

DISCIPLINE SPECIFIC ELECTIVE COURSE 7 (DSE-7): Monetary Economics

CREDIT DISTRIBUTION, ELIGIBILITY AND PRE-REQUISITES OF THE COURSE

Course title & Code	Credits	Credit distribution of the course			Eligibility criteria	Pre-requisite of the course (if any)
		Lecture	Tutorial	Practical/ Practice		
Monetary Economics (DSE 7)	4	3	1	0	Class 12	None

Learning Objectives

This course provides the student the knowledge of:

1. Forms of money and its measures and associated theories
2. Money and capital markets, Financial products, institutions and crises
3. Interest rates, their determination and associated theories
4. Structure and role of the banking system and its reforms
5. Monetary theory, monetary policy, its goals and current practice in India

Learning outcomes

By studying this course, the students will be able to:

- Develop a critical understanding of functioning of financial institutions, markets and instruments and how growth of the real economy is interspersed with financial innovation and crisis.
- Learn an important learning outcome relates to aspects with regard to banks and capital markets as they constitute significant components of a financial system.
- Develop an understanding of theory of monetary policy and how it is conducted in India by Reserve Bank of India.
- Develop some basic understanding of few current issues including demonetization, cryptocurrency and problems faced by the banking sector in their appropriate contexts.

SYLLABUS OF DSE-7

Unit 1:

(8 hours)

Concept, functions and measurement, and Theories of Money Supply Determination, Demonetization and Cryptocurrency.

Unit 2:

(15 hours)

Financial Institutions, Markets. Instruments and Financial innovation. Role of Financial Markets and Institutions; problems of asymmetric information, adverse selection and moral hazard, financial crisis. Money and Capital Markets, Organization, Structure and Reforms in India: Role of Financial Derivatives and other Innovations.

Unit 3:**(8 hours)**

Interest rates Determination, Sources of interest rate differentials, Theories of Term Structure of Interest rates, Interest rates in India.

Unit 4:**(8 hours)**

Banking System, Balance Sheet and Portfolio Management, Indian Banking System, Changing role and Structure, Banking Sector Reforms.

Unit 5:**(6 hours)**

Central Banking and Monetary Policy, Functions, Balance Sheet, Goals, Targets (operating, intermediate and final), Indicators and instruments of monetary control, Tinbergen's theorem, Inflation targeting, monetary management, current monetary policy in India.

Essential/recommended readings

1. Fabozzi F Jet al(2009): Foundations of Financial Markets and Institutions, Pearson
2. MishkinF S , Eakins S G,Jayakumar T , Pattnaik R K (2017): Financial Markets and Institutions, Pearson.
3. Dua, P(2020), "Monetary Policy Framework in India", Indian Economic Review, Vol. 55, Issue 1, June 2020
4. Jadhav,Narender: Monetary Policy,Financial stability and Central Banking in India Macmillan,New Delhi,India
5. Kaul,Vivek(2020) Bad money: inside the NPA Mess and how does it threaten the Indian Banking System, Harper Collin Publisher India
6. Ghate, C., & Kletzer, K. M. (Eds.). (2016). Monetary policy in India: A modern macroeconomic perspective. Springer
7. Chibber, Ajay, Salman, Soz, Anees(2021) India's Financial Sector: A Whodunnit
8. EDs in Unshackling India. Haper Collins Publishers India.
9. Report of the Working Group: Money Supply Analytics and Methodology of Compilation, 1998 Annual Report; Master Circular - Prudential Norms on Capital Adequacy - Basel I Framework - 2011; RBI Bulletin; Report of Currency and Finance (latest).
10. Various publications of RBI and other agencies / institutions
11. Raghuram_Rajan_Committee_on_Financial_Sector_Reforms

Note: Examination scheme and mode shall be as prescribed by the Examination Branch, University of Delhi, from time to time.