



Kasarani Campus
Off Thika Road
Tel. 2042692 / 3
P. O. Box 49274, 00100
NAIROBI
Westlands Campus
Pamstech House
Woodvale Grove
Tel. 4442212
Fax: 4444175

**KIRIRI WOMENS' UNIVERSITY OF SCIENCE AND TECHNOLOGY
UNIVERSITY EXAMINATION, 2019/2020 ACADEMIC YEAR
THIRD YEAR FIRST SEMESTER EXAMINATION
FOR THE DEGREE OF BACHELOR OF SCIENCE
BUSINESS ADMINISTRATION**

Date: 15th April, 2019
Time: 8.30 – 10.30am

KFI 301 - FINANCIAL INSTITUTIONS AND MARKETS I

INSTRUCTIONS TO CANDIDATES

ANSWER QUESTION ONE (COMPULSORY) AND ANY OTHER TWO QUESTIONS

QUESTION ONE (30 MARKS)

- a) Any effort to avoid future recessions must rest on an organized way to learn from the past. However, the absence of such efforts within central banks renders such learning problematic and makes likely the recurrence of episodes of recession and financial market turmoil. Discuss how Central Bank regulates financial institutions using the Monetary policy tools. (8 Marks)
- b) Discuss the history and development of the Nairobi Securities exchange and the role it has played in stimulating economic development in Kenya. (8 Marks)
- c) Information asymmetry tends to hamper the efficient functioning of financial institutions in the financial system.
- i) Explain how Commercial Banks reduce the effects of Adverse selection (5 Marks)
- ii) Explain how Insurance Companies reduce the effects of Moral Hazard (5 Marks)
- d) Discuss two international financial institutions relevant to Kenyan Financial system. (4 marks)

QUESTION TWO (20 MARKS)

- a) Compare and contrast the following concepts as applied in the functioning of the Kenyan financial system:
- i) Debt and equity markets (6 Marks)
- ii) Primary and secondary markets (6 Marks)
- b) Discuss the function of financial markets in Kenya (8 Marks)

QUESTION THREE (20 MARKS)

- a) Describe how the performance evaluation of financial institutions is carried out in Kenya (6 Marks)
- b) Discuss the structure of financial sector regulations in Kenya. (6 Marks)
- c) Discuss the challenges and policy direction for the central bank concerning commercial banks in details (8 Marks)

QUESTION FOUR (20 MARKS)

- a) Critically evaluate the intermediary roles the following institutions play in the growth of Kenya's financial system.
 - i) Pension funds (6 Marks)
 - ii) Insurance companies (6 Marks)
- b) Discuss four drawbacks of financial sector regulations in Kenya (8 Marks)

QUESTION FIVE (20 MARKS)

- a) Explain the meaning of securitization and discuss the various advantages of securitization (6 Marks)
- b) Discuss regulations the government has implemented to protect the public and economy from financial panics. (8 Marks)
- c) Discuss three challenges facing the financial sector in Kenya. (6 Marks)