

# UGANDA MARTYRS UNIVERSITY NKOZI



**FACULTY OF BUSINESS ADMINISTRATION**

**DEPARTMENT; MFIs YEAR ONE**

**MODULE: Legal and Regulatory Framework for Microfinance  
Institutions**

**SEMESTER TWO EXAMINATION 2022/23**

**MAY. 26th 2023; DURATION: 9 AM – 12 PM**

## **Instructions:**

Attempt Any FOUR questions in this paper.

Use of relevant examples may be rewarded bonus marks.

1. Imagine you are operating a money-lending business in your community. Your business has encountered a number of challenges with employees, clients, and community members.
  - a) Describe the **FIVE** sources of law applicable in Uganda that can be relevant in overcoming the challenges faced by your business. (10 marks)
  - b) Identify any **FIVE** purposes of the Law. (5 marks)
  - c) Describe any **FIVE** Judicial courts or other Bodies that are used to resolve the Disputes in Uganda. (10 marks)
  
2. During business operations, it is always inevitable not to enter into legally binding contracts or agreements with different parties or stakeholders.
  - a) What do you understand by the term 'contract'? (3 marks)
  - b) Explain any **SIX** of the essential elements of a legally binding agreement or contract? (12 marks)
  - c) Explain **FIVE** circumstances under which a valid contract may be terminated. (10 marks)
  
3. Microfinance regulation and supervision has become crucial especially because of the growth and role of the sector.
  - a) Give **Five** reasons why Microfinance institutions should be regulated (5 marks)
  - b) Explain the effects of regulation on the regulated institutions in Uganda. (10 marks)
  - c) What are the challenges faced when regulating MDIs in Uganda? (10 marks)
  
4. Owing to the growth and increasing importance of the microfinance sector, Bank of Uganda issued a policy statement on microfinance regulation in July 1999. This was the start of a long and eventful journey towards Uganda's first-ever law (MDI act 2003) specifically for microfinance. This law created another category of formal financial institutions, the Microfinance Deposit Taking Institutions (MDIs).
  - a) Explain how the MDIs are regulated in Uganda. (10 marks)
  - b) Highlight the requirements of the MDI Act 2003
  - c) Describe the significance of the MDI Act 2003.

5. a) Identify any **FIVE** different factors or benchmarks used to set the lower boundary of prudential regulation. (5 marks)
- b) Articulate the need for regulation of Microfinance institutions (7 marks)
- c) Discuss the critical areas covered by the transformation plans of the MDI candidates. (8 marks)
6. a) Mention any **Three** governing laws for Tier 4. (3 marks)
- b) Mention any **SEVEN** reasons why the Uganda Microfinance Regulatory Authority establish. (7 marks)
- c) Prudential regulation is suitable for deposit-taking institutions and non-prudential regulation for non-deposit-taking institutions. Discuss (15 marks)