



MURANG'A UNIVERSITY OF TECHNOLOGY
SCHOOL OF AGRICULTURE AND ENVIRONMENTAL
SCIENCES

DEPARTMENT OF AGRICULTURAL SCIENCE

UNIVERSITY ORDINARY EXAMINATION

2023/2024 ACADEMIC YEAR

FIRST YEAR SECOND SEMESTER EXAMINATION FOR BACHELOR OF
SCIENCE IN AGRICULTURE

GAE417: INSTITUTIONAL ECONOMICS

DURATION: 2 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Answer question one and any other two questions.
2. Mobile phones are not allowed in the examination room.
3. You are not allowed to write on this examination question paper.

SECTION A: ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION ONE (30 MARKS)

- a. Define the following terms as used in institutional economics
 - i. Moral hazard. (1 marks)
 - ii. Coase theorem. (1 marks)
- b. Using a relevant example in each case, differentiate between organization and institutions. (4 marks)
- c. Describe four roles of state in a market-based economy, providing relevant examples in Kenya. (4 marks)
- d. Describe the economics of imperfect information theory. (4 marks)
- e. Describe five assumptions of new institution economics that differentiate it from neoclassical economics. (5 marks)
- f. Describe five categories of property right and provide an example for each. (5 mark)
- g. Describe three innovative institutional arrangement that can boost private investment in agricultural research in Kenya. (6 marks)

SECTION B – ANSWER ANY TWO QUESTIONS IN THIS SECTION

QUESTION TWO (20 MARKS)

- a. Farmers in Kenya are often encouraged to join collective action to advice common goods. Describe five challenges of such moral arrangement and market arrangement and how to overcome them. (10 marks)
- b. Describe three ways in which integrating game theory and institutions helps Advance New Institutional Economics (NIE) in agribusiness management. (10 marks)

QUESTION THREE (20 MARKS)

- a. Describe three categories of market coordination, providing an example for each and a diagram. (10 marks)
- b. Describe the main aspects of the Institutional Analysis and Development (IAD) approach, providing an example. (10 marks)

QUESTION FOUR (20 MARKS)

Avocado farming is attracting attention and farmers are joining contractual arrangements to enjoy the full benefit of penetration in this value chain

- i. Identify and describe three source of transaction costs in such an arrangement. (9marks)
- ii. Describe three possible challenges of a successful contract farming. (6 marks)
- iii. Describe how NIE could address these challenges of contract farming. (5 marks)