

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**FACULTY OF COMMERCE**

**DEPARTMENT OF BANKING**

**BANKING AND DEVELOPMENT I**

**CBA 4101**

**FINAL EXAMINATION**

**JANUARY 2008**

**TIME: 3 HOURS**

**INSTRUCTIONS TO CANDIDATES**

**This paper contains SIX (6) Questions.**

**Answer any FOUR (4) Questions**

**All Questions carry [25] Marks each**

**Start the answer to each full question on a fresh page.**

**Indicate on your answer booklet whether you are in the conventional or parallel programme.**

**INFORMATION FOR CANDIDATES**

**The number of marks is given in brackets [ ] at the end of each question or part question.**

**The businesses in this question paper are intended to be fictitious.**

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**This paper consists of 3 printed pages**

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**[Turn over]**

### **QUESTION 1**

- (a) What are the benefits of financial liberalization to developing countries? [13]
- (b) How successful has financial liberalization been to developing countries? [12]

**TOTAL [25 Marks]**

### **QUESTION 2**

- (a) Financial repression is one of the major characteristics of financial sectors of least developing countries (LDC's). To what extent can financial repression be justified in LDC's [13]
- (b) What are the structural characteristics that distinguish developed and developing countries and how does these hinder development in LDCs. [12]

**TOTAL [25 Marks]**

### **QUESTION 3**

Briefly explain the importance of any five of the following concepts in banking and development.

- (a) Peer monitoring [5]
- (b) Fungibility [5]
- (c) Information asymmetry [5]
- (d) Adverse selection [5]
- (e) Moral hazard [5]
- (f) Interest rate and term structure [5]
- (g) Contract enforcement [5]

**TOTAL [25 Marks]**

### **QUESTION 4**

The development challenge is to create competitive, viable rural financial markets in which rural entrepreneurs and households find suppliers for their credit needs. Comment and suggest how this could be done sustainably?

**TOTAL [25 Marks]**

### **QUESTION 5**

- (a) Critically assess macro and micro prerequisites for financial sector reform in least developed countries ( LDCs). [15]
- (b) What role would you appropriate to a Central Bank in the development process? [10]
- TOTAL [25 Marks]**

### **QUESTION 6**

- (a) Compare and contrast commercial and social cost benefit analysis in project appraisal. [10]
- (b) Explain the following methods of project appraisal and clearly show the strengths and weaknesses of each method.
- (i) Net Present Value (NPV) [5]
- (ii) Payback [5]
- (iv) Internal Rate of Return (IRR) [5]
- TOTAL [25 Marks]**

**END OF QUESTION PAPER**