

*Course Outline***FINANCIAL MARKETS & BANKING***for PGCBM 2009-10 (Batch 15)*Course Instructor: *Santosh Sangem*

XLRI Jamshedpur
School of Business & Human Resources

Contact:

Office – 91 657 398 3118; Email: santoshsangem@xlri.ac.in; in person – During campus visit

Course Objectives:

Financial Markets and Banks are central to the carrying out of economic activity in all nations. These are also the most regulated and dynamic sectors of national economies. An objective of this course is to equip students with a basic understanding of a variety of financial instruments in vogue in various segments of the Indian financial markets. Another objective of this course is to provide students with an introductory level of understanding of some selected aspects of commercial banking activities and banking regulations in the Indian context.

Pedagogical Methods:

The course is based on classes, cases, and project work. Active participation by students is an important feature of the course. A variety of quizzes, take home assignments, tests, and case studies are the main pedagogical instruments.

Primary Teaching Book & Reading Material:

“Corporate Finance” by Ross, Westerfield, Jaffe, & Kakanani, 8th Edition, Special Indian Edition, Tata McGraw Hill Publications (Higher Education), 2009. [RWJK]

Selected Material from

- ◆ *“Commercial Bank Management” by Peter Rose, 5th edition, International Edition, McGraw Hill/Irwin Publications, 2002. [PR]*
- ◆ *“Bank Management” by Timothy W. Koch & S.Scott Macdonald, 6th edition, Thomson South-Western Publications, 2006 [KM]*
- ◆ *“Financial Institutions and Markets” by Meir Kohn, 2nd edition, Special Indian edition, Oxford University Press, 2007 [MK]*
- ◆ *“Modern Banking” by Shelagh Heffernan, 1st edition, John Wiley & Sons, 2007 [SH]*

- ◆ “Tanna’s Banking Law and Practice in India” by M.L.Tanna, Justice Y.V.Chandrachud, C.R.Datta. and C.R. Rao, 21st revised edition, LexisNexis Buttersworth Wadhwa Publications, 2009 [TCDR]
- ◆ “Report on Currency and Finance 2006-08”, Reserve Bank of India, 2008 [RBI]
- ◆ “The evolution of banking regulation in India”, Special Address delivered by Shri V. Leeladhar, Deputy Governor, Reserve Bank of India at the Bankers’ Conference (BANCON) 2007 on November 26, 2007 at Hotel Taj Lands End, Mumbai. [VL]

Other Suggested Readings:

1. “Financial Management: Theory & Practice” by Prasanna Chandra, McGraw Hill, 2001 [PC]
2. “Financial Management” by I M Pandey, Vikas, 2005 [IMP]
3. “Principles of Corporate Finance” by Brealey, Myers, Allen, & Mohanty, McGraw Hill, 2007 [BMAAM]
4. “Financial Markets & Corporate Strategy” by Mark Grinblatt and Sheridan Titman, 2nd edition, Tata McGraw Hill, 2002 [GT]
5. “The Economics of Money, Banking and Financial Markets” by Frederic Mishkin, 2nd Business School edition, Prentice-Hall, 2009. [FM]
6. India’s Financial Markets: An Insider’s Guide to How the Markets Work” by Ajay Shah, Susan Thomas, and Michael Gorham, Academic Press, 2008 [STG]
7. “Commercial Banking: The Management Of Risk.” by James Kolari & Benton Gup, 3rd edition, Wiley India, 2009 [KG]

Any other good (introductory) book on Financial Markets and Commercial Banking

Study Material

Students will be given a text book as part of the course material. In addition, a handout containing a set of core and supplementary readings on banking will be provided. Should the students feel that they need more reading material (or detailed notes) for a particular topic – they can get in touch with me.

Other Course Policies:

Students are expected to have their own calculators during the class/examinations.

Exams → End-term exam will typically have cases/problems followed by questions. The end-term exam will be comprehensive meaning you will be responsible for all the material covered in the course.

Class Participation → I will sometimes randomly call on people to present their answers, case analysis, and assignment solution, and at other times I will allow people to volunteer to present their worked out solutions. Class participation marks will also be based on participation in class discussion, attendance, and being on time.

