

SRI VENKATESWARA UNIVERSITY:: TIRUPATI
Programme: B.A. Houours in Economics (Major) w.e.f. AY 2026-27
COURSE STRUCTURE

Semester	Course Number	Course Name	No.of Hrs/ Week	No.of Credits
IV	8	Monetary Economics	4	4
	9	Andhra Pradesh Economy	4	4
	10	Public Finance	4	4

SEMESTER-IV
COURSE 8: MONETARY ECONOMICS

Theory

Credits: 4

4 hrs/week

Course Objective: To provide students with a comprehensive understanding of the theoretical and practical aspects of money, banking, and monetary policy in the modern economy, including trends in the digitalization of the economy.

Course Learning Outcomes:

After successful completion of this course, the students will be able to

1. Understand the functions of money and different concepts of money and digital currencies;
2. Explain classical and modern theories of demand for money and their implications;
3. Describe the functions of Commercial banks, NBFCs, and RBI
4. Assess goals of monetary policy and inflation targeting
5. Evaluate the latest developments in the banking sector including net-banking and mobile banking.


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Unit - 1: Money – Functions, and Modern Forms

- Money: Definitions, Types and Functions
- Measures of Money Supply: M_1 , M_2 , M_3 , M_4 – RBI definitions
- High Powered Money and Money Multiplier
- Recent Developments: Digital Currency and CBDC (Central Bank Digital Currency – ₹)

Unit - 2: Theories of Demand and Supply of Money

- Quantity Theory : Fisher and Cambridge, Classical Dichotomy
- Keynesian Liquidity Preference Theory
- Post-Keynesian Theories: Tobin and Friedman
- Philips Curve, Rational Expectations

Unit - 3: Financial Markets and Institutions

- Financial Market - Money Market and Capital Market
- Functions of Commercial Banks, Credit Creation Process
- Non Banking Financial Institutions - Role and regulations
- Recent Reforms in Banking Sector - Management of NPA, Mergers, BASEL Norms



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Unit - 4: Monetary Policy, Tools and Effectiveness

- Functions of RBI
- Monetary Policy: Meaning, Objectives and Instruments of Monetary Policy: Quantitative and Qualitative
- Transmission Mechanism of Monetary Policy
- Inflation Targeting and Flexible Inflation Targeting (FIT) Framework

Unit - 5: Emerging Trends in Money and Banking

- Cryptocurrencies: Evolution, Features and Challenges.
- Fintech: Blockchain Technology, DeFi
- Financial Innovations: Crowd Funding, Net - banking, Mobile banking
- Digital Finance and Issues in Cybersecurity

References:

1. Prasad, E. S., & Thorne, S. R. (2021). *The Future of Money*. Unabridged. Tantor Media, Inc.
2. Suraj B. Gupta (2001), *Monetary Economics: Institutions, Theory and Policy*, New Delhi: S. Chand & Company.
3. R. Dornbusch and S. Fischer (2010), *Macroeconomics*, New York: McGraw Hills.
4. M. L. Jhingan (2013), *Money, Banking, International Trade & Public Finance*, 8th Edition, New Delhi: Vrinda Publications.
5. Mishkin, F.S. (2006), *The Economics of Money, Banking, and Financial Markets*. London: Pearson-Addison-Wesley Publishers.
6. **RBI Reports** – Annual Report, Financial Stability Report, Digital Payments Report
7. Articles from **BIS, IMF, and World Bank** on digital banking and monetary policy

Suggested Activities:

- Unit-1. Browse RBI's website and submit a small report on any two recent notifications or updates about money supply or digital currency.
- Unit-2. Draw and interpret: Liquidity preference curve, Phillips Curve, Rational expectations-adjusted Phillips Curve
- Unit-3. Visit a local commercial bank or cooperative bank. Prepare a brief report on credit creation, customer services, and digital operations.
- Unit-4. Create visual posters explaining quantitative vs qualitative tools monetary policy with real-world examples.
- Unit-5. Conduct a quiz on common cybersecurity threats (phishing, ransomware). Design an awareness campaign (posters or reels) for safe digital banking.

THREE YEAR B.A. DEGREE EXAMINATION –April 2026
CHOICE BASED CREDIT SYSTEM
SEMESTER-IV
COURSE 8: MONETARY ECONOMICS

Under CBCS New Regulation w.e.f. Academic Year 2025-26

Time: 3 Hours

Max. Marks: 75

SECTION-A

Write Short Answer for any Five of the Following. Each Question carries 3 Marks (5X3= 15)

1. Measures of Money Supply – M1, M2, M3 and M4.
2. Central Bank Digital Currency (CBDC) – Features and significance.
3. Phillips Curve and Rational Expectations.
4. Tobin's Portfolio Balance Approach.
5. Role and regulation of Non-Banking Financial Companies (NBFCs).
6. Basel Norms and their importance in banking regulation.
7. Functions of the Reserve Bank of India.
8. Inflation Targeting – Meaning and significance
9. Crowd funding and Digital Finance.
10. Blockchain Technology – Features and applications in banking.

SECTION-B

Answer the following Questions. Each Question Carries 12 Marks (5 X12 = 60)

- 11(a) Define money and explain its types and functions. Discuss the different measures of money supply (M1, M2, M3, M4) as defined by the Reserve Bank of India.
(or)
(b) Explain the concepts of High-Powered Money and Money Multiplier. Examine recent developments in digital currency with special reference to Central Bank Digital Currency (e₹).


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12(a) Critically explain the Quantity Theory of Money with reference to **Irving Fisher** and the Cambridge approach. Discuss the Classical Dichotomy.

(or)

(b) Examine the Keynesian Liquidity Preference Theory of demand for money and compare it with Post-Keynesian views of **Milton Friedman**.

13(a) Explain the structure and functions of Financial Markets in India, distinguishing between Money Market and Capital Market.

(or)

(b) Describe the functions of Commercial Banks and explain the process of credit creation. Discuss recent banking sector reforms including NPA management and Basel norms.

14(a) Discuss the objectives and instruments of Monetary Policy. Explain quantitative and qualitative tools used by the **Reserve Bank of India**.

(or)

(b) Analyze the transmission mechanism of monetary policy and evaluate the Flexible Inflation Targeting (FIT) framework in India.

15(a) Explain the evolution, features and challenges of crypto currencies. Discuss their implications for monetary policy and financial stability.

(or)

(b) Examine the role of FinTech innovations such as block chain, DeFi, net-banking and Mobile banking in transforming the financial system. Discuss issues related to cyber security.


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