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NAKE

Finance and Banking

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COURSE OUTLINE

I. Course objective

The objective of this course is to read and understand scientific papers in empirical banking. To accomplish this objective, emphasis will be placed on illustrating basic research methodologies used in banking and learning the application of these methodologies to selected topics. The research methods that will be specifically discussed in the class are inter-temporal (event study) and cross-sectional research methods. The topics that will be covered are listed in the course schedule.

It is evident that any empirical research should be based on theoretical foundations. All students are therefore expected to have an active interest in banking theory. There will be opportunities offered during the course to explore selected theoretical models upon which empirical applications are based.

II. Course organization

The course is organized in Block Three (January 2011). There will be five 2-hour lectures.

Students are strongly advised to read the required literature of each lecture in advance. This will help in better understanding of materials covered in the class and in useful participation in class discussions.

III. Course schedule

Session	Date	Hours	Rm	Topic
1	Jan 7	11:00-12:45	TBA	Introduction Heteroskedastic Modelling
2	Jan 14	11:00-12:45	TBA	Multinomial Logit, Count Models, Simultaneous Equations and Applications
3	Jan 21	11:00-12:45	TBA	Duration Analysis and Application
4	Jan 28	11:00-12:45	TBA	Event Studies and Applications
5	Jan 28	TBA	TBA	Identification

TBA = to be announced

IV. Exam

Paper summarizing the methodology used and results obtained (both statistical significance and economic relevancy) in the empirical banking literature when addressing a very specific research question (“the narrower the better”). Between 5 and 10 pages of text. Additional summarizing tables and figures encouraged. Email pdf to Ongena@uvt.nl before April 10th: 12:00 noon CET. Late penalty, 2% discount per 24 hours.

V. List of readings

1. Introduction, Heteroskedastic Modelling

Degryse, H., M. Kim, and S. Ongena, 2009, *Microeconometrics of Banking* (Oxford University Press), Chapter 4.

Cerqueiro, G., H. Degryse and S. Ongena, 2009, Rules versus discretion in loan rate setting, Mimeo, Tilburg University.

2. Nested Multinomial Logit, Count Models, Simultaneous Equations and Applications

Berger A.N., Q. Dai, S. Ongena and D.C. Smith, 2003, To what extent will the banking industry be globalized? A study of bank nationality and reach in 20 European nations, *Journal of Banking and Finance*, 27, 383-415.

Degryse H. and S. Ongena, 2001, Bank relationships and firm profitability, *Financial Management*, 30, 9-34.

Greene, W. H., 1997. *Econometric analysis* (Prentice Hall, Upper Saddle River NJ), Chapter 19.

Greene, W. H., 1997. *Econometric analysis* (Prentice Hall, Upper Saddle River NJ), Chapter 16.

Gujarati, D. N., 1995. *Basic econometrics* (McGraw-Hill International Editions, New York NY), Chapter 20.

3. Duration Analysis and Applications

Greene, W. H., 1997. *Econometric analysis* (Prentice Hall, Upper Saddle River NJ), Chapter 20.

Kiefer, N.M., 1988, Economic duration data and hazard functions, *Journal of Economic Literature* 26, 646-679.

Ongena S. and D.C. Smith, 2001, The duration of bank relationships, *Journal of Financial Economics* 61, 449-475.

4. Event Studies and Applications

Friedrich, L., and T. Gellrich, 2003, Capital market reactions to financial services outsourcing, Mimeo Frankfurt-am-Main, E-Finance Lab.

James, C., 1987, Some evidence on the uniqueness of bank loans, *Journal of Financial Economics*, 19, 217-235.

McWilliams, A. and D. Siegel, 1997, Event studies in empirical research: theoretical and empirical issues, *Academy of Management Journal*, 40, 626-657.

Ongena S., D.C. Smith and D. Michalsen, 2003, Firms and their distressed banks: lessons from the Norwegian banking crisis (1988-1991), *Journal of Financial Economics*, 67.1, 81-112.

5. Identification

Kashyap, A.K., and J.C. Stein, 2000, What Do A Million Observations on Banks Say About the Transmission of Monetary Policy?, *American Economic Review* 90, 407-428.

Jiménez, G., S. Ongena, J.L. Peydró, and J. Saurina, 2007, Hazardous Times for Monetary Policy: What Do Twenty-Three Million Bank Loans Say About the Effects of Monetary Policy on Credit Risk?, Discussion Paper, Centre for Economic Policy Research.