FINA5515A
Introduction to Microfinance
Fall 2013

WEEKS 1 TO 6
INSTRUCTOR  Michael McIntyre
CLASS TIME  Wed. 2:35-5:25
PHONE  613-520-2600 ext. 2514
E-MAIL  michael_mcintyre@carleton.ca
ROOM:  CB2400
OFFICE  DT1718

WEEKS 7 TO 12
INSTRUCTOR  Sana Mohsni
CLASS TIME  Wed 2:35-5:25
PHONE  613-520-2600 ext. 2991
E-MAIL  sana_mohsni@carleton.ca
ROOM:  CB2400

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**
at

**Grading Scheme**
Class Participation: 10%
Case Analysis: 20%
Topic Presentation: 20%
Take-home 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**
The list of suggested cases and the protocol for presenting cases will be discussed in class.

<table>
<thead>
<tr>
<th>Weeks 7 to 12</th>
</tr>
</thead>
</table>

**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.
2. Microfinance in Less Developed Countries: History, Progress, Present- Charity or Business?
K. Srnc, E. Svobodová, Agric. Econ. – Czech, 55, 2009 (10): 467–474

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.
29. Commercialization in microfinance: a study of profitability, outreach and success factors within the Latin American context, P. Dacheva and E. Gotwalt,

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%
Take-home 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>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Weeks 1 to 6</strong></td>
<td>Readings</td>
</tr>
</tbody>
</table>
| 1    | Introduction  
Financial system functions  
The composition of financial systems  
The role of central banks; implications of common currency areas for bank stability  
| 2    | Financial activity and capital formation; the role of financial systems in economic outcomes  
A simple state claim pricing model – a tool to understand risk  
Specific problems of intermediation  
Deal terms, financing continuum, intermediation  
| 3    | Interest rates  
| 4    | Lending case presentations  
Ideas relating to credit risk and credit losses  
<p>|</p>
<table>
<thead>
<tr>
<th>Week</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
</table>
| 5    | Bank management practices – assessing and managing credit risk  
Models of bank financing and runs; deposit insurance; moral hazard with deposit insurance; differential premiums | |
| 6    | Managing a bank’s finances: duration, financing gaps, risk-weighted assets, capital adequacy and value-at-risk  
Bank regulation – why and how  
The role of CAMELS assessments  
Messages from Basel II, and III  
Financial system capabilities: case presentations | |
| 7    | Introduction  
Origins, history, goals and evolution of microfinance  
Why intervene in traditional credit markets?  
The Grameen Bank | |
| 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.

Medical Certificate

In all occasions that call for a medical certificate you must use or furnish the information required in the standard university form:


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/](http://www2.carleton.ca/sasc/advisingcentre/academic-integrity/).

**Fall 2013**

July 5 - Carleton Central opens at 8:30 a.m. for registration for graduate students, including Graduate Exchanges and Joint Programs (see Timeticket schedule).

August 30 - Payment deadline date for your entire student account. Click here for important payment information. Late charges may be applied to the student account any time after this date.

August 31 – September 1 - Residence move in weekend. Students will be advised in July of their assigned move in date.

September 1 - Last day for receipt of applications from potential fall (November) graduates.

September 2 - Statutory Holiday. University closed.

September 3 - Fall Term Begins. Orientation for new Graduate Students.

September 4 - Carleton new Graduate Student Orientation. Sprott MBA Wine and Cheese (evening).

September 5 - Sprott MBA classes begin. MBA Wine and Cheese (Evening).

September 6 - Sprott Mandatory MBA Skills Workshops (Day 1).

September 7 - Sprott Mandatory MBA Skills Workshops (Day 2).

September 7 – Sprott MBA Society Social (evening).
September 18 - Last day of registration for fall term and fall/winter courses. Last day to change courses or sections for fall/winter and fall term courses.

September 30 - Last day to withdraw from Fall term and Fall/Winter courses with a full fee adjustment. Withdrawals after this date will create no financial change to Fall term fees (financial withdrawal).

October 14 - Statutory holiday, University closed.

October 16 - Sprott MBA F1 classes end.

October 17 - 18 - Sprott MBA potential makeup classes.

October 21 - 25 - Sprott MBA F1 Exam and final project week. No regularly scheduled Sprott MBA classes with the exception of IDMG classes.

October 28-November 1 - Fall break. Classes are suspended.

November 4 - Sprott MBA classes begin.

December 1 - Last day for receipt of applications from potential winter (February) graduates.

December 11 - Sprott MBA last day of F2 and F1&2 classes. Last day to pay any remaining fall tuition fees to avoid a hold on access to marks through Carleton Central and the release of transcripts and other official documents.

December 16 - 20 - Sprott MBA classes end.

Sprott MBA F1 Exam and final project week. No regularly scheduled Sprott MBA classes with the exception of IDMG classes.

December 25 to January 1 - University closed.

December 31 - Final Payment Deadline. Late charges may be applied to the student account any time after this date.

**Winter 2014**

January 6 - Sprott MBA W1 and W1&2 classes begin. Late Charges now apply.

January 17 - Last day for registration for winter term courses. Last day to change courses or sections for winter term courses.

January 31 - Last day for a fee adjustment when withdrawing from Winter term Withdrawals after this date will create no financial change to Winter term fees (financial withdrawal).

February 13 - MBA Sprott W1 classes end.

February 17 - Statutory Holiday. University Closed.

February 18-21 - Break Week. Classes suspended

February 24-28 - Sprott MBA W1 Exam and final project week. No regularly scheduled MBA classes with the exception of IDMG classes.

March 1 - Last day for UHIP refund applications for International Students who will be graduating this academic year. Last day for receipt of applications from potential spring (June) graduates.
March 3 - Sprott MBA W2 classes begin.

Late March (date to be confirmed). Last day to pay any remaining balance on your Student Account to avoid a hold being placed on your account that will prevent access to marks through Carleton Central and the release of transcripts and other official documents. An account balance may delay Summer 2014 course selection.

Carleton Central opens for summer registration.

April 8 - Last day to pay any remaining balance on your Student Account to avoid a hold on access to marks through Carleton Central and the release of transcripts and other official documents. An account balance may delay Summer 2014 course selection.

April 10 - Sprott MBA W2 and W1&2 classes end.

April 14-18 - Sprott MBA W1 and W1&2 Exam and final project week.

April 18 - Statutory holiday, University closed.

April 30 - Any balance owing on your student account will prevent access to marks through Carleton Central, release of transcripts and official documents, re-registration (see Student Accounts).

**Summer 2014**

- May-August  S1, S2 courses for part time students
- May-August  MBA Internship