



NATIONAL OPEN UNIVERSITY OF NIGERIA
PLOT 91, CADASTRAL ZONE, NNAMDI AZIKIWE EXPRESS WAY, JABI – ABUJA
FACULTY OF MANAGEMENT SCIENCES
DEPARTMENT OF FINANCIAL STUDIES
2019_1 EXAMINATION

COURSE CODE: MBF833

CREDIT UNIT: 3

COURSE TITLE: MONEY AND BANKING

TIME ALLOWED: 2^{1/2}HRS

INSTRUCTIONS:

- 1. Attempt Question One (1) and any other three (3) questions**
 - 2. Question 1 carries 25 marks, while the other questions carry 15 marks each.**
 - 3. Present all points in coherent and orderly manner**
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1a. Deposit is the blood of banks. Banks deploy different strategies to garner in cheap funds to remain in banking business. As a scholar of Banking and Finance, explain the concept of Demand deposit as opposed to Derivative deposit in the practice of commercial banking.

(5 marks)

b. Nigerian economy has tumbled into the hyperinflationary abyss. As a Financial Analyst, discuss eight (8) main features of inflation. **(8 marks)**

c. Bank rate policy has not been adjudged to be very effective in controlling credit in Less Developed Countries (LDCs) due to some lapses. Discuss four (4) of such lapses. **(12 marks)**

2a. Explain the concept of credit control mechanism. **(7 marks)**

b. Keynesian theory is reputed for identifying three motives for holding money. Discuss the speculative motive of holding money. **(8 marks)**

3a. Development Banks are consciously created by governments and as such do not emerge on their own. In the light of this, briefly discuss three (3) rationales behind the establishment of Development banks in Nigeria as held by Nwankwo (1980). **(9 marks)**

b. Write short note on the concept of the velocity of money. **(6 marks)**

4a. Explain the concept of Ratchet Inflation in the Nigerian economic context. **(8 marks)**

b. Advance seven (7) strong arguments in favour of price stability in a developing economy like Nigeria. **(7 marks)**

5a. Explain the concept of Financial Dualism as experienced by developing economies
(5 marks)

b. Banks do not possess unlimited powers to create credit. State five (5) limitations suffered by Deposit Money Banks in Nigeria in a bid to create credit. **(10 marks)**

6a. Discuss seven (7) functions of NDIC. **(7 marks)**

b. Discuss money as an index for Economic Growth. **(8 marks)**