



**CARLETON UNIVERSITY  
SPROTT SCHOOL OF BUSINESS  
BUSI4515A/FINA5515D  
Fall 2016  
Introduction to Microfinance**

**Instructor:** William Clements  
**Office:** TBD  
**Office Hours:** Each Monday: 1530 - 1730

**Email:** William.clements@carleton.ca  
**Mobile Phone Number:** 613-301-4978

**TA:** TBD  
**Office Hours:** TBD  
**Email:** TBD

**Course meets:** Wednesday 1805-2055

**Pre-requisites & precluded Courses:**

---

***Graduate***

FINA 5501, FINA 5502.

***Undergraduate***

**BUSI 2505** with a grade of C+ or higher, **STAT 2606** and **ECON 2009** with a grade of C- or higher in each, fourth year standing and enrollment in the Global Financial Management and Systems concentration in the BIB.

**The School of Business enforces all prerequisites**

---

**Course Calendar description from the 2016/2017 University calendar:**

This course will introduce students to the theory and practice of microfinance. It will provide students with a comprehensive understanding of microfinance, its achievements, its current challenges, and the basic skills needed to manage microfinance institutions (MFIs). The course also serves as a forum to reflect on the future of microfinance and of financing for development in general. A mix of cases and lectures will be used.

**COURSE DESCRIPTION AND OBJECTIVES:**

The course will provide an overview of the theory and practice of microfinance. The material for 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 first half of the course will analyze the structure of microfinance. The second half of the course will consider real microfinance institutions (MFIs) and cases on microfinance.

A mix of cases and lectures will be used to conduct the course.

**READING(S) / TEXTBOOK(S):**

The text "World Bank, Microfinance Handbook is required. This text is the basis of weeks 1 through 6. The other text used in week # 7 is MIT PRESS: The Economics of Microfinance, which may be available online.

The second half of the course will be based on contemporary papers/assigned readings in the selected topics and on cases on microfinance and MFIs.

In addition, there are suggested articles listed on page 6, after the course schedule. Interested students may wish to read these to augment their knowledge and to participate in class discussion.

**REQUIRED TEXT**

- Microfinance Handbook: An institutional and financial perspective, Joanna Ledgerwood, The World Bank: Washington, D.C.

**SUGGESTED TEXTS**

- Microfinance for Bankers and Investors: Understanding the Opportunities and Challenges of the Market at the Bottom of the Pyramid, E. Rhyne, McGraw-Hill, 2009.
- Creating a World without Poverty, M. Yunus, Public Affairs, 2007
- What's wrong with Microfinance, Edited by T. Dichter and M. Harper, 2007.

## **SUGGESTED SUPPLEMENTAL READINGS**

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/>
- Microfinance Gateway <http://www.microfinancegateway.org/>
- Microfinance Focus <http://www.microfinancefocus.com>
- Microcapital Institute <http://www.microcapital.org/>

## **COURSE REQUIREMENTS & METHODS OF EVALUATION:**

Class Participation:	20%
Assignment 1:	20%
Assignment 2:	20%
Final Exam:	40%

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).

## COURSE SCHEDULE

<u>Week</u>	<u>Topic</u>	<u>Required Readings</u>
1. 7 September 2016  Introduction to microfinance	Origins, history, goals for Microfinance. Why intervene in traditional credit markets? The story of the Grameen Bank.	<b>World Bank, Microfinance handbook: Chapter 2: The Target Market and Impact Analysis</b>
2. 14 September 2016  Microfinance products and services	The main features of microcredit.	<b>World Bank, Microfinance handbook: Chapter 3: Products and Services</b>
3. 21 September 2016  Designing Lending Products	Loan Structure – the function of guarantees and/or collateral.	<b>World Bank, Microfinance handbook: Chapter 5: Designing Lending Products</b>
4. 28 September 2016  Designing Savings Products	Types of Savings Products for Micro-Entrepreneurs.	<b>World Bank, Microfinance handbook: Chapter 6: Designing Savings Products</b>
5. 5 October 2016  The dual goals of microfinance	Sustainability and Outreach Performance evaluation of MFIs.	<b>World Bank, Microfinance handbook: Chapter 9: Performance Indicators</b>
6. 12 October 2016  Performance Measurement and Management	Controlling Delinquency on Loans; Controlling Costs for the MFI	<b>World Bank, Microfinance handbook: Chapter 10: Performance Management</b>
7. 19 October 2016  Risk Management and Employee Incentives for MFI's	Assessing and managing credit risk, liquidity risk and operational risk monitoring.  Case 1. FINCA	<b>MIT PRESS: The Economics of Microfinance Chapter 10: Managing Microfinance, p. 257</b>
26 October 2016  Carleton Study Break Week		

