

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF COMMERCE
DEPARTMENT OF BANKING
BACHELOR OF COMMERCE HONOURS DEGREE IN BANKING**

BANKING AND DEVELOPMENT I - CBA 4101

FINAL EXAMINATION

APRIL 2009

TIME: 3 HOURS

INSTRUCTIONS TO CANDIDATES

- The paper contains **SIX (6)** questions.
- Answer question one (1) and any other three (3) questions.
- All questions carry equal marks [**25 marks**].
- Start the answer to each question on a fresh page of the answer sheet.
- Indicate on your answer booklet whether you are in the conventional or parallel programme

INFORMATION FOR CANDIDATES

Questions may be written in any order, but must be legibly numbered.

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

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[Turn over]

QUESTION ONE

- a) What do you understand by the concept of investment appraisal [3 marks]
- b) Critically analyse the importance of the following aspects of project appraisal
- i. Market analysis [6 marks]
 - ii. Technical analysis [6 marks]
 - iii. Financial analysis [6 marks]
 - iv. Economic analysis [4 marks]

TOTAL [25 MARKS]

QUESTION TWO

- a) Distinguish clearly between economic growth and development [6 marks]
- b) To what extent do financial markets contribute to economic growth and development? [19 marks]

TOTAL [25 MARKS]

QUESTION THREE

- a) Financial repression is one of the major characteristics of financial sectors of LDCs. Discuss in detail how this and other factors have limited the development of financial institutions in LDCs. [25 marks]

TOTAL [25 MARKS]

QUESTION FOUR

- a) Discuss the importance of information asymmetry to client selection and contract enforcement in both formal and informal finance [12 marks]
- b) What are some of the commonly adopted practices as a way to address these adverse selection and moral hazard problems indigenous to rural credit markets? [13 marks]

TOTAL [25 MARKS]

QUESTION FIVE

a) Illustrate why and how credit markets fail the small business sector. [15 marks]

b) Can financial institutions lend to the SMEs profitably in Zimbabwe? [10 marks]

TOTAL [25 MARKS]

QUESTION SIX

Why is financial liberalisation necessary for the development and growth of third world economics? [25 marks]

TOTAL [25 MARKS]