SYLLABUS

Class: - B.B.A. II Year

Subject: - Financial Market & Services

UNIT – I	Financial system and its components. Financial markets and institutions financial intermediation flow of funds matrix financial system and economic development. An overview of Indian financial system
UNIT – II	Financial Markets: Money market: functions, organisation, and instruments. Role of central bank in money market; Indian money market - An overview. Capital Markets functions, organisation, and instruments. Indian debt market; Indian equity market - primary and secondary markets; Role of stock exchanges in India.
UNIT – III	Financial Institutions: Commercial banking introduction, its role in project finance and working capital finance; Development Financial institutions (DFIs) - An overview and role in Indian economy; Life and non-life insurance companies in India; Mutual Funds - Introduction and their role in capital market development. Non-banking financial companies (NBFCs).
UNIT – IV	Financial Services: Overview of financial services industry: Merchant banking pre and post issue management, underwriting. Regulatory - framework relating to merchant banking in India.
UNIT – V	Leasing and hire-purchase, Consumer, and housing finance; Venture capital finance; Factoring services, bank guarantees and letter of credit; Credit rating: Financial counselling.

UNIT-I

A financial system is a set of institutions, such as banks, insurance companies, and stock exchanges, that permit the exchange of funds. Financial systems exist on firm, regional, and global levels. Borrowers, lenders, and investors exchange current funds to finance projects, either for consumption or productive investments, and to pursue a return on their financial assets. The financial system also includes sets of rules and practices that borrowers and lenders use to decide which projects get financed, who finances projects, and terms of financial deals

The financial system is a complex network of institutions, markets, and intermediaries that facilitate the flow of money and credit throughout the economy. The main components of the financial system include:

Financial Institutions: These are organizations that facilitate the flow of funds between lenders and borrowers. They include banks, credit unions, insurance companies, and investment companies.

Financial Markets: These are platforms where buyers and sellers come together to trade financial assets such as stocks, bonds, and currencies. Financial markets can be divided into money markets and capital markets.

Financial Intermediaries: These are entities that serve as intermediaries between borrowers and lenders. Examples include brokers, investment bankers, and financial advisors.

Payment Systems: These are systems that enable the transfer of funds between parties. Examples include wire transfers, credit card transactions, and automated clearinghouse (ACH) transfers.

Regulatory Agencies: These are government agencies that oversee and regulate the financial system. Examples include the Federal Reserve, the Securities and Exchange Commission (SEC), and the Federal Deposit Insurance Corporation (FDIC).

Financial markets and institutions are integral components of the financial system. Financial markets provide a platform for the buying and selling of financial assets, while financial institutions facilitate the flow of funds between investors and borrowers.

Financial Markets:

There are two types of financial markets: primary markets and secondary markets.

Primary Markets: In primary markets, new securities are issued and sold for the first time. The issuer of the securities receives the proceeds from the sale of the securities. Examples of primary markets include initial public offerings (IPOs) and bond issuances.

Secondary Markets: In secondary markets, previously issued securities are bought and sold among investors. The proceeds from the sale of securities in secondary markets go to the investor selling the securities, not the issuer. Examples of secondary markets include stock exchanges, bond markets, and foreign exchange markets.

Financial Institutions:

Financial institutions are entities that facilitate the flow of funds between investors and borrowers. They include:

- Banks: Banks are financial institutions that accept deposits from customers and lend money to borrowers. They also provide other financial services such as credit cards, mortgages, and wealth management.
- Credit Unions: Credit unions are similar to banks, but are owned and controlled by their members. They provide similar financial services to banks.
- Insurance Companies: Insurance companies provide protection against financial loss in the event of an unexpected event such as illness, accident, or death.
- Investment Companies: Investment companies pool money from investors to invest in securities such as stocks, bonds, and real estate.
- Brokerage Firms: Brokerage firms facilitate the buying and selling of securities on behalf of investors.

These institutions play a critical role in the functioning of the financial system by providing liquidity, risk management, and financial intermediation services.

The flow of fund matrix is a tool used in finance and economics to analyze the flow of funds between sectors of the economy. The matrix provides a visual representation of the flow of funds from one sector to another, and can help to identify areas where investment or disinvestment is occurring.

The flow of fund matrix is typically represented as a table, with each row and column representing a different sector of the economy. The cells in the table represent the flow of funds between each sector, and can be positive or negative depending on whether funds are flowing into or out of the sector.

For example, a flow of funds matrix might include sectors such as households, businesses, financial institutions, and the government. The table would show the flow of funds between these sectors, such as the amount of money households are saving, the amount of money businesses are investing, the amount of money financial institutions are lending, and the amount of money the government is spending.

By analyzing the flow of funds matrix, economists and policymakers can identify areas where investment or disinvestment is occurring, and can make decisions about how to allocate resources to promote economic growth and stability. The flow of funds matrix is a valuable tool for understanding the complex relationships between different sectors of the economy, and can help to inform economic policy decisions

Financial system and economic development

The financial system plays a critical role in economic development by facilitating the flow of funds between savers and borrowers, and by providing a framework for investment, risk management, and economic growth. A well-functioning financial system can promote economic development in several ways:

- Mobilizing Savings: The financial system enables individuals and businesses to save and invest their money. By providing a platform for saving and investing, the financial system can mobilize savings and channel them into productive investments that can fuel economic growth.
- Allocating Capital: The financial system also facilitates the allocation of capital to where it is needed most. By providing a mechanism for investors to allocate their capital to the most promising investment opportunities, the financial system can ensure that capital is allocated efficiently and productively.
- Providing Credit: The financial system provides credit to businesses and individuals who need it. By providing access to credit, the financial system can enable businesses to invest in new projects and expand their operations, which can fuel economic growth.
- Managing Risk: The financial system also provides a framework for managing risk. By providing insurance, hedging, and other risk management tools, the financial system can help businesses and individuals to mitigate the risks associated with economic activity.
- Facilitating Trade: The financial system enables the exchange of goods and services across borders. By providing a mechanism for foreign exchange transactions, the financial system can facilitate international trade and promote economic development.

An overview of Indian financial system

The Indian financial system is a complex network of institutions, markets, and regulations that play a critical role in the country's economy. The financial system in India is comprised of a variety of institutions and markets, including banks, non-banking financial companies, capital markets, insurance companies, and the Reserve Bank of India (RBI).

Banking System: The banking system in India is composed of commercial banks, regional rural banks, and cooperative banks. The Reserve Bank of India (RBI) is the central bank of India and regulates the banking system. The banking system plays a critical role in providing credit and other financial services to individuals and businesses.

Non-Banking Financial Companies (NBFCs): NBFCs are financial institutions that provide a range of financial services, including loans, leasing, and hire purchase financing. NBFCs are regulated by the Reserve Bank of India (RBI) and play an important role in providing credit to individuals and businesses.

Capital Markets: The capital markets in India include the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). These markets provide a platform for the buying and selling of equities, bonds, and other securities. The Securities and Exchange Board of India (SEBI) regulates the capital markets.

Insurance Sector: The insurance sector in India is regulated by the Insurance Regulatory and Development Authority (IRDA) and provides a range of insurance products, including life insurance, health insurance, and property insurance.

Reserve Bank of India (RBI): The Reserve Bank of India (RBI) is the central bank of India and is responsible for regulating the financial system in the country. The RBI is responsible for setting monetary policy, regulating the banking system, and managing foreign exchange reserves.

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