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# Financial Intermediation I

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Department of Finance, University of Vienna

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## 1. Course Description

The Financial Intermediation I course is an introductory course that forms the first part of a two-course sequence covering topics in Financial Intermediation. The aim of the course is to provide a broad conceptual and practical platform for analysing issues in Financial Intermediation.

This course commences with a brief theoretical foundation of intermediation theory, and then moves on to introduce students to key themes in financial intermediation such as the role of banks as delegated monitors; banks as liquidity providers; bank-borrower relationships and loan contracting; the industrial organization view of the banking systems and the reasons for regulation. The module places emphasis on the theoretical foundations of the microeconomics of banking and how these theories guide researchers to formulate empirical hypotheses and testing them in the data.

There will be one guest lecture, held by Dr. Roberto Pinto (University of Lancaster), which will focus on the challenges of the digital era for banking and cryptocurrencies, and one guest lecture, held by PwC, on the future of banking. Attendance is compulsory and the lecture forms part of the exam material.

Upon completing this course, students should be able to:

- Understand the main functions of financial intermediaries.
- Discuss the importance of these functions for the allocation of resources in the economy.

## 2. Course Format and Methodological Approach

The course *Financial Intermediation I* consists of 8 three-hour sessions. Sessions consist of lectures, covering both theory and empirics.

### What do I expect from you in class?

This is an interactive course, where your active participation is required. Attendance is compulsory.

A learning area will be available in the Intranet (Moodle). There, you will find instructions for the sessions, communications, bibliography, etc. Please look at it a couple of times a week. Slides of the sessions will also be posted here, always BEFORE the class.

### Laptop/tablet policy

You are not supposed to use your laptop/tablets during case discussions. You have to be 100% focused in the discussions. You may use your laptops/tablets on the lectures/discussion sessions ONLY for academic purposes. Emailing, facebooking, tweeting, chatting, skypeing, internet surfing, etc. should NOT be done during classes. Engaging yourself in such activities would strongly penalize your grade on class participation.

### Language

The course is held in English.

## 3. Course Content

**Session 1:** Introduction: Why are financial intermediaries useful?  
Liquidity Creation by banks

**Session 2:** The role of banks in resolving informational frictions (delegated monitoring)

**Session 3:** Relationship banking: Theory and Empirics

### Midterm Exam

**Session 4:** Introduction to the theory of bank regulation

**Session 5:** Fintech Guest Lecture

**Session 6:** PwC Guest Lecture: The Future of Banking

### Final Exam

## 4. Assessment

Attendance is compulsory. The evaluation will be based on the following items:

50% Midterm Exam

50% Final Exam



## 5. Course Plan

Tuesday	02.03.2021	15:00–18:15	Zoom	
Tuesday	09.03.2021	15:00–18:15	Zoom	
Tuesday	16.03.2021	15:00–18:15	Zoom	
Tuesday	23.03.2021	15:00–18:15	Zoom	
Tuesday	13.04.2021	15:00–18:15	Zoom	
Tuesday	20.04.2021	15:00–18:15	Zoom	Fintech Guest Lecture
Tuesday	27.04.2021	15:00–18:15	Zoom	PwC Guest Lecture
Tuesday	04.05.2021	15:00–18:15	Zoom	Final Exam

## 6. Reading materials

The main reading material for the course is contained in:

- Lecture notes
- Freixas, X. and Rochet, J.-C. (2008), *Microeconomics of Banking*, MIT Press.
- Gorton, G. and Winton, A. (2003), “Financial intermediation”, *Handbook of the Economics of Finance*, Vol. 1, 431–552.
- Greenbaum, S., Thakor A., and Boot, A. (2016), *Contemporary Financial Intermediation*, Elsevier Press.
- Research papers covered in the lectures.

## 7. Faculty leading the course

### Gyöngyi Loranth, Ph.D.

Gyöngyi Loranth is a Professor of Finance at the University of Vienna. She joined the university in 2009 after her employment at the Judge Business School, University of Cambridge. She previously held a postdoctoral position at the London Business School. She received her PhD in Economics from Universitat Autònoma de Barcelona (1999) and from Université Libre de Bruxelles (2003).

Loranth’s research interests focus on financial intermediation, corporate finance and corporate governance. Her research has been published in leading academic journals such as the Review of

Financial Studies, Review of Finance, Management Science and Journal of Financial Intermediation among others. She has taught several courses in Corporate Finance at the ESADE Business School, Judge Business School, Manchester Business School, Central European University, Humboldt University as well as tailor-made executive courses for banks.

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