EC/FI 375 MICROFINANCE, ECONOMIC DEVELOPMENT, AND FINANCIAL INCLUSION
IES Abroad Milan

DESCRIPTION:
Financial inclusion is one of the main channels for enabling individuals to achieve full economic and social participation. In recent years, developing countries have experienced strong gains in financial inclusion. This is mainly due to the growing role of the financial inclusion sector (which is generally referred to as “microfinance”) and the advent of digital financial services (DFS). For example, in 2021 33% of adults in Sub-Saharan Africa had a mobile money account, compared to a world average of 10%.

The main objective of this course is to introduce students to the importance of and tools necessary for promoting financial inclusion in developing countries. It will also familiarize them with how the microfinance sector has contributed to financial inclusion since its inception. The first part of the course investigates the relationship between finance and economic development and clarifies which subjects are excluded from formal financial systems and how they manage their finances. The second part of the course addresses the microfinance industry, including its players, the products and services offered, and its main innovations (e.g., mobile money and banking). The course also highlights the dark sides of microfinance such as over-indebtedness and the debt trap.

CREDITS: 3

CONTACT HOURS: 45

LANGUAGE OF INSTRUCTION: English

PREREQUISITES: One prior course in economics, finance, or accounting is required

METHOD OF PRESENTATION:
Class sessions will include:
- Lectures
- In-class activities, conducted either individually or in groups
- Case-studies
- Videos
- Discussion
- Guest lectures from industry experts

REQUIRED WORK AND FORM OF ASSESSMENT:
- Active Class Participation - 10%
- Midterm Exam - 30%
- Group Assignments – 30%
- Final Exam - 30%

Active Class Participation
Class engagement is a key component of the course. Students’ contributions in class should reflect their reading and thinking about the topics and concepts covered in class. Student engagement will be evaluated in relation to four main criteria: their timely completion of homework quizzes; their collaborative and constructive contributions to group exercises or activities; their active participation and attention in class; and their demonstration of personal initiative and a positive, resilient attitude.

Midterm Exam
The mid-term exam will consist of questions in multiple choice, short answer, and short essay format. It will cover the content of lessons 1 to 10 (excluding lesson 8, which is dedicated to the group assignment). A detailed study guide will be posted one week before the midterm exam. The exam will expect students to know and be able to apply the main concepts covered in every class session.

Group Assignments
Students will receive two group assignments which will be launched and discussed during class. Groups will consist of 3-6 students, depending on the class size. They will be created at the beginning of the course and maintained throughout the duration of the semester. In-class activities will help students identify appropriate sources. Groups will receive feedback during dedicated class sessions from the instructor, with whom they will actively collaborate to address any need for changes or revision.

1. Group Assignment 1: “Measuring financial inclusion around the world” (10% of the assessment)

   Students will be asked to write a short essay (1,250-1,750 words) that summarizes the main findings of the most recent Global Findex survey. Each group will be responsible for one macro geographic area. The materials will be provided by the instructor.

2. Group Assignment 2: “Deep dive into an MFI” (20% of the assessment)

   Students will be asked to research a specific microfinance institution (MFI) and to prepare a presentation, which will be presented in class. The MFI will be selected with the support of the instructor during the first week of the course. The presentation should be practiced in advance and timed to 10 minutes. The slide deck should include at least 8 slides.

Final Exam
The final exam will consist of questions in multiple-choice, short-answer, and short-essay format. It will cover the content of lessons 11 to 21 (excluding lessons 17 and 18, which are dedicated to working-shopping the group assignment). A detailed study guide will be posted one week before the final exam. The exam will expect students to know the main theoretical concepts covered in each lesson and to be able to solve exercises similar to those presented in class.

LEARNING OUTCOMES:
By the end of the course, students will be able to:
- Identify the financial mechanisms underlying economic development
- Explain the causes of financial exclusion
- Recognize the main actors and products of the microfinance sector and how microfinance tools are used
- Evaluate and measure the social, environmental, and financial performance of microfinance institutions

ATTENDANCE POLICY:
As a member of our class community, you are expected to be present and on time every day. Attending class has an impact on your learning and academic success. For this reason, the IES Abroad Milan attendance policy allows for the following number of absences, which are intended to be used for physical and mental health reasons:
- THREE (3) absences in each Italian language course,
- TWO (2) absences in each Area Studies course,
- ONE (1) absence in each seminar course or course meeting 1 day a week,
- ZERO (0) absences in each course of individual music instruction.

Every absence beyond this allowance will automatically result in a penalty of 2 percentage points off the final grade. SEVEN (7) absences will result in a failing grade in Italian language and Area Studies courses. FOUR (4) absences will result in a failing grade in seminar or 1-day-a-week courses. Failure to attend a scheduled exam, test, quiz, or presentation will automatically result in an F grade on that assessment.

