

## **HU 306: Money, Banking and Finance**

Contact Hours- 04 (per week)

Examination Duration- 03

Credits- 04 (4-0-0)

**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 and banking sector reforms and monetary policy with special reference to India is also covered.

### **Course Outline**

#### **Unit I: Money**

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

#### **Unit II: Financial Institutions, Markets, Instruments and Financial Innovations**

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

#### **Unit III: Interest Rates**

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

#### **Unit IV: Indian Banking System**

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

#### **Unit V: 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 and R.B.I. *Bulletin, Annual Report and Report on Currency and Finance (latest)*.

## **HU307: Basic Econometrics**

Contact Hours- 04 (per week)

Examination Duration- 03

Credits- 04 (4-0-0)

**Objective:** This course provides a comprehensive introduction to basic econometric concepts and techniques. It covers estimation and diagnostic testing of simple and multiple regression models. The course also covers the consequences of and tests for misspecification of regression models.

### **Course Outline**

#### **1. Nature and Scope of Econometrics** -Meaning, Scope, Importance and Application

#### **2. Statistical Concepts**

Normal distribution; chi-sq, t- and F-distributions; estimation of parameters; properties of estimators; testing of hypotheses.

#### **3. Simple Linear Regression Model: Two Variable Case**

Estimation of model by method of ordinary least squares; properties of estimators; goodness of fit; tests of hypotheses; scaling and units of measurement; confidence intervals; Gauss-Markov theorem; forecasting.

#### **4. Multiple Linear Regression Model**

Estimation of parameters; properties of OLS estimators; goodness of fit - R<sup>2</sup> and adjusted R<sup>2</sup>; partial regression coefficients; testing hypotheses – individual and joint; functional forms of regression models; qualitative (dummy) independent variables.

#### **5. Violations of Classical Assumptions: Consequences, Detection and Remedies**

Multicollinearity; heteroscedasticity; serial correlation.

#### **6. Specification Analysis**

Omission of a relevant variable; inclusion of irrelevant variable; tests of specification errors.

### **Readings**

1. D. N. Gujarati and D.C. Porter, *Essentials of Econometrics*, McGraw Hill, 4th edition, International Edition, 2009.

2. Christopher Dougherty, *Introduction to Econometrics*, Oxford University Press, 3rd edition, Indian Edition, 2007.

3. Jan Kmenta, *Elements of Econometrics*, Indian Reprint, Khosla Publishing House, 2nd edition, 2008.