

ECO-HE-5026: MONEY AND FINANCIAL MARKETS

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 of money; concept of money supply and its measurement; money multiplier theory, RBI's approach to money supply.

2. Financial Institutions, Markets, Instruments and Financial Innovations

Meaning and types of financial institutions, nature and role of financial institutions; financial markets: definitions and types-money market and capital market, their characteristics and functions, call money market, treasury bill market, commercial bill market including commercial paper and certificates of deposits, government securities market, primary and secondary market for securities, financial sector reforms in India, financial derivatives –meaning, types ,distinctive features of financial derivatives and its benefits.

3. Interest Rates

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

4. Banking System

Meaning and types; Functions of Commercial banks, process of credit creation and its limitations, Balance sheet of Commercial banks, portfolio management-meaning and objective of portfolio management, theories of portfolio management; banking sector reforms in India.

5. Central Banking and Monetary Policy

Functions of central bank; monetary policy-objectives, 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).
10. Sampat Mukherjee, *Macro Economics: Global Text*,
11. S.B.Gupta, *Monetary Economics: Institutions, Theory and Policy*, S.Chand and Company Ltd., 2003.
12. M.L.Jinghan, *Money, Banking, International Trade and Public Finance*, Vrinda Publications.
13. Bharati V Pathak, *Indian Financial System: Markets, Institutional and services*, Pearson Education India, 3rd edition, 2011.