CONTENT:

Week	Content	Assignments
Session 1	**Course Introduction** • Presentation of the course • Financial structure and economic development, pt. I	
Session 2	**Finance and Economic Development** • Financial structure and economic development, pt. II	• Allen et al. (2018), pp. 31-62 (31 pgs)
Session 3	**Financial inclusion** • Who are the clients of microfinance? • What are the causes of exclusion?	• Rutherford et al. (2013), pp. 49-71 (22 pgs)
Session 4	**Introduction to Microfinance** • Informal financial markets	• Nelson (2013), pp. 149-171 (22 pgs)
Session 5	**Types of Financial Service Providers** • Tormal and semi-formal financial services providers: SACCOs, MFIs and Banks	• Ledgerwood (2013a), pp. 171-197 (25 pgs)
Session 6	**Microfinance Products and Services** • Savings and credit	• Ledgerwood (2013b), pp. 199-212 (13 pgs) • Ledgerwood and Earne (2013), pp. 213-231 (18 pgs)
Session 7	**Microfinance Products and Services** • Agricultural finance	• Miller (2013), pp. 231-249 (18 pgs)
Session 8	**Group Assignment 1** • Measuring financial inclusion around the world	
Session 9	**Microfinance Products and Services** • Insurance and payment services	• Churchill (2013), pp. 249-270 (21 pgs) • Lehman and Ledgerwood (2013), pp. 271-299 (27 pgs)

Session 10	**Green Microfinance** • Guest lecture: "Green microfinance" (delivered by a representative of the e-MFP Green Inclusive & Climate Smart Finance Action Group; see https://www.e-mfp.eu/gicsf-ag)	• Readings suggested by guest
Session 11	**MIDTERM EXAM**	
Session 12	**Microfinance Products and Services** • Weather and agricultural insurance	• Hazell et al. (2021), pp. 8-24 (16 pgs)
Session 13	**Mobile Banking** • Mobile banking in developing countries • The case of Kenya	• Ndung'u (2017), pp. 1-7 (6 pgs) • Pazarbasioglu et al. (2020), pp. 1-9 (8 pgs)
Session 14	**Social performance** • Social performance and outreach, pt. I	• Cerise+SPTF (2022), pp. 3-23 (20 pgs)
Session 15	**Social performance** • Social performance and outreach, pt. II	• Cerise+SPTF (2022), pp. 24-55 (21 pgs)
Session 16	**Financial Sustainability** • Microfinance crises and financial sustainability	• Mader (2013), pp. 47-66 (19 pgs)
Session 17	**Investment** • Guest lecture: "Investing in microfinance" (delivered by a representative of responsAbility Investments AG; see https://www.responsability.com/)	• Readings suggested by guest
Session 18	**Impact** • Measuring impact • The case of Banco Azteca in Mexico	• Bruhn and Love (2014), pp. 1347-1376 (29 pgs)

Session 19	**Criticisms of microfinance** • Social impact critiques • What's wrong with microfinance?	• Heinemann, "The micro debt": https://tomheinemann.dk/the-micro-debt/ (57 min, video, 2019) • *Bloomberg*, "The dark side of microfinance": https://www.youtube.com/watch?v=N87PRcYuqkM (16 min; video, 2022)
Session 20	**Group Assignment 2** • Deep dive into an MFI (In-class preliminary activities)	
Session 21	**Group Assignment 2** • Deep dive into an MFI (presentations)	• Finish group assignment and prepare presentation
Session 22	**Course Wrap-Up and Conclusions**	
	FINAL EXAM	

REQUIRED READINGS:

- Allen, F., Gu, X., & Kowalewski, O. (2018). "Financial structure, economic growth and development." in *Handbook of finance and development* pp. 31-62. Edward Elgar Publishing. Open-source link: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3035298
- Bloomberg (2022). "The dark side of microfinance": https://www.youtube.com/watch?v=N87PRcYuqkM (16 min)
- Bruhn, M., & Love, I. (2014). "The real impact of improved access to finance: Evidence from Mexico." *The Journal of Finance*, *69*(3), 1347-1376.
- Cerise+SPTF (2022). "Universal Standards for Social and Environmental Performance Management
- Churchill, C. (2013). "Insurance." in Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective, 13th edition*. pp. 249-270. World Bank Publications
- Hazell P. et al (2021). "Innovations and emerging trends in agricultural insurance for smallholder farmers – an update." Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.
- Heinemann T. (2019). "The micro debt": https://tomheinemann.dk/the-micro-debt/ (57 min)
- Ledgerwood, J. (2013a). "Institutional providers." in Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective, 13th edition*. pp. 171-197. World Bank Publications
- Ledgerwood, J. (2013b). "Savings services." in Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective, 13th edition*. pp. 199-212. World Bank Publications
- Ledgerwood, J., & Earne, J. (2013). "Credit." in Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective, 13th edition*. pp. 213-231. World Bank Publications
- Lehman, J., & Ledgerwood, J. (2013). "Payment Services and Delivery Channels." in Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective, 13th edition*. pp. 271-299. World Bank Publications

- Mader, P. (2013). "Rise and fall of microfinance in India: The Andhra Pradesh crisis in perspective." *Strategic Change*, *22*(1-2), 47-66.
- Miller, C. (2013). "Agricultural finance." in Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective, 13th edition*. pp. 231-249. World Bank Publications
- Ndung'u, N. (2017). "M-Pesa-a success story of digital financial inclusion." In *Practioner's Insight*, pp. 1-7. University of Oxford, UK. Link: https://www.bsg.ox.ac.uk/sites/default/files/2018-06/2017-07-M-Pesa-Practitioners-Insight.pdfn
- Nelson, C. (2013). "Community-based providers." in Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective, 13th edition*. pp. 149-171. World Bank Publications.
- Pazarbasioglu, Ceyla, et al (2020). "Digital financial services." World Bank 54.
- Rutherford, S., Collins, D., & Johnson, S. (2013). "Clients." in Ledgerwood, J., Earne, J., & Nelson, C. (Eds.). (2013). *The new microfinance handbook: A financial market system perspective, 13th edition*. pp. 49-71. World Bank Publications