

ISQ Examination - Summer-2013
Microfinance - Stage- III

- Q. Interest rates charged by MFIs are generally higher than those charged by conventional commercial banks. Briefly explain any TWO reasons for higher interest rates prevalent in the microfinance sector.
- Q. "Credit risk is a function of multiple variables, both external and internal, to the lending organization". In light of this statement, briefly give any five reasons for high delinquencies in the loan portfolio of an MFI. Give examples to support each reason.
- Q. Provision of micro insurance is extremely important for the poor as it increases their ability to weather shocks that could severely affect their lives. Micro insurance has recently started to receive importance but it has still not attained desired results. Please explain any 2 challenges associated with micro insurance.
- Q. A. Why is collateral considered important by a lender? Provide one reason.
- Q. B. One of the reasons that the microfinance clients are not able to access traditional financing is due to their inability to meet collateral requirements. In order to mitigate their risk and ensure financial access for the poor, Microfinance organizations make use of collateral substitutes. Explain briefly any THREE forms of collateral substitutes. Provide examples of how they are being used by a microfinance institution in Pakistan.
- Q. State any FIVE differences between a Traditional/Conventional Bank and a Microfinance Institution?
- Q. List any FIVE characteristics of the individual lending model in microfinance.
- Q. The microfinance movement has come to be divided into TWO broad approaches regarding the best way to help the poor through access to financial services, popularly known as Microfinance Schism. Discuss this concept in light of the views of the Welfarists and Institutionists.

- Q. A. Information technology can be a strategic tool for a microfinance institution. Highlight at least three advantages of information technology in microfinance. Elaborate by providing examples with each advantage, preferably from the local market.
- Q. B. There are some challenges hindering the use of information technology as a strategic tool by microfinance institutions. Highlight any TWO challenges. Elaborate by providing examples with each challenge, preferably from the local market.
