

Title of the course	<b>Financial intermediation</b>
Responsible instructor	Prof. Dr. Hildegard Breig
Objectives of the course	to develop skills to <ul style="list-style-type: none"> <li>- describe the financial system's structure and function</li> <li>- determine consequences of asymmetric information in credit markets,</li> <li>- explain welfare enhancing effects of bank loans und bank deposits,</li> <li>- identify the bank lending channel of monetary policy transmission,</li> <li>- distinguish between different measures of financial intermediation,</li> <li>- understand links between the insolvency risk of one bank and an instability risk of the whole banking system,</li> <li>- explain banking regulation</li> </ul>
Contents	<p>1 Fundamentals</p> <p>1.1 Structure and role of the financial system</p> <p>1.2 Imperfect versus perfect financial markets</p> <p>1.3 Financial contracts</p> <p>1.4 Asymmetric information in credit markets</p> <p>1.5 Categories of financial intermediaries</p> <p>2 The banks' function of monitoring borrowers</p> <p>2.1 Theory</p> <p>2.2 Application</p> <p>3. The banks' function of providing liquidity</p> <p>3.1 Theory</p> <p>3.2 Application</p> <p>4. The possibility of credit rationing by banks</p> <p>4.1 Theory</p> <p>4.2 Relevance</p> <p>5. Macroeconomic and international aspects of financial intermediation</p> <p>5.1 The credit channel of monetary policy transmission</p> <p>5.2 Financial intermediation and economic growth in different countries</p> <p>5.3 Issues of banking instability and crises</p> <p>6. Public regulation and supervision of banks</p> <p>6.1 Policy objectives</p> <p>6.2 Capital requirements</p> <p>6.3 Deposit insurance</p> <p>6.4 Competition policy</p>
Teaching methods	<ul style="list-style-type: none"> <li>- seminar-like lectures</li> <li>- discussions</li> <li>- exercises</li> <li>- self-study</li> </ul>
Prerequisites	There are no formal requirements. Knowledge in the following courses is prerequisite: <ul style="list-style-type: none"> <li>- Introduction to Economics and Business,</li> <li>- Statistics I,</li> <li>- Investment and Finance</li> <li>- Microeconomics</li> <li>- Macroeconomics</li> </ul>
Suggested reading	Admati, A., and Hellwig, M., <i>The Bankers' New Clothes: What's Wrong With Banking and What To Do About It?</i> Princeton University Press, Princeton and Woodstock 2013: Part I and Part II.

	<p>Čihák, M., Demirgüç-Kunt, A., Feyen, E., and Levine, R., <i>Financial Development in 205 Economies, 1960 to 2010</i>, in: Journal of Financial Perspectives, 2013, 1, no.2, pp.17-36.</p> <p>Greenbaum, S. I., Thakor, A.V., and Boot, A., <i>Contemporary Financial Intermediation</i>, 4<sup>th</sup> ed., Elsevier Inc., Burlington, San Diego, and London 2019: Ch.2, Ch.3, Ch.4, Ch.6, Ch.7, Ch.8, Ch.12, Ch.13, Ch.15.</p> <p>Kremer, M, and Pokov, A., <i>Financial Development, Financial Structure and Growth: Evidence from Europe</i>, Special Feature A, in: Financial Integration in Europe, European Central Bank, Frankfurt, May 2018, pp.65-97.</p> <p>Mishkin, F. S., <i>The Economics of Money, Banking, and Financial Markets</i>, 12<sup>th</sup> ed., Pearson Education Limited, Harlow (U.K.), 2019: Ch.2, Ch.8, Ch.10.</p> <p>Owen, A. N. and Pereira, J.M., <i>Bank Concentration, Competition, and Finance</i>, in: Review of Development Finance, 8, 2018, pp.1-17.</p> <p>World Bank Group, <i>Global Financial Development Report 2019/20: Bank Regulation and Supervision a Decade after the Global Financial Crisis</i>, Washington, D.C. 2020.</p> <p>Further references will be given in class.</p>
Applicability	<p>This module is closely linked to the following modules of the same study program: 1. Investment and Finance, 2. Bank Management, 3. Macroeconomics, 4. Economic Policy (Part: Monetary Policy).</p> <p>This module is also applicable to other study programs in Economics and Business offered at University of Applied Sciences Schmalkalden.</p>
Total workload	<p>Total Workload: 150 hours, of these:</p> <p>1) synchronic studies: 60 (lectures to be attended)</p> <p>2) asynchronous studies: 90, of these:</p> <p>- preparation for classes (in particular studying the literature): 25</p> <p>- follow-up: 25</p> <p>- exam preparation: 40</p>
ECTS credit points and weighting factor	<p>5 ECTS credit points;</p> <p>weighting:</p> <p>a) study programs in Business and Economics and in International Business and Economics: 5/180</p> <p>b) study programs in Economics and Business Administration: 5/210</p>
Basis of student evaluation	<p>written in-class examination, 60 minutes (80%)</p> <p>presentation of own work on a project (20%)</p>
Time	4 <sup>th</sup> to 6 <sup>th</sup> semester
Frequency	generally each academic year
Duration	one semester
Type	elective course
Remarks	The teaching and examination language is English.

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