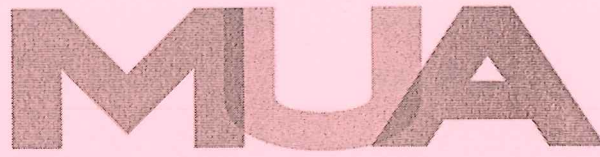


The
Management
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UNDERGRADUATE UNIVERSITY EXAMINATIONS
SCHOOL OF MANAGEMENT AND LEADERSHIP
DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP

BMT 200 : MICROFINANCE MANAGEMENT

DATE: 29TH November 2021

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

MICROFINANCE IN AFRICA

Over three billion people in developing countries are still without effective access to loan and deposit services. The problem is particularly acute in Sub-Saharan Africa, where only between five and twenty-five percent of households have a formal relationship with a financial institution. The region is also home to just two percent of the world's microfinance institutions. Lack of access to financial services is therefore one of the largest constraints to private sector development in Africa. Addressing this shortfall requires creating new institutions and building operational and managerial capacity from the ground up.

IFC's Microfinance Program for Africa aims to increase the number of commercially viable microfinance institutions and broaden access to financial services so that the region's smallest businesses can access the financial services they need to thrive. Working with development partners, IFC aims to establish 15 new microfinance institutions by 2011, reaching approximately 400,000 new borrowers. The program focuses on countries affected by conflict and where the private sector is at the very early stages of development.

IFC also considers other options to promote microfinance on a case-by-case basis. These include working with commercial banks that want to move into microfinance and supporting local non-profit organizations that want to transform into licensed financial institutions.

IFC's microfinance team works with partners that have considerable experience establishing new microfinance institutions in developing economies in addition, has a strategic arrangement with the German development bank KfW to mobilize over \$100 million to support the creation of new microfinance institutions across Sub-Saharan Africa.

Required;

- a) Discuss seven (7) benefits of creation of new microfinance institutions across Sub-Saharan Africa (14 Marks)
- b) Explain Microfinance and discuss five (5) ways that IFC helps institutions develop their capacity as presented in the case study above (11 Marks)

QUESTION TWO

- a) Discuss six (6) methods that microfinance institutions use to raise their funds (12 Marks)
- b) Outline three (3) risks faced by MFIs (3 Marks)

QUESTION THREE

- a) Explain six (6) objectives of credit management (12 Marks)
- b) Outline three (3) ways that banks manage loan default (3 Marks)

QUESTION FOUR

- a) Describe nine (9) principles of microfinance (9 Marks)
- b) State three (3) challenges faced by MFIs in Kenya (6 Marks)

QUESTION FIVE

- a) Describe six (6) skills required for liquidity management (12 Marks)
- b) Highlight three (3) benefits of loan portfolio audits to MFIs (3 Marks)

QUESTION SIX

- a) Assess five ways that can be used to make micro lending more effective (10 Marks)
- b) Outline five (5) loan products of microfinance institutions (5 Marks)

