



**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**SCHOOL OF BUSINESS AND ECONOMICS**  
**UNIVERSITY EXAMINATION FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**ADMINISTRATION WITH IT**  
**3<sup>RD</sup> YEAR 2<sup>ND</sup> SEMESTER 2024/2025 ACADEMIC YEAR**

**MAIN CAMPUS**

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**COURSE TITLE: FINANCIAL INSTITUTIONS AND MARKETS**

**COURSE CODE: BAB 1312**

**EXAM VENUE: LAB 12**

**DATE: 14/04/2025**

**EXAM SESSION: 9.00 – 11.00 AM**

**DURATION: 2 HOURS**

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**Instructions:**

- 1. Answer question ONE and any other TWO questions**
- 2. Candidates are advised not write on the question paper**
- 3. Candidates must hand in their answer booklets to the invigilator while in the examination room**

### Question One (Compulsory)

- (a) Financial markets provide a platform for the trading of financial instruments, which is essential for the development of the economy.

*Required;*

Outline any three roles played by financial markets in their contribution to the growth of Kenyan economy. (6 marks)

- (b) The concept of market efficiency is critical in understanding how the trends of market behavior influence different parameters that are of interest to investors.

*Required;*

Outline the dominant contribution of Eugene Fama in addressing the different states of financial markets (9 marks)

- (c) Efficient payment systems are vital for smooth economic transactions as they enhance trust and reliability in the financial system.

*Required;*

Describe the Real Time Gross Settlement payment system, while explaining how it enhances the efficiency of financial transactions in the Kenyan economy. (5 marks)

- (d) Financial institutions serve the interests of various players in the economy by facilitating the flow of funds and managing risks.

*Required;*

Using relevant and suitable examples, discuss the extent to which financial institutions contribute to the economic stability and growth of Kenya. (10 marks)

### Question Two

- (a) The financial market in Kenya incorporates both banking and non-banking entities.

*Required;*

Clearly evaluate any five roles played by non-banking financial institutions in the financial system of Kenya. (10 marks)

- (b) Financial markets worldwide operate in an environment that presents different levels of interest from concerned stakeholders at different levels.

*Required;*

Analyze five outstanding roles of the Capital Markets Authority in the development of Kenya's financial markets. (10 marks)

### **Question Three**

Regulatory frameworks ensure the stability of the financial market.

*Required;*

- (a) Analyze the role of the Central Bank of Kenya in regulating the financial system. (12 marks)
- (b) In relation to emerging trends in financial markets, explain the term “cryptocurrency” (8 marks)

### **Question Four**

- (a) Analyze any five ways in which financial technology has facilitated the growth of e-commerce in Kenya. (10 marks)
- (b) Outline the payment solutions that have emerged in the financial markets and demonstrate how they enhance consumer confidence in online transactions. (10 marks)

### **Question Five**

- (a) Discuss the measures that have been implemented to ensure consumer protection while fostering innovation in the financial market in Kenya. (10 marks)
- (b) Lending is a crucial function of financial markets, directly impacting investment and economic development.

*Required;*

Evaluate the mechanisms of lending in Kenya's financial markets. (10 marks)