

DEPARTMENT OF ECONOMICS
UNIVERSITY OF DELHI

Subject: Common Pool of DSE
Sem.: IV
Course & Code: Money and Financial Markets ECON047
Duration (per week): 4 (3 Lectures + 1 Tutorial)
Date & Time: 23/01/2024 at 1:45 PM
Venue: 104, Department of Economics, Delhi University
Convenor: Reetika Garg

College Teachers

Harneet Kaur	SGTB Khalsa College
Pummy	Indraprastha College for Women
Sonia Goel	Ramjas College

Learning Objectives

The Learning Objectives of this course are as follows:

- This course exposes 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.

Learning outcomes

The Learning Outcomes of this course are as follows:

- This allows students to understand current monetary policies and financial market outcomes. It also enables them to critically evaluate policies and role of the central bank.

Agenda of the Meeting

- To discuss detailed Topic-wise / Unit-wise Reading list
- To discuss Evaluation criteria and Exam pattern

Syllabus

UNIT I: Money (9 hours)

Understanding concept and functions of money, Measurement of money supply, Analytics and methodology of computation of money supply, Theories of money supply determination

UNIT II: Financial markets: an Introduction (12 hours)

Role of financial markets and institutions, Money and Capital markets: Pricing and other analytical issues, Financial derivatives: Futures, Options and Swaps, Financial markets in India: Organization, Structure and Reforms in India

UNIT III: Interest Rates (12 hours)

Determination of interest rates, Sources of interest rates differentials and risk, Theories of term structure of interest rates, Interest rates in India

UNIT IV: Central Banking and Monetary policy (12 hours)

Central Bank: Functions and Balance Sheet, Monetary Policy: Targets and instruments, Monetary management in an open economy, Monetary Policy Framework in India: Evolution and current scenario, critical evaluation, Emerging issues in Monetary policy- Changing payment mechanism, Cryptocurrency and others

Essential / Recommended Readings

1. F.S.Mishkin and S.G. Eakins *Financial Markets and Institutions*, Pearson Education, 6th Edition, 2011
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. L.M .Bhole and J. Mahakud *Financial Institutions and Markets* Tata McGraw Hill, 5th Edition, 2011

5. M.Y.Khan, *Indian Financial System*, Tata McGraw Hill, 7th Edition 2011
6. N. Jadhav, *Monetary Policy, Financial Stability and Central Banking in India*, Macmillan, 2006
7. RBI Report, October 4, 2017 'Report of the Internal Study Group to Review The Working of the Marginal Cost of Funds Based Lending Rate System', Reserve Bank of India, September, 2017,
<https://rbidocs.rbi.org.in/rdocs//PublicationReport/Pdfs/MCLRCFF20B31A4A24D0487D8659079CF392B.PDF>
8. RBI Report of the Working Group; Money Supply :Analytics and Methodology of Compilation, 1998;
https://rbidocs.rbi.org.in/rdocs//PublicationReport/Pdfs/CR361_1998137B6A06B4154858847F449866C0E86E.PDF
9. P. Dua, Monetary Policy Framework in India, Indian Economic Review, Vol. 55, Issue 1, June 2020 <https://link.springer.com/article/10.1007/s41775-020-00085-3>
10. RBI, Monetary Policy https://www.rbi.org.in/scripts/FS_Overview.aspx?fn=2752
11. RBI Payment and Settlement Systems, *Overview of Payment Systems in India*
https://www.rbi.org.in/scripts/PaymentSystems_UM.aspx
12. Bank for International Settlements -BIS (2023) *The crypto ecosystem: key elements and risks* Report submitted to the G20 Finance Ministers and Central Bank Governors; Section 2 (2.1 and 2.2) <https://www.bis.org/publ/othp72.pdf>

Optional Readings (*)

For the current academic year, students should be aware of but will not be tested on the following:

