



**MURANG'A UNIVERSITY COLLEGE**

(A Constituent College of JomoKenyatta University of Agriculture and Technology)

**SCHOOL OF BUSINESS AND ECONOMICS**

**DEPARTMENT OF COMMERCE**

**MAIN CAMPUS**

**ORDINARY UNIVERSITY EXAMINATIONS**

**2015/2016 ACADEMIC YEAR**

**YEAR ONE SEMESTER ONE EXAMINATIONS**

**DIPLOMA IN BUSINESS MANAGEMENT & CERTIFICATE IN BUSINESS  
MANAGEMENT (DBM & CBM)**

**COURSE CODE: CIB0110**

**COURSE TITLE: MICROFINANCE**

**DATE: 26<sup>TH</sup> APRIL 2016**

**TIME: 2 HOURS**

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**INSTRUCTIONS TO THE CANDIDATES**

**THIS PAPER CONSIST OF FOUR QUESTIONS**

- Question one (1) is Compulsory
- Answer Any Other Two (2) Questions

**SECTION A:**

**QUESTION ONE**

- a) Define what is meant by microfinance? ( 4 marks)
- b) How do rotating savings and credit association function? Explain their mechanisms?  
(10 marks)
- c) What are some of the guiding principles of microfinance? ( 8 marks)
- d) By which methods are interests on microfinance loans made? (8 marks)

**SECTION B:**

**QUESTION TWO:**

- a) Do high interest rates imply monopoly and inefficiency? (10 marks)
- b) How is distribution a factor in efficiency in microfinance? (10 marks)

**QUESTION THREE:**

- a) How does moral hazard arise in microfinance? (8 marks)
- b) If being a moneylender is as profitable as many observers claim, why don't moneylenders face greater competition? (12 marks)

**QUESTION FOUR:**

- a) Compare and contrast ROSCA's and COOPERATIVES? (10 MARKS)
- b) Give a comprehensive case study on ROSCA'S citing your own local examples?  
(10 marks)