



APPLIES TO ACADEMIC YEAR 2008/2009

DRE 4013 Empirical Banking

Program

Responsible for the course

Charlotte Østergaard, Richard Priestley

Department

Term

According to study plan

ECTS Credits

6

Language of instruction

English

Objective

The objective of the course is to read and understand scientific papers in banking. The focus will be on empirical papers, but fundamental theoretical contributions will also be covered, the focus will be on discussions empirical tests and applications of theoretical models. Research methods covered will primarily include cross-sectional and panel data methodologies.

Learning Outcomes:

1. To acquire knowledge of current research questions in empirical banking
2. To see examples of how bank question is related to questions in corporate finance and macroeconomics
3. To formulate empirical tests by using econometric techniques
4. To develop an understanding of applied panel data analysis
5. Improve ability to discuss and analyze empirical research papers

Prerequisites

Admission to a PhD Programme is a general requirement for participation in PhD courses at BI Norwegian School of Management.

External candidates are kindly asked to attach confirmation of admission to a PhD programme when signing up for a course with the doctoral administration. Candidates can be allowed to sit in on courses by approval of the courseleader. Sitting in on courses does not permit registration for courses, handing in exams or gaining credits for the course. Course certificates or conformation letters will not be issued for sitting in on courses

Compulsory literature

Recommended literature

Course outline

Syllabus and topics (more readings will be added):

Theories of Financial Intermediation

Diamond, D. W. (1984), "Financial Intermediation and Delegated Monitoring", *Review of Economic Studies*, 51, 393-414.

Gorton, G. and A. Winton (2004), "Financial Intermediation", Chapter 8 in *Handbook of the Economics of Finance* (vol 1A), G. M. Constantinides, M. Harris and R. M. Stultz (eds.) .

Holmstrom, B. and J. Tirole (1997), "Financial Intermediation, Loanable Funds and the Real Sector", *Quarterly Journal of Economics*, 112, 663-691.

Kashyap, A. K., R. Rajan, and J. C. Stein (200), "Banks as Liquidity Providers: An Explanation for the Co-Existence of Lending and Deposit-Taking", *Journal of Finance*.

Relationship banking

Boot, A. W. A. (2000), "Relationship Banking: What do we Know?", *Journal of Financial Intermediation*, 9, 7-25.

Degryse, H. and S. Ongena (2005), "Distance, Lending Relationships, and Competition", *Journal of Finance*, 60-231-266.

Detragiache, E., P. Garella, and L. Guiso (2000), "Multiple versus Single Banking Relationships: Theory and Evidence", *Journal of Finance* 55, 1133-1161.

Franks, J. and O. Sussman (2005), "Financial Distress and Bank Restructuring of Small to Medium Sized U.K. Companies", *Review of Finance*, 9, 65-96.

Ongena, S. and D. C. Smith (2001), "The Duration of Bank Relationships", *Journal of Financial Economics*, 61, 449-475.

Petersen, M. and R. Rajan (1994), "The Benefits and Lending Relationships: Evidence from Small Business Data", *Journal of Finance*, 49, 3-37.

Petersen, M. and R. Rajan (1995), "The Effect of Credit Market Competition on Lending Relationships", *Quarterly Journal of Economics*, 110, 407-443.

Petersen, M. and R. Rajan (2002), "Does Distance Still Matter", *Journal of Finance*, 57, 2533-2570..

Rajan, R (1992), "Insiders and outsiders: The Choice between Informed and Arm's-Length Debt", *Journal of Finance*, 47, 1367-1400.

Sapienza, P. (2002), "The Effect of Bank Mergers on Loan Contracts", *Journal of Finance*, 57, 329-267.

Sharpe, S. A. (1990), "Asymmetric Information, Bank lending, and Implicit Contracts: A Stylized Model of Customer Relationships", *Journal of Finance*, 45, 1069-1087.

Financial deregulation and real effects of financial integration

Bertrand, M., A. Schoar, and D. Thesmar (2007), "Banking Deregulation and Industry Structure: Evidence from French Banking Reform", *Journal of Finance*, 62, 597-628.

Cetorelli, N. and P. Strahan (2006), "Finance as a Barrier to Entry: Bank Competition and Industry Structure in Local U. S. Markets", *Journal of Finance*, 61, 437-461.

Demyanyk, Y., C. Ostergaard, and B. E. Sørensen (2007), "U. S. Banking Deregulation, Small Businesses, and Interstate Insurance of Personal Income", *Journal of Finance*, 62, 2763-2801.

Dick, A., (2006), "Nationwide Branching and its Impact on Market Structure, Quality, and Bank Performance", *Journal of Business*, 79, 567-592.

Morgan, D., B. Rime, and P. Strahan (2004), "Bank Integration and State Business Cycles", *Quarterly Journal of Economics*, 1555-1584.

Strahan, P. and J. Jayaratne (1996), "The Finance-Growth Nexus: Evidence from Bank Branch Deregulation", *Quarterly Journal of Economics*, 111, 639-670.

Computer-based tools

Course structure

The course will involve 30 hours of lectures.

Evaluation

Class participation counts 40% of the grade. The final written exam counts 60%. The course will be graded on a scale of A to F.

Evaluation code(s)

DRE 40131 accounts for 100% of the grade.

Aids at the examination

BI-approved exam calculator only

BI-approved exam calculator: TEXAS INSTRUMENTS BA II Plus™.

Instruction manuals can only be used at examinations where "all exam aids" are allowed. In

cases where a BI-approved calculator is allowed, only one – 1- such calculator can be brought to the examination premises. In addition one simple calculator can be brought.

Makeup exam

Re-takes are only possible at the next time a course will be held. When the course evaluation has a separate exam code for each part of the evaluation it is possible to retake parts of the evaluation. Otherwise, the whole course must be re-evaluated when a student wants to retake an exam

Honour Code

Academic honesty and trust are important to all of us as individuals, and represent values that are encouraged and promoted by the honour code system. This is a most significant university tradition. Students are responsible for familiarizing themselves with the ideals of the honour code system, to which the faculty are also deeply committed.

Any violation of the honour code will be dealt with in accordance with BI's procedures for cheating. These issues are a serious matter to everyone associated with the programs at BI and are at the heart of the honor code and academic integrity. If you have any questions about your responsibilities under the honour code, please ask.