



JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND  
TECHNOLOGY

UNIVERSITY EXAMINATION FOR MASTER OF BUSINESS  
ADMINISTRATION

**KISII LEARNING CENTER**

**MBA 817: FINANCIAL INSTITUTIONS AND MARKETS**

DURATION: 3 HOURS

**INSTRUCTIONS**

1. Answer Question ONE and any other TWO Questions in this paper.
2. DO NOT write on the QUESTION paper, all writings should be done on the Examination Answer Booklet
3. Observe University Examination Rules and Regulations

**QUESTION ONE (30Marks – Compulsory)**

- i) Discuss the economic functions of financial markets ( 6 Marks)
- ii) Explain briefly the classification of the financial instruments that are traded in the financial markets (6Marks)
- iii) Discuss the role played by financial intermediaries to the growth of financial markets in developing economies ( 10 Marks)
- iv) Distinguish between the following markets:
  - a) Primary and secondary Market (4 Marks)
  - b) Capital and Money Market (4Marks)

**QUESTION TWO (20 Marks)**

- a) Discuss the role of Central Bank of Kenya in regulating the financial market (10 Marks)
- b) Distinguish between Organized and Over-the Counter (OTC) Markets (4Marks)
- c) Discuss the advantages of Stock Exchange Quotations to a Company (8 Marks)

**QUESTION THREE (20Marks)**

- i) Discuss the constraints influencing the growth of money markets in Kenya (7 Marks)
- ii) Explain the role played by Nairobi securities exchange in relation to the growth of financial markets in Kenya (5 Marks)
- iii) In reference to Money Market classification of markets and financial instrument characteristics; briefly discuss the significance of parallel markets (8 Marks)

**QUESTION THREE (20 Marks)**

- a) Discuss the contribution of financial institutions to a country's economic growth (10 Marks)
- b) Explain the incentives the government may give to companies to induce them to go public (10 Marks)

**QUESTION FOUR (20 Marks)**

- i) Explain the reasons why most qualifying companies for quotation in a securities exchange are not quoted (12 Marks)
- ii) Discuss the various services rendered by capital markets (8 Marks)

**QUESTION FIVE (20 Marks)**

Banks have the power to create assets and liabilities through lending and they will frequently have a commercial interest in so doing. Discuss the constraints that affect Bank lending. (20 Marks)