

**UGANDA MARTYRS UNIVERSITY, LUBAGA CAMPUS**

**FACULTY OF BUSINESS ADMINISTRATION AND  
MANAGEMENT**

**DEPARTMENT OF MICRO FINANCE**

**BA MF I EVENING SEMESTER TWO 2017/18**

**COURSE UNIT: CREDIT APPRAISAL AND MONITORING**

**DATE: Thursday, 3<sup>rd</sup> May 2018**

**Time allowed: 4:00pm- 7:00pm**

**Instructions to Candidates:**

Read the following before answering the examination questions.

- 1) Do not write anything on this question paper.
- 2) Write neatly and show all workings clearly.
- 3) Question **One** is compulsory
- 4) Choose any three questions from section B

## **SECTION A**

### **QUESTION ONE**

The credit appraiser's task is to establish if the borrower is good enough (credit worth) to be lent by the MFI.

- a) Using the credit appraisal methodologies describe how they are used as guiding principles in the credit decision making and monitoring process.

**(15 marks)**

- b) b. Examine the various features which can be used to access the character of the borrower before and during the loan appraisal process

- c) Explain the purpose and benefits of credit appraisal **.(10 marks)**

### **QUESTION TWO**

- a) With practical examples; differentiate between Open market value and Forced Sale Value as used in MFIs

**(4 Marks)**

- b) With an aid of an illustration describe the loan appraisal process for a group loan **(8 marks)**

- c) 3. Examine the possible activities and challenges in the loan appraisal process **(13 marks)**

### **QUESTION THREE**

With relevant examples identify the two major lending methods or categories of a microfinance institutions

- a) Differentiate between solidarity groups and village banks **(3 marks)**

- b) Explain the various benefits of having solidarity groups to

- i) Microfinance **(7 marks)**

- ii) Group members **(5marks)**

- c) Examine how loan collaterals are evaluated**(10 marks)**

### **QUESTION FOUR**

Microfinance institutions have innovated softer forms of security/collateral to break away from the traditional requirements to secure loans in bid of increasing their clientele base

.Based on this statement;

- a) Explain the meaning of Collateral Substitution.**(2 marks)**

- b) Examine the most common forms of collateral substitute and show their obligation or purpose at this level **(13marks)**
- c) Examine how loan collaterals are evaluated **(10 marks)**

### **QUESTION FIVE**

Microfinance is famous for its tailor made loans that fit the specific requirements and characteristics of the customer with unique features based on their activities. Therefore Loan structuring is designed to consider the uniqueness of the borrower

- a) What do you understand by the term loan structuring? **(2 marks)**
  - b) Identify the various components of loan structure **(10 marks)**
  - c) Describe how Business environment is used as a condition for eligibility for a loan by MFIs
- i. (20 marks)**

### **QUESTION SIX**

A Loan portfolio is the most important asset due its big income contribution and high level of sensitivity and risk it holds for the MFI. ie it holds the biggest benefit and yet it is the biggest threat which calls for continuous close loan monitoring at all levels in order to keep track of the loan portfolio

- a) Describe how a borrower should be monitored **(5 marks)**
- a) Identify the various reports compiled during the loan monitoring period **(10 marks)**
- b) Categorize policies under each category **(10 marks)**

### **QUESTION SEVEN**

- a) Differentiate between pre-disbursement and Post disbursement stages of credit policy **(3 marks)**
- b) Examine how PEOPLE and MIS systems are used in the Loan monitoring process **(10 marks)**
- c) Describe the sensitivity of microcredit faced by MFIs **(12marks)**