

**SARDAR PATEL UNIVERSITY**  
**Programme & Subject: M.A (Economics)**  
**Semester: III**  
**Syllabus with Effect from: June - 2014**

<b>Paper Code: PA03EECO04</b>	<b>Total Credit: 4</b>
<b>Title Of Paper: Theory of Finance</b>	

Unit	Description in detail	Weightage (%)
I	<b>Financial system and Financial Intermediaries</b> Financial assets and Tangible assets, rudimentary finance –direct and indirect finance, Types of economic units, Surplus spending and deficit spending economic units –Economic significance of financial intermediaries in saving-investment process and economic development	18
II	<b>The Developments banks</b> Meaning and functions – Characteristics of development banks - Structure of Development Banks - Development banking in India	10
III	<b>Interest Rate Structure</b> Interest Rates - Relation between Short term and long term interest rates- Factors causing differentials among interest rates-Maturity, Risk, Callability, Taxability, Marketability, Other factors	18
IV	<b>Credit Rating</b> Meaning and Origin –Importance of Credit Rating from the point of view of Investors and Procedures-Drawbacks-Suggestions	9
V	<b>Financial Behaviour</b> Life cycle behaviour, Intergeneration generation transfer- Asset management under uncertainty- Asset holders investment Objectives-Correlation among security Returns-asset diversification- Meaning of risks, types of risks, risk-return trade off -Efficient portfolio- Portfolio balance	9
VI	<b>Financial Assets/Instruments</b> Significance-Equity/ordinary shares, Preference shares, Debentures, Innovative Debt instruments	18
VII	<b>Non-bank financial intermediaries</b> Meaning-Significance-Structure (NBFIs)-commercial banks and NBFIs- Uniqueness -functions and role of NBFIs- NBFIs and monetary policy-NBFIs and credit creation-control of NBFIs	9
VIII	<b>Mutual Funds</b> Concept-Origin-History-Types of Mutual Fund, Merits and demerits- Advantages of investing in Mutual fund-Net Asset Value- Methods of calculation of unit price	9

**Basic Text & Reference Books:-**

- Basu S.K., Theory and Practice of Development Banking.
- Bhatt V.V., Structure of Financial Institutions.
- Bhatt V.V., Financial Systems, Innovations and Development
- Bhole L.M., Financial Markets and Institutions
- Boskey, Shirley, Problems and Practices of Development Banks
- Chandler L.V., The Economics of Money and Banking
- Conghlan Richard, The Theory of Money and Finance



- Desai Vasant., Fundamentals of Indian Financial System
- Desai V.R.M. and Ghonasgi B.D. (ed) Monetary Theory and Central Banking in India
- Diamond William, Development Banks
- Goldsmith R.W. Financial Intermediaries in the American Economy since 1900.
- Ghosh Alak, Financial Intermediaries and Monetary Policy in a Developing Economy
- Gurley J.G. and Shaw E.S. Money in a Theory of Finance
- Joshi M.S. Financial Intermediaries in India
- Khan M.Y., Financial system, Theory and Practice
- Moore Basil J., An Introduction to the Theory of Finance
- Pathak Bharti V., Indian Financial System
- Reserve Bank of India, Report of the committee on financial inclusion
- Sharpe W.F., Portfolio Theory and Capital Market
- Shaw E.S. Financial Deepening in Economic Development
- Simha S.L.N. Development Banking in India
- Singh Prabhu N., Role of Development Banks in a Planned Economy
- Srinivasan E.S., Financial Structure and Economic Development

