

CHUKA



UNIVERSITY

UNIVERSITY EXAMINATIONS

EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR
OF COMMERCE AND BACHELOR OF ENTREPRENEURSHIP
AND ENTERPRISE MANAGEMENT

BCOM 339: MICROFINANCE FOR DEVELOPMENT

STREAMS: BCOM, BEEM

DAY/DATE: FRIDAY 09/7/2021

TIME: 2 HOURS

11.30 A.M. – 1.30 P.M.

INSTRUCTIONS:

- Answer question ONE and any other TWO questions
- Do not write anything on the question paper

QUESTION ONE

(a) Sound microfinance activities based on best practices play a critical role in providing the poor with access to financial services through sustainable institutions. However, there have been many more failures than successes;

Required:

- (i) Discuss the major risk factors associated with microfinance [10 marks]
- (ii) Briefly explain challenges associated with loans recovery methods among microfinance lenders [10 marks]
- (b) Explain the key principles of microfinance [10 marks]

QUESTION TWO

Microfinance is about providing financial services to the poor low income households. The provision of such financial services required innovative delivery channels and methodologies. In view of this statement, discuss the various lending methodologies adopted by microfinance participants pointing out their shortcomings. [20 marks]

QUESTION THREE

- (a) When poor people have access to financial services, they earn more, build their assets and cushion themselves against external shocks. In view of this statement, explain how microfinance institutions have contributed to financial inclusion. [10 marks]
- (b) Explain the concept of financial literacy and the strategies that can be applied to enhance its levels in Kenya. [10 marks]

QUESTION FOUR

- (a) Discuss the major drivers of microfinance growth [7 marks]
- (b) Discuss the contribution of microfinance in poverty reduction in developing countries [13 marks]

QUESTION FIVE

- (a) Microfinance Act (2006) mandate CBK to regulate and supervise MFI activities. Discuss some of the areas that are regulated [10 marks]
- (b) Briefly explain the demerits of accessing microfinance from MFI as opposed to commercial banks [10 marks]
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