**Financial Institutions and Markets**

**NMIMS Centre for Distance and Online Education (NCDOE)**

**Internal Assignment Applicable for June 2025 Examination**

**Q1. Amit, an aspiring entrepreneur, is planning to start a café business and approaches a commercial bank for a business loan. During his discussion with the bank manager, he learns that banks not only provide loans but also play a crucial role in managing savings and facilitating investments. He also realizes that commercial banks act as financial intermediaries, helping individuals and businesses by ensuring the smooth flow of funds in the economy. With the given scnenario, explain important functions of commercial bank and Analyze how banks use credit creation to promote entrepreneurship and overall economic development.**

**Answer:**

**Introduction:**

Amit, a budding entrepreneur in India, dreams of starting his own café. As he approaches a commercial bank for financial support, he begins to understand that the role of a commercial bank goes far beyond just giving loans. Banks are vital institutions in every economy. They act as bridges between people who save money and those who need funds for productive purposes. Through their operations, commercial banks maintain financial stability, encourage entrepreneurship, and contribute significantly to the development of the country.

In simple terms, commercial banks collect savings from the public and lend them to businesses and individuals. This process supports the continuous circulation of money in the economy. When Amit interacts with the bank manager, he learns that banks not only offer him a loan but also help manage finances more effectively. He also comes to know that commercial banks act as financial intermediaries—connecting savers with borrowers.

The functions performed by banks create a stable financial environment that is essential for the growth of businesses like Amit’s café. Moreover, banks play an important role in the economy through credit creation, which further promotes investment, job creation, and development. The following section explains these concepts in detail and how they apply to entrepreneurs and the economy.

**Concepts and Application:**

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**Q2. Arun, a young professional, has recently started his career and is keen on ensuring financial security for himself and his family. During a discussion with a financial advisor, he learns that insurance companies function as financial intermediaries by collecting premiums from policyholders and investing these funds to provide financial protection. Curious about the benefits of life insurance, Arun wants to explore the various life insurance plans available in the market. Evaluate some of the insurance plans that can help him safeguard his future and protect his loved ones from financial uncertainties.**

**Answer:**

**Introduction:**

Arun, a young professional at the beginning of his career, is thinking ahead to ensure financial security for himself and his family. Like many people starting out, he realizes that unexpected events such as illness, accidents, or even premature death can cause serious financial hardship for his loved ones. During a discussion with a financial advisor, he learns about the role of insurance companies. These companies act as financial intermediaries by collecting premiums from policyholders and investing these funds wisely. In return, they provide financial protection in times of need.

Life insurance is one of the most important tools to safeguard against life’s uncertainties. It not only offers peace of mind but also serves as a long-term savings or investment option in many cases. For someone like Arun, who has just started his career and likely has financial responsibilities in the future, understanding the different types of life insurance policies is essential.

Life insurance comes in various forms, each designed to meet specific goals—whether it’s providing income replacement, saving for retirement, or building wealth. We will explore the different types of life insurance plans available in India and how they can help Arun create a strong financial foundation for the future.

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**Q3A. Ms. Priya, a recent bank recruit, has started earning a steady income and aims to build her financial future by saving and investing wisely. Her colleagues suggest that Mutual Funds (MFs) could be an ideal investment option. However, as she is unfamiliar with MFs, she wants to develop a personalized investment strategy that aligns with her financial goals and risk appetite. As a financial advisor, help Ms. Priya design a suitable mutual fund investment plan by addressing the following:**

**Question:**

**a) Create an investment strategy that explains mutual funds and how they can help Ms. Priya achieve her financial goals.**

**Answer:**

**Introduction:**

Ms. Priya, a young professional with a steady income, is eager to start her financial journey on the right track. Like many beginners, she wants to save wisely and invest in a way that secures her future. Mutual Funds (MFs) are a popular investment choice for new investors like Priya because they offer diversification, professional fund management, and flexibility. However, with so many options available, choosing the right fund and strategy can seem confusing. A well-structured mutual fund investment plan tailored to her goals and risk tolerance can help her build wealth steadily and confidently over time.

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**Q3B. In context to the above scenario, Design a diversified mutual fund portfolio by selecting different types of mutual funds based on her risk appetite and investment objectives (Short, medium and long term goals). Justify your choices.**

**Answer:**

**Introduction:**

Ms. Priya, a newly employed bank professional, is eager to begin her investment journey now that she has a steady source of income. Her main focus is to save regularly and invest smartly so she can meet her financial goals with stability and confidence. Since she is new to mutual funds, it’s important that her portfolio is both diversified and aligned with her risk tolerance. By choosing different types of mutual funds for her short, medium, and long-term goals, she can build a strong financial foundation while minimizing risk and maximizing potential returns over time.

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