8. 2 November 2016  Achievement and challenges in microfinance	Measuring impact; High interest rates. Regulation of MFI's.  Case 2. Bank Rakyat Indonesia (BRI):	<b>USAID: Case Study of Profitability of Microfinance in Commercial Banks</b>  <b>CGAP: Scaling Up Microfinance</b>
9. 9 November 2016  Innovation, new techniques and the future of microfinance	Commercialization of microfinance. Achieving sustainability.  Case 3. Evaluating the Impact of Mobile Banking Deployment	<b>Microfinance Gateway: Using Mobile Technology to Expand Financial Inclusion</b>  <b>The Past and Future of Innovations in Microfinance</b>
10. 16 November 2016  Does Microfinance work? Is it effective & efficient? What are the alternatives?	Criticisms of microfinance.  Case 4. State-Owned Development Banks	<b>American Journal of Economics: Microcredit doesn't live up to promise of transforming lives of the poor</b>  <b>EY Challenges in Microfinance</b>
11. 23 November 2016  Special Topic: Islamic Microfinance	Islamic microfinance.  Case 5. Islamic microfinance and socially responsible investments	<b>CGAP Focus Note: Islamic Microfinance: An Emerging Market Niche</b>  <b>Musharakah Financing Model</b>
12. 30 November 2016  Improving and Strengthening Microfinance	MFI's offering broader services, such as: savings, insurance and payment products.  Case 6. Expanding the Frontiers of Microfinance	<b>Asia Development Bank. Finance for the Poor: Microfinance Development Strategy</b>  <b>CGAP: Four Scenarios for the Future of Microfinance</b>

### **CASES IN DETAIL:**

CASE 1. FINCA. From Intentions to Outcomes: Indicators and Tools for Managing Social Performance

CASE 2. Bank Rakyat Indonesia (BRI): Twenty Years of Large-Scale Microfinance

CASE 3. Evaluating the Impact of Mobile Banking Deployment for Microfinance Institutions

CASE 4. State-Owned Agricultural Development Banks: Lessons and Opportunities for Microfinance

CASE 5. Islamic microfinance and socially responsible investments

CASE 6. Expanding the Frontiers of Microfinance in the Service of the Poor: Experiment with Water and Sanitation

## List of Suggested Articles for FINI5515 and BUSI 4515

Fall 2016

<b>Week:</b>	<b>Article:</b>	<b>Source:</b>
1.	IMF: Microfinance Banking for the Poor	<a href="http://www.imf.org/external/pubs/ft/fandd/2007/06/basics.htm">http://www.imf.org/external/pubs/ft/fandd/2007/06/basics.htm</a>
2.	HBR: Serving the World's Poor, Profitably C.K. Prahalad and Allen Hammond	<a href="https://hbr.org/2002/09/serving-the-worlds-poor-profitably">https://hbr.org/2002/09/serving-the-worlds-poor-profitably</a>
3.	ResearchGate: Role of Microfinance for Improving Quality of Life by Providing Financial Services to Low-income Group: A Critical Review	<a href="https://www.researchgate.net/publication/280087121_Role_of_Microfinance_for_Improving_Quality_of_Life_by_Providing_Financial_Services_to_Low-income_Group_A_Critical_Review">https://www.researchgate.net/publication/280087121_Role_of_Microfinance_for_Improving_Quality_of_Life_by_Providing_Financial_Services_to_Low-income_Group_A_Critical_Review</a>
4.	Stanford: In Microfinance, Clients Must Come First	<a href="http://ssir.org/articles/entry/in_microfinance_clients_must_come_first">http://ssir.org/articles/entry/in_microfinance_clients_must_come_first</a>
5.	ACCION: Improving and Monitoring Customer Retention	<a href="http://www.microfinancegateway.org/sites/default/files/mfg-en-paper-improving-and-monitoring-customer-retention-2006_0.pdf">http://www.microfinancegateway.org/sites/default/files/mfg-en-paper-improving-and-monitoring-customer-retention-2006_0.pdf</a>
6.	CGAP: Appraisal Guide for Institutions, Chapter 5, 6, & 7 (pages 27 – 52)	<a href="https://www.cgap.org/sites/default/files/CGAP-Technical-Guide-Appraisal-Guide-for-Microfinance-Institutions-Mar-2008.pdf">https://www.cgap.org/sites/default/files/CGAP-Technical-Guide-Appraisal-Guide-for-Microfinance-Institutions-Mar-2008.pdf</a>
7.	Detailed Risk and Control Assessment (DRACA)	<a href="http://www.accion.org/sites/default/files/detailed-risk-and-controls-assessment.pdf">http://www.accion.org/sites/default/files/detailed-risk-and-controls-assessment.pdf</a>
8.	CGAP: Scaling Up Microfinance for India's Rural Poor	<a href="http://web.worldbank.org/archive/website01080/WEB/IMAGES/WPS3646.PDF">http://web.worldbank.org/archive/website01080/WEB/IMAGES/WPS3646.PDF</a>
9.	Impact of Mobile Banking on Microfinance Institutions: A Case Study of Small and Micro Enterprise Program (SMEP), Kenya	<a href="http://academicarchive.snhu.edu/bitstream/handle/10474/1646/sced2010enzioka.pdf?sequence=2">http://academicarchive.snhu.edu/bitstream/handle/10474/1646/sced2010enzioka.pdf?sequence=2</a>
10.	The Credit Union Experience: Using Mobile Technology to Expand Financial Inclusion.	
11.	Empowering Women Through Micro-Credit	
12.	MICROFINANCE 2015: PANEL FOCUSES ON THE FUTURE AND OUTLOOK OF MICROFINANCE	<a href="http://www.evancarmichael.com/African-Accounts/1700/Microfinance-2015-Panel-Focuses-on-the-Future-and-Outlook-of-Microfinance.html">http://www.evancarmichael.com/African-Accounts/1700/Microfinance-2015-Panel-Focuses-on-the-Future-and-Outlook-of-Microfinance.html</a>

