

MAKERERE UNIVERSITY MAKERERE UNIVERSITY BUSINESS SCHOOL

FACULTY OF COMMERCE DEPARTMENT OF FINANCE

SEMESTER ONE; ACADEMIC YEAR: 2024/25

Programme: Master of Science in Banking & Investment

Year of Study: One

Course Name: Developments in Money and Banking

Course Code: MBI 7104

Lecture Days: Fridays 5:30 PM - 9:30 PM

Venue: Main Library, 1st Floor, Meeting Room

Course Facilitator: Assoc. Prof. Rachel Mindra Katoroogo



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Course Description

This course will discuss the importance of money and banking to economic activity on the national and international levels. This course will introduce the students to the role played by banks in modern monetary economies and financial markets, including bank regulation, the role of banks in financial intermediation, and the significance of bank behavior in monetary policy. This will cover monetary innovations and the shadow banking system. The course will discuss the nature and characteristics of money and its functions, the monetary standards, forms and kinds of money, the monetary system, the value of money, and the measurement of the value of money. Credit promotes production and consumption, facilitates exchange using modern instruments of credit, and emphasizes the usefulness of each type of credit, credit instrument, and credit source.

Course objectives

The course is aimed at achieving the following objectives;

- i) Discuss the Modern monetary theory and its counterintuitive policy prescriptions
- ii) Explain the transmission mechanisms through which central bank monetary policy impacts the macroeconomy.
- iii) Enable the students to understand the relationship between interest rates and asset values.

- iv) Enable students to appreciate the financial markets, financial intermediation and the differentiate them.
- v) Explain the impact of monetary policy on a country's international balance of payments.

Learning Outcomes

At the end of this course, students are expected to:

- i) Appreciate the Modern monetary theory and its counterintuitive policy prescriptions
- ii) Acquire knowledge on transmission mechanisms through which central bank monetary policy impacts the macroeconomy.
- iii) Discuss the relationship between interest rates and asset values.
- iv) Explain the financial markets, financial intermediation and the differentiate them.
- v) Describe the impact of monetary policy on a country's international balance of payments.

Course Content

No	Topic	Subtopics	Hours
1	Introduction	<ul style="list-style-type: none"> • Evolution of money • and characteristics of good money • Qualities & characteristics of good money • Functions of money • Role of money in a modern economy • Types/Forms of Money 	3
2	Money Supply & Demand	<ul style="list-style-type: none"> • Money Supply • Types of Money Supply • Determinants of Money supply in an economy • Monetary measures to increase & reduce money supply • Money Demand • Determinants of demand for money • Liquidity preference 	4
3	Value of Money (VoM)	<ul style="list-style-type: none"> • Categories of VoM • Categories of VoM • Determinants of VoM 	1
4	Modern monetary theories	<ul style="list-style-type: none"> • Monetarist theory • Keynes theory • Recent development in the theories 	4
5	Monetary standards	<ul style="list-style-type: none"> • Meaning and its importance 	4

No	Topic	Subtopics	Hours
		<ul style="list-style-type: none"> • Kinds of monetary standards • Pros and cons of gold and fiat standard • Bimetallic standard and Gresham's law 	
6	Financial Institutions	<ul style="list-style-type: none"> • Introduction to financial markets • Commercial banks • Investment banking • Central Banking System 	5
7	Evolution of Commercial Banking	<ul style="list-style-type: none"> • Goldsmiths' Principle • Bank Capital & Starting a bank • Functions of Bank capital • Bank failures • Reasons for bank failures • Banking Innovations • Case studies 	5
8	Credit	<ul style="list-style-type: none"> • Nature, meaning, importance • Characteristics of credit • Functions of credit • Classifications of credit • Sources of credit • Credit requirement and processes • Credit instruments 	4
9	Banking	<ul style="list-style-type: none"> • History of banking • Nature of the banking business • Classification of banks • Requirements for establishing a bank • Bank functions and services • Case studies in the sector 	5
10	Operation of the Central Banking system	<ul style="list-style-type: none"> • Functions of the Central Bank • Formulation of monetary policy • Targets and implementation • Instruments of monetary policy and application by central banks • Recent developments in management of monetary policy and bank regulation • Recent developments – case studies 	
11.	Emerging Issues in Money and Banking		

Mode of assessment

- Course work 40%
- End of examinations ` 60%
- Total 100%

Mode of delivery

- Lecture method
- ODeI Model
- Group and class discussions

- Class presentations
- Case studies

Readings

- 1) Mervyn King (2019) *The End of Alchemy: Money, Banking, and the Future of the Global Economy*
- 2) Niall Ferguson (2018) *"The Ascent of Money: A Financial History of the World"*
- 3) Goetzmann William N. (2020) *"Money Changes Everything: How Finance Made Civilization Possible"*
- 4) Morgan Ricks (2018) *The Money Problem: Rethinking Financial Regulation*
- 5) Walter Bagehot (2021) *"Lombard Street: A Description of the Money Market"*