



**Banking and Finance - II**  
**Indian Financial System**  
**(Discipline Specific Course)**

<b>Semester: V</b>	<b>*Credits: 4</b>	<b>Subject Code: C52206</b>	<b>Lectures: 48</b>
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**Course Outcomes:**

At the end of this course, the learner will be able to:

- Underline the significance of the different constituents of the Financial System in economic development
- Discuss the reforms in the Indian Money Market in terms of new Instruments and Institutions
- Recognise the important segments and analyse the challenges and reforms introduced in the Indian Capital Market and the role of SEBI in market regulation and investor protection
- Compare and contrast the method for calculation of SENSEX and NIFTY
- Explain and illustrate the functioning of the Foreign Exchange Market
- Appraise the Risk and Return in the Financial Markets and examine its significance with reference to Time Value of Money

<b>Unit 1: Financial System</b>	<b>14</b>
<ul style="list-style-type: none"> <li>• Financial System <ul style="list-style-type: none"> <li>○ Meaning</li> <li>○ Structure</li> <li>○ Role</li> </ul> </li> <li>• Constituents of the Financial System <ul style="list-style-type: none"> <li>○ Financial Markets: Money Market, Capital Market, Foreign Exchange Market and Commodity Market – Meaning, Features and Functions</li> <li>○ Difference between Money Market and Capital Market</li> <li>○ Financial Institutions: Banking / Depository Institutions and Non-Banking / Non Depository Institutions</li> <li>○ Financial Assets</li> <li>○ Financial Services</li> </ul> </li> <li>• An Overview of the Indian Financial System</li> <li>• Risks in Financial Markets - Meaning</li> <li>• Types of Risks: Inflation Risk, Default Risk, Liquidity Risk, Re-investment Risk, Exchange Rate Risk, Interest Rate Risk, Market Risk, Systematic and Unsystematic Risk</li> <li>• Risk Management Products: An overview of Derivatives</li> <li>• Returns in Financial Markets – Meaning</li> <li>• Types of Returns <ul style="list-style-type: none"> <li>○ Total Return and Absolute Return</li> <li>○ Nominal Return and Real Return</li> <li>○ Annualised Return</li> </ul> </li> </ul>	

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- Compound Return
- Time Value of Money – Meaning and Importance

<b>Unit 2: Indian Money Market</b>	<b>10</b>
<ul style="list-style-type: none"> <li>● Indian Money Market               <ul style="list-style-type: none"> <li>○ Structure</li> <li>○ Significance</li> </ul> </li> <li>● Reforms in the Indian Money Market</li> <li>● Instruments in the Indian Money Market               <ul style="list-style-type: none"> <li>○ Conventional Instruments – Treasury Bills, Money at Call and Short Notice, Commercial Bills and Promissory Notes</li> <li>○ Modern Instruments: Commercial Paper (CP), Certificate of Deposit (CD), Repo and Reverse Repo, Money Market Mutual Funds (MMMFs)</li> </ul> </li> <li>● Institutions in the Indian Money Market               <ul style="list-style-type: none"> <li>○ Discount and Finance House of India Ltd. (DFHI)</li> <li>○ Securities Trading Corporation of India Ltd. (STCI)</li> <li>○ Primary Dealers (PDs)</li> <li>○ Satellite Dealers (SDs)</li> </ul> </li> </ul>	
<b>Unit 3: Indian Capital Market</b>	<b>14</b>
<ul style="list-style-type: none"> <li>● Structure of Indian Capital Market</li> <li>● Equity Market in India: Meaning and Segments</li> <li>● Primary Segment               <ul style="list-style-type: none"> <li>○ Meaning and Functions</li> <li>○ Classification of Issues: Public Issue, Private Placement, Preferential Issue, Qualified Institutional Placement, Rights and Bonus Issues</li> <li>○ Types of Issuers: Government, Public Sector Companies, Private Sector Companies, Banks and Financial Institutions, Mutual Funds</li> <li>○ Types of Investors</li> </ul> </li> <li>● Secondary Segment               <ul style="list-style-type: none"> <li>○ Definition and Participants of Secondary Market</li> <li>○ Functions of the Secondary Market</li> <li>○ NSE, BSE, SME Exchanges and Overseas Stock Exchanges</li> <li>○ Stock Indices in India: SENSEX and NIFTY – Meaning and Methodology for Calculation (Steps in Calculation, Full Market Capitalisation and Full Float Market Capitalisation)</li> </ul> </li> <li>● Overview of Reforms in the Indian Capital Market post-1991</li> <li>● Debt Market in India               <ul style="list-style-type: none"> <li>○ Reasons for Growth</li> <li>○ Segments: Government Securities Market and Corporate Debt Market</li> <li>○ Types of Debt Instruments</li> </ul> </li> </ul>	

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- Working of Securities and Exchange Board of India Ltd. (SEBI)

