year 2020-21**

Name of Course: **Indian Financial System - I**

Course Code: _____

Program: BCOM				Semester : III	
Course : Indian Financial System - I				Course Code: UCMAIFS307	
Teaching Scheme				Evaluation Scheme	
Lecture (Hours per week)	Practical (Hours per week)	Tutorial (Hours per week)	Credit	Continuous Assessment and Evaluation (CAE) (Marks - _____)	Term End Examinations (TEE) (Marks- _____ in Question Paper)
03	-	-	03	25	75

Pre-requisite/Preamble:

The financial system of a growing economy is its lifeline. It acts as an intermediary between savers and investors. Its primary role is efficient allocation of funds to different areas of the economy. The financial system ensures the flow of funds facilitates the process of economic growth. The challenges faced by the financial system are to ensure that people's welfare and trust are not compromised in the process of the system's functioning as an intermediary.

Since the economic reforms starting in the 1990s, the financial system in India has undergone a paradigm shift with major reform and restructuring, yet maintaining the original framework of functioning. This makes the study of the Indian Financial System both interesting and challenging. This course is designed to acquaint learners to the various components of the financial system, study their role and critically analyse their functioning. This course will be particularly valuable to those learners who seek to pursue professional careers in finance and banking.

Learning Objectives:

- To introduce the components of Indian Financial System.
- To familiarize learners to banking and interest rate regimes.
- To study the developmental role of the financial system.
- To introduce money and capital markets..
- To study the various financial services.

Learning Outcomes:

- Learners will be able to understand the functioning of the financial system in the country and compare it with other countries.
- Ability to critically evaluate the roles of financial institutions
- Ability to interpret effect of policies on the financial system.

Name of Course: **Indian Financial System - I**

Course Code: _____

- Through understanding of the financial markets and services.
- Ability to use this knowledge in advancing career in the financial sector.

Outline of Syllabus: (per session plan)

Unit	Description	Duration
1	Financial System	10 lec
2	Banking & Non-Banking Institutions	10lec
3	The Basic Tools of Finance	15 lec
4	Interest Rate Structure	10 lec
	Total	45 lec

PRACTICALS

DETAILED SYLLABUS

Module I: Financial System

- **The Financial System: An Introduction** - Meaning of Financial System, Evolution of Financial System, Components, Functions, Key Elements of a Well-Functioning Financial System, Bank based & market based financial system, Nature & role of Financial institutions & Financial Markets, Link between Money market & Capital markets, Link between Primary market & secondary markets, Functions & characteristics of financial markets.
- **The Financial System & the Economy:** - Types of Economic units, Macroeconomic framework analysis for exploring the role of the financial system – National Income Accounts, Flow of Funds analysis, Trends in savings & Investment, Trends in household financial savings & liabilities.
- **Reforms in the Indian Financial System:** Background, Indian Financial System in the Pre-reforms Period, Objectives of financial sector reforms, Relationship between Financial system & Economic growth.

Module II: Banking & Non-Banking Institutions

- Banking Institutions : Functions & Regulations, Development of Banking In India, Structure of Scheduled Commercial Banks- Public Sector Banks, Private Sector Banks, Foreign Banks, Regional Rural Banks, Co-operative Banks – Mobilization, Lending &

