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Roll No. ....

**MB-202(F2)**

**M. B. A. (SECOND SEMESTER)**

**END SEMESTER**

**EXAMINATION, June, 2023**

**FINANCIAL INSTITUTIONS AND MARKETS**

**Time : Three Hours**

**Maximum Marks : 100**

**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) Financial Dualism in the financial system entails certain economic and regulatory implications. Discuss. (CO1)
- (b) "Inflation rate of the last quarter in India is above 4%." As a member of the Monetary Policy Committee formulate an action plan in the above case. (CO1)
- (c) Identify the biggest hurdle in the path of Financial Sector Reforms in India and give your opinion on the future agenda of Financial Reforms. (CO1)
2. (a) "The Indian Financial Market is over regulated." Critically examine the statement. (CO2)
- (b) "Tapping the primary market is not an easy task." Sketch the outline in light of procedural requirements. (CO2)
- (c) "Through active intervention and participation RBI widens and diversifies the Indian money market." Illustrate. (CO2)

3. (a) "Capital markets are able to allocate available funds to their most productive use." Question the validity of the above statement. (CO3)
- (b) "Private placements are relatively unregulated compared to sales of securities on the open market." Compare and Contrast the two modes. (CO3)
- (c) The majority of retail investors are betting on the new age financial instruments. Examine the statement in light of a few such instruments. (CO3)
4. (a) SEBI's order on process followed by insurance companies hint at intermingling lines of regulation. Present your case in support of the statement. (CO4)
- (b) "CAMELS is a recognized international rating system that bank supervisory authorities use in order to rate financial institutions." Present your opinion. (CO4)
- (c) Internet Banking has emerged as an innovative development but it has its own challenges. Elaborate. (CO4)

**Section—B****5. Case Study : (20 Marks)**

The operating environment of banks is fast changing. The key policy documents—Union Budget-2023-24, Economic Survey 2022-23 and the aspirations set under India@100 during the Amrit Kaal-2022-47 when seen together with the changing forms of geopolitical and external sector risks reflect massive fusion of challenges and opportunities for financial intermediaries, more importantly banks. Further a recent EY report estimates that Indian economy will reach GDP size of US \$26 trillion by 2047 while the Confederation of Indian Industry (CII) estimates the economy to hit a size of US \$ 40 trillion by 2047.

The fiscal and monetary policy measures will logically drive and support the economy to explore the potentiality to attain the size and volume to become a developed economy by

2047 when India@100 will be celebrated. The monetary policy on February 8, maintained its focus on inflation control by hiking repo rate by 25 basis points taking the incremental rise in repo rate to 250 basis points during the current spell. The banks as key financial intermediaries will have to remain robust with upgraded internal risk management systems to manage the changing shape of risks to stay relevant and competitive.

When the whole business ecosystem is poised to witness a phenomenal surge with redistributed priorities, the new projects, changed product profiles, borrower needs and higher volumes will pose increased systemic risks to banks amid the ongoing economic transformation. Banks will be required to efficiently manage the increased magnitude of risks to make the most out of the buoyancy.

*P. T. O.*

We cannot lose sight of the fact that banks' willingness and ability to take risk, in turn, has allowed them to contribute significantly to economic growth by funding households and businesses. Nonetheless, this economic function, especially when conducted with a relatively small capital base and using mainly funds that have been borrowed short-term, has historically led to periodic rounds of bank failures and changes in credit availability that have exacerbated macroeconomic cyclical patterns and inflicted losses on households and businesses alike. While the regulatory changes and Basel Committee norms get upgraded to sync with the rising risks, the internal architecture of risk management systems have to be recalibrated to (i) effectively manage the elevated risks (ii) and be able to grow while balancing the emerging risks. It needs an inclusive strategic thinking in collaboration

with the board and senior management to work out risk management systems and strategies to withstand the onslaught of rising risks.

- (i) The above case indicates that the entire business ecosystem of India is poised to witness a phenomenal surge that reflects both challenges and opportunities for financial intermediaries. Investigate with special reference to the risk entailed.
- (ii) In the above backdrop the quick adaption of Basel III accords becomes even more important for India. Defend the statement, supporting it with the implications of the main provisions.