

CHUKA



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RESIT/SPECIAL EXAMINATION

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

BCOM 339: MICRO FINANCE FOR DEVELOPMENT

STREAMS: BEEM/BCOM Y3S2

TIME: 2 HOURS

DAY/DATE: THURSDAY 31/08/2023

2.30 P.M – 4.30 P.M.

INSTRUCTIONS

- Answer question one and any other two questions
- Do not write on the question paper

Question One

- (a) Discuss the major risk factors associated with microfinance organizations in Kenya. (10 marks)
- (b) Discuss the key principles that make Deposit Taking Microfinance Institutions compete effectively with commercial banks in Kenya. (10 marks)
- (c) Briefly explain five major challenges associated with microfinance customer segments that pose a threat to MFI sustainability (10 marks)

Question Two

With the aid of appropriate examples, discuss any two lending methods 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 trends that influence growth of microfinance institutions in Kenya. (8 marks)
- b) Discuss the contribution of microfinance in poverty reduction in developing countries. (12 marks)

Question Five

With reference to Microfinance Act (2006), the provisions relating to the following:

- (a) Governance (10 marks)
 - (b) Supervision by Central Bank (10 marks)
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