**Unit 4: Foreign Exchange Market in India**

**10**

- Foreign Exchange Market
  - Meaning and Features
  - Transactions in the Foreign Exchange Market: Based on Types of Parties and Time of Settlement
- Foreign Exchange Market in India
  - Structure and Constituents of the Foreign Exchange Market in India
  - Role of the Reserve Bank of India in the Foreign Exchange Market
- Calculation of Bid, Offer and Forward Rates

**#12 contact hours for Assignments, Visits, Research, Field Studies, etc.**

**\*01 credit to be evaluated as a Skill-based Component**

**Recommended Basic Reading:**

- Machiraju H.R. *Indian Financial System*. Vikas Publications: New Delhi; 2006.
- Khan M.Y. *Indian Financial System*. Tata McGraw-Hill Publishing Company Ltd.: New Delhi;
- Bhole L. M. *Financial Institutions and Markets Structure, Growth and Innovations*. Tata McGraw Hill Publishing Company Ltd.: New Delhi;
- Dr. Gurusamy S. *Financial Services and Markets*. Vijay Nicole Imprints Pvt. Ltd.: 2004.
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- Batra G.S. *Financial Services and Markets*. Deep and Deep Publications Pvt. Ltd.: New Delhi;
- Kothari Rajesh. *Financial Services in India Concept and Application*. Sage Publications: New Delhi; 2010.
- Frederic Mishkin and Stanley Eakins. *Financial Markets and Institutions*. Pearson 2006.
- Esme Faerber. *All About Stocks*. Tata McGraw-Hill Publishing Company Ltd.: New Delhi; 2006.
- V. Raghubathan and Prabina Rajib. *Stock Exchanges, Investments and Derivatives*. Tata McGraw-Hill Publishing Company Ltd.: New Delhi; 2007.
- Singh, Y.P. *Fundamentals of Investment Management*. Galgotia Publishing Company: New Delhi; 2007.

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- Vinod Kumar and Raj Sethi Nangia. *Investing in Stock Markets*. Ane Books Pvt. Ltd.: 2017.

**Websites:**

- [www.rbi.org](http://www.rbi.org)
- <https://www.sebi.gov.in>
- [www.bseindia.com](http://www.bseindia.com)
- [www.nseindia.com](http://www.nseindia.com)

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**Banking and Finance - II**  
**Financial Services in India**  
**(Discipline Specific Course)**

<b>Semester: VI</b>	<b>*Credits: 4</b>	<b>Subject Code: C62206</b>	<b>Lectures: 48</b>
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**Course Outcomes:**

At the end of this course, the learner will be able to:

- Recognize the different types of Financial Services and their significance
- Compare and contrast the different Life and General Insurance policies and the concepts needed to arrive at a need-based choice for buying decision
- Appraise the different types of Mutual Fund schemes on the basis of risk-return trade-off to arrive at a need-based choice of investments
- Discuss and interpret the role of Credit Rating Agencies and Merchant Bankers in Investor protection and Issue Management
- Demonstrate the significance of Personal Financial Planning in formulation of a Personal Financial Plan essential for financial well-being

<b>Unit 1: Fund Based Financial Services – I (Insurance)</b>	<b>14</b>
<ul style="list-style-type: none"> <li>• Financial Services <ul style="list-style-type: none"> <li>◦ Meaning</li> <li>◦ Features and Functions</li> </ul> </li> <li>• Types of Financial Services <ul style="list-style-type: none"> <li>◦ Asset based/Fund based services</li> <li>◦ Fee based/Advisory services</li> </ul> </li> <li>• Types of Insurance: Life Insurance and Non-Life Insurance</li> <li>• Need for Life Insurance and Non-Life</li> <li>• Life Insurance <ul style="list-style-type: none"> <li>◦ Meaning</li> <li>◦ Principles of Life Insurance</li> <li>◦ Terms related to Life Insurance – Insured, Insurer, Assured, Proposal Form, Policy, Sum Assured, Cooling Off Period, Riders, Beneficiary Nominee, Collector Nominee, Agent Advisor, Standard and Non-Standard Life, Premium, Grace Period, Assignment of a Policy, Claim, Compensation, Paid-up Value, Surrender Value, Human Life Value, Suicide Clause, Lapsation of Policy and Reinstatement of policy</li> <li>◦ Calculation of Paid Up Value and Surrender Value</li> <li>◦ Types of Life Insurance Policies: Term Plans, Whole Life Insurance Plans, Endowment Plans (Money Back Plans), ULIP Plans, Pension Plans</li> </ul> </li> <li>• Non-Life Insurance <ul style="list-style-type: none"> <li>◦ Meaning</li> <li>◦ Types of Non-Life Insurance Policies: Health Insurance, Personal</li> </ul> </li> </ul>	

