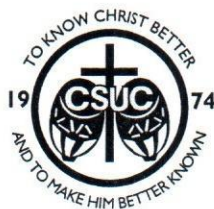


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**CHRISTIAN SERVICE UNIVERSITY COLLEGE  
KUMASI**

**CSUC SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING & FINANCE**

**BACHELOR OF BUSINESS ADMINISTRATION**

**SPECIAL SUPPLEMENTARY EXAMS, 2018/2019 Academic Year**

**Level 300**

**CSAD 356: MICROFINANCE**

**August, 2019**

**70 marks**

**Time: 2 Hours**

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***Instruction:** Answer any three questions. All answers should be written in the answer booklet provided.*

Examiner: Joyce Ama Quartey

### Question 1

Microfinance has received so much attention especially in developing countries, due to its potential impact on the economically active poor. Examine the factors that are responsible for the rapid growth of microfinance. **23 marks**

### Question 2

Although the operations of microfinance differ from that of the traditional Banks, both suffer from similar risks. List and explain 6 types of risks that are associated with banking. **23 marks**

### Question 3

a). Examine the role of microfinance in poverty reduction (improving the wellbeing of the poor). **18 marks**

b). The flexible nature of microfinance enables the use of collateral substitutes. Discuss two collateral substitutes used by Microfinance Institutions. **5 marks**

### Question 4

The principles of lending employed by MFIs are flexible and responsive concepts on lending. State and explain the “CAMPARI” principle of lending used by most MFIs. **23 marks**

### Question 5

The sustainability of MFIs is critical if they are to continue their core mandate of providing financial services to the poor.

The table below shows the 2018 financial records of Cornerstone Microfinance Company.

Item	GH¢
Operating income	350,500
Financial expense	55,000
Net impairment loss, gross loan portfolio	75,000
Operating expense	132,000
Gross loan portfolio	144,000
Delinquency + 1 month or more	15,000
Net subsidy	18,000
Interest rate charged on loans is 30%	

a. Use the information above to determine the sustainability of Cornerstone Microfinance Company by estimating the three indicators of sustainability, namely;

i. Subsidy dependence index (SDI) **5 marks**

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**ii. Operational self-sufficiency (OSS)                      5 marks**

**iii. Portfolio at risk (PAR) ( a proxy for financial self-sufficiency)      5 marks**

**b. State and explain 2 determinants of the success and sustainability of MFIs.   8 marks**