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| Semester                     | VI   |
| Paper Number                 | HECDS6031T   |
| Paper Title                  | MONEY & FINANCE  |
| No. of Credits               | 6  |
| Theory/Composite             | Theory   |
| No. of periods assigned      | 5 Theory + 1 Tutorial  |
| Course description/objective | 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 globalization, financial crisis and financial structure and alternative source of financing are also covered.  |
| Syllabus                     | <p><b>Module 1 (40 marks)</b></p> <p><b>1. Introduction To Money and Banking</b></p> <ol style="list-style-type: none"> <li>Definition, Functions and Types of Money</li> <li>Role of Financial Intermediaries</li> <li>Theory of determination of money supply- money multiplier approach</li> <li>Banks as profit maximizing entities</li> </ol> <p><b>2. Monetary Policy-Objective and Investment:-</b></p> <ol style="list-style-type: none"> <li>Multiple objectives of the Central Bank</li> <li>Choice of targets- Money supply or interest rate</li> <li>Rules vs Discretion- Time inconsistency problem</li> <li>Taylor rule and its macroeconomic implications</li> </ol> <p><b>Number of Classes per week: 2</b></p> <hr/> <p><b>Module 2 (40 marks)</b></p> <p><b>3. Financial Globalization and Financial Crisis</b></p> <ol style="list-style-type: none"> <li>Financial Markets and Instruments: An Introduction</li> <li>Dimensions of financial crisis- a historical overview</li> <li>Problem of asymmetric information- adverse selection and moral hazard in financial markets</li> <li>Financial acceleration hypothesis</li> <li>International crises : Policies and Prevention</li> </ol> <p><b>4. Financial Structure and Alternative Source of Financing</b></p> <ol style="list-style-type: none"> <li>The Modigliani-Miller Theorem on equivalence between debt and equity</li> <li>Breakdown of the equivalence</li> <li>Role of net worth in determining fragility of the financial system</li> <li>Some recent examples including financial meltdown in USA</li> </ol> <p><b>Number of Classes per week: 3</b></p> |

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|------------------------------------|---|---------------------------------|---------------------|-------------|
|                                    | <b>Tutorial Classes per week: 1</b>   |                                 |                     |             |
| Reading                            | <p>1. B.Blejer, &amp; M.Skreb, <i>Financial Policies in Emerging Markets</i>, Pearson Education.</p> <p>2. Peter Bofinger, Julian Reischle, Andrea Schächter, <i>Monetary Policy- Goals, Institutions, Strategies and Instruments</i>, Oxford University Press, 2001.</p> <p>3. David Romer, Keynesian Macroeconomics without the LM Curve, <i>Journal of Economic Perspectives</i>, Volume 14, Number 2, Spring 2000, Pages 149–169.</p> <p>4. Dornbusch, Fischer &amp; Startz, <i>Macroeconomics</i>, Mc Graw Hill. 10<sup>th</sup> Edition</p> <p>5. X.Freixas, &amp; J.Rochet, , <i>Microeconomics of Banking</i>, MIT Press, 2<sup>nd</sup> Edition.</p> <p>6. T. A. Knoop, <i>Modern Financial Macroeconomics-Panics, Crashes, and Crises</i>, Wiley-Blackwell; 1 edition (April 2008)</p> <p>7. F. Mishkin &amp; S. Eakins. <i>Financial Markets and Institutions, 6th Edition</i>, Pearson Education, 2009.</p> <p>8. R.Mohan. <i>Growth and Financial Stability-Central Banking in an Emerging Market</i>. Oxford University Press, 2011.</p> <p>9. M. Rakshit, <i>Financial Crisis and Liquidity Trap : Some Theoretical and Policy Perspectives</i>. In: S. Mahendra Dev P.G. Babu(ed) <i>Development in India</i>, Springer, 21 July 2015.</p> <p>10. Stephen Ross, Randolph Westfield, Jeffrey Jaffe, <i>Corporate Finance</i>, McGraw-Hill Education.</p> |                                 |                     |             |
| Evaluation                         | <p>Continuous Internal Assessment: 20 marks</p> <p>End- Semester Theory Examination: 80 marks</p>   |                                 |                     |             |
| Paper Structure for End Sem Theory | Module  | No. of Questions to be Answered | No. of Alternatives | Marks       |
|                                    | Module 1  | 2                               | 3                   | 5 x 2 = 10  |
|                                    |   | 2                               | 3                   | 15 x 2 = 30 |
|                                    | Module 2  | 2                               | 3                   | 5 x 2 = 10  |
|                                    |   | 2                               | 3                   | 15 x 2 = 30 |
|                                    | Total Marks   |                                 |                     | 80          |