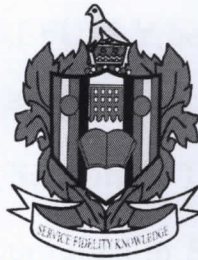


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CERTIFICATE IN MICROFINANCE	
SUBJECT	MICROFINANCE
DATE	25 April 2023
TIME	3 HOURS
MARKS	100
EXAM TYPE	CLOSED BOOK

NB: DO NOT TURN OVER THE QUESTION PAPER OR COMMENCE WRITING UNTIL INSTRUCTED TO DO SO.

INSTRUCTIONS TO CANDIDATES

1. Read the instructions CAREFULLY before answering the paper.
2. This examination has two sections: **Section A** and **Section B**
3. Answer ALL questions in **Section A**. This section carries 40 marks.
4. Answer **Any Three (3)** questions in **Section B**. This section carries 60 marks.
5. Start each question on a fresh page.
6. Please number your answers.
7. Please be neat-illegible handwriting cannot be marked.
8. Use black or blue ink.
9. Ensure that all information on the cover of your answer book is completed in full.
10. Cheating is not allowed, if anyone is caught cheating, you will be disqualified from the examination.

SECTION A:

ANSWER ALL QUESTIONS IN THIS SECTION

QUESTION 1 [40 MARKS]

a. Define the following expressions:

- i. Microcredit [2 marks]
- ii. Microfinance [2 marks]
- iii. Financial Exclusion [2 marks]
- iv. Microleasing [2 marks]
- v. Micro-venture Capital [2marks]

b. From a regulatory perspective, microfinance institutions are classified into three categories. Discuss. [10 marks]

c. You are given the following information about the average performance of microfinance institutions.

Table 1 Performance indicators: AMG Global

Performance Indicator	2014	2015	2016	2017	2018
Portfolio At Risk 1-30	7%	10.5%	15.7%	23%	25.6%
Risk Coverage Ratio	25%	40%	45%	50%	60%
Operational self-sufficiency	101%	93.2%	90.7%	110.4%	115.5%

Required:

- i. Comment on the performance of AMG Global on information given in Table 1 above. [10 marks]
- ii. Outline any policies you would recommend to the board of AMG Global aimed at improving sustainability [10 marks]

SECTION B:

CHOOSE ANY THREE (3) QUESTIONS FROM THIS SECTION

QUESTION 2 [20 MARKS]

- a. Identify the five [5] widely available insurance products in the microfinance sector [5 marks]
- b. Distinguish between operational self sufficiency and fully financial self-sufficiency [5 marks]
- c. Discuss the key characteristics of microfinance that distinguish it from commercial banking [10 marks]

QUESTION 3 [20 MARKS]

- a. Distinguish between depth and breadth as dimensions of outreach. [6 marks]
- b. Define the term “operational risk” [5 marks]
- c. How can reduction in operational costs be achieved in the microfinance sector [10 marks]

QUESTION 4 [20 MARKS]

- a. Explain the following terms.
 - i. Risk [3 marks]
 - ii. liquidity risk [3 marks]
 - iii. Market risk [4 marks]
- b. The risk management process comprises three main phases. Discuss. [10 marks]

QUESTION 5 [20 MARKS]

- a. Discuss various strategies for managing credit risk in a microfinance institution [15 marks]
- b. List and explain the various goals of regulation and supervision in the microfinance sector [10 marks]

END OF EXAMINATION PAPER

NB: DO NOT TURN OVER THE QUESTION PAPER UNTIL YOU ARE TOLD TO DO SO.