Name of Course: Indian Financial System - I

Course Code:_____

	<p>Investment of Funds – Credit Creation Process of Commercial banks – Reforms in Banking Sector: Phase I & Phase II, Technology in Banking, Payment & Settlement System – Diversification in Banking Operations – Consolidation in Banking – Equity Capital raised by Public Sector Banks, Prudential Regulation, The Basel Capital Accord – Implementation of Basel Norms in India – NPAs of Bank, Tools to manage NPAs, Asset Reconstruction Companies.</p> <ul style="list-style-type: none"> • The Reserve Bank of India: Developmental Functions; Instruments of Monetary and Credit control, Transmission channels of monetary policy. • Non-Banking Finance Companies, Types: Equipment Leasing company, Hire Purchase Finance Company, Housing Finance Company, Investment Company, Loan Company, Residuary Non-Banking Company, Miscellaneous Finance Company - Functions of NBFCs, Commercial Banks Vs NBFCs – NBFCs & RBI. 	
	<p><u>Module III: The Basic Tools of Finance</u></p> <ul style="list-style-type: none"> • Financial Investment, Present value & Discounting: Measuring the Time Value of Money, Future value and Compounding, The Present Value Model and its Applications, Some Popular Investments – Stocks, Bonds, Mutual Funds, Calculating Investment Returns, Asset Prices & Rates of Return, Arbitrage, Future value of an Annuity, Present Value of an Annuity, Compounding & Discounting Periods, Determining the Interest Rate, Perpetuities. • Risk & Uncertainty in Managerial Decision making, Measuring risk with probability distributions, Managing risk – Risk Aversion, The Markets for Insurance, diversification of Firm-Specific Risk, Trade-off between Risk & Return. Comparing Risky Investments – Average Expected Rate of Return, Beta, Relationship of Risk & Average Expected Rates of Return, The Risk-Free Rate of Return, • Methods of evaluating an investment project - Net Present Value (NPV), Internal Rate of Return (IRR), The Cost of Capital – The Cost of Debt, The Cost of Equity Capital: The Risk-Free Rate Plus Premium, The Cost of Equity Capital: The Dividend Valuation Model, The Cost of Equity Capital: The Capital Asset Pricing Model (CAPM). 	
	<p><u>Module IV: Interest Rate Structure</u></p> <ul style="list-style-type: none"> • Savings, Investment & the Financial system: Savings & Investment in National Income Accounts, The Market for Loanable Funds – Supply and Demand for Loanable funds, Saving Incentives, Investment Incentives, Government Budget Deficits and Surpluses • Meaning – Gross and Net interest rate – their difference, Nominal and Real interest rate – their difference, Differential interest rate, Causes of variation of interest rate, relationship between interest rate and economic progress, Administered and Market determined interest rate. Recent changes in interest structure in India. • Theories of Interest Rate, Interest rate deregulation, Base rate, Bank rate, Interest rate risk: Derivative instruments – Interest Rate Swap, Plain Vanilla Interest Rate Swaps, Forward rate Agreements, Plain Vanilla Forward rate Agreements, Interest Rate Futures; Interest rates & Foreign Capital flows, Case Study: Falling interest rates in Japan, U.S, U.K & their impact on the financial system. 	
<p>Text Books:</p>		

Name of Course: Indian Financial System - I

Course Code:_____

Reference Books:

- Meir Kohn, Financial Institution and Market, Oxford University Press. New Delhi.
- Khan, M. Y., Indian Financial System-Theory and Practice, TMH, New Delhi.
- Bhole, L. M., Financial Markets and Institutions, Tata McGraw Hill, New Delhi.
- Pathak, B., Indian Financial System-Pearson, New Delhi.
- Mukherjee, Ghosh and Roy, Indian Financial System and Financial Market Operations, Dey Book Concern, Kolkata
- Clifford, Gomez, Financial Markets, Institutions and Financial Services,
- Khan and Jain, Financial Services, Tata McGraw Hill
- Singh, J.K., Venture Capital Financing in India. Dhanpat Rai and Company, New Delhi.
- Annual Reports of Major Financial Institutions in India.
- Simha, S.L.N. Development Banking in India. Madras: Institute of Financial Management and Research.

Any other information :

Details of Continuous Assessment (CA)-

Component 1: Test / Assignment/ Tutorial/ Visit/ Project/ Presentation

Marks : 15

Component 2: Test / Assignment/ / Tutorial/ Visit/ Project/ Presentation

Marks : 10

Name of Course: Indian Financial System - I

Course Code:_____

	Term End Examination	75 Marks
Module I	Q1. Answer <u>any two</u> of the following a. b. c.	(2 x 7.5 = 15)
Module II	Q2. Answer <u>any two</u> of the following a. b. c.	(2 x 7.5 = 15)
Module III	Q3. Answer <u>any two</u> of the following a. b. c.	(2 x 7.5 = 15)
Module IV	Q4. Answer <u>any two</u> of the following a. b. c.	(2 x 7.5 = 15)
Mix bag	Q5. Write explanatory notes on <u>any three</u> of the following a. b. c.	(3 x 5 = 15)
Mix bag	OR Q5. Explain the following terms (Any Five) Two from each module	(5 x 3 = 15)

SVKM's Mithibai College of Arts, Chauhan Institute of Science & Amrutben Jivanlal College of Commerce & Economics (AUTONOMOUS)

