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Roll No. ....

MB–202(F2)

M. B. A. (SECOND SEMESTER)

MID SEMESTER

EXAMINATION, April, 2023

FINANCIAL INSTITUTIONS AND MARKETS

Time : 1½ Hours

Maximum Marks : 50

Note : (i) This question paper contains two Sections–Section A and Section B.

(ii) Both Sections are compulsory.

(iii) Answer any *two* sub-questions among (a), (b) and (c) in each main question of Section A. Each sub-question carries 10 marks.

(iv) Section B consisting of Case Study is compulsory. Section B is of 20 marks.

P. T. O.

Section—A

1. (a) Describe the linkages between economy and financial markets. (CO1, CO2)
   (b) Discuss the trends prevailing in the Indian capital market. (CO1, CO2)
   (c) Examine the various instruments of money market. (CO1, CO2)
2. (a) Explain how Statutory Liquidity Ratio is different from the Cash Reserve Ratio. Discuss few more measures of credit control used by RBI. (CO3)
   (b) Illustrate how GST prevents cascading effect of taxes as compared to VAT.(CO3)
   (c) Compare and contrast capital market and money market on the basis of participants, instruments and duration. (CO3)
3. (a) If a bank has initial deposit of 800 million and the CRR is 10%, calculate the total credit creation done by the bank. (CO4)
   (b) Some economists believe that one of the reasons that economies in developing countries grow so slowly is that they do

not have well-developed financial system and markets. Does this argument make sense ? Evaluate. (CO4)
   (c) The Indian Financial Sector is playing a vital role in the economic growth. Highlight the various reforms introduced in various sectors like banking, debt market, insurance and external sector. (CO4)

Section—B

4. **Case Study :** (20 Marks)

Read the following case study paragraph carefully and answer the questions based on the same :

The central bank of India (Reserve Bank of India is the apex institution that controls the entire financial market. Its one of the major functions is to maintain the reserve of foreign exchange. The monetary policy is a policy formulated by the central bank, i.e., RBI (Reserve Bank of India) and relates to the monetary matters of the country. The policy involves measures taken to regulate the supply of money, availability, and cost of credit in the economy. Also, it intervenes in the foreign exchange market to stabilize the excessive fluctuations in the foreign exchange rate. In other words, it is the central bank's job to control a country's economy through monetary policy. If the economy is moving slowly or going backward, there are steps that central bank can take to boost the economy. These steps, whether they are asset purchases or printing more money, all involve injecting more cash into the economy. The simple supply and demand economic projection occur and currency will devalue. When the opposite occurs, and the economy is growing, the central bank will use various methods to keep that growth steady and in-line with other economic factors such as wages and prices. Whatever the central bank does or in fact don't do, will affect the currency of that country. Sometimes, it is within the central bank's interest to purposefully affect the value of a currency. For example, if the economy is

heavily reliant on exports and their currency value becomes too high, importers of that country's commodities will seek cheaper supply; hence directly affecting the economy. The types of monetary policies are expansionary monetary policy and contractionary monetary policy which increase and decrease the money supply in the economy respectively.

Questions :

(a) Evaluate the quantitative and qualitative measures used by the central bank to control the money supply in domestic economy.

(b) Briefly explain the structure and functions of Financial System.