St. Claret College

Autonomous, Bengaluru

ROLL NO:
DATE:

PG END SEMESTER EXAMINATION - MAY 2026

MBA: THIRD SEMESTER

MBADSF 3425: Indian Financial Systems

TIME: 3 hours. **MAX. MARKS: 70**

This paper contains THREE printed pages and FOUR parts

Instructions:
1. **Verify and ensure that the question paper is completely printed.**
2. **Any discrepancies or questions about the exam paper must be reported to the COE within 1 hour after the examination.**
3. **Students must check the course title and course code before answering the questions.**

PART-A

Answer SEVEN questions out of NINE. Each answer carries TWO marks. **[2x7 = 14]**

1. How can the Indian financial system improve access to finance for women entrepreneurs and support their growth?
2. Evaluate how financial institutions in India can better address the needs of the MSME sector in terms of credit and funding.
3. Mention the potential risks and rewards of investing in NBFCs during periods of financial instability.
4. How financial institutions mitigate systemic risk in the Indian financial system during an economic downturn?
5. In what ways do merchant bankers assist in the process of corporate restructuring and mergers and acquisitions?
6. How do NBFCs help in financial inclusion, especially in rural and semi-urban areas?
7. What are the important functions of a financial market?
8. How do financial institutions support the government's financial inclusion initiatives in rural areas?
9. Name any 4 major functions of a stock exchange in India?

PART-B

Answer any FOUR questions out of SIX. Each answer carries FIVE marks. **[5x4=20]**

10. Describe the basic components of the global financial system and how they interlink with the Indian financial system.

11. Discuss the effectiveness of government schemes in regulating financial institutions and maintaining systemic stability.

12. Evaluate the role of NBFCs in infrastructure financing. How can these institutions be used more effectively in meeting India's infrastructure needs?

13. In what way do financial markets impact the allocation of resources in an economy? Provide an example of how financial markets support economic growth in India.

14. How do stock exchanges manage risks associated with volatility in the market, and how can their risk management framework be improved?

15. Evaluate the role of credit rating agencies in improving investor confidence and how their operations can be regulated for better outcomes.

PART-C

Answer any TWO questions out of FOUR. Each answer carries TEN marks. **[10X2=20]**

16. India is increasing investment in renewable energy, electric mobility, and climate-resilient infrastructure, but green financing remains limited and unevenly distributed. Evaluate how financial institutions, markets, and instruments contribute to sustainable development in India. What reforms are needed to strengthen green financing and environmental sustainability?

17. Recent financial crises and failures of some banks and NBFCs have raised concerns about systemic risk and regulatory supervision in India. Critically assess the effectiveness of the regulatory framework governing financial institutions in India, focusing on the RBI's role in promoting financial stability and preventing systemic risks.

18. Many Indian companies depend on leasing for asset acquisition and credit ratings for raising funds from banks and capital markets. Examine the role of leasing and credit rating services in the Indian economy. How do these financial services affect corporate decision-making, access to capital, and investor confidence.

19. With rising retail participation in stock markets, issues such as insider trading, market manipulation, misleading disclosures and corporate governance failures have become more significant. Critically evaluate the role of stock markets in promoting corporate transparency and governance. How effective has SEBI been in regulating stock markets and protecting investors in India?

PART-D

Answer the following. **[16X1=16]**

20. **Crisis at Bharat Growth Finance Ltd.**

Bharat Growth Finance Ltd. is a large Non-Banking Financial Company (NBFC) operating in India. It provides loans to small businesses, vehicle buyers, and rural entrepreneurs. Unlike banks, it does not accept demand deposits from the public, but it borrows funds from banks, mutual funds, and capital markets.

For many years, the company expanded rapidly by giving loans to customers who were not easily served by commercial banks. This helped improve financial inclusion, especially in semi-urban and rural areas. However, in order to grow faster, the company borrowed heavily for short periods and gave long-term loans to customers. This created an asset-liability mismatch.

Due to poor loan recovery and weak risk management, Bharat Growth Finance started facing a liquidity problem. Investors lost confidence and mutual funds stopped investing in its debt instruments. Banks also became cautious in lending to the company. As a result, the company struggled to repay its short-term borrowings.

The situation affected not only the company but also borrowers, investors, banks, and the financial market. RBI increased supervision and asked the company to improve governance, maintain better liquidity, and follow stricter reporting norms. This case shows the importance of proper regulation, risk management, and financial stability in the Indian financial system.

Questions

a. Identify the role played by NBFCs like Bharat Growth Finance Ltd. in promoting financial inclusion in India.

b. Analyze the main reason for the liquidity crisis faced by Bharat Growth Finance Ltd.

c. How can weak governance and poor risk management in an NBFC affect the wider financial system?

d. Suggest any four regulatory measures RBI can take to prevent such NBFC crises in the future.

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