

## **Regulatory framework for Banking and Insurance**

**Program for which it is offered: BBA**

<b>Course Category: Elective</b>	<b>Schedule of Offering: Even semester</b>
<b>Course Credit Structure: 3</b>	
<b>Lecture: 3 hours</b>	
<b>Contact Hours per week: 3 hours</b>	<b>Instructor: Dr. Vinod R R</b>
<b>Course Code: CK234</b>	
<b>Date of Revision (DoR): December 05, 2019</b>	

### **1. Introduction**

This course is designed to provide an overview of the regulatory framework for banks and insurance companies in India. Here emphasis is given more on understanding the latest reforms in the banking and insurance sector. More importantly, what is the impact of such reforms in the policy circles. Thorough reviewing and discussing on the articles published in leading journals, students will be exposed to the various terminologies frequently used in the sector. Further, the students also are given a project to go and meet the banker/ insurer to understand the process and functions of the company. All these activities certainly shall help the candidates to enhance the necessary skill sets required to pursue a career in banking and insurance.

### **2. Objectives**

- (i) To familiarize the students with the regulatory framework for banks and insurance companies in India.
- (ii) To expose the students with the contemporary practises and processes followed in banking and insurance companies in India.
- (iii) To sensitize the importance of networking and relationship management in banking and insurance sector.
- (iv) To learn how to evaluate the performance of banks and insurance firms

### **3. Learning Outcome**

By the end of the course, the student will be able

- (i) To understand the role of banks and insurance and its contribution to the economy
- (ii) To understand the regulatory framework for banks and insurance in India.
- (iii) To analyse the performance of banks and insurance firms.

#### 4. Pre-requisites

None

#### 5. Readings

##### *Primary Texts:*

Indian Institute of Banking and Finance, Legal and Regulatory Aspects in Banking, Macmillan Publications.

Gupta P.K. and Anil Kumar Meena (2017) Principles of Insurance, Himalaya Publishing House.

Sethi, Jyotsna and Bhatia, Nishwan, Elements of Banking and Insurance, PHI Learning.

#### 6. Module-wise topics

##### *First module: Regulations and Supervision of Banks and Insurance*

Reserve Bank of India (RBI) -Banking Regulation Act, Functions and working of banking institutions in India- Commercial banks, Cooperative banks, Regional Rural banks, Agricultural and Rural Development banks, Development banks and Non-banking finance companies, Basel Norms

Readings:

- (i) Reserve Bank of India Working and Functions  
Url: <https://rbidocs.rbi.org.in/rdocs/Content/PDFs/FUNCWWE080910.pdf>
- (ii) Department of banking supervision-  
<https://www.rbi.org.in/commonman/English/Scripts/DeptofBS.aspx>
- (iii) RBI reorganises supervision & regulatory departments-  
<https://economictimes.indiatimes.com/markets/stocks/news/rbi-reorganises-supervision-regulatory-departments/articleshow/71853353.cms?from=mdr>
- (iv) Vasudev (2013) What are Basel banking norms? Business Standard. Url:  
[https://www.business-standard.com/article/finance/what-are-basel-banking-norms-113011100175\\_1.html](https://www.business-standard.com/article/finance/what-are-basel-banking-norms-113011100175_1.html)

**Activity:** Review and discussion of articles

- a. Errol D'Souza (2000) Prudential Regulations in Indian Banking, Economic and -Political Weekly, 5, pp 287-298.  
Url: [https://www.jstor.org/stable/4408876?seq=1#metadata\\_info\\_tab\\_contents](https://www.jstor.org/stable/4408876?seq=1#metadata_info_tab_contents)
- b. ONCU Sabri T(2013) Are Indian NBFCs Shadow Banks? Do They Pose Systemic Risks? Economic and Political Weekly, 48, pp 10-11  
Url:[https://www.jstor.org/stable/pdf/24478393.pdf?ab\\_segments=0%2Fbasic\\_expensive%2Fcontrol](https://www.jstor.org/stable/pdf/24478393.pdf?ab_segments=0%2Fbasic_expensive%2Fcontrol)
- c. Sen Sunanda and Soumya K (2005) Basel Norms, Indian Banking Sector and Impact on Credit to SMEs and the Poor, Economic and Political Weekly, 40, pp 1167-1180.  
Url:[https://www.jstor.org/stable/pdf/4416365.pdf?ab\\_segments=0%2Fbasic\\_expensive%2Fcontrol](https://www.jstor.org/stable/pdf/4416365.pdf?ab_segments=0%2Fbasic_expensive%2Fcontrol)

### ***Second module: Insurance Regulations***

Insurance Regulatory and Development Authority (IRDA), Functions and working of Insurance companies in India- Life, Non-life insurance, Malhotra Committee Report (Privatization in insurance industry), Recent trends in Insurance industry.

