

**MBFM 3002 R**

M.B.A. DEGREE EXAMINATION, MAY 2026.

Third Semester

Finance Management

**BANKING AND INDIAN FINANCIAL SYSTEMS**

(2023 onwards)

Time : Three hours

Maximum : 75 marks

PART A — (5 × 4 = 20 marks)

Answer any FIVE questions.

1. Elaborate the primary functions of a banking system, and how do they contribute to the economy?
2. Analyse how the structure of a banking system affects the stability and efficiency of the financial system.
3. How would you apply the method of open market operations to address an inflationary Scenario in the economy?

4. How could an investor apply their knowledge of the Indian money market to develop a short-term investment strategy? Provide an example of such a strategy and its potential benefits.
5. How would you apply the principles of micro finance to design a loan program aimed at small—scale entrepreneurs in rural areas?
6. Apply the concept of financial intermediation to design a strategy for a new financial institution aiming to attract and manage savings effectively?
7. How can a company apply the knowledge of financial markets to decide on the best method for raising capital for a new project?
8. How would you apply the principles of foreign direct investment (FDI) to attract investment from multinational companies into a developing country?

PART B — (5 × 8 = 40 marks)

Answer any FIVE questions.

9. What are the implications of different types of cheque endorsements and crossings on the security and processing of cheques? How might these implications be analyzed to prevent fraud?
10. How can a bank design a tailored financial product to address the unique needs of farmers in a rural area? Apply principles of rural financing to propose features and benefits of the product.
11. Analyze how the organizational structure and management practices of the Reserve Bank of India influenced its effectiveness in implementing monetary policy. Consider factors such as decision-making processes and coordination with government policies.

12. Analyze the roles and impacts of major Indian development banks, such as the Industrial Development Bank of India and the Small Industries Development Bank of India, on industrial growth in India. Evaluate their effectiveness and contributions to economic development.
13. Explain financial institutions like the Export-Import Bank of India and the Industrial Finance Corporation of India be analyzed to understand their impact on sector-specific development?
14. Compare and analyze the functions of primary and secondary markets in the Indian financial system. Assess how each market impacts capital formation and liquidity for investors and companies.
15. Analyze how the Indian fiscal system influences the financial markets and investment climate. Evaluate the effects of fiscal policies, such as government spending and taxation, on financial intermediation and market performance.

16. Analyze the role of the international capital market in global economic integration. Evaluate how changes in international capital flows influence economic conditions and investment opportunities in both developed and developing countries.

PART C — (1 × 15 = 15 marks)

Answer ALL following.

17. The National Bank for Agriculture and Rural Development (NABARD) has been instrumental in promoting financial inclusion in rural areas through the Self-Help Group (SHG)-Bank linkage program. Initiated in the early 1990s, this program aimed to link informal groups of poor people with formal financial institutions, helping them access credit without traditional collateral. In a village in Tamil Nadu, NABARD facilitated the formation of SHGs comprising women from marginalized communities. The group members collectively saved a small amount regularly and were then linked to a local bank. With NABARD's

guidance, the SHG received a loan from the bank to start micro-businesses like dairy farming and tailoring. Over time, many women gained financial independence, improved their standard of living, and contributed to the local economy.

- (a) Discuss how NABARD's SHG-Bank linkage program has impacted financial inclusion in rural areas.
- (b) What challenges might SHGs face in accessing credit, and how can NABARD address these?