



BHM 642

**PRINCIPLES OF MONEY AND
BANKING**

Course Guide

COURSE GUIDE

**BHM642
PRINCIPLES OF MONEY AND BANKING**

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Introduction

Principles of Money and Banking (BHM642) is a basic semester course work of two credit units that is available to all students taking the programme in the School of Business and Human Resource Management.

The course consists of two major sections of 17 units. The first section deals on the origin, nature and evolution of money the classification, characteristics and basic definitions of money. Also, the role and significance of money in the macro economy, the quantity theory of money and supply and demand of money are some of the areas discussed in the course.

The second section centres on the origin and evolution of banks and banking. The various types of banks and their distinguishing functions and roles in the economy as well as the monetary policy and liquidity theory of money are incorporated in this course.

The course guide highlights the main crux of the course. The materials and their usage for optimal output to your adequate success are the content of this guide. It further reveals to you other sources and expectations from you on the course of your study. There will be tutorial classes where problems you encounter in your studies will be thrashed by the facilitators. The timing and details of the tutorial classes will be determined by the study centre of your choice

Course Contents

The course contents consist of the basic concepts and principles relating to the evolution and types of money and banking in the economy. This includes roles of Money and Banking, their significances and specific functions in the economy. Also their effect in the nation's economy as well as the effect of prices, inflation and deflation in the economic system form part of the content.

Course Aims

The aims of this course are to expose you the learner to the general and basic nature and principles of money and banking in an economy. You will further be exposed to the importance and significance and linkages of money and banking in a monetary economy. This is an area where money not only facilitates transactions but also represents a key mechanism through which the Central Bank influences the performance of the overall economy.

These aims shall be achieved through the following:

- Explaining the evolution, role and significance of money and monetary standards.
- Identifying the variants and functions of money.
- The various theories of money.
- Explaining circular flow of money in an economy, the value of money and effect of inflation and deflation.
- Highlighting the role and functions of various classes of banks.
- Describing the process of credit creation in an economy.
- Explaining the monetary policy and its operations.
- Highlighting the money and capital market operations.

Course Objectives

Upon completion of the course BMH 634 – Principles of Money and Banking, you will be able to:

- 1) Explain the role and functions of money in a financial system and its importance in the economy.
- 2) Explain and demonstrate the basic understanding of the circular flow of money.
- 3) Explain the meaning and identify the types of monetary standards.
- 4) Explain the value of money and the quantity theory of money.
- 5) Explain and demonstrate the meaning of demand and supply of money.
- 6) Explain the effect of prices in an economy through inflation and deflation.
- 7) Explain the process of banking and types of banks.
- 8) Explain the policies, principles and credit creation by the commercial banks.
- 9) Explain the roles of central banks, how they are structured and the tools they employ in influencing the economy and the financial markets.
- 10) Explain the nature and scope of money and capital markets.
- 11) Distinguishing banks from Non-Bank Financial Intermediaries (NBFIs).
- 12) Articulate an understanding of the monetary policy and the impact it has on the economy.

The Study Units

The course you are studying has 3 modules with units which you are expected to study carefully. These are:

Module 1

Unit 1	Evolution, Nature and Functions of Money
Unit 2	The Role of Money in the Micro economy
Unit 3	The Circular Flow of Money
Unit 4	Monetary Standards
Unit 5	The Value of Money and its Measurement.
Unit 6	The Supply of Money

Module 2

Unit 1	The Demand for Money
Unit 2	Inflation and Deflation
Unit 3	Development and Structure of Banking System
Unit 4	Roles and Functions of Banks
Unit 5	Credit Creation and Credit Instruments
Unit 6	Central Bank – Functions and Credit Control

Module 3

Unit 1	The Role of Central Bank in a Developing Economy
Unit 2	Development of Banking in Nigeria
Unit 3	Money and Capital Markets
Unit 4	Non-Bank Financial Intermediaries (NBFIs)
Unit 5	Monetary Policy.

The first eight units are to expose you to money and its roles in the economy. The next six units shall dwell on banks and its roles, functions and instruments. The last three shall give you finally the linkages in the operations and roles of money and banking systems in the economy.

Each study unit as enumerated above shall take you about three hours of intensive study. Each unit starts with an introduction to it, the objectives and what you are expected to gain as knowledge and then the main content. The main content aside from having the details of the course unit shall give you some self-assessment exercises (SAEs) and self-assessment questions (SAQs). It is highly recommended that you study the unit carefully, do all the SAEs and the SAQs to be able to assess your ability yourself before your contact with your facilitator.

The unit has also conclusion, summary and Tutor-Marked Assignments (TMAs). You are again required to practice the TMAs to further your understanding and greater comprehension of the course. There are texts and references for further reading and broader understanding. By following these guidelines, your learning objectives and expectations will be greatly achieved.

Assignments

Each unit shall have at least three assignments. You are expected to attempt all as you complete studying the unit.

Assessment

Your doing the Tutor-Marked Assignments, you are assessing your comprehension ability of the unit and also getting yourself ready for the final examinations. The TMAs, which form part of your final grade, are expected to be turned in to your tutor/facilitator at your study centre for grading.

At the end of the course, you will be expected to write the final examination. The score you make in the examination together with that of your submitted TMAs will form your final course score/grade.

Summary

The course Principles of Money and Banking (BHM642) has tried to expose you to the origin, evolution and role of money in an economy. The evolution, necessity and roles of money, banks and banking in an economy form part of the issues you have learnt from the course. On your successful completion of the course, you would have been properly armed with the basic principles of money and banking in the macro economy.