Readings:

- (i) IRDA functions and powers, Url: <https://financialservices.gov.in/insurance-divisions/Insurance-Regulatory-&-Development-Authority>
- (ii) Insurance industry, Url: <https://www.ibef.org/industry/insurance-sector-india.aspx>

**Activity:** Review and discussion of article

- a. Pant N (1999) Insurance Regulation and Development Bill, Economic and Political Weekly, 45, pp 3166-3169.  
Url: <https://www.jstor.org/stable/pdf/4408590.pdf>
- b. Mavalankar and Bhat (2000) Health Insurance in India Opportunities, Challenges and Concerns, Indian Institute of Management Ahmedabad, 1-16.  
Url: [https://www.researchgate.net/profile/Ramesh\\_Bhat12/publication/238659220\\_Health\\_Insurance\\_in\\_India\\_Opportunities\\_Challenges\\_and\\_Concerns/links/5610c7de08ae4833751a1907.pdf](https://www.researchgate.net/profile/Ramesh_Bhat12/publication/238659220_Health_Insurance_in_India_Opportunities_Challenges_and_Concerns/links/5610c7de08ae4833751a1907.pdf)

### ***Third module: Reforms in the Banking and Insurance sector***

Major reforms - Narasimham Committee Reports (I-Opening up of private banks; II- Consolidation in banking), Khan Committee Report (Universal banking), Damodharan Committee Report (Improving customer service in banks), Bimal Jalan Committee Report (Scrutinizing the applications for new bank licenses), Nachiket Mor Committee reports (Licensing of Payment Banks), Insolvency and Bankruptcy Code (IBC), Insurance reforms and their implications.

Readings:

- (i) Khan Working Committee Recommendations- Annexure 1 and Narasimham Committee (II) recommendations – Annexure 2.  
Url: <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/5193.pdf>
- (ii) Nachiket Mor report summary on Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households.  
Url: [https://www.prsindia.org/sites/default/files/parliament\\_or\\_policy\\_pdfs/1389355167\\_Nachiket%20Mor%20Comm%20Report.pdf](https://www.prsindia.org/sites/default/files/parliament_or_policy_pdfs/1389355167_Nachiket%20Mor%20Comm%20Report.pdf)
- (iii) Damodharan Committee Report- Chapter 7- Summary of Recommendations, Reserve Bank of India Publications.  
Url: <https://www.rbi.org.in/scripts/PublicationReportDetails.aspx?ID=645#7>
- (iv) Insurance policies and their implications. Url: [https://www.business-standard.com/article/finance/insurance-reforms-their-implications-115042100026\\_1.html](https://www.business-standard.com/article/finance/insurance-reforms-their-implications-115042100026_1.html)

**Activity** – Review and discussion of articles

- a. The Financial Reform We Need (1992), Economic and Political Weekly, 27, pp 2271-2272  
Url: [https://www.jstor.org/stable/pdf/4399006.pdf?ab\\_segments=0%2Fbasic\\_SYC-4802%2Fcontrol](https://www.jstor.org/stable/pdf/4399006.pdf?ab_segments=0%2Fbasic_SYC-4802%2Fcontrol)

- b. Joshi P (1999) Banking Sector Reforms: The Other Side of the Coin, Economic and Political Weekly, 34, pp 797-798.  
Url:[https://www.jstor.org/stable/pdf/4407813.pdf?ab\\_segments=0%2Fbasic\\_expensive%252Fcontrol&refreqid=excelsior%3A84d1e02d530b6d946d9aa5849016dd08](https://www.jstor.org/stable/pdf/4407813.pdf?ab_segments=0%2Fbasic_expensive%252Fcontrol&refreqid=excelsior%3A84d1e02d530b6d946d9aa5849016dd08)
- c. Ghosh D (1999) Verma Committee Report on Weak Public Sector Banks, Economic and Political Weekly, 34, pp 3356-3359  
Url:[https://www.jstor.org/stable/pdf/4408652.pdf?ab\\_segments=0%2Fbasic\\_SYC-4802%2Fcontrol](https://www.jstor.org/stable/pdf/4408652.pdf?ab_segments=0%2Fbasic_SYC-4802%2Fcontrol)
- d. Tarapore S (2000) Malaise of Indian Financial System, Economic and Political Weekly, 35, pp 2821-2826  
Url:[https://www.jstor.org/stable/pdf/4409587.pdf?ab\\_segments=0%2Fbasic\\_expensive%2Fcontrol&refreqid=search%3A9fa4172804708d60bae2a220bf681878](https://www.jstor.org/stable/pdf/4409587.pdf?ab_segments=0%2Fbasic_expensive%2Fcontrol&refreqid=search%3A9fa4172804708d60bae2a220bf681878)
- e. Bhide, Prasad and Ghosh (2002) Banking Sector Reforms: A Critical Overview, Economic and Political Weekly, 37, pp 399-408  
Url:[https://www.jstor.org/stable/pdf/4411685.pdf?ab\\_segments=0%2Fbasic\\_expensive%2Fcontrol](https://www.jstor.org/stable/pdf/4411685.pdf?ab_segments=0%2Fbasic_expensive%2Fcontrol)
- f. Bhanu Murthy and Ashis (2009) Competition in Deregulated Markets , Economic and Political Weekly, 44, pp 60-61.  
Url:[https://www.jstor.org/stable/pdf/40278387.pdf?ab\\_segments=0%2Fbasic\\_SYC-4802%2Fcontrol](https://www.jstor.org/stable/pdf/40278387.pdf?ab_segments=0%2Fbasic_SYC-4802%2Fcontrol)
- g. Chatterjee, Gausia and Bhargavi (2018) An empirical analysis of the early days of the Insolvency and Bankruptcy Code 2016, National Law School of India Review, 30, pp 89-110.  
Url:[https://www.jstor.org/stable/pdf/26743938.pdf?ab\\_segments=0%2Fbasic\\_SYC-4802%2Fcontrol](https://www.jstor.org/stable/pdf/26743938.pdf?ab_segments=0%2Fbasic_SYC-4802%2Fcontrol)
- h. Newar L (2013) Understanding Reforms in the Life Insurance Sector of India, IJCAES Special Issue, III, pp 18-23.  
Url:<http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.302.9283&rep=rep1&type=pdf>

