**Prerequisites**
FINA 5501, FINA 5502.
**The School of Business enforces all prerequisites.**

**Course Objectives**
This course has two objectives. First, it will introduce students to financial systems and financial intermediation. Second, it will provide an overview of the theory and practice of microfinance. Microfinance organizations are specialized financial institutions. In order to acquire an appreciation for their role and the nature of the challenges they face, a broader understanding of the role and management of financial institutions in general is required. This course will therefore outline the nature and role of the financial system, in particular the idea of financial intermediation, the economic role of intermediation, and the challenges that occur in that context. The first six weeks of the course will be devoted to these issues.

The second six weeks of the course will focus on the topic of microfinance and its related issues. Students will be exposed to the history and origins of microfinance, its goals, achievements and challenges. They will also be introduced to the role of microfinance institutions (MFIs) in managing financial risks, reaching out to clients and making MFIs sustainable. The course will also serve as a forum to reflect on the future of microfinance and financing for development in general.

A mix of cases and lectures will be used to conduct the course.
REQUIRED TEXT
There is no formal textbook for this course. The course will be based on contemporary papers/assigned readings in the selected topics and sections of the suggested text. In addition, interested students can read the following books as supplemental reading to augment their knowledge and to get a better understanding of financial systems and financial risk management.

SUGGESTED TEXTS

SUPPLEMENTAL READINGS
Books

Articles
Other


Grading Scheme
Class Participation: 20%
Case Analysis: 30%
Final Exam: 50%

Students are expected to participate in discussions during class.

All course material, including content from course deliverables, is eligible for testing on the final exam. In the event a student cannot participate in class, or complete a course deliverable for a reason permitted under the university’s guidelines, the weighting of the course component will be added to the weighting of the final exam provided the student submits the appropriate supporting documentation (e.g. doctor’s note).

Cases
1. Envy Rides – recreational motorsport dealership – 9B10N033
2. Forest of Flowers – retail flower shops – 9B05N001
3. Kismet – distributor of tools and hobby products – 9B03N012
4. London Ski Club – not for profit ski club – 9A99N041
5. Northstar Aerospace – conglomerate in things like semi-conductors, aerospace - 9B02N025
   The above is relatively large at $40 million
6. Peak Roofing – roofing materials supplier – 9B00N026
7. Royal Manufacturing – metal fabricator – 9B05N019
8. Sophisticated Petites – clothing retailer – 9A90B042

Case Required
1. Select a case and obtain approval from me for your selection (this is to avoid the same case being done by more than one group)
2. Prepare a presentation to the class, including appropriate ppt, to be delivered in ten minutes or under by the group, with each group member to speak.
3. The presentation must:
   a. Specify the role you are assuming and relevant particulars (you are the lender who needs to make a decision)
   b. Describe the company
c. Describe the nature of the decision that must be made

d. Complete a size-up of the company (to be discussed in class 3 – what it does well, issues that concern you, threats and opportunities in its operating environment, strength of management, financial strength, etc.)

e. Make a recommendation

f. If the recommendation is to lend, specify the conditions you would require to ensure your loan remains safe.

**Weeks 7 to 12**

**Required Text**
There is no formal textbook for this course. The course will be based on contemporary papers/assigned readings in the selected topics. In addition, interested students can read the following books as supplemental reading to augment their knowledge and to get a better understanding of microfinance.

**Supplemental Books**
The Economics of Microfinance, B. Armendariz and J. Morduch, MIT Press, 2007
Creating a World without Poverty, M. Yunus, Public Affairs, 2007

**Suggested Articles**
1. The History of Microfinance, Global Envision, April, 2006.
25. From revolution to evolution: Charting the main features of microfinance, R. Mendoza and Brandon Vick, Fordham University Department of Economics Discussion Paper Series, 2008.

OTHER RESOURCES
Selected web links:

Grameen Bank http://www.grameen-info.org/
Accion International http://www.accion.org/default.asp
SKS, Hyderabad http://www.sksindia.com/
Microcredit Summit http://www.microcreditsummit.org/
World Council of Credit Unions http://www.woccu.org/
USAID Microfinance http://www.microlinks.org/
PlaNet Finance http://www.planetfinance.org/
Women’s World Banking http://www.swwb.org/

CGAP http://www.cgap.org/
Microfinance Gateway http://www.microfinancegateway.org/
Microfinance Focus http://www.microfinancefocus.com
Microcapital Institute http://www.microcapital.org/

Islamic Development Bank http://www.isdb.org/irj/portal/anonymous
Grameen Jameel http://www.grameen-jameel.com/

Unitus http://www.unitus.com
Socialfunds http://www.socialfunds.com/ci/index.cgi
MFI Rating Fund http://www.microrate.com/ratings-list

GRADING SCHEME
Class Participation: 10%
Case Analysis & Presentation: 30%
Case Analysis: 20%
Final exam: 40%

Overall mark: 50% of the mark for weeks 1 to 6 plus 50% of the mark for weeks 7 to 12.

Active participation in class discussions is essential to the course since much of what you learn will come through conversations with your peers. Each student (group of students) is required to
analyze two cases as part of their course deliverables. Cases will be assigned on the first day of class and each student (group of students) will be responsible for analyzing and preparing a write-up for each of the assigned cases. One of the two assigned cases will be presented to the class. A typical case will focus on one or multiple topics in microfinance and is designed to enhance your understanding of the material covered in class and to expose you to the challenges that the field faces.

