



Microfinance

The sample questions are related to the JAIBP Specialization course "**Microfinance**". The students are advised to thoroughly read the exam guidelines and the syllabus guide for this course before start studying for the paper. The questions are shared to give an idea to the student about the paper format and types of questions. For further information visit the IBP website www.ibp.org.pk

Multiple Choice Questions

Each MCQ carry one and half mark.

- Q1.** Microfinance can contribute to the development of the overall financial system through the
- A. integration of financial markets. (Answer)
 - B. dispersion of financial markets.
 - C. segmentation of financial markets.
 - D. severance of financial markets.
- Q2.** A type of loan in which the loan amount is divided in regular installments and can be cashed by the borrower only if the previous payments are regular, is called
- A. Continuous Loan.
 - B. Progressive Loan. (Answer)
 - C. Radical Loan.
 - D. Reformed Loan
- Q3.** To promote and supervise through consultative approach, SBP has established the
- A. Micro Finance Consultative Group (MFCG). (Answer)
 - B. Pakistan Micro Finance Network (PMN).
 - C. Prudential Regulations (PR).
 - D. Consultative Group to Assist the Poor (CGAP).



Constructed Response Question

Each CRQ carry five marks.

Question:

The ultimate aim of the Strategic Framework for Sustainable Microfinance is to develop sound and growth-led institutions.

List FIVE key components of Strategic Framework for Sustainable Microfinance.

(5 Marks)

Answer:

Key Components

1. Accelerating outreach of inclusive financial services.
2. Promotion alternative delivery channels and using branchless banking models.
3. Deposit mobilization.
4. Upscaling for microenterprise development.
5. Improving governance.



Extended Response Question

Each ERQ carry ten marks.

Question:

- A).** Why "Sustainability" is important for a microfinance institute. **(2 Marks)**
- B).** Sustainability is often understood in financial or human resource term but it is only one major dimension. Discuss TWO dimensions of sustainability other than finance and human resource through which an MFI can achieve sustainability. **(4 Marks)**
- C).** Explore any TWO challenges that could be faced by an MFIs while sustaining in the above dimensions. **(4 Marks)**

Answer Part-A

Sustainability is imperative for MFI to realize its full potential and be valuable as a tool for poverty alleviation.

- On micro level, financially self-sufficient institutions should be able to provide services without external funding.
- On macro level, industry 'massification' to rapidly extend outreach to more people and make microfinance a meaningful way for poverty alleviation.

Part-B

1. Market Sustainability

This deals with the whole gamut of issues that deal with demands and supply of Microfinance. It deals with issues relating to the different types of needs and designing products that suit the need of these clients. Servicing these needs in the most client friendly manner leads to the sustainability of the demand. A sustainable supply of resources requires that the MFI is financially self-sufficient, meets all its costs from operations and has access to resources raised from the clients and from external sources at commercially viable rates of interest.

2. Impact Sustainability

Microfinance has emerged as an effective methodology for poverty alleviation and therefore it is necessary that the services delivered by MFIs continue to have a positive impact on the lives of the poor over the long term for the family to gradually emerge out of the state of poverty.

Part-C

1. **Policy Environment:** Government intervention, subsidies interest rates government programs, poor loan collection rate resulting in a distorted market, discouraged private sector institutions and problems in integration of MFI into the financial sector.
2. **Inadequate financial structure:** Lack of legal framework impede the expansion of the market based microfinance service due to limited access to commercial source of



funding. Government focusing on special funds disburse programs while ignoring the need of building the financial infrastructure to support and strengthen the sustainability.

