



JAIPURIA INSTITUTE OF MANAGEMENT, NOIDA

PGDM (G)

TRIMESTER (Batch 2020-22)

END-TERM EXAMINATIONS, OCTOBER 2021

Set-2

Course Name	Financial Market & Services	Course Code & Title	FIN 403
Max. Time	2 hours	Max. Marks	40 Marks

INSTRUCTIONS:

- Answer in your own language and be precise else you will lose time.
- This Question Paper Contains two parts. Both parts and all questions from both parts are compulsory. All parts of a question should be answered in one place.
- No need to use MS Word or any other editor for writing theory or application related answers.
- There is no negative marking.
- Use of calculators/MS Excel is allowed.

**PART A – CASES**

**[ 30 MARKS ]**

**Please read the following and answer the questions that follow: [5X6=30 Marks]**

**Part 1. NBFCs**

Residuary Non-Banking Company is a class of NBFC which is a company and has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner and not being Investment, Asset Financing, Loan Company. These companies are required to maintain investments as per directions of RBI, in addition to liquid assets. The functioning of these companies is different from those of NBFCs in terms of method of mobilization of deposits and requirement of deployment of depositors' funds as per Directions. Besides, Prudential Norms Directions are applicable to these companies also

It is true that there is no ceiling on raising of deposits by RNBCs. However, every RNBC has to ensure that the amounts deposited with it are fully invested in approved investments. In other words, to secure the interests of depositor, such companies are required to invest 100 per cent of their deposit liability into highly liquid and secure instruments, namely, Central/State

Government securities, fixed deposits with scheduled commercial banks (SCB), Certificate of Deposits of SCB/FIs, units of Mutual Funds, etc.

1. **NBFCs are doing business similar to Banks. Highlight the difference between the operations of a Bank and NBFC.** [ 6 Marks ]

### **Part 2: Mutual Funds**

The name itself suggests that a '**Mutual fund**' is like an investment channel that helps several investors to combine their resources to purchase stocks, bonds, and other securities for their earnings.

These combined funds which are referred to as **Assets Under Management (AUM)** are then invested in a mutual fund company's manager who has expertise in it. The mutual fund company is called as an **Asset Management Company (AMC)**.

This combined underlying holding of the fund is called the '**portfolio**' and each investor owns some portion of this portfolio and this portion which the person holds is in the form of units.

2. **Classify Mutual funds:**
  - A. **Based on Asset Class**
  - B. **Based on Structure**
  - C. **Based on Investment Goal**

[ 2+2+2=6 marks ]

### **Part 3: Banks**

There are two broad categories under which banks are classified in India- **SCHEDULED AND NON-SCHEDULED Banks**. The scheduled banks include **COMMERCIAL BANKS AND COOPERATIVE BANKS**. The commercial banks include **REGIONAL RURAL BANKS, SMALL FINANCE BANK, FOREIGN BANKS, PRIVATE SECTOR BANKS, and PUBLIC SECTOR BANKS**. *PAYMENTS BANK* is a new introduction to the category. Cooperative banks include **URBAN AND RURAL BANKS**.

3. **Explain the rationale of having different types of Banks in India. Highlight the importance of Priority Sector Banking.** [ 6 Marks ]

### **Part 4: Venture Capital Funds**

**The top 10 Mutual Funds in India as on date are:**

1. Sequoia Capital
2. Accel
3. Blume Ventures



4. Elevation Capital
5. Tiger Global Management
6. Kalaari Capital
7. Matrix Partners
8. Nexus Venture Partners
9. India Angel Network
10. Omidyar Network India

The **top 10 most active Venture Capitals** alone contributed to **32%** of the total deal count. Venture Capital investment is also referred to as risk capital or patient risk capital, as it includes the risk of losing the money if the venture doesn't succeed and takes a medium to long term period for the investments to fructify. The Indian startups secured over **\$12.1 billion** from venture capitalists in the first 6 months of 2021, which is \$1 billion more than the overall funding that they received last year. Therefore, raising funds from venture capitalists is the way to go for Indian startups.

**4. Explain the reason why Venture Capital Funds are aggressively funding Indian Startups. Comment whether it is worth taking the risk for them. [ 6 Marks ]**

#### **Part 5: Fintech**

It is expected that the Indian Fintech market, currently valued at \$31 Bn, will grow to \$84 Bn by 2025, at a CAGR of 22%.

While Payments and Alternative Finance segments constituted more than 90 percent of the sector's investment flows in 2015, there has been a major shift towards a more equitable distribution of investment across sectors since. In 2020, FinTech SaaS and InsurTechs saw total investments of \$145 Mn and \$215 Mn respectively, representing a 4-5X growth over their 2015 funding flow.

Amongst India's 50+ FinTechs with more than \$100 Mn valuation, there are 4 Wealth and Broking FinTechs, 5 InsurTechs and 8 SaaS FinTechs.

UPI is expected to grow significantly with the participation of domestic and international players (Paytm, Walmart and Google) continuing to dominate the segment, with a heavy focus on development the payments infrastructure through investments.

Neo-banks in India are emerging as a key segment for growth in the space – with over 15 Neo-banks currently in India, several of them under development or in beta stages. The segment has been growing steadily, with several private banks partnering with these Fintechs to explore synergies and better means of service-delivery.

5. Identify the reasons for such an explosive growth of Fintech Companies. List out some of the important problems solved by these Fintech Startups which traditional banks were not able to solve. [6 Marks]

**PART B – SECURITY ISSUANCE AND DEBT MARKET**

**[ 10 MARKS ]**

6. A government bond 8.26% GOI 26-03-2031 with semi-annual coupon payments is trading in the secondary market at Par.

- a. Coupon Rate of Bond is \_\_\_\_\_ [1]
- b. Coupon Dates of Bond is \_\_\_\_\_ [1]
- c. YTM of bond is \_\_\_\_\_ [1.5]
- d. The price at which the bond is trading in secondary market is \_\_\_\_\_ [1.5]
- e. The coupon amount payable is \_\_\_\_\_ [1.5]
- f. The issuer of this Bond is \_\_\_\_\_ [1]
- g. The bond is a. risk free \_\_\_\_\_ b. risky \_\_\_\_\_. Tick the correct option [1]
- h. The two methods of auction by which this security might have been issued are:
  - 1. \_\_\_\_\_ and
  - 2. \_\_\_\_\_ [1.5]