Name of Course: Indian Financial System- II

Course Code: _____



**Shri Vile Parle Kelavani Mandal's
MITHIBAI COLLEGE OF ARTS, CHAUHAN INSTITUTE OF
SCIENCE &
AMRUTBEN JIVANLAL COLLEGE OF COMMERCE AND
ECONOMICS (AUTONOMOUS)**

*NAAC Reaccredited 'A' grade, CGPA: 3.57,
Granted under RUSA, FIST-DST & -Star College Scheme of DBT, Government of
India, Best College, University of Mumbai (2016-17)*

Affiliated to the
UNIVERSITY OF MUMBAI

Program: S.Y.B.Com

Course: Indian Financial System-II

**Choice Based Credit System (CBCS) with effect from the
Academic year 2020-21**

Name of Course: Indian Financial System- II

Course Code: _____

Program: BCOM				Semester : IV	
Course : Indian Financial System				Course Code: UCMAIFS407	
Teaching Scheme				Evaluation Scheme	
Lecture (Hours per week)	Practical (Hours per week)	Tutorial (Hours per week)	Credit	Continuous Assessment and Evaluation (CAE) (Marks - _____)	Term End Examinations (TEE) (Marks- _____ in Question Paper)
03	-	-	03	25	75

Pre-requisite/Preamble:

The financial system of a growing economy is its lifeline. It acts as an intermediary between savers and investors. Its primary role is efficient allocation of funds to different areas of the economy. The financial system ensures the flow of funds facilitates the process of economic growth. The challenges faced by the financial system are to ensure that people's welfare and trust are not compromised in the process of the system's functioning as an intermediary.

Since the economic reforms starting in the 1990s, the financial system in India has undergone a paradigm shift with major reform and restructuring, yet maintaining the original framework of functioning. This makes the study of the Indian Financial System both interesting and challenging. This course is designed to acquaint learners to the various components of the financial system, study their role and critically analyse their functioning. This course will be particularly valuable to those learners who seek to pursue professional careers in finance and banking.

Learning Objectives:

- To introduce the components of Indian Financial System.
 - To familiarize learners to banking and interest rate regimes.
 - To study the developmental role of the financial system.
 - To introduce money and capital markets..
- To study the various financial services.

Learning Outcomes:

After completion of the course, students would be able to :

- Learners will be able to understand the functioning of the financial system in the country and compare it with other countries.

Name of Course: Indian Financial System- II

Course Code: _____

- Ability to critically evaluate the roles of financial institutions
- Ability to interpret effect of policies on the financial system.
- Through understanding of the financial markets and services.
- Ability to use this knowledge in advancing career in the financial sector.

Outline of Syllabus: (per session plan)

Unit	Description	Durati on
1	Money Market	10 lec
2	Capital Market	10 lec
3	Debt Market	12 lec
4	Financial Services	13 lec
	Total	45 lec

PRACTICALS

DETAILED SYLLABUS

	<p><u>Module I: Money Market</u></p> <ul style="list-style-type: none"> • Meaning and Need for Money market, Characteristics/ Features, Functions of Money market, Benefits of an Efficient Money market. Structure of Money Market: Organised & Unorganised Sector. Participants in Money Market. • Instruments of Money Market: Treasury Bills, Call/ Notice market, Commercial Paper, Certificate of Deposit, Commercial Bill, Money Market Mutual Fund (MMMF), Discount and Finance House of India (DFHI), Acceptance Houses and Discount Houses. • Reforms in Money Market: Primary dealers, Marginal Standing Facility (MSF), Liquidity Adjustment Facility (LAF), Repos, Market Stabilization Scheme etc. Risk exposure in money market instruments 	10

