Biyani Institute of Science and Management
I Internal Examination 2019-20
MBA (III Semester)
Subject- Management of Financial Services (M 312)

Time: 1.30 Hrs. **Set:A** **MM: 30**

I] Subjective Questions (Attempt any two questions) (2*10=20)

1) Explain the development banks and its trends.

Answer: Challenges of Development Banks

1. The payments challenge

One of the key challenges facing banks is the impact of disruptive new technologies on their retail payments business – the so-called “rise of the FinTech”.

Such competition from non-banks in retail payments services is of course not new. Western Union and Moneygram, for example, are well-established non-bank providers. But what is different now is that various factors are coinciding which look set to fundamentally change the landscape of the retail payments market, and in ways that threaten banks’ dominant market position.

2. The markets challenge
Non-banks are not only increasingly entering the retail payments market in the euro area, however; they are also entering the lending business. This brings me to the second challenge for euro area banks: the markets challenge.

For some years now, we have been witnessing a trend towards more capital market-based financing in the euro area, driven by both deleveraging among banks and the very low cost of market finance. Looking forward, the Capital Markets Union (CMU) project promises to further deepen market finance in Europe by, among other things, making it easier for young firms to access risk capital and smaller firms to issue bonds, as well as deepening markets for high quality securitisation.

3. The regulatory challenge
As I said, however, CMU is for the longer-term. For the medium-term, SME financing in the euro area will still mainly come from banks. So we need to make sure that there are no unnecessary obstacles to that process. And this brings me to the third challenge facing banks – the regulatory challenge.

Issues of Development Bank.

1. It is a specialised financial institution.

2. It provides medium and long term finance to business units.

3. Unlike commercial banks, it does not accept deposits from the public.

4. It is not just a term-lending institution. It is a multi-purpose financial institution.

5. It is essentially a development-oriented bank. Its primary object is to promote .

6. It provides financial assistance not only to the private sector but also to the public sector undertakings.

7. It aims at promoting the saving and investment habit in the community.

8. It does not compete with the normal channels of finance, i.e., finance already made available by the banks and other conventional financial institutions. Its major role is of a gap-filler, i. e., to fill up the deficiencies of the existing financial facilities.

9. Its motive is to serve public interest rather than to make profits. It works in the general interest of the nation.

2) Explain the issues of RBI.

Answer: The Reserve Bank of India helps in mobilizing the savings of the people for investment. It expanded banking system throughout the nation by setting up of various institutions like UTI, IDBI, IRCI, NABARD etc. Thereby it promoted banking habit among the people.

- ❖ Propelling Revival of Domestic Growth.
- ❖ Controlling Persistent Inflation
- ❖ Building efficient government banking business model
- ❖ Moving towards cash less society
- ❖ Maintain strong and healthy banking system
- ❖ Better customer service orientation of the bank
- ❖ Enhancing the quality of financial inclusion

3) Explain the overview of Management of Financial Services.

Answer : Indian Financial System

The basic structure of Indian Financial System is divided into four components which are:

- Financial Services
- Financial Markets
- Financial Instruments
- Financial Institutions

Financial Services

As the name suggests **financial services** are the services provided by the Financial Institutions. These services generally include the *banking services, Foreign exchange services, investment services, insurance services* and few others. Following is a very brief description of the services

1. **Banking Services** – Includes all the operations provided by the banks including to the simple deposit and withdrawal of money to the issue of loans, credit cards etc.
2. **Foreign Exchange services** – this includes the currency exchange, foreign exchange banking or the wire transfer

3. **Investment Services** – It generally includes the asset management, hedge fund management and the custody services
4. **Insurance Services** – It deals with the selling of insurance policies, brokerages, insurance underwriting or the reinsurance
5. Some of the other services include the advisory services, venture capital, angel investment etc.

Financial Intermediaries
A financial intermediary is an institution which connects the deficit and the surplus. The best example of an intermediary can be a **bank** which transforms the bank deposits to bank loans. The role of financial intermediary is to channel funds from people who have extra inflow of money i.e., the savers to those who do not have enough money to fulfill the needs or to carry out the basic activities i.e. the borrowers.

