

8<sup>TH</sup> SEMESTER

BACHELORS WITH ECONOMICS AS MAJOR

INDIAN FINANCIAL SYSTEM (CT-03)

CREDITS: 4 + 2 = 6

ECOC3822M

### COURSE DESCRIPTION

This is a core course of 06 credits (01 credit for each unit with the last two units as tutorials). The course provides a comprehensive understanding of the Indian financial system, covering its fundamental components, banking and financial services, financial markets, and stock exchanges.

### COURSE OBJECTIVE:

To acquaint students with understanding of working and functioning of Financial System and the role of Indian Financial System in development of different sectors of the economy

### LEARNING OUTCOMES:

After completing this course, the student is expected to:

**LO1:** Understand the fundamental components of the financial system, including financial markets, institutions, instruments, and services.

**LO2:** Analyze the structure and functions of different types of banks and financial services, including commercial, cooperative, regional rural, investment, and payment banks, as well as services like merchant banking, underwriting, and venture capital.

**LO3:** Demonstrate a comprehensive understanding of money and capital markets, including their features, functions, and instruments such as treasury bills, commercial papers, equity shares, and debentures.

**LO4:** Critically evaluate the role and functions of stock exchanges in India, including major stock exchanges like BSE, NSE, and OTCEI, and understand the role of SEBI in regulating these exchanges.

## UNIT I: FINANCIAL SYSTEM: INTRODUCTION

Meaning of Financial System; Components of Financial System—Financial Markets, Financial Institutions, Financial Instruments and Financial Services; Functions of Financial System;

## UNIT II: BANKING SYSTEM AND FINANCIAL SERVICES

Types of Banks: Commercial Banks, Cooperative Banks, and Regional Rural Banks, Investment Banks, Payment Banks; Financial Services: Merchant Banking, Insurance Companies, Mutual Funds, Housing Finance Companies, NIDHI Companies, Infrastructure Companies, Asset Finance Company. Underwriting, Credit Rating; Venture Capital,

## UNIT III: FINANCIAL MARKETS

Money Market—Features and Functions; Instrument of Money Market (Call Money, Notice Money, Treasury Bills, Commercial Papers, CDs); Capital Markets—Features and Functions; Instruments of Capital Market (Equity Shares, Preference Shares, Debentures, Bonds); Primary Capital and Secondary Capital Markets.

## UNIT IV: STOCK EXCHANGES

Meaning, Functions and Players in Stock Exchange; Stock Exchanges in India—BSE, NSE, OTCEI; Major Stock Indices in India; Role and Function of SEBI.

## TUTORIALS (2 CREDITS)

- Use appropriate formulas and calculations for interest rate, discount, and maturity amounts based on:  
(a) Call money investment, (b) Notice money investment (c) Treasury Bills  
(d) Commercial Papers (e) Certificate of deposits.
- The sale and purchase mechanisms of (a) Equity Shares (b) Preference Shares (c) Debentures (d) Bonds.
- Listing and trading mechanisms involved in Bombay Stock Exchange (BSE).
- The roles and responsibilities of different trading participants in the BSE, such as:  
(a) Brokers, (b) Sub-Brokers, (c) Jobbers.

## BASIC READING:

- Mishkin, Frederic S. (2019). *The Economics of Money, Banking, and Financial Markets*. 12th edition, Pearson.  
Pathak, Bharati V. (2018). *The Indian Financial System: Markets, Institutions and Services*, 5/e. Pearson.  
Bhole, L. M. (2009). *Financial Institutions and Markets*. Tata McGraw Hill Comp: New Delhi.  
Khan, M. Y. (2015). *Indian Financial System*. Tata McGraw Hill: New Delhi.

## ADDITIONAL READINGS:

- Bhasin, N. (2009). *Monetary Banking and Financial Developments in India*. New Century Publications: New Delhi.  
Gordon E. and K Natarajan. (2009). *Financial Markets and Institutions*, Himalayan Publishing House: New Delhi.  
Reddy Y. V. (2001). *Monetary and Financial Sector Reforms in India*. UBS Publishers and Distributors Ltd.: New Delhi.  
Machiraju, M. R. (1999). *Indian Financial System*, Vikas Publishing House, New Delhi.

Note: \*Further Readings are available with concerned teacher