

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

CHUKA/THARAKA

**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF PURCHASING
AND LOGISTICS MANAGEMENT**

BPLM 401: CUSTOMER CARE AND PUBLIC RELATIONS

STREAMS: Y4S1

TIME: 2 HOURS

DAY/DATE: WEDNESDAY 11/12/2019

8.30 A.M – 10.30 A.M

INSTRUCTIONS

- **SECTION A-QUESTION ONE (1)- IS COMPULSORY**
- **SECTION B-ANSWER ANY OTHER TWO QUESTIONS**

QUESTION ONE (1)- IS COMPULSORY (30 MARKS)

Banks register slight growth in first half of 2019, report reveals

The banking sector had a slower growth in the first half of 2019 compared to the performance recorded in a similar period last year. According to a report by Investment think tank, Cytonn Investment company, the banking sector grew by 3.8 per cent in the first half of 2019, which is slower than 6.4 per cent in the same period last year. Kenya listed banks recorded a 9 per cent average increase in core Earnings Per Share, compared to a growth of 19 per cent in the first half of 2018.

AVERAGE EQUITY. In a report titled: Outlook and Focus on Areas of the banking Sector Going Forward, Cytonn Investments says as a result, the return on average equity decreased marginally to 19.3 per cent compared to 19.5 per cent in a similar period in 2018. Deposits growth was 8.6 per cent slower than 10 per cent growth recorded in the first half of 2018. Interest expenses, however, increased at a slower pace of 5.3 per cent, compared to 12 per cent in first half of 2018. This means the financial institutions have been able to mobilise relatively cheaper deposits. However, there was good news on loan portfolio as average loan growth came in at 9.8 per cent which was faster than 3.8 per cent recorded in the first half of last year indicating there was an improvement in

credit extension to the economy. Government securities on the other hand recorded growth of 12.1 per cent which was slower growth rate compared to 14.9 per cent in first half of 2018.

PRIVATE SECTOR. This shows banks have begun to adjust their business models, focusing more on private sector lending as opposed to investing in government securities, whose yields declined during the year. The Cytonn reports says that the sluggish growth is largely attributed to the slower expansion of funded income segments. “Funded income continues to record relatively slower growth, affected by the declining yields in both loans and government securities,” said the report. The report also said that the interest rate cap has not achieved its intended objectives of easing the access to credit and reducing the cost of credit. Cytonn suggests that interest cap rule should be reviewed so as to spur economic growth as medium Small Medium Enterprises (SMEs) have continued to struggle in accessing the much needed credit.

BANK FUNDING. The investment firm urges MSMEs to form a lobby group to engage directly with policy makers and legislators. Cytonn is also rooting for promoting competing sources of financing which it says will reduce the overreliance on bank funding in the economy. According to the latest statistics from the Central Bank of Kenya (CBK), currently indicates that between 90 and 95 per cent of the MSMEs depend on bank funding. “By having various competing sources of financing, this would trigger a self-regulated pricing structure in the event of the appeal of the law,” said Cytonn in its latest financial report. Any hopes that the banks had of a stronger deposits growth in the second half of 2019 may not be achieved after CBK announced that the just concluded demonetisation exercise of Sh1,000 notes had a shortfall of Sh7.3 billion. However, Cytonn Investments says that all is not lost in the second half of 2019 and expects the banks to continue focusing on asset quality management.

CREDIT “Banks will look to manage the industry wide deteriorating asset quality. This may involve further tightening of credit standards as banks pick low risk credit and increase focus on secured collateral based lending,” said the report. The banks are also expected to focus on revenue diversification to grow transactional income via alternative channels in the Non- Funded Income (NFI) such as agency banking, internet and mobile technologies. The average growth in NFI for the first half of 2019 was an impressive 16.5 per cent compared to 6.9 per cent recorded in 2018. The lenders are also expected to institute operational efficiency through restructuring. This may lead to staff layoffs as increased usage of mobile and internet banking records a significant growth in the lucrative sector.

MONEY LAUNDERING. Banks such as National Bank of Kenya, Standard Chartered Bank and Stanbic Bank have laid off staff in the first half of 2019. With the increased emphasis on anti-money laundering and fraudulent transactions, Cytonn says banks are expected to monitor transactions by streamlining their operational processes and procedures. To increase the market share, banks are expected to form strategic partnerships. “This move is critical for the strong players in the market as struggling banks that don’t have a niche market will get acquired,” said the report

REQUIRED.

1/A.) Explain the Public relations programs Banks should adopt now. (10 Marks)

1/B.) Discuss the customer care initiatives for Banks to be more competitive. (10 Marks)

1/C.) What are the major competitive advantages that Banks have in the industry (10 Marks)

SECTION B-ANSWER ANY OTHER TWO QUESTIONS

QUESTION TWO

2/A.) You have been newly recruited customer care manager at Equity Bank, prepare a presentation to newly recruited staff on how to manage difficult customers. (10 Marks)

2/B.)

- i. Discuss the concept of Public Affairs and issue management. (5 Marks)
- ii. As a Public relations consultant, explain organization of publishing house. (5 Marks)

QUESTION THREE

3/A.) You have been invited to present a paper in a conference at the ministry of Trade entitled, Corporate Image, Reputation, and Identity in the Banking sector in Kenya. Discuss. (10 Marks)

3/B.) Discuss using relevant examples the following statement “Management and systems support appropriately reward employee efforts to serve customers as a major characteristics for customer focused organizations. (10 Marks)

QUESTION FOUR

4/A.) After completing your studies in our University, you ventured into your own consultancy, advise Airtel Kenya on how to prepare for their Event management in December 2019. (10 Marks)

4/B.) You have decided to open a hotel in Tharaka Nithi County, explain the customer care strategies for customers to prefer your Hotel than those of competitors. (10 Marks)