

Office of the
**Public Relations Officer-
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Jamia Millia Islamia

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Press Release

Belgian Economist at JMI to deliver MHRD-GIAN Course on Asymmetric Information and Financial Contracts

The Department of Economics, JMI organised the MHRD-GIAN Course on the very important topic, 'Asymmetric Information and Financial Contracts' under the flagship programme of GIAN, MHRD, GoI. The course will continue till 27 October. Among the Universities in India, JMI has so far conducted maximum number of GIAN courses. This is the 30th GIAN Course conducted by JMI and is the first course organized by Department of Economics, coordinated by Dr. Mirza Allim Baig and Prof. Shahid Ashraf.

The present course is being delivered by the eminent scholar in the field, Prof. Alain de Crombrughe. Prof. Alain is currently Dean, F/o Economics, Management and Social Sciences, University of Namur, Belgium. He has obtained his Ph.D Degree from Harvard University, USA. Prof. Alain has research interests in European macroeconomic policy, monetary policy Coordination, Debt Crises and interactions between Financial Market and Labour Market. Prof Alain is here in the University Campus for the entire week to deliver the course covering different issues pertaining to Banking and Financial Markets.

This course is organized in two modules that should be taken together. The Module 1 covers the topics of corporate finance like Leverage and External Finance: The Modigliani-Miller Benchmark, Conjectures about Balance Sheets, Understanding Risk in Financial Contracts, Bankruptcy Costs and Benefits, Hidden Ability and Actions of the Borrowers, Agency Theory and Practical Views of Corporate Finance. The Module 2 covers the topics on Definition and Roles of Banks, Self-fulfilling Crises, The Euro and European Debt Crisis, Soft Budget Constraints, Debt Renegotiations, and Alternative Models and Experiences of Crises and Recoveries under the broad theme of Banking, Governments and Financial Crises.

The International Expert Prof. Alain introduced the topic Asymmetric Information and Financial Contracts to the participant and explained how idea of Asymmetric information may be erupted from India as markets are highly volatile here.

According to Prof. Alain, the access to funds is often unduly difficult or expensive for governments and firms. This is due to the difficulty of contracting under uncertainty about future events but also uncertainty about the abilities and the behavior of the borrower. The asymmetry of information between the lender and the borrower about such risks is a major source of financial exclusion or of high borrowing costs. Financial practice and contract theory have developed tools to deal, at least partly, with uncertainties. The direct or indirect production of information before or during the implementation of a contract can take various forms of signals,

incentives and commitments. For instance, collateral and covenants are common in the case of bank loans; power-sharing in decision-making is common in partnerships and equity finance.

Practically, different financial contracts lead to different distributions of risks and of information costs among lenders and borrowers. This depends upon their characteristics and upon their alternative uses and sources of funds. Time also plays an important role in the revelation of information and in risk-management. The short-term contracts can be compared to long-term contracts. Debt restructuring can benefit from the insights of incentive-compatibility and of information theory. In the special case of government debt, the relation of governments with banks and the operation of monetary unions without fiscal union, like the European Monetary Union, raise new issues.

The course offers insights into the application to corporate, bank and government finance of key reference contracts and of economic models of asymmetric information.

Prof. S.N. Mohanty, former Secretary, MHRD, Government of India was the Guest of Honour of this inaugural ceremony. Prof. Mohanty shared that the initiative of GIAN was the mastermind of Prime Minister Narendra Modi after his visit from U.K. in 2015. He also suggested that more GIAN Courses must be held in Universities to exchange ideas and get benefitted mutually. The importance of Asymmetric Information can be traced back to 2001 when three economists namely George Akerlof, Michael Spence and Joseph E. Stiglitz received Noble Prize for their Pioneer work-analysis of markets with asymmetric information. He accepted that how debate has shifted from financial structuring to asymmetric information in financial market. He emphasized that future for company will be 'too weak to save' from 'too weak to fail' in today's perspective.

Prof. Shahid Ashraf, the Hon'ble Vice Chancellor and Chief Guest of the Function talked about weak enforcement of financial contracts in India drawing examples from the case of IL & FS.

Prof. Aman Jairajpuri highlighted the importance of the GIAN Course and its positive aspects or benefits for the students and institutions. He emphasized that GIAN has provided opportunities for research in Universities in collaboration with other Universities across the globe.

The Inaugural Ceremony was ended with vote of thanks by the Course Coordinator Dr. Mirza Allim Baig.