#### ***Fourth module: Performance evaluation of Banks and Insurance companies***

Position of banks and insurance companies in the industry- Key performance indicators- Strategies to create value for the firm.

#### *Readings/ Reference:*

- (i) SBI Annual Results FY 18.  
Url: [https://www.sbi.co.in/webfiles/uploads/files/Analyst\\_PPT\\_FY18.pdf](https://www.sbi.co.in/webfiles/uploads/files/Analyst_PPT_FY18.pdf)
- (ii) Raavi and Satuluri (2019) Key Performance Indicators of Life Insurance Operations in India, International Journal of Research in Humanities, Arts and Literature, 7, pp 111-128  
Url: <file:///C:/Users/Vinod%20R%20R/Downloads/ROI.pdf>

**Activity:** Case Analysis – Sharma and Deepak (2016) Canara Bank turnaround, IVEY Publishing, W15624, pp 1-11.

### ***Fifth module: Corporate Governance***

Concept of corporate governance, Role of corporate governance in banking and insurance, Corporate social responsibility.

Readings/ Reference:

- (i) Newspaper article- <https://economictimes.indiatimes.com/money-you/what-is-corporate-governance/articleshow/3995278.cms?from=mdr>
- (ii) Leeladhar V (2004) Corporate Governance in Banks, Reserve Bank of India Bulletin, pp 1101-1104. Url: <https://rbidocs.rbi.org.in/rdocs/Speeches/PDFs/61585.pdf>
- (iii) Guidelines of Corporate Governance- <https://corpgov.law.harvard.edu/2016/09/08/principles-of-corporate-governance/>
- (iv) Corporate Social Responsibility (article):  
<https://www.pwc.in/assets/pdfs/publications/2013/handbook-on-corporate-social-responsibility-in-india.pdf>;
- (v) CSR (Video): <https://www.youtube.com/watch?v=45YGqWT7OeI>
- (vi) CSR (Video): Azim Premji: <https://www.youtube.com/watch?v=o0Ur-JqQmvQ>

**Activity:** Case Analysis -Agnihotri and Saurabh (2019) Punjab National Bank: The Modi fraud-system failure or people failure? IVEY Publishing, W19070, pp 1-14.

#### **Team activity (Completion: 10 days before the mid semester examination)**

Identify one bank and insurance company from each sector/segment (Public, Private, Foreign, Cooperative, Regional Rural Bank, Development Bank and Non-Banking Finance company for banks and life and non-life for insurance). The student need to have an idea about the products and services offered by them. Student will have to submit an assignment based on this activity.

Simultaneously, the students need to fix the appointment to meet the branch head. The discussion should be focused to get inputs on the working and process flow in the organization. The student should do a presentation on the process and functions in the organization. The full activity is complete only when the students organize and conduct a panel discussion in the campus. The activity will be graded based on the following evaluation criteria- (i) Topic for the discussion, (ii) Panel members, (iii) Role of the moderator, (iv) Promotion and reach of the activity.

#### **Working Paper (Submission: 15 days before the end of the course)**

The student should write a working paper on any of the topics covered in this course. The candidate should use the database available in the university to access articles, datasets (JSTOR, EPWRF India Time Series and must cite it). The length of the paper should be between 7-10 pages. It should contain (i) Abstract, (ii) Introduction, (iii) Need for the study, (iv) Data analysis, (v) Findings and conclusion and (v) Reference (APA format). Usage of end notes is highly appreciated.

The preferred font is Times New Roman, and the size is 11 for the body and 13 for headings and 15 for the title. All papers will be screened for similarity and the student will have to revise and resubmit the paper if the level is above 35%. Outstanding papers shall be considered for conference presentation and /or publication wherein the candidate will be first author.

## **6. Pedagogy**

This course employs discussions, case analysis, and presentations.

### **Evaluation Pattern:**

<b>Component</b>	<b>%</b>
Article review and discussion	15
Working paper	10
Group activity	10
Mid-term (written) exam	25
End -term (written) exam	40
<b>Total</b>	<b>100</b>