

1st SEM. 2019/2020



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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 Institutions? **5 MARKS**
- ii. What are the goals of Microfinance institutions? (Give five) **5 MARKS**
- iii. What do you understand by Microfinance regulation? **5 MARKS**
- iv. Give five (5) differences between formal and informal financial sector **10 MARKS**

QUESTION TWO (25 Marks)

- i. What are the eight microfinance lending models? **8 MARKS**
- ii. Who are the main players in the financial market in Eswatini? **11 MARKS**
- iii. Delinquency has been defined in many ways by different eminent authors. Give 3 definitions of Delinquency by these authors. **6 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 | 2015 (E) |
|---|----------|
| Total value of loans disbursed during the period | 140,000 |
| Total number of loans disbursed during the period | 1400 |
| Number of active borrowers (end of period) | 1600 |
| Average number of active borrowers (end of period) | 1575 |
| Value of loan outstanding (end of period) | 80,000 |
| Average outstanding balance of loans | 71,000 |
| Value of payment in arrears (end of period) | 6,500 |
| Value of outstanding balances of loans in arrears (end of period) | 17,000 |
| Value of loan written off during the period) | 500 |
| Loan loss reserve | 6000 |
| Average initial loan size | 90 |
| Average loan term (months) | 12 |
| Average number of credit officers during the period | 5 |
| STATEMENT OF INCOME AND EXPENDITURE | |
| Operating Income | 20,500 |
| Operating expenses | 13,300 |
| Salaries and benefits | 6000 |

Estimate the following

| | | |
|-------|---|---------|
| i. | Arrears rate | 2 MARKS |
| ii. | Portfolio at risk | 2 MARKS |
| iii. | Loan loss reserve ratio | 2 MARKS |
| iv. | Loan loss ratio | 2 MARKS |
| v. | Average number of active loans per credit officer | 2 MARKS |
| vi. | Average portfolio per credit officer | 2 MARKS |
| vii. | Total amount disbursed per period per credit officer | 2 MARKS |
| viii. | Operating costs | 2 MARKS |
| ix. | Salaries as a percentage of average portfolio outstanding | 2 MARKS |
| x. | Cost per unit of currency lent | 2 MARKS |
| xi. | Cost per loan made | 2 MARKS |

QUESTION FOUR (25 Marks)

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