



CHARTERED INSTITUTE OF BANKERS, GHANA
ASSOCIATESHIP EXAMINATION
LEVEL IV
MICROFINANCE AND RURAL BANKING
APRIL 2024

N.B:

- 1. Read carefully the instructions on the cover of the answer book.**
- 2. Answer FIVE (5) questions in all with at least TWO questions from each section.**
- 3. Each question carries 20 marks.**
- 4. Where questions are subdivided, the marks for the subdivisions are shown in brackets.**
- 5. Time allowed: THREE HOURS**
- 6. Candidates must ensure that they answer questions in the appropriate answer book and NOT on loose sheets which are supplementary sheets. Such answers will not be marked.**
- 7. DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
- 8. DO NOT OPEN THIS QUESTION PAPER UNTIL YOU HAVE BEEN INSTRUCTED TO DO SO.**

SECTION A - RURAL BANKING

ANSWER AT LEAST TWO QUESTIONS FROM THIS SECTION

QUESTION 1

The Ghana Deposit Protection Scheme was established by the Ghana Deposit Protection Act, 2016, Act 931 as amended by the Ghana Deposit Protection (Amendment) Act, 2018, (Act 968). The scheme seeks to protect small depositors from loss incurred as a result of the occurrence of insured events. The object of the scheme is to support the development of a safe, sound, efficient and stable market-based Financial System in Ghana, by ensuring prompt payouts to insured depositors on the occurrence of an insured event.

- a) How important is the Deposit Protection Scheme in the Financial Services Industry? **(10 Marks)**
- b) How does Deposit Insurance differ from Conventional Insurance? **(10 Marks)**

[Total: 20 Marks]

QUESTION 2

Fraud may generally be characterized as an intentional act, misstatement, or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain. Fraud is typically categorized as internal or external. Internal Fraud occurs when a director, an employee, a former employee, or a third party engaged by the bank, commits fraud, colludes to commit fraud, or otherwise enables or contributes to fraud. With the prevalence of Internal Fraud in the Financial Services Space, it is critical to put in policies and procedures to prevent, reduce or correct fraud.

Discuss four (4) controls that Rural and Community Banks can put in place to reduce the incidence of Internal Fraud relating to Cash Management. **(20 Marks)**

QUESTION 3

Banks and SDIs offer a variety of products to support Agricultural Lending that may be either commercial, or for personal, family, or household purposes, or for some combination of both. It is believed that Agricultural Financing is crucial to support the growth of the Agricultural Sector. Indeed, it is essential for food security, job creation, and overall economic growth.

Write short notes on the following regarding how they contribute to profitable Agriculture Financing.

- a) Loan Policy and Governance **(5 Marks)**
- b) Corporate Strategy **(5 Marks)**
- c) Risk Management **(5 Marks)**
- d) Staffing **(5 Marks)**

[Total: 20 Marks]

QUESTION 4

You visited one of your priority customers in your community and realized that she had a set of completed new Account Opening Forms on her desk. From a close observation, you realized that the forms belong to Cecilia Daapa Rural Bank, which was recently established and situated very far from your Rural Bank, which is rather very close to her shop.

Discuss five (5) possible reasons you think could result in her attempt to switch a Financial Service Provider. **(20 Marks)**

SECTION B - MICROFINANCE

ANSWER AT LEAST TWO QUESTIONS FROM THIS SECTION

QUESTION 5

The Ministry of Finance on 5th December 2022 invited holders of sixty (60) old domestic debts to voluntarily exchange GH¢137.3billion (US\$14.3 billion) worth of their old Domestic Bonds and Notes, including E.S.L.A and Daakye Bonds, for packages of twelve (12) new eligible Domestic Bonds. Under the Debt Swap or Exchange Arrangement announced on 5th December 2022, local holders including domestic banks, Bank of Ghana and SDIs, firms and institutions, retail and individuals, insurance companies, foreign investors, Rural and Community Banks and SSNIT were to exchange GH¢137.3billion (US\$14.3 billion) worth of sixty (60) eligible Domestic Bonds for twelve (12) new eligible bonds maturing between 2027 to 2038.

Discuss the negative impact of the Domestic Debt Exchange Programme (DDEP) on the Financial Services Sector in Ghana. **(20 Marks)**

QUESTION 6

Duty is an obligation that one has to fulfill and responsibility is the act of accepting and acting on a task that has been assigned to you. Based on the provisions of the Business Rules and Sanctions 2017,

a) List three (3) responsibilities and three (3) duties of the Board of Directors of MFIs.

(6 Marks)

b) Explain any three (3) of the duties of the Board of Directors of MFIs as you will do during an orientation of newly elected Board members of New Era Microfinance Ltd. **(14 Marks)**

[Total: 20 Marks]

QUESTION 7

The Guidelines For Credit Risk Management (2021) is meant to provide guidance on how to review a loan applicant's industry to establish trends in the industry; critical review of purpose of credit and source of repayment for the loan; assessment of adequacy of the requested loan amount compared to the purpose of the loan; assessment of adequacy of cash flow from the repayment source and its consistency through the life of the loan; reference checking of credit history of applicant where available; assessment of ability and willingness of the client to comply with the loan contract.

Assess the importance of these specific areas of Loan Appraisal and how they will help to create a good quality Loan Portfolio of an MFI. **(20 Marks)**

QUESTION 8

From the 1990 to date, MFIs have evolved into commercial businesses very different from their previous and traditional non-profit models of operation.

Identify and explain four (4) characteristics of a commercialized MFI.

(20 Marks)