

CHUKA



UNIVERSITY

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**EXAMINATION FOR THE AWARD OF DEGREE OF BACHELOR OF COMMERCE
BCOM 339: MICROFINANCE FOR DEVELOPMENT**

STREAMS: BCOM Y3S2

TIME: 2 HOURS

DAY/DATE: THURSDAY 19/12/2024

8.30 A.M – 10.30 A.M.

INSTRUCTIONS:

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

QUESTION ONE (30 MARKS)

Rigorous microfinance activities, based on established best practices, are essential in providing financial services to underprivileged individuals through sustainable institutions. Unfortunately, there have been far more instances of failure than success in this area.

Required:

- Explain how microfinance institutions have solved the problem of lack of traditional collateral. (10 Marks)
- Briefly explain challenges associated with loan recovery methods among microfinance lenders. (10Marks)
- Explain the key principles of microfinance. (10 Marks)

QUESTION TWO (20 MARKS)

- Access to financial services helps poor people earn more, build assets, and protect against external shocks. Given this statement, explain how microfinance institutions have contributed to financial inclusion. (10 Marks)
- Explain the concept of financial literacy and the strategies that can be applied to enhance its levels in Kenya. (10 Marks)

QUESTION THREE (20 MARKS)

- (a) Explain 5 challenges that microfinance institutions face in providing their services. (10Marks)
- (b) Briefly explain the disadvantages of obtaining a microfinance loan from an MFI rather than a commercial bank. (10 Marks)

QUESTION FOUR (20 MARKS)

- a) Discuss the contribution of microfinance institutions to the development of a country's economy. (10 Marks)
 - b) Microfinance institutions have implemented various lending models to expand their financial reach. Explore the different types of lending models utilized by microfinance institutions. (10 Marks)
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