INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - AUGUST 2025

PROGRAMME: BBA
YEAR/SEM: YEAR 3/SEMESTER 2
COURSE CODE: FIN 3201
NAME: MICRO-FINANCE MANAGEMENT

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

ANSWER ONE QUESTION

Question 1:

QUESTION ONE – (COMPULSORY)

In Search of the Right Balance: The Costs of Credit Risk Controls and their Effect on Customer Satisfaction Microfinance institutions should strive to find the appropriate balance between managing credit (and fraud) risks, the costs and effectiveness of each control, and the attainment of customer satisfaction. For example, many MFIs require new clients to repay their loans in weekly installments. This is considered an important control for credit risk because smaller installment sizes are easier to repay and frequent repayments are easier to monitor.

But how much more effective in controlling credit risk are weekly repayments than biweekly? Is it effective enough to endure the costs of having twice as many repayment transactions?

Does the benefit of assumed lower loan losses justify the high costs (time and money) to clients in the form of travel and lost business? What effect does this control have on customer satisfaction and loyalty?

MFIs should explore the same series of questions for all of their credit risk controls, such as forced savings, staggered disbursements, months of pre-loan training, etc. in an effort to significantly reduce the costs to both the client and the institution while hopefully improving the effectiveness of the controls.

Often MFIs assume that certain controls are necessary to exact timely repayment, but they have not determined exactly how important they are, nor have they analyzed whether they are worth the cost

REQUIRED

a) What are some of the five most common risks in an MFIs and how it affects all microfinance institutions? (10 marks)

b) Suggest ways of Reducing Credit Risk by microfinance institutions through Product Design Features (10Marks)

c) Discuss the factors affecting commercialization of microfinance institutions. (10 marks)

d) Describe for someone unfamiliar with financial institutions the different MFIs offering financial services to the poor. (10 marks).

Question 2:

QUESTION ONE – (COMPULSORY)

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SECTION B

answer any three questions

Question 1:

a) Using examples, discuss Factors and Requirement for Successful Operation of MFIs in your country. (10marks)

b) Sound financial activities based on best practices play a decisive role in providing the majority of clients with access to financial services through sustainable institutions. However, there has been more failures than success. Discuss the challenges facing microfinance in your country. (10marks)

Question 2:

a) As a student of microfinance, discuss 5 Reasons for Growth of Microfinance Sector in your country. (10marks)

b) Assume you are the loan officer in charge of loan initiation, evaluation, negotiation, documentation and disbursement of loans to clients, what conditions would you put in place for you to make sure that you are creating a quality loan portfolio. **(10marks**

Question 3:

a) Discuss and explain ways how donors, investors and policy makers can effectively build financial sectors that serve the poor. (10marks)

b) Discuss the different guidelines for implementing a risk management frame work. (10mks)

Question 4:

a) Give any five reasons as to why most microfinance borrowers are women. (10mks)

b) Explain the procedures of evaluating microfinance clients using any MFI/MDI of your choice. (10mks)

Question 5:

a) What is the role of microfinance groups in poverty alleviation for women both in rural and urban areas? (10marks)

b) Give atleast five advantage and disadvantage of giving loans to groups.(10 mks)

Question 6:

a) The contribution of Microfinance institutions to the poor in your country. (10marks

b) Discuss the factors affecting the operations and sustainability of Microfinance institutions in your country. (10marks

Question 7:

a) What are the critical variables for one to consider for research on public trust and demand for microfinance services?(10 mks)

b) What are the five Cs of microfinance?(10 mks)

Question 8:

a) Does transformation of microfinance institution into a regulated financial institutions increase accessibility of finance to the low income class?(10 mks)

b) What happens to small holder farmers who takes out microloans from the saccos and they fail to harvest? Do they have any possible solutions to such hazards in future?(10 mks)

Question 9:

a) How would one ensure the effectiveness and efficiency of Microfinance Institutions operations (10 mks)

b) is village banking system particularly a useful approach to ruraldevelopment process in developing countries?(10 mks)

Question 10:

a) how does microfinance instittutions increase the level of social capital of its clents?(10 mks)

b) how does microfinance instittutions respond to current changes in global market(10 mks)

Question 11:

Microfinance said we support young and women entrepreneurs did they fulfill their promises or not?with atleast 5 points discuss the above fulfilment and 5 solutions if not.(20 mks)

Question 12:

a) what would be the alternative antipoverty programme in place of microfninance (10 mks

b) how can microfinance, micropayment and microinsurance benefit with the blockchain technology? (10 mks)