

**Code: ECON-317**

**Title: Money, Banking & Financial Institutions**

**Credit Hours: 03**

**Objectives:**

To provide students with a solid awareness about the fundamentals of monetary theory, money, banking and financial institutions.

**Financial Markets and Financial institutions**

Why study money, banking and financial markets? an overview of financial system, debt and equity markets, exchange and over-the counter markets, Financial Structure, puzzles, transaction costs asymmetric information, The Lemon problem, Moral Hazards and debt and equity contracts, influence of Moral Hazard on financial structure, understanding interest rates, the behavior of interest rates, the risk and term structure of interest rates.

61

### **The stock market and the efficient market hypothesis**

Price of common stock, the theory of rational expectations, implications of the theory of rational expectations, the efficient market hypothesis: rational expectations in financial markets, rationale behind the hypothesis, behavioral finance.

### **An economic analysis of financial structure**

Basic facts about financial structure, the Enron implosion, financial development and economic growth, factors causing financial crises, dynamics of financial crises in emerging market economies. Economic analysis of financial regulations, Case studies of financial crisis.

### **International finance and monetary policy**

PICIC, IDBP, ICP, ZTBL, HBFC, NIT, SMEDA, World Bank, IMF (Brief intro and contribution to the economy), Foreign exchange market, long run and short run exchange rate behavior, the interest parity conditions, comparing expected returns on domestic and foreign assets, interest parity conditions, unsterilized interventions and sterilized interventions.

### **Recommended Books:**

The Economics of Money, Banking and Financial Institutions by FREDERICS S. MISHKIN (Latest Edition)

Miller, R. L., & VanHoose, D. D. (1993). *Modern money and banking*. McGraw-Hill College.  
Luckett, D. G. (1980). *Money and banking*. McGraw-Hill Companies.