

Paper Code: 2322

**Second Year T.D.C. Arts**  
**Paper – II**  
**FINANCIAL ECONOMICS**

**Course Outcomes:**

CO1 : The present course is designed to acquaint the students with the functioning of the monetary and financial sector in India.

CO2 : It also deals with the concepts related to inflation and deflation. It will help students to understand the causes and consequences of inflation and measures to control it.

CO3: It also covers elementary knowledge about the public finance related to the public expenditure and public revenue.

**UNIT – I**

Money – Meaning, Functions and Classification; Importance of Money, Gresham's Law; Main Components of Money Supply, Concept of Money Multiplier, Near Money. Quantity Theory of Money – Cash Transaction, Cash Balance and Keynesian Approach.

Inflation – Types, Causes, Effects and Measures to control. Deflation, Reflation and Stagflation.

**UNIT – II**

Commercial Banks – Meaning, Types and Functions. The Process of Credit Creation, Limitation to Credit Creation. Liabilities and Assets of Banks. Introduction of Non-Banking Institutions.

Functions of Central Bank, Quantitative and Qualitative Methods of Credit Control-Bank Rate, Open Market Operations, Variable Reserve Ratio and Selective Methods. Role and Functions of the Reserve Bank of India.

**UNIT – III**

Money Market and Capital Market; Components, Functions and Sources of Long Term and Short Term Finance. SEBI- Objectives, Role and Functions. Concept of Bombay Stock Exchange and National Stock Exchange of India.

**UNIT – IV**

Concept of Fiscal Policy. Public Expenditure –Main Component of Governments Expenditure-Capital and Revenue Expenditure; Plan and Non-plan Expenditure of Central Government. Government Receipts- Capital Receipts, Revenue Receipts- Tax and Non-tax Revenue, Direct and Indirect Taxes. Goods and Services Tax (GST) in India.

#### UNIT – V

Deficit - Concept and Types: Fiscal, Primary, Revenue. Impact of Fiscal Deficit on economy, Need to Control Fiscal Deficit, FRBM Bill, Trends in Fiscal Deficit and Revenue Deficit in India. Concept of Zero- Base Budgeting and Gender Budgeting. Fiscal Devolution and Centre-State Financial Relations in India. Role of Finance Commission.

#### Basic Reading List

1. Andley and Sundaram (2006). Public Economics and Public Finance, Ratan Prakash, Agra
2. Agarwal, R.C (2007). Public Finance Theory and Practice, Leksmi Narayan Agarwal, Agra,India
3. Ahuja, H.L. –Advanced Macro Economic Theory, S Chand and Co. New Delhi.
4. Hajela, T N(2010). Public Finance, 3rd ed, Ann’s Books, New Delhi
5. Jhingan, M.L.- Macro Economic Theory, Vrinda publication, New Delhi.
6. Lekhi, R K (2003). Public Finance, Kalyani Publications, New Delhi.
7. Mithani, D.M.(2000). Money, Banking and Public Finance, Himalaya Publishing House, New Delhi.
8. Mithani, D M (1998). Modern Public Finance, 1st ed, Himalaya Publishing House, New Delhi.
9. Ojha, B.L. – Money Banking and Public Finance, Ramesh Book Depo., Jaipur.
10. Rao, S.L.- Economic Reform and Indian Markets, A.H. Wheeler, Mumbai.
11. Seema, Vaid. - Mutual Fund Operation in India, Rishi Publication, Varanasi
12. Sengupta, A.K. and Agarwal, M.K. - Money Market Operations in India, Skylark Publication, New Delhi.
13. Seth, M. L. – Money and Banking, Lakshmi Narayan Agrawal, Agra.
14. Sethi, T.T. – Monetary Economics, Laxmi Narayan Agarwal, Agra.
15. Singh, A.K. -Finance Budget in India, Gyan Books, New Delhi.