

1st SEM. 2018/2019



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UNIVERSITY OF ESWATINI

PROGRAMME: B. Sc IN AGRICULTURAL ECONOMICS and AGRIBUSINESS MANAGEMENT

COURSE CODE: AEM205

TITLE OF PAPER: MICROFINANCE

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: ANSWER ALL QUESTIONS

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CHIEF INVIGILATOR**

QUESTION ONE (25 Marks)

- i. What do you understand by Microfinance **5 MARKS**
- ii. What are the benefits of Microfinance in developing countries (Give five) **10 MARKS**
- iii. Give five (5) Microfinance activities **10 MARKS**

QUESTION TWO (25 Marks)

Stuart Rutherford and Sukhwinder Arora in their book titled "The Poor and their Money" cited several types of needs.

- i. State and explain these needs? **12 MARKS**
- ii. What is the Microfinance products needed for each needs ? **10 MARKS**
- iii. What are the three(3) types of Microfinance institutions **3 MARKS**

QUESTION THREE (25 Marks)

- (a) List six (6) performance indicators that you know

3 MARKS

The table below gives the summary of portfolio report and statement of income and expenditure of a microfinance institution for the period ending 2015

Portfolio Data	
Total value of loans disbursed during the period	2015 (E)
Total number of loans disbursed during the period	140,000
Number of active borrowers (end of period)	1400
Average number of active borrowers (end of period)	1600
Value of loan outstanding (end of period)	1575
Average outstanding balance of loans	80,000
Value of payment in arrears (end of period)	71,000
Value of outstanding balances of loans in arrears (end of period)	6,500
Value of loan written off during the period)	17,000
Loan loss reserve	500
Average initial loan size	6000
Average loan term (months)	90
Average number of credit officers during the period	12
STATEMENT OF INCOME AND EXPENDITURE	5
Operating Income	
Operating expenses	20,500
Salaries and benefits	13,300
	6000

Estimate the following

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|-------|---|---------|
| i. | Arrears rate | 4 MARKS |
| ii. | Portfolio at risk | 4 MARKS |
| iii. | Loan loss reserve ratio | 4 MARKS |
| iv. | Loan loss ratio | 4 MARKS |
| v. | Average number of active loans per credit officer | 4 MARKS |
| vi. | Average portfolio per credit officer | 4 MARKS |
| vii. | Total amount disbursed per period per credit officer | 4 MARKS |
| viii. | Operating costs | 4 MARKS |
| ix. | Salaries as a percentage of average portfolio outstanding | 4 MARKS |
| x. | Cost per unit of currency lent | 4 MARKS |
| xi. | Cost per loan made | 4 MARKS |

QUESTION FOUR (25 Marks)

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|------|--|----------|
| i. | What are the strengths, weaknesses, opportunities and threats of Microfinance? | 8 MARKS |
| ii. | Distinguish between asset and liability management risk and operating risk management. | 5 MARKS |
| iii. | State and explain the major categories of asset and liability management risk that an MFI need to consider | 12 MARKS |