PAN AFRICA CHRISTIAN UNIVERSITY

END OF TERM EXAMINATION

BUE4413: SMALL BUSINESS FINANCE

MONDAY MARCH 30TH, 2015

1800HRS – 2100HRS

INSTRUCTIONS

- This exam paper has **Six(6)** Questions
- Answer **Any Five** Questions
- Write your **student number** on the answer booklet provided.
- Read all questions carefully before attempting.
- Use a new page for every question attempted and indicate the question number on the space provided on each page of the answer sheet.

QUESTION ONE

a) 'The development of Micro Finance Institutions in Kenya has been very beneficial to the general society' Discuss (14 marks)

b) Describe three ways in which Micro Finance Institutions in Kenya have utilized financial innovations in product development. (6 marks)

QUESTION TWO

a) Explain various ways in which Micro Finance Institutions raise funds for its operations. (10 marks)

b) Loan portfolio is the primary income generating asset for Micro Finance Institutions and therefore loan portfolio management is key. Identify and elaborate five areas of loan portfolio management that require the attention of Micro Finance Institutions managers. (10 marks)

QUESTION THREE

a) Discuss various practical approaches used by Micro Finance Institutions to avert loan default risk. (14 marks)

b) Reducing arrears is crucial for Micro Finance Institutions to achieve self-sufficiency. However, its staff must first understand what causes these arrears. Explain these causes. (6 marks)

QUESTION FOUR

a) In every credit institution, late loans are always expected. Explain how classifying each late loan client by a credit officer could enable the Micro Finance Institutions manage these late loans. (8 marks)

b) Discuss various lending methodologies in Micro Finance Institutions. (12 marks)

QUESTION FIVE

a) Risk management in Micro Finance Institutions is very crucial. Describe five ways in which it benefits them. (10 marks)

b) What do you understand by 'liquidity risk?' Discuss the various principles used by Micro Finance Institutions to manage it. (10 marks)

QUESTION SIX

a) Discuss five challenges facing Micro Finance Institutions in Kenya. (10 marks)

b) Explain five opportunities that Micro Finance Institutions in Kenya can take advantage of for better performance. (10 marks)