Functions of Financial Intermediaries
Functions of Financial Intermediary are basically classified in three parts which are as follows:

- **Maturity transformation** – Deals with the conversion of short-term liabilities to long term assets.
- **Risk transformation** – Conversion of risky investments into relatively risk-free ones.
- **Convenience denomination** – Way of making the unmatched matching which is matching small deposits with large loans and large deposits with small loans.

Financial Intermediaries are classified into two types namely, Depository and Non-Depository Institutions.

Financial Instrument

Financial Instrument is a trade-able asset which can be in terms of cash, agreement, evidence of an ownership in an entity; or a contractual right which has the right to deliver cash or any kind of asset.
The types of financial instrument used worldwide are in the form deposits, stock, and debt.

1. **Deposits** – Deposit in a layman's term, means to save or to keep safely. Deposits can be made either with banking or non-banking firm.
2. **Stock** – Stocks represents the ownership of the issuing company. It is a form of corporate equity ownership where in the total stock of the company is divided into shares and the individuals has the provision to trade the shares in the exchange.
3. **Debts** – Unlike the stocks, financial assets which are in the form of debts create an obligation on the borrower of the fund to repay the amount borrowed. The debt instrument, thus in a sense, is a contract entered into by the borrower and the lender which specifies the amount of fund borrowed, period of borrow, the rate of interest that will be charged and the repayment methods.

Financial Market
Financial Market is a mechanism that allows people to indulge themselves in the buying and selling i.e. trade of financial securities (for example stocks and bonds), commodities (for example precious metals) at prices that reflect the market's effectiveness.
Following are the verticals of financial market:

1) Capital Market – Market where business enterprises or government entities raise fund for long term using the weapon of securities or debts. It includes the Stock market (equities) and Bond Market (debt) for fund raising.
2) Commodity Market – Commodity is a good for which there is a demand by the people thus commodity market is the market where such goods are traded.
3) Money Market – Deals with the assets involved in short-term borrowing and lending with original maturities ranging from a period of one year or even lesser time frames.
4) Derivative Market – The derivative market is the financial market meant for derivatives. The financial instruments like the futures contracts or options, which are derived from other forms of assets, are traded in these markets.
5) Insurance Market – Deals with the trading of insurance policies.
6) Futures Market – A vertical in financial market where people can trade standardized futures contracts which is a contract to buy specific number of quantities of a commodity or financial instrument at a specified price with the delivery of the commodity or financial instrument set at a specified time in the future**.**
7) Foreign Exchange Market – Also known as Forex is a global, worldwide decentralized financial market meant only for the trading of currencies.

[II] Case Study – Compulsory (1*10=10)

As being the finance manager of the ABC Company what can be the major factors to be undertake in the situation of dull market.

Answer: Major 3 factors to be undertake in the situation of dull market.

ACCESSING THE FINANCIAL MARKETS

In the initial start-up of any firm, management must procure the funds needed to get the business off the ground. These funds may come from a variety of sources, but managers should be aware that all assets are initially financed with either of two sources of capital—equity and debt. The capital markets represent the method by which external funds are made available to firms requiring outside capital infusions.

EQUITY MARKETS.

The equity markets are the means by which managers may raise capital by selling portions of the firm's ownership. The most common method is selling common stock in the firm. Outside investors provide the firm with new investment capital in exchange for ownership rights in the firm.

CURRENT ASSETS.

Management of a firm's current assets starts with the management of cash. Cash provides the liquidity needed to meet everyday obligations owed to creditors and suppliers and the flexibility to take advantage of new opportunities that may arise.

Conclusion : The finance manager should be well specialized in the filed of finanve.He should consider the major points in the suitation of dull market .

ACCESSING THE FINANCIAL MARKETS

EQUITY MARKETS.

CURRENT ASSETS.

Many more suitions should also be handel by the manager

1. SWOT Analysis
2. Research work
3. Guidance from bank
4. Observation
5. Pilot Survey