

UGANDA MARTYRS UNIVERSITY
FACULTY BUSINESS AND MANAGEMENT
DEPARTMENT OF MICROFINANCE
BACHELOR OF MICROFINANCE AND COMMUNITY DEVELOPMENT
Credit Appraisal and Monitoring Final Assessment Examinations May 2023

Date: 23rd May 2023

Time: 3 Hours

INSTRUCTIONS

This question paper comprises of two sections A and B.

Section A is compulsory and carries 40 marks

Attempt any three questions from section B

Question one (compulsory)

Ruhinda SACCo situated in Ruhinda sub county Rukungiri district has 500 share holders. The vision of the SACCo is "To be the leading financial service provider" in Rukungiri district. Its mission is to reach out to the unbanked by providing a wide range of financial products at affordable price. The core values of the Sacco include; honesty, transparency, team work, and professionalism.

In order to fulfill the vision, mission and core values of the SACCo, it has come up with a variety of financial services not limited to savings, loans, consumer educating among others. Despite the above, the SACCo has continued to struggle with poor loan portfolio characterized by a large percentage of non-performing loans and a high Portfolio at Risk (PAR).

This has been attributed to failure by clients to fulfill their financial obligations when they fall due.

As such most clients pay after the agreed date/period and others fail to pay totally.

This has created a scenario referred to as delinquency and default respectively.

Required

- (a) Using the excerpt above, suppose after your graduation, you are employed as a credit officer in the above SACCo, advise the management on the key steps in loan appraisal. (10mks)
- (b) Examine the view that 5Cs play a critical role in as far as loan appraisal is concerned. (10mks)
- (c) As a practitioner in credit monitoring, what reasons do you put forth for clients' failure to pay back the borrowed funds?(10mks)
- (d) What recommendations would you cite to enable the SACCO achieve success as far as loan recovery is concerned? (10mks)

Question Two

Loans ought to be closely monitored and administered for better performance and sustainability

- (a) Examine the role played by management in ensuring effective credit monitoring and administration in financial institutions.(10 marks)
- (b) Why is there need to ensure effective loan recovery in financial institutions?(10mks)

Question Three

- (a) Suppose you are appointed head of credit section in a financial institution, elaborate on the approaches you would employ to deal with clients who either delay paying back the borrowed funds or fail to paytotally(10mks)
- (b) Examine the challenges faced in credit monitoring and administration. (10mks)

Question Four

- (a) Write short notes about the following concepts
- i. Loan appraisal
 - ii. Credit administration

- iii. Loan monitoring
- iv. Loan rescheduling
- v. Loan restructuring

(2marks each)

(b) Under what circumstances may loan rescheduling in credit administration be deemed appropriate?(10mks)

(Question Five)

a) Examine the challenges credit officers encounter in credit appraisal and administration (10mks)

(b) What efforts could financial institutions undertake to motivate the efforts of credit officers in credit administration? (10mks)

Question Six

(a) You have agreed to lend out shs20, 000,000 to one of your clients in Ggagawalamicrofinance to be payable inequal loaninstalments. The agreed-upon interest is 8% per annum on a reducing balance method for a period of 5 years.

- a) Prepare a loan amortization schedule for the above loan(15mks)
- b) Explain the advantages of loan amortization to the clients/ borrowers.(05mks)