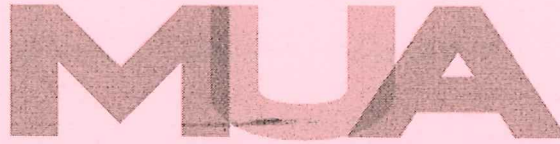


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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP**

**BML 211: MONEY AND BANKING**

**DATE: 7<sup>TH</sup> APRIL 2025**

**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 AS A CATALYST FOR ECONOMIC DEVELOPMENT AND STABILITY IN UGANDA**

In recent decades, Uganda has emerged as a focal point for understanding the critical role of banking in economic development and stability. The banking sector in Uganda has undergone significant transformation since the liberalization of the economy in the 1990s, which aimed to enhance financial intermediation and spur economic growth. The evolution of the banking system has not only facilitated increased access to financial services but has also played a crucial role in fostering economic stability amidst various challenges.

Historically, Uganda's banking sector was dominated by state-owned banks, which often suffered from inefficiencies and limited outreach. However, following the **liberalization** reforms, private banks began to proliferate, introducing competition and **improving** service delivery. By 2023, Uganda boasted a diverse banking landscape comprising commercial banks, microfinance institutions, and other **financial** entities that cater to various segments of the population. This diversification has enabled a more inclusive financial system, allowing small and medium-sized enterprises (SMEs) and rural populations to access credit, which is vital for local economic development.

One of the **significant** contributions of banking to Uganda's economic development is its **role in mobilizing** savings. Increased savings rates provide banks with the capital necessary to extend loans to businesses and individuals, stimulating investment and consumption. For instance, projects funded by banks have led to infrastructure improvements, such as better roads and electricity access, which are **essential** for economic activities. Furthermore, the availability of credit has empowered entrepreneurs to start and expand businesses, contributing to job creation and poverty alleviation.

Banking stability is equally crucial for economic stability. The Bank of Uganda, as **the** central bank, has implemented various regulatory measures to ensure the **resilience** of the banking sector. The introduction of the Basel II framework, for **example**, has enhanced capital adequacy requirements, promoting stronger balance

sheets among banks. This regulatory oversight has been instrumental in mitigating the risks associated with financial crises, ensuring that banks can withstand economic shocks. As a result, Uganda's banking sector has remained relatively stable, even during periods of global economic turbulence.

The role of technology in transforming banking in Uganda cannot be overlooked. The rise of mobile banking and digital financial services has revolutionized how Ugandans access financial services. With a significant portion of the population being unbanked, mobile money platforms have bridged the gap, providing individuals with a means to save, transfer money, and access credit without the need for traditional banking infrastructure. This technological innovation has not only enhanced financial inclusion but has also contributed to the overall economic development of the country by enabling seamless transactions and reducing the cost of doing business.

However, challenges remain. High-interest rates, limited financial literacy, and regulatory hurdles still pose significant barriers to accessing banking services for many Ugandans. Moreover, the informal economy, which constitutes a substantial part of Uganda's economic landscape, often operates outside the purview of the formal banking sector, limiting financial inclusion efforts. Addressing these challenges will require a concerted effort from the government, financial institutions, and other stakeholders to create an enabling environment for sustainable banking practices.

The banking sector plays an indispensable role in the economic development and stability of Uganda. Through the mobilization of savings, provision of credit, regulatory oversight, and technological advancements, banks have contributed significantly to the economic landscape of the country. As Uganda continues to navigate its path toward sustainable development, the banking sector must adapt to emerging challenges and harness opportunities to ensure it remains a pillar of economic growth and stability.

*Source: The Uganda Times*

**Required:**

- a) Discuss five measures that the Bank of Uganda implemented to ensure the resilience of the banking sector (10 Marks)

- b) Explore five roles of technology in enhancing financial inclusion in Uganda  
(10 Marks)
- c) Evaluate five challenges facing the banking sector in Uganda today and propose possible solutions  
(5 Marks)

#### QUESTION TWO

- a) Discuss five negative effects of transitioning to a cashless society  
(10 Marks)
- b) Analyze five mitigation measures for the risks that may be experienced during transition to a cashless society  
(5 Marks)

#### QUESTION THREE

- a) Describe five ways that pension funds contribute to the overall stability and liquidity of the financial system  
(10 marks)
- b) Examine five benefits of money markets to the economy  
(5 Marks)

#### QUESTION FOUR

- a) Discuss five opportunities associated with integrating Islamic banking into a predominantly conventional commercial banking system  
(10 Marks)
- b) Explore five principles of commercial banking in the banking sector  
(5 Marks)

#### QUESTION FIVE

- a) Evaluate five ways that deposit insurance protects consumers and enhance confidence in the banking system  
(10 Marks)
- b) Analyze five ways in which the Central Bank of Kenya ensures discipline in the banking sector  
(5 Marks)

#### QUESTION SIX

- a) Discuss five primary objectives of monetary policy  
(10 Marks)
- b) Evaluate five benefits of using interest rates in regulating the economy  
(5 Marks)