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**GARISSA UNIVERSITY**

**UNIVERSITY EXAMINATION 2020/2021 ACADEMIC YEAR THREE**

**SECOND SEMESTER EXAMINATION**

**SCHOOL OF BUSINESS AND ECONOMICS**

**FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 310**

**COURSE TITLE: BANKING THEORY AND PRACTICE**

**EXAMINATION DURATION: 2 HOURS**

**DATE: 24/08/2021 TIME: 09.00-11.00 AM**

**INSTRUCTION TO CANDIDATES**

* **The examination has FIVE (5) questions**
* **Question ONE (1) is COMPULSORY**
* **Choose any other TWO (2) questions from the remaining FOUR (4) questions**
* **Use sketch diagrams to illustrate your answer whenever necessary**
* **Do not carry mobile phones or any other written materials in examination room**
* **Do not write on this paper**

**This paper consists of TWO (2) printed pages *please turn over***

**QUESTION ONE (COMPULSORY)**

The outbreak of COVID-19 pandemic has caused many crises across different sectors globally. The lockdown imposed across the globe has complexed not only the banking sector but also other key sectors. The banking sector is a public oriented sector. The general public still visits various branches for carrying out credit service transactions among other key transactions. Things have been made worse by most governments prohibiting the use of hard cash. Countries that are mostly affected by COVID -19 have restricted those key banking operations.

In Kenya, since the emergence of the first case in early march 2020, provision of services has been restricted to only essentials on top of lockdown, cessation of movements in and out of various hotspot counties and daily curfews. Every sector is feeling the full blown effects of COVID -19. In view of the above, discuss in details the following in respect to COVID-19 pandemic impact on the banking industry in Kenya and the world at large highlighting the key measures the banking sector should impose to mitigate possible post COVID-19 financial distress.

1. Explain how the Covid 19 pandemic has affected the general financial health in Kenya touching all major financial sectors of the economy. (8 Marks)
2. One of the major roles of the Central Bank is to protect the banks and bank account holders in difficult times, with this in mind, describe how Central Bank reacted in response to Covid -19 effects on banking industry in Kenya to ensure that both customers and Banks didn’t suffer extreme losses. (6 Marks)

Assume you are the current manager of a local commercial bank in Garissa town; discuss in detail the measures you would take to ensure that;

1. The branch will not close down due to effects of corona pandemic highlighting two major roles of the banks (4 marks)
2. The bank employees will not lose job, and that their welfare will be taken care of including health implications. (4 Marks)
3. This pandemic has caused a major positive impact on Internet uptake within the Banking industry. This has seen major development of mobile applications that have pushed internet banking upwards thus reducing the physical customer service, with view of the above; the banking industry has equally suffered negatively. Discuss (4 Marks)
4. Explain some legislative actions taken by the Parliament of Kenya through relevant bodies to protect the banking industry against effects of Covid-19 pandemic (4 Marks)

**QUESTION TWO**

1. Discuss major challenges facing the banking industry in Kenya. (12 marks)
2. Discuss the possible recovery plans to each of the identified hurdle. (8 marks)

**QUESTION THREE**

1. Discuss credit creation Mechanisms. (8 marks)
2. Explain factors that limits credit creation in Kenya Banking Industry (6 marks)
3. Briefly, highlight central bank of Kenya and its functions (6 marks)

**QUESTION FOUR**

1. Explain the responsibility of a relationship banker in details (8 marks)
2. Describe types of Islamic banking deposits (6 marks)
3. Discuss into details the risks in Islamic banking. (6 marks)

**QUESTION FIVE**

1. The desirability of relationship banking should not be taken for granted since it ultimately depends on whether merits can be maximized without being caught in traps. Discuss. (8 marks)
2. Ethics and ethical behaviors are very vital in the entire survival and governance of any business organization. in view of the above, discuss key banking industry values. (12 marks)