

Further, trading is cumbersome as procedural requirements are onerous. The stamp duty payable by banks subscribing to commercial paper from the primary market is lower than which is charged to non-banking entities like primary dealer, corporates and non banking finance companies. As a result, the entities prefer to buy CPs from the banks instead of directly subscribing to them.

The structural rigidities such as rating requirements, timing of issue, terms of issue, maturity range, denominational range and interest rate stand in the way of developing commercial paper market.

- (i) What regulatory measures are justifiable to the various players in the market which will improve the potentiality of commercial paper in India ? 7
- (ii) Considering the present banking scenario state the implications on issue of Commercial Paper in India. 7

M.B.A. Semester-III Examination
INDIAN FINANCIAL SYSTEM
Paper- MBA/3101/F

Time : Three Hours]

[Maximum Marks : 70

- Note :-** (i) Attempt all questions.
(ii) Figures to the right indicate marks.

SECTION-A

1. (a) Classify the various financial intermediaries functioning in the Indian Financial System and bring out their features. 14

OR

- (b) How do operations on stock exchange affect the economic life of a nation ? Is it necessary to control the stock exchange ? 14

SECTION-B

2. (a) Give an outline of the current scenario of the Indian Financial System. 7
- (b) Financial crises spread most panicky when information is least complete, and they result in major externalities for particular sectors and the macro-economy. On both imperfection information and, externality ground there is rational for government intervention. Do you agree ? 7

OR

(c) Examine critically the saving and investment trends in India. 7

(d) "The role of financial system in growth has been subjected to critical reassessment and consideration of financial stability." Comment on the statement in the wake of the financial crises of the 1990s. 7

3. (a) Explain the recent developments in the Indian commercial bill market and the measures introduced by the RBI to develop the commercial bill market. 7

(b) "The development of a safe, secure and sound payment and settlement system should be the key policy objective of a sound capital market," Do you agree ? 7

OR

(c) Explain the features of government securities market in India. 7

(d) "The unification of the exchange rate was instrumental in developing a market determined exchange rate of the rupee and an important step in the progress towards current account convertibility." Give your opinion. 7

4. (a) 'Banks are an important financial intermediary in the financial system' Discuss. 7

(b) 'The NBFC's are in 'close competition with the Commercial Banks.' Do you agree ? 7

OR

(c) Critically examine the measures taken by the RBI to control the inflation rate in country. 7

(d) "Reforms in the insurance are to be seen as an integral part of the ongoing reforms in the overall financial sector in India." Comment. 7

SECTION-C

5. Corporate enterprises requiring burgeoning funds to meet their expanding needs find it easier and cheaper to raise funds from market by issuing commercial paper. Further, it provides greater degree of flexibility in business finance to the issuing company in as much as it can decide the quantum of Commercial Paper (CP) and its maturity on the basis of its future cash flows.

The issue of CP declined to Rs. 5,663 crore on March 31, 2000, that were Rs. 6,770 crore on March 31, 1999. It shows that the CP market is moribund. There is no increase in issuer base i.e. the same companies are tapping this market for funds. The secondary market is virtually non-existent. Only commercial banks pick up these papers and hold till maturity. No secondary market is allowed to develop on any significant scale.