

Semester V
B.A. (Non-Honours) Economics
DSE 2: MONEY AND BANKING (6 Credits)
Full marks: 100 (Mid Term-20 + End Term-80)

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.

Units		No of Lecture Hours	No of Tutorial Hours	Marks
1.	Money: Concept, functions, measurement; theories of money supply determination- RBI approach to money supply; High powered money and money multiplier.	15	3	15
2.	Financial Institutions, Markets, Instruments and Financial Innovations: Role of financial markets and institutions Structure of money market and capital market — Call money market. Treasury bill market, Commercial bill market including commercial paper and certificate of deposits, Government securities market, Primary and secondary market for securities. Financial sector Reforms in India, Role of Financial Derivatives Financial Institutions: Types; Banking and Non Banking Financial Institutions.	20	4	20
3.	Stock Market Stock Market and its Operations; Stock Market Index, Methodologies for Calculating Stock Market Index, Stock Market indices in India, BSE Sensex, NSE Nifty.	10	2	10
4.	Interest Rates Determination; sources of interest rate differentials ;theories of term structure of interest rates; interest rates in India.	15	3	20
5.	Banking System: Meaning and types; Functions of commercial banks; the process of credit creation and its limitations; Balance sheet and portfolio management, banking sector reforms Central Banking and Monetary Policy: Central Banking: Function of the Central Bank, Monetary policy: objectives, indicators and instruments of monetary control. Monetary management in an open economy, current monetary policy of India	15	3	15
Total		75	15	80

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. 32
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. Suraj B. Gupta : *Monetary Economics*, S. Chand and Company Ltd.
11. .Bharati V. Pathak, *The Indian Financial System :Markets, Institutions and Services*, Pearson Education India