

# UNIVERSITY OF COLOMBO, SRI LANKA

## FACULTY OF MANAGEMENT AND FINANCE

Bachelor of Business Administration (Semester-V) Examination, July 2022

### FIN-3231 Microfinance

#### Instructions.

- Time allowed is Two (02) hours.
- This paper comprises Six (06) questions in two (02) pages.
- Answers only **FOUR (04)** questions.
- This is an open book and online examination.

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01.

- i. Compare and contrast the terms of Microcredit, Microfinance, and Financial Inclusion.  
(06 marks)
- ii. What do you understand about Grammen bank? Briefly explain.  
(05 marks)
- iii. External players, whose role is to facilitate positive changes in the market system, are known as facilitators. Explain their role in the enhancement of microfinance.  
(07 marks)
- iv. Discuss the challenges faced by the microfinance sector in Sri Lanka.  
(07 marks)

**(Total 25 Marks)**

02.

- i. Explain the role of Micro Finance Institutions (MFIs) in the sustainable development of the rural economy.  
(08 marks)
- ii. Describe the product and services offered by the following Micro Finance Institutions (MFIs) in developing rural Sri Lanka.
  - a. Rural Development Banks
  - b. Sanasa Development Bank
  - c. Janashakthi Bank

(10 marks)

- iii. In ‘A debate on the scope of Micro Financing’, a group of experts argued that microfinance institutions must confine their operation to the extension of microcredit to the poor, as this is the most important service the poor need. On the other hand, microfinance industry experts argue that expanding micro-financial services to provide savings, insurance, and retirement products is equally important.

Discuss the pros and cons of these two statements with valid arguments.

(07 marks)

**(Total 25 Marks)**

03.

- i. “Seventy percent of the world’s poor are women. Yet, women have been disadvantaged in access to credit and other financial services. Commercial banks often focus on men and formal businesses, neglecting the women who make up a large and growing segment of the informal economy. On the other hand, microfinance often targets women”.

Explain the reasons why microfinance especially targets women within their business model.

(10 marks)

- ii. Microfinance serves both poverty lending and micro-lending. Discuss two reasons why micro-lending is quite essential for Small and Medium Enterprises to overcome their financing gap?

(10 marks)

- iii. Briefly explain how the financial literacy of borrowers could impact the over indebtedness.

(05 marks)

**(Total 25 Marks)**

04.

Describe in detail the Smart campaign principles on customer protection.

(25 Marks)

05.

Discuss four possible remedial actions you propose to solve the current problems in the microfinance sector in Sri Lanka.

(25 Marks)

06.

Describe the salient features and shortcomings of the Microfinance Act, No.6 of 2016.

(25 Marks)

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