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B.Com Honours

Semester V

Calicut University

MANAGEMENT OF FINANCIAL SERVICES

Course Code: COM5EJ301 • Module 1 Notes

Module I: Introduction to Financial Services & System Architecture

Provides structural analysis of the Indian Financial System (IFS), key financial market constituents, institutional intermediaries, financial innovations, and sector challenges.

Unit 1: Structure of the Indian Financial System (IFS)

1. Money Market vs Capital Market: Money Market handles short-term debt (< 1 year tenure: Call Money, T-Bills, Commercial Paper, CD). Capital Market handles long-term equity and debt financing (> 1 year: Equity, Preference, Bonds).
2. Financial Constituents: Financial Institutions (Banks, NBFCs, Insurance Co), Financial Instruments, Financial Services, and Market Intermediaries.

Unit 2: Financial Services Industry & Financial Innovations

Emergence from traditional banking to fee and fund-based financial conglomerates. Recent innovations: Fintech digital lending platforms, Open Banking APIs, Unified Payments Interface (UPI), Blockchain tokenization, and Robo-advisory wealth management.

Unit 3: Current Scenario & Contemporary Challenges in India

Non-Performing Assets (NPAs), RBI Scale-Based Regulations (SBR) for NBFCs (Base Layer, Middle Layer, Upper Layer, Top Layer), cybersecurity threats, liquidity management, and ESG sustainability integration.

Practical Case Framework 1 (Indian Financial System Structural Components Matrix): Classify constituents of the Indian Financial System across markets, instruments, and regulators.

Indian Financial System Structural Architecture Reference Table:

Pillar Segment	Sub-market / Institution Category	Key Instruments / Asset Classes	Primary Regulatory Authority
Money Market	Call Money, Treasury Bills, Commercial Paper Market	T-Bills, CP, Certificate of Deposit (CD)	Reserve Bank of India (RBI)
Capital Market	Primary (IPO/FPO) & Secondary Stock Exchanges	Equity Shares, Preference Shares, Debentures	SEBI
Insurance Market	Life & General Insurance Companies	Endowment, Term Life, Health Insurance Policies	IRDAI
Pension Market	National Pension System (NPS) Funds	Tier I & Tier II NPS Pension Assets	PFRDA
Intermediaries	Merchant Bankers, Depositories (NSDL/CDSL), Brokers	Depository Receipts, Mutual Fund Units	SEBI / RBI

Practical Case Framework 2 (Money Market vs Capital Market Instruments Comparison): Compare key financial instruments on maturity, risk profile, issuer type, and return structure.

Money Market vs Capital Market Financial Instruments Comparison Matrix:

Financial Instrument	Maturity Tenure	Primary Issuer Type	Return / Yield Mechanism
Treasury Bills (T-Bills)	91 / 182 / 364 Days	Government of India (RBI)	Issued at discount to face value
Commercial Paper (CP)	7 Days to 1 Year	Highly Rated Corporates / All-India FIs	Discounted Unsecured Promissory Note
Certificate of Deposit (CD)	7 Days to 1 Year	Scheduled Commercial Banks	Discounted Negotiable Money Instrument
Equity Shares	Perpetual (No Maturity)	Joint Stock Companies	Dividends & Capital Appreciation
Corporate Debentures	3 to 10+ Years	Public & Private Companies	Fixed Coupon Interest Rate p.a.