

Course Description

This course exposes students to the theory and functioning of the monetary and financial sectors of the economy. It highlights the organization, structure and role of financial markets and institutions. It also discusses interest rates, monetary management and instruments of monetary control. Financial and banking sector reforms and monetary policy with special reference to India are also covered.

Course Outline**1. Money**

Concept, functions, measurement; theories of money supply determination.

2. Financial Institutions, Markets, Instruments and Financial Innovations

- a. Role of financial markets and institutions; problem of asymmetric information – adverse selection and moral hazard; financial crises.
- b. Money and capital markets: organization, structure and reforms in India; role of financial derivatives and other innovations.

3. Interest Rates

Determination; sources of interest rate differentials; theories of term structure of interest rates; interest rates in India.

4. Banking System

- a. Balance sheet and portfolio management.
- b. Indian banking system: Changing role and structure; banking sector reforms.

5. Central Banking and Monetary Policy

Functions, balance sheet; goals, targets, indicators and instruments of monetary control; monetary management in an open economy; current monetary policy of India.

Readings

1. F. S. Mishkin and S. G. Eakins, *Financial Markets and Institutions*, Pearson Education, 6th edition, 2009.
2. F. J. Fabozzi, F. Modigliani, F. J. Jones, M. G. Ferri, *Foundations of Financial Markets and Institutions*, Pearson Education, 3rd edition, 2009.
3. M. R. Baye and D. W. Jansen, *Money, Banking and Financial Markets*, AITBS, 1996.
4. Rakesh Mohan, *Growth with Financial Stability- Central Banking in an Emerging Market*, Oxford University Press, 2011.
5. L. M. Bhole and J. Mahukud, *Financial Institutions and Markets*, Tata McGraw Hill, 5th edition, 2011.

6. M. Y. Khan, *Indian Financial System*, Tata McGraw Hill, 7th edition, 2011.
7. N. Jadhav, *Monetary Policy, Financial Stability and Central Banking in India*, Macmillan, 2006.
8. R.B.I. – *Report of the Working Group: Money Supply Analytics and Methodology of Compilation*, 1998.
9. *R.B.I. Bulletin, Annual Report and Report on Currency and Finance (latest)*.

**DEPARTMENT OF ECONOMICS
DELHI SCHOOL OF ECONOMICS
UNIVERSITY OF DELHI**

Minutes of Meeting

Subject : B.A. (Hons.) Economics, Fifth Semester (2013)
Course : 24 – Money and Financial Markets
Date of Meeting : Thursday 25th July, 2013, 2.00 P.M.
Venue : Department of Economics, Delhi School of Economics
University of Delhi, Delhi – 110 007
Chair : Prof. Pami Dua

Attended by:

1. Mukesh Kumar, Ramjas College
2. Abdul Rahim Ansari, Hindu College
3. Rachna Mathur, Shaheed Bhagat Singh College
4. Kamini Tandekar, Kamala Nehru College
5. Shweta Jain, St. Stephens College
6. Dr. Rituranjan, SRCC
7. Sonalika Sinha, DRC
8. Hema Kapur, Hansraj College
9. Manisha Vats, Miranda House
10. Deepika Srivastava, LSR
11. Ananya Smriti, LSR
12. Ujjayani Roy, LBC
13. Sangya Ranjan, Satyawati (E)
14. Gurdeep Kaur, Shivaji College
15. Anand Mittal, Hansraj College
16. Chitra Verma, KMC
17. Vaibhav Puri, SGGSCC
18. Jyotsna Maken, SGGSCC
19. Pemala Lama, Venkateswara College
20. Mamta Datt, Shivaji College

A Sub-Committee of the following teachers was formed

1. Ms. Manisha Vats, Miranda House (Coordinator)
2. Dr. Anand Mittal, Hans Raj College
3. Dr. Rituranjan, Shri Ram College of Commerce
4. Mr. Abdul Rahim Ansari, Hindu College
5. Ms. Rachna Mathur, Shaheed Bhagat Singh College
6. Hema Kapur, Hansraj College

TOPIC 2**FINANCIAL INSTITUTIONS, MARKETS, INSTRUMENTS AND FINANCIAL INNOVATIONS:**

a) Role of Financial Markets and Institutions; problems of asymmetric information – adverse selection and moral hazard, financial crisis

1. Mishkin & Eakins Chapter15 pp (369-396)
2. M Y Khan Chapter 1
3. Fabozzi et al. Chapter 1 & 2
- 4.. Baye and Jansen Chapter 5 pp (153-161)

b) Money and Capital Markets; Organization, Structure and Reforms in India; Role of Financial Derivatives and Other Innovations

1. M Y Khan Chapter 9 (9.13 -9.32)
2. Bhole Chapter 5 pp (137-147)
3. Fabozzi et al Chapter26 pp (496 -504)
Chapter27 pp (517-529)
Chapter30 pp (577 - 580)

TOPIC 3

INTEREST RATES: Determination, Sources of interest rates differentials, Theories of term structure of interest rates ; interest rates in India

1. Baye & Jansen Chapter 8 pp (236 -251),
Chapter 9
Chapter 10
2. Annual Report of RBI Box III, pg 78, III.2 pg 79, III.3pg 80
2011-12

Readings:

1. F. S. Mishkin and S.G. Eakins, *Financial Markets and Institutions*, Pearson Education, 6th Edition, 2009.
2. F.J. Fabozzi, F. Modigliani, F. J. Jones, M.G. Ferri, *Foundations of Financial Markets and Institutions*, Pearson Education, 3rd Edition, 2009.
3. M. R. Baye and D. W. Jansen, *Money, Banking and Financial Markets*, AITBS, 1996.
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