

**NATIONAL OPEN UNIVERSITY OF NIGERIA**  
**Plot 91, Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi-Abuja**  
**Faculty of Management Sciences, Department of Financial Studies**  
**JANUARY Examination 2018**

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**Course Code: MBF 833**

**Credit Unit: 3**

**Course Title: MONEY AND BANKING**

**Time Allowed: TWO AND HALF HOURS**

**Instructions:**

- 1. Attempt Question 1 and any other three (3) Questions.**
  - 2. Question 1 is compulsory and carries 25 marks while the other 3 Questions carry 15 marks each.**
  - 3. Present all your points in a coherent and orderly manner.**
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**1a.** Development Banks are consciously created by governments and as such do not emerge on their own. In the light of this, briefly discuss three rationales behind the establishment of Development banks in Nigeria as held by Nwankwo (1980).

**1b.** Trade by barter system was fraught with difficulties and limitations that gave impetus for the adoption of money as a means of exchange. Clearly state six of these difficulties.

**1c.** Bank rate policy has not been adjudged to be very effective in controlling credit in Less Developed Countries (LDCs) due to some lapses. Mention and discuss four (5) of such lapses

**2a.** Briefly explain the concept of Financial Dualism as experienced by most developing economies like Nigeria

**2b.** Keynesian theory is reputed for identifying three motives for holding money. What do you understand by speculative motive?

**3a.** Explain what you understand by money as an index for Economic Growth

**3b.** Write short note on the concept of the velocity of money

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

**(4b)** Advance Seven (7) strong arguments in favour of price stability in a developing economy like Nigeria

**(5a)** What do you understand by credit control mechanism?

**(5b)** Banks do not possess unlimited powers to create credit. State eight limitations suffered by Commercial banks in a bid to create credit.

**(6a)** What is NDIC ? State five functions of NDIC.

**(6b)** What is fiscal policy? Identify four major anti-inflationary fiscal measures.