

**Discipline Specific Elective- 3.2(DSE-3.2): Financial
Markets and Institutions**

**CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES
OF THE COURSE**

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
DSE-3.2: Financial Markets and Institutions	4	3	1	0	Pass in XII	NIL

Learning Objectives

The course aims to provide students an overview of the financial system to help them understand the role of financial institutions and the financial markets.

Learning outcomes

After completion of the course, learners will be able to:

1. Describe the components and functions of a financial system.
2. Analyse integration and linkages between different financial systems and describe how they operate.
3. Analyse the functioning and working of money and capital markets.
4. Describe the functioning and role of various financial institutions.
5. Assess global financial markets and institutions, and spill over of financial crisis across countries.

SYLLABUS OF DSE-3.2

Unit 1: Introduction (6 hours)

An introduction to financial system - components, inter-linkages between financial system and economic development, financial intermediation, indicators of financial development (World Bank); capital allocation-financial institutions vis-a-vis financial markets; evolution of Indian financial system since 1951; recent reforms and developments in Indian financial system.

Unit 2: Financial Markets I: Money Markets (9 hours)

Financial markets - integration of Indian financial markets with global financial markets; money market – functions, organisations and participants; money market instruments; role of central bank in money market; role of Reserve Bank of India in Indian money market; Fixed Income Money Market and Derivative Association of India (FIMMDA).

Unit 3: Financial Markets II: Capital Markets (9 hours)

Capital Markets - introduction, components, role and functions; equity market-methods of issue; debt market-concept, significance and classification; capital market instruments; raising funds from global financial markets; primary and secondary markets- concept, similarities, differences; stock exchanges in India - NSE, BSE; Stock Indices: concept and construction, Major stock indices - global (including Dow Jones and NASDAQ) and Indian (NIFTY and BSE-SENSEX); concept of DEMAT account and depositories (NSDL, CDSL); SEBI and investor protection.

Unit 4: Financial Institutions (12 hours)

Commercial banking - introduction, classification, role, asset liability management, non performing assets; role of technology in banking sector; financial inclusion, recent developments in banking including restructuring, privatisation, MUDRA financing; Insurance - life and non-life insurance companies in India: public and private; Mutual Funds – introduction and their role in capital market development, types of mutual fund schemes (open ended vs close ended, equity, debt, hybrid schemes and Exchange Traded Funds (ETFs); Non banking Financial Companies (NBFCs) – role and types; private equity, venture capital and hedge funds.

Unit 5: Financial Stability (9 hours)

Financial stability-importance and indicators (World Bank, IMF, RBI); understanding financial crisis - causes and policy response; global financial crisis (2008); emerging challenges to financial stability.

Exercises

The learners are required to:

1. Identify one Indian and one global financial conglomerate. Examine their genesis and evolution.
2. Compare the yield curve of India, any other developing country, and a developed country. Analyse the reasons for similarities and differences in them.
3. Pick two leading stock market indices in India. Analyse the method of their computation. Identify the reasons behind the differences and their implications.
4. Pick any three mutual funds and make a comparison based on their risk parameters, portfolio holdings and historical return.
5. Identify any International Financial crisis other than Sub-Prime crisis (2008) and evaluate its spill over on the rest of the world.

Suggested Readings:

- Balachandran, V. (2023). Securities Market & Regulations. Delhi, India: Sultan

Chand & Sons.

- Bhole L.M. & Mahakud J. (2017) *Financial Institutions and Markets: Structure, Growth and Innovations*. Chennai, India: McGraw Hill Education.
 - Bhole, L.M., *Financial Markets and Institutions*. Tata McGraw Hill Publishing Company.
 - Frederic S. M. & Stanley G. E. (2011). *Financial Markets and Institutions*. Prentice Hall
 - Goel,S. (2018). *Financial Markets, Institutions and Services*. PHI learning
- Khan, M.Y. (2017). *Indian Financial System –Theory and Practice*. Vikas Publishing House.
 - Kohn (2013). *Financial Institutions and Markets*. Oxford University Press.
 - Madura, J. (2018). *Financial Markets and Institutions*. Cengage
- Pathak, B. V. (2018). *Indian Financial System: Markets, Institutions and Services*. New Delhi: Pearson education.
- Saunders, A. & Cornett, M. M. (2007). *Financial Markets and Institutions*. Tata McGraw Hill.
- Sharma, G. L. & Singh, Y. P. (1992). *Contemporary Issues in Finance and Taxation*, Delhi: Academic Foundation.

Note: Suggested readings will be updated by the Department of Commerce and uploaded on Department's website.

Additional Readings

- Annual Reports of Major Financial Institutions in India.
- BSE website www.bseindia.com
- NSDL website
- CDSL website
- National Stock Exchange website www.nseindia.com.
- NIFM, Department of Economic Affairs
- SEBI website www.sebi.gov.in
- Reserve Bank of India website www.rbi.org.in
- FIMMDA website www.fimmda.org
- BIS website www.bis.org
- Economic Survey, www.indiabudget.gov.in
- Reports on Trends and Progress of Banking in India, RBI
- Reports on Currency and Finance, RBI