Name of Course: Indian Financial System- II

Course Code: _____

	<p><u>Module II: Capital Market</u></p> <ul style="list-style-type: none"> • Concept, Money Market Vs Capital Market, Primary & Secondary markets – Functions of New Issues Market, Role, Recent changes for participation in Primary market. Advantages & Disadvantages of primary market. New Issues Market Vs Secondary Market, Methods of Marketing Securities. • Secondary Market – Functions of Stock exchanges, Regional & Modern Stock exchanges, International Stock exchanges, Demutualization of stock exchanges, Comparison between BSE & NSE. Listing of Securities, Online trading, ALGO Trading, Stock Indices, Defects of Indian Capital market, Recent Developments. Role of SEBI. • Raising of Funds in International Markets: ADRs & GDRs, FCCB (Foreign Currency Convertible Bond) & Euro Issues, Investors' Protection. 	10
	<p><u>Module III: Debt Market</u></p> <ul style="list-style-type: none"> • Meaning, History & Characteristics of Debt Market, Participants in debt market; Primary debt market; Major category of Investors in primary markets, Secondary segment of debt market. Forms of holding government securities. • Different Types of Debt instruments; Indian Debt Market: <u>The government securities market</u> – Issuing body & the types of Government securities: Treasury bills - Meaning, Types, Primary & Secondary market for T-Bills, Government of India Dated securities, State Government Securities; Importance of Gilt-edged market, Terms & Conditions applicable to government securities, Criticisms of Gilt-edged market, <u>Corporate Debt Securities Market</u>: Commercial Paper, Certificate of Deposits, Bonds issued by PSUs, Bonds issued by Financial Institutions, Corporate Debentures; Future outlook for a vibrant Indian Debt Market. • International Debt Market: Income Bonds, Asset Backed Securities, Junk Bonds, Indexed Bonds, Zero Coupon Bonds, Floating Rate Bonds, Secured Premium Notes, Euro Convertible Bonds, Euro Notes, Foreign Bonds; Bond Issue- Indian experience, Basic Bond Valuation Model, Bond Values with Semi-Annual Interest, Bond-Yield Measures: Current Yield, Yield to Maturity (YTM). 	12
	<p><u>Module IV: Financial Services</u></p> <ul style="list-style-type: none"> • Merchant Banking: Meaning & Origin, Merchant Banks & Commercial Banks, Services of Merchant Banks, Problems; Hire Purchase: Meaning, Origin & Development; Leasing: Meaning, Benefits of Leasing Types of Leasing, Hire Purchase & Leasing. • Credit rating: Meaning, Benefits of credit rating to Investors, To Issuer Company, To Financial Intermediaries; Limitations of Credit rating; Venture Capital: Meaning, Features, Stages of Venture Capital Financing, Exit route for Venture Capitalist. • Mutual Funds: Meaning & Importance, Schemes of Mutual funds, Organisation of Mutual funds; Microfinance: Meaning, Grameen Bank Model, NGOs and SHGs, Microfinance delivery mechanism, Positive & Negative side of Microfinance. 	13

Name of Course: Indian Financial System- II

Course Code: _____

Text Books:

Reference Books:

- Meir Kohn, Financial Institution and Market, Oxford University Press. New Delhi.
- Khan, M. Y., Indian Financial System-Theory and Practice, TMH, New Delhi.
- Bhole, L. M., Financial Markets and Institutions, Tata McGraw Hill, New Delhi.
- Dr. S Gurusamy, Financial Markets and Institutions, 3rd edition, Tata McGraw Hill, New Delhi,
- E. Gordon & K. Natarajan, Financial Markets and Services, Himalaya Publishing House
- Pathak, B., Indian Financial System-Pearson, New Delhi.
- Mukherjee, Ghosh and Roy, Indian Financial System and Financial Market Operations, Dey Book Concern, Kolkata
- Clifford, Gomez, Financial Markets, Institutions and Financial Services,
- Khan and Jain, Financial Services, Tata McGraw Hill
- Singh, J.K., Venture Capital Financing in India. Dhanpat Rai and Company, New Delhi.
- Annual Reports of Major Financial Institutions in India.
- Simha, S.L.N. Development Banking in India. Madras: Institute of Financial Management and Research.

Any other information :

Details of Continuous Assessment (CA)-

Component 1: Test / Assignment/ Tutorial/ Visit/ Project/ Presentation

Marks : 15

Component 2: Test / Assignment// Tutorial/ Visit/ Project/ Presentation

Marks : 10

Name of Course: Indian Financial System- II

Course Code: _____

	Term End Examination	75 Marks
Module I	Q1. Answer <u>any two</u> of the following a. b. c.	(2 x 7.5 = 15)
Module II	Q2. Answer <u>any two</u> of the following a. b. c.	(2 x 7.5 = 15)
Module III	Q3. Answer <u>any two</u> of the following a. b. c.	(2 x 7.5 = 15)
Module IV	Q4. Answer <u>any two</u> of the following a. b. c.	(2 x 7.5 = 15)
Mix bag	Q5. Write explanatory notes on <u>any three</u> of the following a. b. c. d.	(3 x 5 = 15)