

**JYOTI NIVAS COLLEGE AUTONOMOUS**  
**V SEMESTER - COMPULSORY PAPER**  
**MONEY, BANKING AND FINANCIAL MARKETS-V**

**60 HOURS**

**OBJECTIVES:**

- To help the student understand how the monetary forces operate
- To understand the working of the banking system
- To understand the working of financial markets

**LEARNING OUTCOME**

- To understand the role of money in a modern economy.
- To understand the significance of commercial banks in a broader perspective.
- To analyse the role of foreign exchange markets in a global context.
- To understand the role of central bank and monetary policy.
- To examine the role of development financial institutions and non banking financial institutions.

**UNIT – I**

**MONEY AND INFLATION**

**12 Hrs**

Money- meaning, functions, components of supply of money, minimum fiduciary system,(2)  
value of money- Cash Transactions and Cash Balance Approach.(3)

Inflation- meaning, Approaches- Demand Pull and Cost Push Inflation. (2)

Inflationary gap [only concept].(1)

Effects of Inflation on Production, Consumption, Distribution.(1)

Methods to Control Inflation- Fiscal, Monetary, And Administrative Measures, (2)

Philip's Curve [only concept], Consumer Price Index (CPI) and Wholesale Price Index (WPI)  
[concepts](1)

**UNIT – II**

## **FINANCIAL SYSTEM AND FINANCIAL MARKETS**

**11 Hrs**

Financial System- Definition, Components. (1)

Financial Markets- Definition Types and Functions.(1)

Money Market- Meaning, Institutions, Money Market Instruments(2)

Features: Developed Money Market, Unorganized Money Market, Significance of Money Market.(2)

Capital Market-Definition, Functions, Types. (2)

Gilt-Edged Market-Definition, Functions; (1)

Industrial Securities Market- Definition, Types, Functions. (2)

### **UNIT – III**

#### **COMMERCIAL BANKS AND CENTRAL BANK**

**12 Hrs**

Commercial Bank-Meaning, Functions, Instruments- Bills Of Exchange, Promissory Note, Cheque, Bank Draft, Pay Order, Loans, Overdraft, Cash Credit, Discounting Of Bills. (2)

Balance Sheet and Portfolio Management.(2)

Credit Creation by Commercial Banks, Requisites of a Sound Commercial Banking System.(4)

Central Bank-Meaning, Functions, Credit Control- Quantitative - Bank Rate, CRR and Open Market Operations, Qualitative Methods, Limitations.(2)

Repo Rate (Concept) Financial Regulation in India- The Role of RBI(2)

### **UNIT – IV**

#### **DEVELOPMENT BANKS**

**08 Hrs**

Development Financial Institutions in India – Industrial Development Bank of India (IDBI), National Bank for Agriculture and Rural Development (NABARD), National Small Industries Corporation (NSIC), Infrastructure Development Finance Company (IDFC), Export- Import Bank (EXIMB) - functions (8)

### **UNIT – V**

## **NON-BANKING FINANCIAL INTERMEDIARIES**

**09 Hrs**

Non- Banking Financial Intermediaries in India – Loan and Investment Companies, Hire Purchase Companies, Merchant Banks, Mutual Funds, Leasing companies, Venture Capital, housing finance, factoring services- definition, functions. (4)

Insurance Companies- LIC and GIC- Functions (1)

Small Savings, Provident Fund and Pension Fund – concept(1)

Financial regulation in India- the role of SEBI and Credit Rating Agencies-CRISIL, ICRA.(3)

## **UNIT – VI**

### **FOREIGN EXCHANGE MARKETS**

**08 Hrs**

Foreign Exchange Market- Definition, Functions, Structure- Spot And Forward Exchange Rate, Hedging, Arbitrage, Speculation (Concepts), Euro-Dollar Market-Meaning, Growth, Features, Role And Limitations.(8)

### **PRACTICAL COMPONENT OF THE SYLLABUS**

1. Balance sheet of a commercial bank
2. Currency system in India
3. Banking innovations in India-ATM Process, NEFT & RTGS.
4. Small Industries Development Bank of India
5. Field visit to RBI, Stock exchange.
6. Consumer Price Index (CPI) and Wholesale Price Index (WPI) [concepts]

### **BOOK REFERENCES**

1. Appanaiah and Reddy, T.N. – Financial Markets and Services, 2010, Himalaya publishing house.
2. Bhole L.M. - Financial institutions and markets, 4th edition, 2004, Tata Mcgraw Hill.
3. Hajela, T.N. – Money and banking- theory with Indian banking, 2009, Ane books pvt.ltd.
4. Jhingan M.L. - Monetary economics, 1997, Vrinda Publishers Ltd.
5. Sethi T.T. –Money, Banking and International trade, 2001, S. Chand and Company, Ltd.
6. Shekhar and Shekhar- Banking theory and practice, 18th Edition, 1998, Vikas Publishing House Pvt. Ltd.

### **ADDITIONAL READING LIST**

1. Apte P.G. – International finance, 3003, Tata Mcgraw Hill.
2. Bhat N.K. - International trade and financial environment, 2009, Ane books pvt. Ltd.
3. Crowther, G- An Outline of Money, 1962, Thomas Nelson and Sons.
4. Chandler, Goldfeld S.M. – The economics of money and banking, 7th edition, 1977, Harper international edition.
5. Gupta S.B. – Monetary economics, 2004, S. Chand and company
6. Khan, M.Y. - Indian financial system, 6th edition, 2009, Tata Mcgraw Hill.
7. Pathak, Bharathi V.- The Indian financial system- markets, institutions and services, third edition, 2008, Pearson publication.
8. Singh, Asha and Gupta M.S. and Shandilya, T.K. - Banking and financial sector reforms in India, 2010, Serials publications.
9. RBI- Report on currency and finance, various issues