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<p>Accident Insurance, Motor Insurance, Travel Insurance, Home Insurance, Fire Insurance</p> <ul style="list-style-type: none"> <li>• Difference between Life Insurance and Non-Life Insurance</li> <li>• Reforms in Indian Insurance Sector <ul style="list-style-type: none"> <li>◦ IRDA (Malhotra Committee)</li> </ul> </li> </ul>	
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<b>Unit 2: Fund Based Financial Services – II (Mutual Funds)</b>	<b>12</b>
<ul style="list-style-type: none"> <li>• Definition and Features</li> <li>• Structure of Mutual Funds in India</li> <li>• Terms related to Mutual Funds: Investment Objective, Units, Net Asset Value, Entry Load and Exit Load, Open-ended and Close-ended Funds, SIP, SWP and STP</li> <li>• Types of Mutual Fund Schemes <ul style="list-style-type: none"> <li>◦ Equity Funds: On the basis of Style, Segment, Sector, Theme, Tax Saving</li> <li>◦ Debt Funds: Short Term and Long Term Debt Funds</li> <li>◦ Hybrid Funds</li> <li>◦ Other Funds: Fund of Funds, Exchange Traded Funds, Gold ETFs, International Funds</li> </ul> </li> <li>• Risk Measures in Mutual Funds <ul style="list-style-type: none"> <li>◦ Standard Deviation, Beta, Modified and Macaulay Duration, Yield to Maturity, Sharpe Ratio and Treynor Ratio</li> </ul> </li> <li>• Calculation of NAV, Redemption Value and Purchase Units</li> <li>• Significance of Investing in Mutual Funds</li> </ul>	

<b>Unit 3: Fee Based Financial Services – I</b>	<b>08</b>
<ul style="list-style-type: none"> <li>• Credit Rating <ul style="list-style-type: none"> <li>◦ Definition and Features</li> <li>◦ Advantages and Disadvantages</li> <li>◦ Credit Rating Process</li> <li>◦ Credit Rating Agencies in India</li> </ul> </li> <li>• Merchant Banking <ul style="list-style-type: none"> <li>◦ Meaning and Importance</li> <li>◦ Functions</li> </ul> </li> </ul>	

<b>Unit 4: Fee Based Financial Services – II</b>	<b>14</b>
<ul style="list-style-type: none"> <li>• Personal Financial Planning <ul style="list-style-type: none"> <li>◦ Meaning and Importance</li> </ul> </li> <li>• Components of Personal Financial Planning</li> </ul>	

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- Budgeting – Budget and its components, Savings Ratio, Liquidity Ratio, Liquid Asset to Net Worth Ratio, Current Ratio, Emergency Fund, Emergency Fund Ratio
- Loan Management – Types of Personal Loans, Income to Loan Ratio, Debt to Asset Ratio, CIBIL score and Precautions while taking Loans
- Risk Management and Insurance Planning – Strategies in Risk Management and Insurance Planning
- Investment Planning – Asset Classes (Cash, Bonds, Stocks, Real Estate, Precious Metals, Collectibles), Types of Asset Allocation, Investing Ratio
- Retirement Planning: Retirement Products in the Accumulation Stage and Distribution Stage) Estimating Retirement Corpus - Retirement Savings Ratio
- Tax Planning: Overview of Tax Planning
- Estate Planning: Meaning of Estate, Consequences of Dying Intestate, Tools for Estate Planning
- Process of Personal Financial Planning

**#12 contact hours for Assignments, Visits, Research, Field Studies, etc.**

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- Khan M.Y. *Indian Financial System*. Tata McGraw-Hill Publishing Company Ltd.: New Delhi;
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- Kothari Rajesh. *Financial Services in India Concept and Application*. New Delhi, Sage Publications. 2010.
- Saunders Anthony and Cornett Marica Millon. *Financial Markets and Institutions - An Introduction to the Risk Management Approach*.
- Frederic Mishkin and Stanley Eakins. *Financial Markets and Institutions*. 2006. .
- Kapoor Jack R., Les Dlabay R. and Hughes Robert J. *Personal Finance*. Tata McGraw-Hill Publishing Company Ltd.: New Delhi; 2008.

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**Websites:**

- <https://www.irdai.gov.in>
- <https://india.fpsb.org/>
- <https://www.mutualfundindia.com/>

Board of Studies	Name	Signature
Chairperson (HoD)	Dr. Shalini Iyer	<i>Shalini Iyer</i> 14/8/21
Faculty	Dr. Arwah Madan	<i>Arwah Madan</i> 14/8/21
Faculty	Dr. Meenakshi Wagh	<i>Ms Wagh</i> 14/8/21
Faculty	Mrs. Amruta Basu	<i>Amruta Basu</i> 14/8/21
Subject Expert (Outside SPPU)	Dr. Ishita Dutt	<i>Ishita Dutt</i> 14/8/21
Subject Expert (Outside SPPU)	Dr. Subhash Patil	<i>Subhash Patil</i> 14/8/21
VC Nominee	Dr. Sailee Belsare	<i>Sailee Belsare</i> 14/8/2021
Industry Expert	Dr. Nishant Upadhyay	
Alumni	Ms. Asha Panicker	<i>Asha Panicker</i> 14/8/21

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