



The Co-operative University of Kenya

END OF SEMESTER EXAMINATION DECEMBER-2019

**EXAMINATION FOR THE DEGREE OF BACHELOR OF SCIENCE IN
FINANCE/COMMERCE**

UNIT CODE: BMFI 2201

UNIT TITLE: BANKING AND MICROFINANCE

DATE: DECEMBER, 2019

TIME:

INSTRUCTIONS:

- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

- (a) Explain the difficulties traders would experience of Kenya was to abandon monetary exchange for barter exchange (6 marks)
- (b) Explain the role of the Central Bank of Kenya as Banker to the government (8 marks)
- (c) Identify and explain TWO types of financial institutions that would be considered direct competitors to commercial banks (6 marks)
- (d) Explain TWO lending products offered by microfinance institutions in Kenya (4 marks)

QUESTION TWO

- (a) Outline the scope of the term “Banking Business” as outlined under section 2 of the banking Act (4 marks)
- (b) Distinguish between a commercial bank and a central bank (6 marks)
- (c) Briefly explain the causes of demand-pull of inflation (4 marks)
- (d) In relation to money, briefly explain the following terms:-
 - i) Commodity money (3 marks)
 - ii) Explain the Grameen Model microfinance (3 marks)

QUESTION THREE

- (a) Identify and explain FOUR characteristics of money (8 marks)
- (b) Explain the components of monetary policy (6 marks)
- (c) Explain the Grameen Model in microfinance (6 marks)

QUESTION FOUR

- (a) Outline FOUR differences between commercial Banks and Microfinance Banks in Kenya (2 marks)
- (b) Explain THREE main risks faced by commercial banks in Kenya (6 marks)
- (c) Outline FOUR challenges faced by low income earners in access to financial services (8 marks)
- (d) Explain the goals of government’s economic policy (4 marks)

QUESTION FIVE

- (a) Explain the significance of interest rates to an economy (8 marks)
- (b) Explain THREE ways in which microfinance has been used as a tool of poverty eradication (6 marks)
- (c) Outline TWO measures of sustainability in microfinance (4 marks)
- (d) Explain the problem in information asymmetry in regard to financial intermediation (4 marks)