Plagiarism/Cheating → Students are requested to go through the students manual regarding the rules and regulations related to cases of copying and similar acts. Cheating in examinations, quizzes or assignments will be dealt with severely. Depending upon the extent of plagiarism/cheating, the penalty could range from a subtraction of 25 marks *from* the total score obtained by the student or the awarding of an “F” grade *to* reporting the incident to the Associate Dean for appropriate action such as removal of the students name. Please note that aiding and abetting your batchmates in such activities will also be given the same penalties. **NO** subsequent justifications/ arguments will be entertained.

System of Evaluation

Method of Evaluation	Marks
Class Attendance/ Participation	10
Take Home Assignment [^]	40
End-term Examination* [^]	50

[^] Please note that non-submission of take home assignment or not attending the end-term examination will lead to 'incomplete' grade being awarded

* Please note that some questions will carry negative marks (for wrong answers)

Grading Pattern

Range of Marks	0-30	31-35	35-40	41-45	46-50	51-60	61-70	71-80	81-100
Grades	F	D	D +	C	C +	B	B +	A	A +

Note: Adjustments in the above could be made to meet the norms of the institute.

Sources of Financial Information:

The following sources apart from **CMIE-PROWESS** have extensive information about corporate world, economy and markets.

- Government-owned Websites: Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Ministry of Finance – Government of India (*.nic.in)
- Stock Exchange Websites: National Stock Exchange (NSE), and Bombay Stock Exchange (BSE)
- Financial Magazine/Newspaper Websites: Business Standard, Hindu Business Line, Financial Express, Wall Street Journal, Financial Times, Business Today, Economic Times, Economist, etc.
- Banking Related Websites: Own Websites of Banks, Website of Indian Banks' Association, Website of the Bank for International Settlements
- Other websites: Capital Market, Indiainfoline, Indiabulls, Equitymaster, Sharekhan, iInvestor, CRISIL, CMIE, CapitalIdeasOnline, ICICIMarkets, Motleyfool, World Bank, ICICIDirect, 5paisa, CARE, MoneyControl, Myiris, etc.

TOPICS TO BE COVERED (TENTATIVE):

Session-wise Plan	Suggested Readings
1. An Introduction to Commercial Banks and Banking	Core Readings: Chapter 1 [PR], Chapters 6[MK] Supplementary Readings: Chapter 2 [PR], Chapter 7[MK], Chapter 1[SH]
2. Analysis of Bank Financial Statements-1	Core Readings: Chapter 5 [MK], Chapter 2[KM], Chapter 5[PR] + Case Study Analysis and Discussion (case study to be provided later) Supplementary Readings: Chapter 4[PR], Chapter 3[KM],
3. Analysis of Bank Financial Statements-2	
4. Bank Lending Policies and Loan Pricing	Core Readings: Chapters 17 and 19 [PR] Chapter 10[KM] Supplementary Readings: Chapters 18,20, and 21 [PR], Chapters 11-12 [KM]
5. Selected Aspects of Bank Regulation in India	Core Readings: Chapters 8, 22, and 27 [TCDR] Supplementary Readings: Chapter 3 [RBI], [VL]
6. Process of Securities Issuance to the Public and Capital Raising	Chapters 19 and 20 in RWJK Chapter 21 in PC; Chapter 20 of IMP; Chapters 15, 23 & 24 of BMAM
7. An Introduction to Hybrid Securities	Chapter 24 in RWJK Chapter 25 in BMAM; Chapter 22 in PC; Chapter 21 in IMP;
8. Understanding and Valuing Options	Chapters 22 and 23 in RWJK Chapters 21 & 22 of BMAM; Chapter 8 in PC; Chapter 7 in IMP;
9. An Introduction to Futures and Forwards	Chapter 25 in RWJK Chapter 27 in BMAM; Chapter 40 in PC; Chapter 33 in IMP;
10. Case Study Analysis and Discussion OR Session on International Finance	Case 'Tata Steel Limited: Convertible Alternative Reference Securities' (9B08NB001, Richard Ivey Center Case) OR Chapter 31 in RWJK Chapter 28 in BMAM; Chapter 37 in PC; Chapter 34 in IMP;

Note:

- ◆ *Please note that the above sequence is tentative (and would be altered based on initial class experience).*
- ◆ *PowerPoint presentations: Session-wise Pdf files would be e-mailed after the session.*