Ahmad Azeem

PRO-Media Coordinator, JMI



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AN COURSE



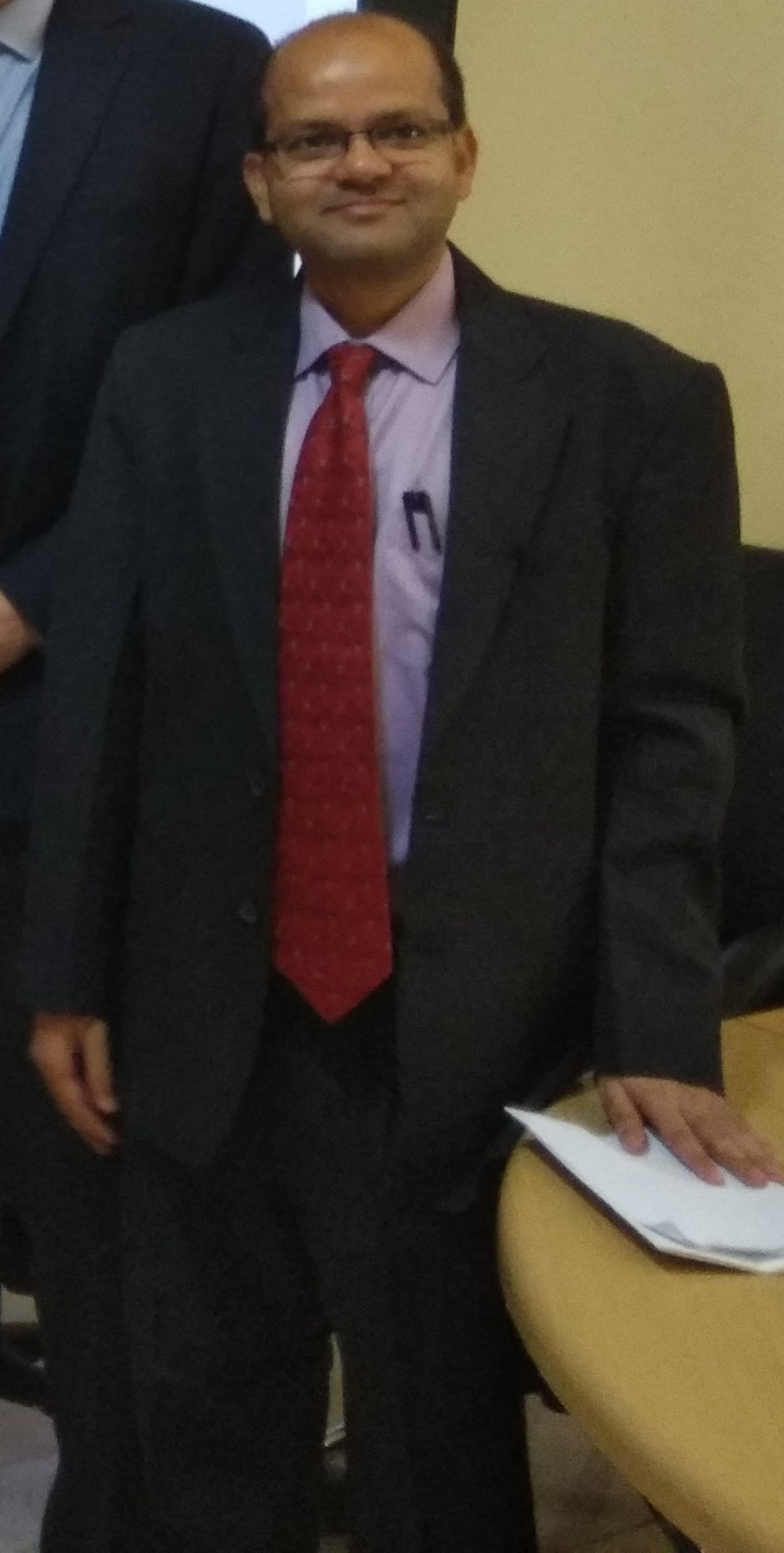
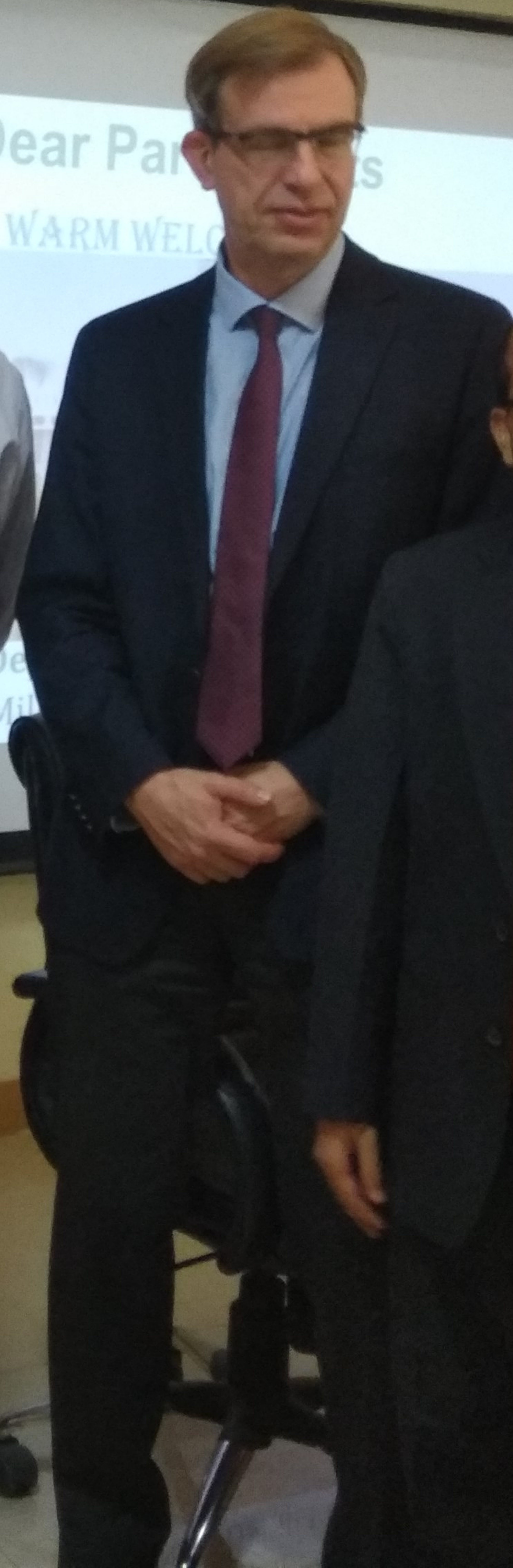
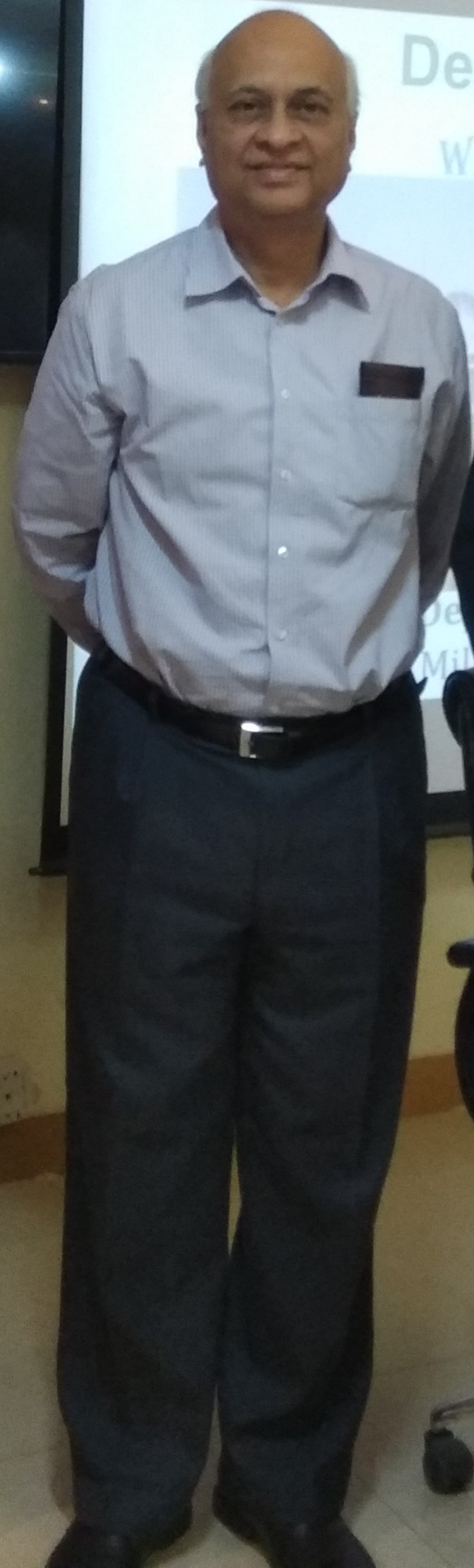
Prof. Shahid Ashraf

Prof. S.N. Mohanty

Prof. Mohammad Anwar Jalilipour

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Dear Participants

WARM WELCOME



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