



KAUTILYA SCHOOL OF PUBLIC POLICY

GITAM (Deemed to be University)
Rudraram, Patancheru Mandal
Hyderabad, Telangana 502329

Course Code: PPOL6101	Course Title: Fundamentals of Finance	
Trimester: 3	Course Type: Core	Credits: 3
Home Program(s): MPP	Batch/Academic Year: 2023-2025	
Course Lead: Mr. Ankur Kulshreshtra, Dr PV Ramesh, Dr. Udaibir Saran Das	Assigned T/RA: TBA	

Course Description

The Fundamental of Finance is split into four parts: Together, these parts will provide the basic conceptual foundations of finance forming the basis for further study in public and private finance.

The first part of the course is taught by **Dr. PV Ramesh**. He will introduce the theories of fiscal federalism and expand on the political economy of Indian fiscal federalism. The students will be exposed to the use of a mix of policies which require tax systems, expenditure programmes, rising of debt, issues of deficit etc for the existence of externalities, acceleration of economic growth, raising the level of employment, the need and concern for adjustment in the distribution of income and wealth etc. These units examine the efficiency and equity aspects of taxation of the central and state governments and issues of fiscal federalism and decentralization in India.

The second part of the course is covered by **Mr. Ankur Kulshreshtra**, Adjunct Professor at Birla Institute of Management Technology (BIMTECH). It will comprise the basics of corporate governance, financial markets and assets. These units introduce the essential laws and corporate governance issues that are necessary for understanding the company structure in India. It also gives an overview of the Indian financial system, various types of financial instruments and introduces learners to the basics of asset valuation and its interaction with interest rates and inflation dynamics. The learners are exposed to key emerging issues in the BFSI sectors.

International aspects of public policy are becoming increasingly relevant as India assumes a more significant role in the global economy. India is also becoming more exposed to economic and financial policy actions by third-country policymakers. **Mr. Udaibir Das**, Assistant Director and Advisor of the Monetary and Capital Markets Department at IMF who is Kautilya's Distinguished Non-Resident Fellow and Visiting Faculty, will be teaching the third part of this unit. The third part of this course will introduce students to some of the analytical tools taught that drive international economic decision-making and the complexities relating to its outcomes. The Unit will introduce students on how finance and economic analysis supports decision-making and explain outcomes. This topic is contemporary as India races towards adopting a more essential role in the global economy with finance and trade deals being renegotiated; and what are the lessons from the pandemic on international trade.

Learning Objectives

1. Differentiate company structures & Analyze the business environment and their impact on financial performance.
2. Understand the basics of financial markets and financial assets in India.
3. Appreciate the functioning of the global financial and monetary architecture and its relevance for India.
4. Critically examine the relevance of the theories of public expenditure in developing economies. Discuss the various sources of tax and non-tax revenues for the state.
5. Analyze the principles of fiscal finance in federal economies, the role and importance of finance commissions in Indian fiscal federalism

Course Outcomes

On successful completion of this course, students will be able to:

1. Understand the various types of financial instruments.
2. Critically examine some of the key issues in the BFSI industry.
3. Apply the fundamentals of finance knowledge gained to further study in private and public finance.

4. Demonstrate an understanding of the Global Financial Architecture and choices being made by different countries to handle emerging cross-border financial risks
5. Introduced to the main concepts in public finance, government taxes: direct and indirect taxes, and familiarized with the main issues in government expenditure.
6. Critically examine the nature of fiscal federalism and its changing needs to the overall development of the country

Textbooks and Course Materials

General Reading on global economic governance

1. Jaime Martin: The Meddlers, Harvard University Press, 2022

Pre-readings

1. Lost Decade (2000-2018): How India's Growth Story Devolved into Growth Without a Story by Puja Mehra
2. Indian Fiscal Federalism by YV Reddy & Raji Reddy
3. Mark Carney: Value(s): Building a Better World
4. Do You Know Your Cost of Capital? (by Michael T. Jacobs and Anil Shivdasani; HBR)
5. How Much Debt Is Right for Your Company? by Thomas R. Piper and Wolf A. Weinhold; HBR)

Required Readings

1. J. Cullis, P. Jones: Public Finance and Public Choice, 2nd ed., Oxford University Press (1998) ISBN: 9780199234783J.
2. Stiglitz: Economics of the Public Sector, 3rd ed., W. W. Norton (2009) ISBN-13 : 978-0393966510
3. Sudipto Mundle: Public Finance: Policy Issues for India, OUP. ISBN-13 : 978-0195652048
4. Frederic Mishkin. The Economics of Money, Banking and Financial Markets. ISBN-13: 9780136893929. 13th Edition. 2021
5. The Economist weekly (Feb to April 8). Focus on School briefs, The Economy Explained. The Economy Reads, briefing, Asia and Climate Change

Course Schedule

Unit I	Sessions: 4	Introduction to Public Finance: Public Expenditure
<ol style="list-style-type: none"> 1. Government Activity: Externalities, Efficiency and Equity 2. Public Expenditure, Distribution and Welfare 3. Tax incidence, Elasticity, efficiency and optimal taxation 4. Taxation of income and wealth, consumption and trade 5. The Indian Taxation System 6. Government Budgeting and Government Debt 		
Unit II	Sessions: 4	Fiscal Federalism
<ol style="list-style-type: none"> 1. Theories of fiscal federalism 2. State and Local Body Fiscal Decentralisation 3. Political economy of Indian fiscal federalism 		
Unit III	Sessions: 4	The Corporate Decision Making and Governance
<ol style="list-style-type: none"> 1. Three main decisions for any finance manager 2. Different stakeholders and their motivations 3. Corporate Governance and Stakeholders Management 4. Agency problems and conflict management, Agency costs 5. Board of Directors, CEO – Roles and responsibilities 		
Unit IV	Sessions: 5	Introduction to Financial Markets

<ol style="list-style-type: none"> 1. Capital Markets - Equity markets, Bond market 2. How do Stock Markets function? 3. Basics of Asset valuation 4. Overview of Foreign exchange market, Commodity market, Derivatives market 5. Market Participants: Regulators and Financial Intermediaries 		
Unit V	Sessions: 3	Emerging Issues in BFSI
<ol style="list-style-type: none"> 1. A special primer on mutual funds 2. Credit Rating Agencies and their role 		
Unit VI	Sessions: 4	The External Accounts, International Financial Architecture, and Current Policy Issues in International Economics
<ol style="list-style-type: none"> 1. Why study international economics & finance? Definitions and Tools. 2. The state of global economy and international finance 3. The international financial systems, it's architecture and functioning 4. Global Economic governance, safety net and the IMF 5. International finance aspects of Climate Change and Digital Finance 		