## ADDITIONAL INFORMATION

### Course Sharing Websites

Student or professor materials created for this course (including presentations and posted notes, labs, case studies, assignments and exams) remain the intellectual property of the author(s). They are intended for personal use and may not be reproduced or redistributed without prior written consent of the author(s).

### Required calculator in BUSI course examinations

If you are purchasing a calculator, we recommend any one of the following options: Texas Instruments BA II Plus (including Pro Model), Hewlett Packard HP 12C (including Platinum model), Staples Financial Calculator, Sharp EL-738C & Hewlett Packard HP 10bII

### 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, follower-ship and other group skills. Group assignments are also good for learning integrative skills for putting together a complex task. Your professor 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.

In accordance with the Carleton University Undergraduate Calendar (p 34), the letter grades assigned in this course will have the following percentage equivalents:

A+ = 90-100	B+ = 77-79	C+ = 67-69	D+ = 57-59
A = 85-89	B = 73-76	C = 63-66	D = 53-56
A - = 80-84	B - = 70-72	C - = 60-62	D - = 50-52
F = Below 50			

WDN = Withdrawn from the course

ABS = Student absent from final exam

DEF = Deferred (See above)

FND = (Failed, no Deferred) = Student could not pass the course even with 100% on final exam

### Academic Regulations, Accommodations, Etc.

University rules regarding registration, withdrawal, appealing marks, and most anything else you might need to know can be found on the university's website, here:

<http://calendar.carleton.ca/undergrad/regulations/academicregulationsoftheuniversity/>

## Requests for Academic Accommodations

### *For Students with Disabilities:*

The Paul Menton Centre for Students with Disabilities (PMC) provides services to students with Learning Disabilities (LD), psychiatric/mental health disabilities, Attention Deficit Hyperactivity Disorder (ADHD), Autism Spectrum Disorders (ASD), chronic medical conditions, and impairments in mobility, hearing, and vision. If you have a disability requiring academic accommodations in this course, please contact PMC at 613-520-6608 or [pmc@carleton.ca](mailto:pmc@carleton.ca) for a formal evaluation. If you are already registered with the PMC, contact your PMC coordinator to send me your **Letter of Accommodation** at the beginning of the term, and no later than two weeks before the first in-class scheduled test or exam requiring accommodation (*if applicable*). **Requests made within two weeks will be reviewed on a case-by-case basis.** After requesting accommodation from PMC, meet with me to ensure accommodation arrangements are made. Please consult the PMC website ([www.carleton.ca/pmc](http://www.carleton.ca/pmc)) for the deadline to request accommodations for the formally-scheduled exam (*if applicable*).

### *For Religious Obligations:*

Students requesting academic accommodation on the basis of religious obligation 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 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 and instructors can confirm accommodation eligibility of a religious event or practice by referring to the Equity Services website (<http://carleton.ca/equity/accommodation/religious-observances/>) for a list of holy days and Carleton's Academic Accommodation policies. If there are any questions on the part of the student or instructor, they can be directed to an Equity Services Advisor in the Equity Services Department for assistance.

### *For 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 co-operation or collaboration or completing work for another student – weaken the quality of the degree and will not be tolerated. Penalties may include; a grade



of Failure in the submitted work and/or course; academic probation; a refusal of permission to continue or to register in a specific degree program; suspension from full-time studies; suspension from all studies at Carleton; expulsion from Carleton, 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/>.

### **Sprott Student Services**

The Sprott student services office, located in 710 Dunton Tower, offers academic advising, study skills advising, and overall academic success support. If you're having a difficult time with this course or others, or just need some guidance on how to successfully complete your Sprott degree, please drop in any weekday between 8:30am and 4:30pm. Our advisors are happy to discuss grades, course selection, tutoring, concentrations, and will ensure that you get connected with the resources you need to succeed! <http://sprott.carleton.ca/students/undergraduate/support-services/>  
Be in the know with what's happening at Sprott: Follow @SprottStudents and find us on Facebook SprottStudents Sprott.

### **Important Information:**

- Students must always retain a hard copy of all work that is submitted.
  - All final grades are subject to the Dean's approval.
  - For us to respond to your emails, we need to see your full name, CU ID, and the email must be written from your valid CARLETON address. Therefore, it would be easier to respond to your inquiries if you would send all email from your Carleton account. If you do not have or have yet to activate this account, you may wish to do so by visiting <http://carleton.ca/ccs/students/>
-