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SEMESTER III
INDIAN FINANCIAL & FISCAL SYSTEM
(Marks 100)

Objectives of the course: The fundamental objectives of the course are (i) to acquaint students with the structure and components of the Indian financial system; (ii) to familiarize students with recent developments in the Indian banking sector (iii) to enable students to understand the Indian fiscal scene and (iv) to facilitate students' understanding and analysis of the two most essential components of economic policy, viz. monetary policy and fiscal policy

Unit 1: Indian Financial and Banking System (25 marks 12-14 lectures)

Indian Financial System: Nature, structure & composition of the Indian Financial System – financial markets, financial institutions, financial securities, financial services – classification and brief explanation of each; Role of the financial system in economic growth & development; Financial development – meaning, concepts and indicators of financial development; Financial inclusion – meaning and RBI's definition, extent of financial exclusion in India

Indian Banking System: Structure & composition of the Indian banking system (RBI, commercial banks, cooperative banks, regional rural banks); classification of commercial banks (Indian and foreign, public sector and private sector, scheduled and non-scheduled); recent developments in Indian commercial banking (entry of private & foreign banks, prudential norms, PSBs raising capital, use of IT & resultant services, new services...)

Unit 2: Money and Monetary Policy in India (25 marks 12-14 lectures)

Money: definition; supply of Money - Role of Government, Central Bank & commercial banks (process of multiple credit creation by banks); components of money – currency, coins and credit; RBI indices of money supply

Monetary Policy: meaning; objectives of monetary policy (with special reference to RBI); RBI's Instruments of credit control/monetary policy – Quantitative (variable reserve requirements, open market operations, Bank rate, Liquidity Adjustment Facility through repo and reverse repo rate) and Qualitative credit controls – how the instruments work to expand and contract money supply; brief mention of merits and limitations of each instrument; Analysis of RBI's most recent Monetary Policy statement

Unit 3: Indian Fiscal System (35 marks 20-22 lectures)

Public Revenue: sources of govt. revenue (Centre & States – tax & non-tax); main sources of revenue and most important taxes (Centre & Goa); types of taxes – direct & indirect – meaning, relative merits and demerits; concepts of impact, incidence and shifting of a tax; features of the Indian tax system; recent trends in public revenue (Centre & Govt. of Goa)

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Public Expenditure: Classification – developmental/non-developmental, plan/non-plan, functional classification; major heads of govt. expenditure (Centre & Govt. of Goa); recent trends in public expenditure (Centre & Govt. of Goa)

Public Debt: meaning; Classification – internal & external, short- medium- & long-term, productive & unproductive, redeemable & irredeemable; composition of debt (Centre & Govt. of Goa); trends in public debt (Centre & Govt. of Goa)

Unit 4: Budgets and Fiscal Policy in India (15 marks 10-12 lectures)

Fiscal Policy: Meaning; objectives of fiscal policy in India; importance of fiscal policy in India

Budget – meaning; types (balanced & unbalanced, surplus & deficit); Concepts of deficit (fiscal deficit, revenue deficit, primary deficit); impact of deficit budgets on the economy; Structure of Central & State budgets in India; most recent Central & State budgets to be discussed

Books for Study and Reference:

Bhole L. M. & Mahakud J. (2009): Financial Institutions and Markets: Structure, Growth & Innovations, 5th ed. New Delhi, Tata-McGraw Hill

Bhatia H.L. (2012): Public Finance, 27th ed. New Delhi, Vikas

Burton M. & Lombra R. (2000): The Financial System and the Economy: Principles of Money and Banking, Australia, South-Western College

Chelliah R. (1971): Fiscal Policy in Underdeveloped Countries, London, Allen & Unwin

Datt R. and Sundharam K.P.M. (2012): Indian Economy, New Delhi, Sultan Chand and Co.

Eichberger J. & Harper I. R. (1997): Financial Economics, Oxford, OUP

Khan M. Y. (2011): Indian Financial System, 7th ed. New Delhi, Tata-McGraw Hill

Pathak B. V. (2011): Indian Financial System: Markets, Institutions and Services, 3rd ed., New Delhi, Pearson

RBI (various years): RBI Bulletin – issue on State Finances

Tyagi B.P. (2012): Public Finance, Meerut, Jai Prakash Nath

