



STRATHMORE UNIVERSITY BUSINESS SCHOOL
BACHELOR OF COMMERCE
END-OF-SEMESTER EXAMINATION
BFS3201: FINANCIAL INCLUSION AND DEVELOPMENT

DATE: 11th December 2023

Time: 08:00-10:00

Instructions:

1. This examination consists of **FIVE** questions.
2. Answer **Question ONE (COMPULSORY)** and any other **TWO** questions.

QUESTION ONE

(30 MARKS)

- a) Evaluate FOUR channels through financial systems that can foster economic development **(10 Marks)**
- b) The measurement of financial inclusion has received a lot of attention in empirical research. Giving suitable examples, discuss the composite index approach to the measurement of financial inclusion. Distinguish between parametric approach and the non-parametric approach? **(6 Marks)**
- c) Explain THREE benefits of regulatory reforms in the financial sector **(6 Marks)**
- d) Discuss TWO ways in which multilateral agreements and financial innovation drive regulatory reforms. **(4 Marks)**
- e) Differentiate between bank and market-based financial structure? Which is best for an economy. **(4 Marks)**

QUESTION TWO

(20 MARKS)

Read the case on M-PESA AND THE 'MARKET-LED' APPROACH TO FINANCIAL INCLUSION

Required:

- a) Evaluate FOUR reasons cited for the high level of financial inclusion in Kenya. **(8 Marks)**
- b) Using examples from the case, evaluate how the Private Money, Systems, and collaborative intervention theories were applied in the efforts to promote financial inclusion. **(6 Marks)**

- c) Discuss FOUR demand and supply-side barriers to financial inclusion as cited in the case. **(6 Marks)**

QUESTION THREE (20 MARKS)

- a) Discuss FIVE ways a financial structure contributes to a financial crisis. **(10 Marks)**
- b) Liquidity providers are some of the key participants in the financial markets. They have needs that must be satisfied in order to attract them.

Describe THREE Characteristics of instruments that are essential for supporting liquidity providers. **(6 Marks)**

- c) Explain how the financial structure of a country affects economic growth. **(4 Marks)**

QUESTION FOUR (20 MARKS)

- a) Giving relevant examples, evaluate how the following influence capital market development in a country;
- (i) Macroeconomic
 - (ii) Financial markets
 - (iii) Legal, and institutional preconditions
- (14 Marks)**

- b) Discuss THREE reasons, why equity markets are important in an economy. **(6 Marks)**

QUESTION FIVE (20 MARKS)

- a) Discuss THREE arguments for and THREE arguments against regulation of both financial and non-financial sectors. **(12 Marks)**
- b) Evaluate TWO essential features of the rule of law in financial markets. **(4 Marks)**
- c) Evaluate the role of the regulator as an invisible hand. **(4 Marks)**