

### **Paper III : Economics (Money and Finance System )**

**Objective:** Objective of this syllabus is to expose the final year students of commerce faculty to (a) the working of monetary and financial systems in India, (b) working of international monetary and financial systems in India, (b) working of international monetary institutions and (c) centre-state financial relations in India.

**Unit-1:** Money : Functions; Alternative measures of money supply in India-their different components - Meaning and changing relative importance of each - High powered money - meaning and uses - Sources of changes in high powered money.

**Unit-2:** Finance : Role of finance in an economy - Kinds of finance-Financial system; Components - Financial intermediaries - Markets and instruments, and their functions.

**Unit-3:** Indian Banking System : Definition of bank - Commercial banks - importance and functions; Structure of commercial banking system in India ; Balance sheet of a Bank; Meaning and importance of main liabilities and assets.

**Unit-4:** The Reserve Bank of India : Functions; Instruments of monetary and credit control; Main features of monetary policy since independence.

**Unit-5:** Interest Rates : Various rates in India (viz. bond rate, bill rate, deposit rates, etc); Administered rates and market-determined rates; Sources if difference in rates of interest; Behavior of average level of interest rates since 1951 - impact of inflation and inflationary expectations.

**Unit-6:** Fiscal policies of the Govt. of India - Taxation, Expenditure and Borrowing Policies - Revenue deficit and Fiscal deficit in the budgets of the Central Government since the introduction of economic reforms in India.

**Unit-7:** Centre - state financial relations in India- Recommendations and implications of last two Finance commissions.

**Unit-8:** International Monetary Fund : Its functioning during the last 25 years - World Bank and its working during the last 25 years.

#### **Suggested Readings :**

1. Gupta S. B. : Monetary Planning of India; S. Chand, New Delhi.
2. Khan M. Y. : Indian Financial System - Theory and practice; Tata McGraw Hill, New Delhi.
3. Reserve Bank of India : Functions and Working.
4. Merrill : Financial Planning in the Bank; Macmillan Ltd. New Delhi
5. Agarwal A. N. : Indian Economy