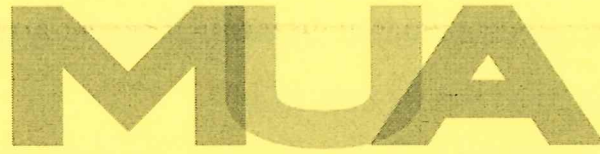


The  
Management  
University  
of Africa



Sponsored by the Kenya Institute of Management

---

**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP**

**BML 211 : MONEY AND BANKING**

**DATE: 5<sup>TH</sup> DECEMBER 2023**

**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:**

**BANKING SYSTEM IN LIBERIA**

Payment in Liberia can be arranged through internationally accepted payment methods such as confirmed irrevocable letters of credit (LC), bills of collection, and open accounts. Some banks offer methods such as electronic transfers, remittances, foreign exchange, and mobile transfers/payments. They also offer debit cards, loans, investment solutions, e-products, term deposit, and microfinance. For example, Ecobank, Guaranty Trust Bank, International Bank (IB), and the United Bank for Africa (UBA) offer international Visa debit card services for customers. Ecobank and UBA facilitate payment for goods and services using a point of sales terminal (POS) at supermarkets, some hotels, and some large merchandise stores. Their ATM services are connected to global electronic banking networks. There are numerous intermediate financial services providers across the country, such as licensed foreign exchange bureaus, microfinance institutions, credit unions, rural community finance institutions, village savings and loan associations (VSLAs), a development finance company, mobile money services, and insurance companies.

In 2021, the Central Bank of Liberia (CBL) continued its policy of encouraging the use of mobile money by dropping charges on person-to-person (P2P) transactions. The CBL reported that the use of mobile money services has become widespread in recent years, particularly as banks compelled customers to register or subscribe to mobile money accounts to make large volume transactions of Liberian dollars. The number of mobile money agents is also rising because the CBL allowed commercial banks to integrate with mobile network operators outside of the national electronic payment switch. The government is increasing the use of mobile money to pay salaries to civil servants in rural areas and to collect taxes. Many businesses and individuals have begun using the mobile payment system and available digital financial services to pay taxes and conduct routine financial transactions. There is potentially high demand for the services given the country's poor financial infrastructure and the risks associated with keeping cash at home, but the lack of a national switch limits mobile money's growth potential for now.

Traveler's checks and credit cards are not generally accepted except by a few large hotels and supermarkets. Many commercial banks operate MoneyGram and Western Union outlets for payments and for domestic and international electronic fund transfers.

In January 2021, the CBL abolished a requirement that 25 percent of money transfers from abroad for personal remittances must be in Liberian dollars and 75 percent in U.S. dollars. Fees for currency exchange as well as wire transfers can be high. The CBL requires transferring banks to file normal cash transaction reports and, depending on the amount of transfer, the waiting period ranges from a few hours to three business days. CBL regulations limit individuals without bank accounts to two over-the-counter transfers of up to US \$5,000 within a 30-day period. There is no credit rating system or agency, but banks often rely on the CBL's manual Credit Reference System (CRS), which provides information to banks and non-bank financial institutions about borrowers' credit history, including any derogatory information. Banks report that the system is useful for risk management in the financial sector, and it is helpful producing credit records on both current and potential borrowers. The CBL has a centralized Collateral Registry System used by commercial banks, microfinance institutions, and non-bank financial institutions to register security interests in movable property only. Its primary objective is to create access to finance for businesses, especially micro, small, and medium businesses. Several businesses, especially those in the informal sector, continue to use different kinds of movable assets as collateral to secure loans through the CRS.

*Source: Liberia Today*

**Required;**

- a) From the case study above, banks often rely on the CBL's manual Credit Reference System (CRS), which provides information to banks and non-bank financial institutions about borrowers' credit history. Describe five (5) ways that commercial banks in Liberia can recover defaulted loans from their customers

**(10 Marks)**

- b) Commercial banks in Liberia charge interest rates on money borrowed. Assess five (5) major factors that determines interest rates charged by banks (10 Marks)
- c) Outline five (5) reforms that the Central Bank of Liberia can implement in order to improve banking services in Liberia (5 Marks)

### QUESTION TWO

- a) Describe five (5) functions of a financial system in the economy (10 Marks)
- b) Highlight five (5) benefits of technology to commercial banks in Kenya (5 Marks)

### QUESTION THREE

- a) Explain five (5) types of instruments traded in the capital market (10 Marks)
- b) State five (5) ways that financial regulation can contribute to the stability of financial institutions (5 Marks)

### QUESTION FOUR

- a) Assess five (5) benefits of globalization to the banking sector in Kenya (10 Marks)
- b) Analyze five (5) major challenges faced by Islamic banks in (5 Marks)

### QUESTION FIVE

- a) Evaluate five (5) benefits of deposit insurance to the economy (10 Marks)
- b) Outline five (5) functions of the Central Bank of Kenya (CBK) (5 Marks)

### QUESTION SIX

- a) Examine five (5) factors that affects monetary policy (10 Marks)
- b) Outline five (5) key challenges faced by the banking sector in Kenya (5 Marks)