

B.Com.(Hons.)
Semester-VII
Discipline Specific Core Course (DSC)

DSC- Banking and Insurance

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Banking and Insurance DSC- 7.2	4	3	1	0	Pass in Class XII with Mathematics/Accountancy	NIL

Banking and Insurance

BCH: DSC- 7.2

Learning Objectives

This paper aims to develop critical thinking among learners about the banking and insurance industries, their functioning, relevance for the world at large and reasons for regulation.

Learning Outcomes

After the completion of the course, the learners will be able to:

1. Analyse balance sheets of banks.
2. Evaluate both the need for regulation of banks as well as the challenges it creates.
3. Analyse the importance of premium pricing for insurance companies.
4. Evaluate the incentives guiding business conglomerates to set up captive insurance and the concerns associated with it.

Course Contents:

Unit 1: Banking

Banking- core business, Transformations- risk, size and maturity, Assets of banks, Liabilities of banks, Asset liability mismatch, Bank capital- constituents and relevance, Fund based and fee based activities, Off balance sheet activities, Trends in banks' balance sheets and causes and implications of the same.

Unit 2: Banking Regulation

Reasons for tight regulation on banks, Interconnectedness among banks, Interconnectedness among banks and other financial institutions (eg. NBFCs), Capital adequacy regulation and its rationale, Deposit insurance and its relevance.

Unit 3: Insurance

Evolution of insurance from reciprocal insurance to modern times, Problems of adverse selection and moral hazard, Solutions for the same, Pricing of premium and its relevance, Claim settlement ratio, Different types of insurance.

Unit 4: Insurance Industry

Insurance penetration and density- India and the world, Reinsurance industry, Captive insurance, Catastrophe insurance, Regulation of insurance industry.

Exercises:

The learners are required to:

1. Analyse the balance sheet of a leading Indian bank and compare it with that of a bank from a developed country. Emphasis should be on why the differences exist, what could be the implications of the same and not just the how of things.
2. Download a case of a bank failure, for example the Silicon Valley Bank, from resources such as Investopedia and apply what they have studied to develop a deeper understanding of the real-world scenario.
3. Compare the premium required to be paid by an adult, non-smoking female of a certain age across different types of life insurance policies and ascertain the likely reasons for the differences.
4. Identify two business conglomerates which have their own captive insurance arms and analyse the reasons behind their geographical locale, and their costs and benefits.

Suggested Readings:

- Kidwell, D.S., Blackwell, D.W., Whidbee, D.A. & Sias, R.W. (2016). *Financial Institutions, Markets and Money*. Wiley.
- Kohn, M. (2013). *Financial Institutions and Markets*. Oxford University Press.
- Mishkin, F. (2018). *The Economics of Money, Banking and Financial Markets*. Pearson.
- Saunders, A., Cornett, M.M. & Jain, A. (2021). *Financial Markets and Institutions*. McGraw Hill Education.

Note: Suggested readings will be updated by the Department of Commerce and uploaded on Department's website.