The Management University of Africa

Sponsored by the Kenya Institute of Management

DIPLOMA UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DIPLOMA IN ENTREPRENUERSHIP

DES 103 : FINANCING FOR MSMES

DATE: 6TH DECEMBER 2023

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 **FOUR** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 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 AND WOMEN EMPOWERMENT

Microfinance is defined as formal schemes designed to improve the well-being of the poor through better access to saving services and loans. Provision of savings and credit services is the key instrument for economic empowerment of disadvantaged people. Microfinance derives from donor-driven, top-down supply. Empowerment, on the other hand, is the process of obtaining these basic opportunities for marginalized people, either directly by those people, or through the help of non-marginalized others who share their own access to these opportunities. It also includes actively thwarting attempts to deny those opportunities. Empowerment also includes encouraging, and developing the skills for, self-sufficiency, with a focus on eliminating the future need for charity or welfare in the individuals of the group. It encourages people to gain the skills and knowledge that will allow them to overcome obstacles in life or work environment and ultimately, help them develop within themselves or in the society. Empowerment includes similar capabilities like the ability to make decisions about personal/collective circumstances; the ability to access information and resources for decision-making; ability to consider a range of options from which to choose (not just yes/no, either/or.); ability to exercise assertiveness in collective decision making; having positive-thinking about the ability to make change; ability to learn and access skills for improving personal/collective circumstance; ability to inform others' perceptions though exchange, education and engagement; involving in the growth process and changes that is never ending and self-initiated; increasing one's positive self-image and overcoming stigma and increasing one's ability in discreet thinking to sort out right and wrong.

Microfinance typically focuses on women's individual aspects, such as engagement in economic activities, productivity and individual choice, at the expense of empowerment through changes in power structures and gender relations. This emphasis on the individual aspects in turn makes empowerment merely an instrument in achieving economic development. Whether the emphasis is on individual or structural aspects is dependent on whether women's subordination is believed to be based on individual aspects or on structures. Development policies and projects that are aimed at promoting women's empowerment should be

involved in changing the institutions and processes that constitute women's subordination, not only increase women's access to productive resources.

Required:

a) Using relevant examples illustrate five (5) features of microfinance **(10 Marks)**

b) Microfinance typically focuses on women's individual aspects. Assess seven (7) characteristics of female entrepreneurs **(7 Marks)**

c) Explain four important managerial finance functions relevant to any enterprise **(8 Marks)**

d) Provision of savings and credit services is the key instrument for economic empowerment of disadvantaged people. Explain five factors that influence the savings level of people **(5 Marks)**

QUESTION TWO

a) Using examples explain four (4) importance of MSMEs to the economy **(4 Marks)**

b) Describe the three (3) sources of equity financing available to MSMEs **(6 Marks)**

QUESTION THREE

a) Explain how MSMEs can increase their access to formal finance. **(4 Marks)**

b) Assess three financing models available for MSMEs **(6 Marks)**

QUESTION FOUR

a) Discuss five (5) functions of financial institutions **(5 Marks)**

b) Identify five (5) challenges confronting microfinance institutions **(5 Marks)**

QUESTION FIVE

a) Illustrate the benefits of banks' entry into microfinance **(5 Marks)**

b) Using relevant examples and briefly explain five main trends and emerging issues in MSME financing in Kenya **(5 Marks)**

QUESTION SIX

a) Explain the credit risk management mechanisms used by MFIs. **(5 Marks)**

b) Differentiate Internal rate of return from Benefit Cost Ratio **(5 Marks)**