The Co-operative University of Kenya

END OF SEMESTER EXAMINATIONS AUGUST-2018

EXAMINATION FOR THE DIPLOMA IN BANKING AND FINANCE / MICROFINANCE

UNIT CODE: DMBF 1203 / DMMF 1104

UNIT TITLE: LENDING/ LENDING AND CREDIT MANAGEMENT

DATE: 27TH AUGUST, 2018　　　　　　　　　　　**TIME: 9:00 AM – 11:00 AM**

INSTRUCTIONS:
- Answer question **ONE (compulsory)** and any other **TWO** questions

QUESTION ONE

a) Lasting peace on earth cannot be achieved unless large population groups find ways to break out poverty. Fortunately, Microcredit a key innovation to microfinance has demonstrated that even the poorest of the poor can work to bring about their own development. Discuss how Microcredit can contribute to poverty alleviation and economic development and thus get people out of poverty　　(8 Marks)

b) Explain the importance of high asset quality to MFI lending　　(4 Marks)

c) Differentiate between collateral and collateral substitutes　　(4 Marks)

d) In creating an enabling voluntary savings environment explain the two basic legal requirements　　(4 Marks)

e) Define the following terms　　(5 Marks)
   i. Lending
   ii. Credit management
   iii. Financial intermediation
   iv. Microfinance Institutions (MFIs)
   v. Institutional Viability

f) Explain why compulsory savings are viewed negative by clients　　(2 Marks)

g) State any three principles of saving　　(3 Marks)

QUESTION TWO

a) Explain any FIVE elements in determining interest rates for MFI loans　　(10 Marks)

b) Discuss five functions of financial intermediation　　(10 Marks)

QUESTION THREE

a) Discuss the concept of Solidarity Group Experience in Lending and Credit Management　　(10 Marks)

b) Why do banks use the 5Cs of credit to determine a borrower's credit worthiness
　　(10 Marks)

QUESTION FOUR

a) Explain four features of effective credit delivery　　(8 Marks)

b) Discuss various factors that determine loan qualification　　(12 Marks)

QUESTION FIVE

a) Explain any THREE advantages of joining a ROSCA and any THREE limitations in terms of mobilizing savings and credit　　(12 Marks)

b) Discuss the various benefits of institutional savings　　(8 Marks)