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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: 07/04/2021 TIME: 12.00-.00 PM**

**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)**

Assume that you are the Manager of local commercial bank in Garissa, having faced with challenges imposed by COVID -19 pandemic across the economic sector, Explain the measures you are likely to take to ensure the following;-

1. The branch remains profitable and that doesn’t close down. (**4marks)**
2. That employees’ welfare are taken care of at the same time maintain customers’ loyalty while observing ministry of Health laid down protocols against COVID -19 fight **(6marks**)
3. Effects of the COVID -19 pandemic on the functions of banks in Kenya. (**6marks)**
4. Explain how COVID-19 pandemic has affected the delivery of banking services using internet platforms. (**6marks**)
5. Explain how COVID -19 pandemic has affected credit creation within the broader banking industry (**8marks)**

**QUESTION TWO**

1. Explain why good corporate governance practices is important in banking industry **(8marks**)
2. Highlight consequences of not practising corporate governance practices in banking industry (**6marks)**
3. Differentiate between Islamic banking and conventional banking (**6marks**)

**QUESTION THREE**

1. Discuss the key functions of commercial banks **(8marks**)
2. Explain in detail the roles of commercial banks in respect to the economy, government, international trade, investment and business community (**12marks)**

**QUESTION THREE**

1. Discuss the challenges facing banking industry in Kenya (**8marks)**
2. Ethics and ethical behaviours are very vital in the entire survival and governance of any business organization, in view of the above, discuss key banking industry values (**12marks)**

**QUESTION FOUR**

1. Discuss credit creation mechanism with illustrations **(4marks**)
2. Explain limits to credit creation **(8marks**)
3. Highlight central bank of Kenya and it’s functions (**8marks**)

**QUESTION FIVE**

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