1. RBI Annual Report 2022-23, Chapter III
<https://rbidocs.rbi.org.in/rdocs/AnnualReport/PDFs/0ANNUALREPORT20222322A548270D6140D998AA20E8207075E4.PDF>
2. RBI Concept Note on Central Bank Digital Currency, October 2022, Chapter 2 and 3
<https://rbidocs.rbi.org.in/rdocs//PublicationReport/Pdfs/CONCEPTNOTEACB531172E0B4DFC9A6E506C2C24FFB6.PDF>

The Topic-wise Reading list is as follows:

TOPIC	READINGS
<p>UNIT I: Money</p> <p>Understanding concept and functions of money, Measurement of money supply, Analytics and methodology of computation of money supply, Theories of money supply determination</p>	<p>Baye and Jansen: Chapter 1 (p 2 – 27); Chapter 14 (p.465-486)</p> <p>Jadhav: Chapter 2 Section 2.1, (p.18 –25); Section 2.3 (2.3.1 to 2.3.6) (p.37-45); Annexure 2.1</p> <p>RBI Report-Money Supply: Analytics and Methodology of Compilation 1998 chapter 2 (p.11-17)</p>
<p>UNIT II: Financial markets: an Introduction</p> <p>Role of financial markets and institutions, Money and Capital markets: Pricing and other analytical issues, Financial derivatives: Futures, Options and Swaps, Financial markets in India: Organization, Structure and Reforms in India</p>	<p>Khan: Chapter 1 (1.13 -1.15); Chapter 9 (9.29-9.32)</p> <p>Fabozzi et al.: Chapter26 (p.496 -504); Chapter27 (p.517-529); Chapter30 (p.577 - 580)</p> <p>Bhole and Mahakud: Chapter 5 (p.137-143)</p>
<p>UNIT III: Interest Rates</p> <p>Determination of interest rates, Sources of interest rates differentials and risk, Theories of term structure of interest rates, Interest rates in India</p>	<p>Baye & Jansen: Chapter 8 (p.236-251) Chapter 9 (p.274-294) and chapter 10</p> <p>RBI Report, October 4, 2017 ‘Report of the Internal Study Group to Review The Working of the Marginal Cost of Funds Based Lending Rate System’, Reserve Bank of India, September, 2017; Chapter 1, (p.1-2) and Chapter 2, (p.5-6).</p>

<p>UNIT IV: Central Banking and Monetary policy</p> <p>Central Bank: Functions and Balance Sheet, Monetary Policy: Targets and instruments, Monetary management in an open economy, Monetary Policy Framework in India: Evolution and current scenario, critical evaluation, Emerging issues in Monetary policy- Changing payment mechanism, Cryptocurrency and others</p>	<p>Baye & Jansen: Chapter 19 (666-687, 692-693, 697-705)</p> <p>Jadhav: Chapter 6.2 (6.2.1 and 6.2.2) Chapter 11.2 (11.2.1 – 11.2.3)</p> <p>P. Dua Monetary Policy Framework in India, Indian Economic Review, Vol. 55, Issue 1, June 2020, Pages 117–154</p> <p>RBI Annual Report 2015 -16 Chapter 3:Box III.1 and III.2 (p. 44, p.50)</p> <p>RBI Annual Report 2022-23, Chapter III*</p> <p>RBI, Monetary Policy https://www.rbi.org.in/scripts/FS_Overview.aspx?fn=2752</p> <p>RBI Payment and Settlement Systems, <i>Overview of Payment Systems in India</i></p> <p>BIS (2023) <i>The crypto ecosystem: key elements and risks</i> Report submitted to the G20 Finance Ministers and Central Bank Governors; Section 2 (2.1 and 2.2)</p> <p>RBI Concept Note on Central Bank Digital Currency, October 2022, Chapter 2 and 3*</p>
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Evaluation & Assessment

Internal Assessment (IA): 30 marks

- The Internal Assessment would comprise of 6 marks for attendance and 24 marks for two class tests of 12 marks each or one project work in lieu of one class test.

Continuous Assessment (CA): 40 marks

- As per the University guidelines

End Semester (Final) Exam: 90 marks

- It was decided that for the End Semester examination there would be an open choice to attempt any 5 questions out of 6