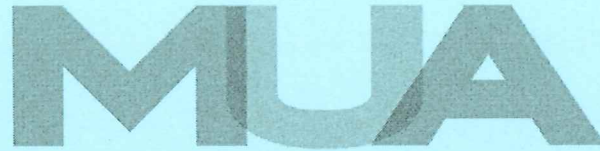


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BML 211: MONEY AND BANKING

DATE: 17TH DECEMBER 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

MONEY AND BANKING IN DEVELOPING COUNTRIES

In many developing countries, the financial landscape is characterized by unique challenges and opportunities, shaped by factors such as economic volatility, limited access to banking services, and regulatory constraints. Consider the case of Zamunda, a fictional developing country in Sub-Saharan Africa, where the dynamics of money and banking play a critical role in shaping the economy and the lives of its citizens.

Zamunda's banking sector is relatively underdeveloped, with a significant portion of the population lacking access to formal financial services. The majority of transactions are conducted in cash, leading to inefficiencies, security concerns, and barriers to economic growth. Despite efforts by the government and international organizations to promote financial inclusion, many rural communities remain underserved by banks, relying instead on informal financial networks and traditional savings mechanisms.

The Central Bank of Zamunda plays a pivotal role in regulating the country's monetary policy and overseeing the banking sector. However, its effectiveness is often hampered by limited resources, inadequate infrastructure, and bureaucratic hurdles. As a result, monetary policy transmission mechanisms are weak, making it challenging to manage inflation, stabilize exchange rates, and stimulate economic growth.

Moreover, Zamunda's economy is vulnerable to external shocks and global economic downturns, exacerbating existing financial vulnerabilities and exacerbating poverty and inequality. The lack of diversified sources of funding and investment opportunities further constrains economic development, limiting job creation and income generation opportunities for the population.

Despite these challenges, there are signs of progress and innovation in Zamunda's banking sector. Mobile banking services have gained traction, leveraging technology to expand financial access and improve efficiency. Microfinance institutions and community-based savings groups are also emerging as alternative sources of funding and support for small businesses and entrepreneurs, empowering marginalized communities and fostering economic resilience.

Required:

- a) Discuss Five primary challenges facing Zamunda's banking sector in promoting financial inclusion and economic development (5 Marks)
- b) Examine five implications of relying on cash-based transactions for Zamunda's economy and financial system (5 Marks)
- c) Discuss five potential risks of mobile banking services in expanding financial access in Zamunda. (5 Marks)
- d) Evaluate five ways Zamunda can leverage microfinance institutions and community-based savings groups to address financial exclusion and empower marginalized communities (10 Marks)

QUESTION TWO

- a) In the words of Robertson, "Money, which is a source of so many blessings to mankind, becomes also, unless we can control it, a source of peril and confusion. Discuss (10 Marks)
- b) Analyze five major functions of money market in your country's economy . (5 Marks)

QUESTION THREE

- a) Discuss three limitations of monetary policy in developing countries. (6 Marks)
- b) Evaluate three contributions of commercial banks to economic development of your country (6 Marks)
- c) Assess three advantages of Preferred Stock to shareholders (3 Marks)

QUESTION FOUR

- a) Explore five Functions of Commercial Banks in your country (5 Marks)
- b) Discuss five sources of bank income (5 Marks)
- c) Discuss five roles played by the central bank in the economy of your country (5 Marks)

QUESTION FIVE

- a) Evaluate five instruments used by central bank can control the supply of money in the entire economy. (5 Marks)
- b) Explore five principles of Financial Sector Regulation (10 Marks)

QUESTION SIX

- a) Argue a case against consolidated financial sector regulation (9 Marks)
- b) Discuss four ways in which Development Finance institutions contribute towards Kenya's economy (6 Marks)