All course material, including content from course deliverables, is eligible for testing on the final exam. In the event a student cannot participate in class, or complete a course deliverable for a reason permitted under the university’s guidelines, the weighting of the course component will be added to the weighting of the final exam provided the student submits the appropriate supporting documentation (e.g. doctor’s note).

**CASES**
The list of suggested cases and the protocol for presenting cases will be discussed in class.

<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Suggested Readings in Neave</th>
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<tbody>
<tr>
<td></td>
<td><strong>WEEKS 1 TO 6</strong></td>
<td></td>
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<tr>
<td>1</td>
<td>Introduction</td>
<td>Chapters 1 through 7 in Neave present a detailed discussion of the topics we touch on in classes 1 and 2.</td>
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<td></td>
<td>Financial system functions</td>
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<td></td>
<td>The composition of financial systems</td>
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<td></td>
<td>The role of central banks; implications of common currency areas for bank stability</td>
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<td>2</td>
<td>Financial activity and capital formation; the role of financial systems in economic outcomes</td>
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<td>Specific problems of intermediation</td>
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<td>Deal terms, financing continuum, intermediation</td>
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<tr>
<td>3</td>
<td>Credit risk and credit losses</td>
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<td>4</td>
<td>Bank management – assessing and managing credit risk</td>
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<td>Models of bank financing and runs; deposit insurance; moral hazard with deposit insurance; differential premiums</td>
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<td>5</td>
<td>Managing a bank’s finances: duration, financing gaps, risk-weighted assets, capital adequacy and value-at-risk</td>
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<td>The role of CAMELS assessments</td>
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<td>6</td>
<td>Lending cases</td>
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<td><strong>WEEKS 7 TO 12</strong></td>
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<tr>
<td>7</td>
<td>Introduction</td>
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<td></td>
<td>Origins, history, goals and evolution of microfinance</td>
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<td></td>
<td>Why intervene in traditional credit markets?</td>
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<td></td>
<td>The Grameen Bank</td>
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</tr>
<tr>
<td>Week</td>
<td>Topic</td>
<td>Suggested Readings in Neave</td>
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</table>
| 8    | Microfinance products and services  
The main features of microcredit;  
Risk management in microfinance – assessing and managing credit risk, liquidity risk and operational risk  
Monitoring; | |
| 9    | The dual goal of microfinance – sustainability and outreach  
Performance evaluation of MFIs;  
Case 1 | |
| 10   | Achievement and challenges in microfinance  
Measuring impact; high interest rates;  
Regulation  
Case 2 | |
| 11   | Innovation, new techniques and the future of microfinance  
Commercialization of microfinance  
Case 3 | |
| 12   | Special Topic: Islamic microfinance  
Case 4 | |
Additional Important Information

Policy on Mobile Devices

The use of mobile devices IS NOT PERMITTED in this class. It is disruptive to the instructor and class members. If you carry such a device to class, please make sure it is turned off. If an emergency situation requires you to keep it turned on, please discuss this with your instructor prior to class.

Important dates and deadlines

Group Work

The Sprott School of Business encourages group assignments in the school for several reasons. They provide you with opportunities to develop and enhance interpersonal, communication, leadership, followership and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your instructor may assign one or more group tasks/assignments/projects in this course.

Before embarking on a specific problem as a group, it is your responsibility to ensure that the problem is meant to be a group assignment and not an individual one.

Person with Disabilities

Students with disabilities requiring academic accommodations in this course are encouraged to contact a co-ordinator at the Paul Menton Centre for Students with Disabilities to complete the necessary letters of accommodation. After registering with the PMC, make an appointment to meet and discuss your needs with me at least two weeks prior to the first in-class test or ITV midterm exam. This is necessary in order to ensure sufficient time to make the necessary arrangements. Please refer to http://www.carleton.ca/pmc/ for all PMC information.

Religious Observance

Students requesting academic accommodation on the basis of religious observance should make a formal, written request to their instructors for alternate dates and/or means of satisfying academic requirements. Such requests should be made during the first two weeks of class, or as soon as possible after the need for accommodation is known to exist, but no later than two weeks before the compulsory academic event. Accommodation is to be worked out directly and on an individual basis between the student and the instructor(s) involved. Instructors will make accommodations in a way that avoids academic disadvantage to the student.

Students or instructors who have questions or want to confirm accommodation eligibility of a religious event or practice may refer to the Equity Services website for a list of holy days and Carleton’s Academic Accommodation policies, or may contact an Equity Services Advisor in the Equity Services Department for assistance.

Pregnancy

Pregnant students requiring academic accommodations are encouraged to contact an Equity Advisor in Equity Services to complete a letter of accommodation. The student must then make
an appointment to discuss her needs with the instructor at least two weeks prior to the first academic event in which it is anticipated the accommodation will be required.

Academic Integrity

Violations of academic integrity are a serious academic offence. Violations of academic integrity – presenting another’s ideas, arguments, words or images as your own, using unauthorized material, misrepresentation, fabricating or misrepresenting research data, unauthorized cooperation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include expulsion; suspension from all studies at Carleton; suspension from full-time studies; a refusal of permission to continue or to register in a specific degree program; academic probation; and a grade of Failure in the course, amongst others. Students are expected to familiarize themselves with and follow the Carleton University Student Academic Integrity Policy which is available, along with resources for compliance at http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/.