M.B.A. (Semester—III) Examination

INDIAN FINANCIAL SYSTEM

Paper—MBA/3101/F

Time—Three Hours] [Maximum Marks—70

Note :— (1) Attempt **ALL** questions.

(2) Figures to the right indicate marks.

SECTION—A

1. (a) Describe the Indian Financial System in the pre-reform and post-reform periods. 14

OR

(b) Explain surplus-spending and deficit-spending units briefly. What role do they play in economic growth ? 14

SECTION—B

2. (a) State the causes for the unpopularity of bill market in India. 7

(b) "Development, sustenance and expansion of the debt markets is a very complex activity." Do you agree ? 7

OR

There are several alarming situations associated with this system as well. In Jammu and Kashmir, terrorist groups use this method to fund their detrimental projects and for the purchase of Military hardware. A recent study by the US treasury department revealed that the money laundered through Hawala system is the largest source of investment for human and drug trafficking and other ghastly crimes in India.

Despite of these crimes some financial intermediary were also involved in Hawala racket recently the alleged over ₹ 6,000 crore Bank of Baroda (BOB) forex scam is threatening to open a Pandora's box in the banking sector. Enforcement Directorate (ED), investigations have found that more banks could be involved. This scam will also affect economic growth of a country.

Unfortunately no significant legal action taken in this case simply proved that no one is bothered about the country's fund being drained from the financial system.

(a) How does Hawala system works ? Why it is used ? 7

(b) What are the various policy measures Indian government should adopt to stop money laundering through Hawala ? 7

(c) Discuss the participation of FII and FDI in Indian Financial Market. 7

(d) "Development of the money, the government securities and foreign exchange markets is critical for the overall growth and development of the economy and particularly in the transmission mechanism of monetary policy." Comment. 7

3. (a) Discuss the method of trading in OTCEI. 7

(b) "Stock market prices reflect the mass psychology with the little if any connection to the underlying economic values." Comment. 7

OR

(c) Explain the role of Discount and Finance House of India. 7

(d) "The shares of a company will not be listed on a stock exchange unless the conditions relating to minimum public offer and minimum number of shareholders are satisfied." Justify the statement. 7

4. (a) Discuss the role of RBI as a regulator and supervisor of financial system. 7

(b) In addition to increasing their domestic business, the NBFC's institutions are to gear themselves to the global competition. Discuss the recent initiatives taken by the investment institutions to ensure state of the art services to their clients. 7

OR

(c) Why is the general insurance market smaller than the life insurance market in India ? 7

(d) "The Bank Nationalisation in India marked a paradigm shift in the focus of banking as it has intended to shift the focus from class banking to mass banking." Do you agree ? 7

SECTION—C

5. In India many of the eminent politicians and business tycoons use the Hawala to transfer lump sum to their foreign accounts. The Hawala transaction is quite straightforward and convenient for those who are aware of it. In fact it is a centuries long practice that seems to remain in popularity in future.

Politician and some business tycoons in India earn large sums of money from illegal sources and the black money is neither recorded nor taxed by the government. Since this is risky to invest the money inside the country, the resort to the Hawala system to transfer it to some safe haven. Thus Hawala method is best suited process for the corrupted political cult to siphon the country's funds to foreign countries. Most of their much speculated secret Swiss bank accounts are funded by money laundered through the Hawala channels.