

HAILEY COLLEGE OF COMMERCE
UNIVERSITY OF THE PUNJAB, LAHORE

Course Title: **Money, Banking and Finance**

Proposed Course Code: **BSC-206**

Credit Hours: 03

Program: **BS Commerce**

Semester: 03

1.0 Introduction of the Course

For commerce students at beginning level, Money and banking is essentially the study of nature of money, its role and functions of money in the economy and of financial markets (such as money, foreign exchange, bond, and stock markets) and their interrelationships. This requires studying the financial institutions (such as commercial banks, DFIs, etc) and other government and regulatory institutions (central banks), which play an important role in our macro economy.

2.0 Pre-Requisites Course (s) or Other Requirements/Skills:

It is prerequisite for the participants of this course to have understanding of business and economic studies.

3.0 The Course carries following objectives:

1. To Explain the financial system and its components,
2. To describe the meaning of money, its evolution, its importance, illustrate the quantity theory of money.
3. Discuss meanings of bank, types of banks and their functions.
4. Describe the types of financial markets and their roles
5. Explain the concept of finance its types
6. Explicate the various modes of Islamic financing and difference between Islamic vs Conventional banking and finance

4.0 Course Learning Outcomes

By the end of this course it is expected that the student will be able to understand:

1. The concept of money, money demand and money supply
2. The financial system: how it operates and why it plays a central role in the economy.
3. How commercial banks and financial markets serve trade and commerce.
4. The credit creation process and its limitations.
5. To analyze the aims, conduct, influence and limitations of monetary policy. Keeping in view the recent developments in monetary economics, this course focuses less on the theory of money and banking and more on the implications of monetary policy and financial structure for the functioning of the economy.
6. Islamic perspective on money and banking

5.0 Course Contents:

Unit-I

1.1 Introduction of Financial System and Money

- 1.1.1. Financial system and its components
- 1.1.2. Meaning of Money its evolution
- 1.1.3. Functions of money and qualities of good money
- 1.1.4. Paper money, advantages and disadvantages of paper money, Principles and method of Note Issue, of money, the quantity theory of money. Factors determining the quantity of money, Fisher Equation
- 1.1.5. Changes in the value of money

Unit-II

2.1 Introduction of Banking system and the roles of commercial banks

- 2.1.1 Banks, origin of bank (brief introduction), Need for banks, kinds of banks
- 2.1.2 Commercial Banks:
- 2.1.3 Commercial banks and its functions, Importance of commercial and Role of commercial banks in developing country (hand-out)
- 2.1.4 Meaning of credit creation, basis of credit creation, and process of credit creation,

Unit-III

3.1 Credit Instruments

- 3.1.1 Negotiable instruments, non-negotiable instruments, utility and functions of credit limitations of credit.
- 3.1.2. Duties and rights of the banker, duties and rights of the customers, relationship between banker and customer, Refusal of payments on cheque
- 3.1.3. Various types of bank accounts
- 3.1.4. Central bank and its functions

Unit-IV

1. 4.1 Islamic perspective of money and banking

- 4.1.1 Concept of Islamic financing
- 4.1.2 Various modes of Islamic financing
- 4.1.3 Difference between Islamic and Conventional Banking

Unit-V

5.1 Financial Markets and their Function

- 5.1.1 Financial market and its various types
- 5.1.2 Functions of money market, Participants and instruments of money market with special reference to Pakistan
- 5.1.3 characteristics of a capital market, instruments of capital market in Pakistan

Unit-VI

6.1 Foreign Exchange

- 6.1.1 Types of foreign exchange rates, importance of rate of exchange,
- 6.1.2 Need for foreign exchange in the economic life of a country, stability in foreign exchange rate and its objective, fluctuations in foreign exchange rate and its causes,
- 6.1.3 Determination of foreign exchange rate (demand and supply approach),
- 6.1.4 Pakistan Exchange Rate Policy Financial market and its various types

Unit-VII

7.1 Letters of Credit

- 7.1.1 Letter of credit,
- 7.1.2 Parties of letter of credit, types of letters of credit,
- 7.1.3 Opening a letter of credit,
- 7.1.4 Importance of letter of credit

6.0 Teaching-Learning Strategies

- Lectures.
- Handouts (attach hard or soft copies).

7.0 Assignments- Types and Number with calendar

Group assignment will be given to students for studying, analyzing and evaluating the following insurance related issues.

- E-money and technological, legal and security issues
- Islamic financing and challenges.
- Role of financial intermediaries and central bank in the performance

- and stability financial system
- LC and its role in international trade
- Foreign exchange and its impact on performance of economy and foreign debt. Marine insurance
- Financial crises and their critical review.
- Explain the monetary policy of SBP and state its objective
- What are the instrument of monetary policy? Explain in detail.
- What are negotiable instruments explaining its types briefly
- What is letter of credit explain its types
- What is procedure of opening of letter of credit
- What is green banking and explain its advantages and disadvantages. Make critical review of privatization and nationalization of banks in Pakistan.
- Explain the role of SBP in economic development
- Explain the role of commercial bank in economic development
- Explain history of Islamic banking and function of an Islamic bank
- Explain interest free system give examples of interest free business
- Despite Pakistan is an Islamic country, growth of Islamic banking is very slow in it, explain the challenges to its growth?
- What types of services Islamic bank provides to public?
- What is the procedure of opening a bank account in a bank?
- What are IFIS and their roles in Pakistan economy
- Define money market explain its instrument
- Define capital market explain its instrument
- Define international payment and methods of international payment
- Explain different types of customer of commercial bank and what kind of relationship exist between banker and customer
- Explain fiscal policy in detail
- Define Credit and explain what credit instruments are used by bank
- How a bank can be established, state the requirements of forming a bank

8.0 Textbooks

In the detail course outline, one may mention chapters of the textbook with the content topic(s).

1. Frederic, M. S. The Economics of Money and Banking and Financial Markets, 8th edition, Pearson Education
2. Meenai, S. A. Money and Banking in Pakistan, Karachi, Oxford University Press.
3. Luckett, D. G., Money and Banking, McGraw Hill.

9.0 Suggested Readings

9.1 Books

17. M.N Mishra and S.B Mishra Insurance principles of practices

9.2 Journal Articles/ Reports

- Mc Connell and Brue, Economic 15th Edition., McGraw Hill, INC
- Rose, Peter S., Commercial Bank Management, McGraw Hill.
- Zamir Iqbal and Abbas Mirakhos, An introduction to Islamic finance
- Economic Surveys, Ministry of Finance www.finance.org.pk
- State Bank of Pakistan www.sbp.org.pk
- Karachi stock exchange www.kse.com/pkNote
- National Bank Ebullition
- State Bank Performance report
- 9) World Economic Forum Report