

Eastern University, Sri Lanka
Faculty of Commerce and Management



Third Year Second Semester Examination in Bachelor of Business Administration

2009/2010 (January 2012) (Proper)

MOC 3072 Micro Finance

Answer all Questions

Time - 2 hours

1) "Microfinance aims to reach the poor with financial services; this out reach goal can only be met on a sustainable basis through permanent viable institution. This helps the poor to group economic opportunities for livelihood. They also have opportunities to save money either voluntarily or compulsorily. Unlike commercial loans, no collateral is required for micro loan."

- (I) What is micro finance?
- (II) What is the difference between micro finance and micro credit?
- (III) Who are the clients of micro finance?
- (IV) How do borrowers are expected to use micro finance loans?
- (V) What kinds of institutions deliver micro finance?
- (VI) What is that Micro finance industry doing to save the poor from non- traditional lenders?
- (VII) How do saving services help the poor people?
- (VIII) When in micro finance not an appropriate tool?
- (IX) Why does the micro finance industry emphasize so much on sustainability?
- (X) What is the non-traditional type of collateral used in micro finance?

(10x04 = Total40 Marks)

2) "The poor has been denied access to credit from traditional financial institutions. If a form of institution could make the financial resources available to the poor people of the country, they can use this money to form thousands of small businesses, which will create a big development wonder."

- (I) Why the poor people in the remote villages have no access to the financial services from the traditional banking system.

Discuss your answer from the

(a) Supply side of the financial services (07 Marks)

(b) Demand side of the financial services (07 Marks)

(II) Based on the gap in the demand and supply side, what could be the goals of micro finance? (06 Marks)

(Total 20 Marks)

3) Identify the micro finance institution functioning in your region.

(I) Name the institutions you have identified? (02 Marks)

(II) Describe how that institution lends money to the people? (08 Marks)

(III) It has been observed that most of the micro finance institution fails in their operations. Discuss the factors that contribute for the failure of micro finance institutions. (10 Marks)

(Total 20 Marks)

4) Critically analyze the following

(I) Micro finance is not a tool for poverty reduction. (05 Marks)

(II) Micro finance industry charges a high interest rate though it was not expected charge so. (05 Marks)

(III) Credit should be human right. (05 Marks)

(IV) Micro finance could be delivered to any purposes provided the borrower has the repayment capacity. (05 Marks)

(Total 20 Marks)