

**UNIVERSITY OF COLOMBO, SRI LANKA**

**FACULTY OF MANAGEMENT AND FINANCE**

**Bachelor of Business Administration (Level II – Semester VII) Examination  
June/July 2017**

**BEC 2208 –Microfinance**

**Two (02) Hours  
Answer Four (04) Questions Only**

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1. i. Briefly describe salient features of Bangladesh's Grameen bank established in 1976.  
(10 Marks)
- ii. "According to the theory of marginal return, capital should naturally flow to the poor."  
Critically evaluate the above statement.  
(15 Marks)
- (Total 25 marks)**
  
2. i. "Substantially high interest rate which is above the commercial banks' rates, charged by  
Micro Finance Institutions (MFIs) on microcredit is exploitative." Do you agree with this  
statement? Justify your answer.  
(09 Marks)
- ii. "Inefficiency of loan disbursement can be occurred at three stages owing to lack of  
information." Briefly explain how inefficiency occurs at three stages of loan  
disbursement.  
(09 Marks)
- iii. How do you relate infant industry argument to MFIs? Explain.  
(07 Marks)
- (Total 25 marks)**

3. i. Identify salient features of the “Swashakthi Loan Scheme” which is being implemented by the present government to develop micro, small and medium scale enterprises in Sri Lanka.

(06 Marks)

- ii. Describe two types of microfinance methods that are popular among urban people.

(06 Marks)

- iii. “Assume that you have been appointed as an investment promotion officer in your company. One of the investment products among other is microfinance. After words, you realized that low investment in the microfinance investment project is due to the lack of awareness among prospective investors about risk and return associated with it.”

Write a memo to the management explaining how you are going to advance their knowledge about the risk and return of the microfinance investment project.

(13 Marks)

**(Total 25 marks)**

4. i. “Innovative saving products are needed in order to cater the marginalized people in the society.”

a. Do you agree with this statement? Justify your answer.

(08 Marks)

b. Briefly explain different aspects to be considered in developing saving products.

(07 Marks)

- ii. Using permanent income hypothesis advice a poor family to manage their income which is subject to substantial fluctuations over time.

(10 Marks)

**(Total 25 marks)**

5. Briefly explain the following concepts.

- i. Microinsurance
- ii. Adverse selection
- iii. Low-frequency and high-frequency saving
- iv. Breadth of outreach
- v. Absolute poverty

**(4 × 5 = 25 Marks)**