COURSE SYLLABUS – MICROFINANCE (90-858)
SPRING SEMESTER (2011/12 Academic session)
Heinz School of Public Policy, Carnegie Mellon University

FACULTY
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VENUE & COURSE HOURS
GHC 4215, Wednesdays, 5.30 – 8.20pm. Office hours by appointment

COURSE DESCRIPTION
Microfinance provides financial services to the poor and has often been touted as a model example of a social entrepreneurship innovation that addresses both social and economic problems. However, it has been under scrutiny of late in light of concerns over consumer protection and increasing commercialization of the field, and questions remain about its effectiveness in lifting its clients out of poverty. The class will address these issues from both a philosophical and developmental perspective and provide in-depth discussion on the emerging issues in the microfinance world.

The class will be organized into three sections. The first section introduces the un-banked cohort and explains the need to design financial tools that specifically target this population. Section II focuses on what works, what doesn’t and why. The section provides analytical frameworks that underpin the design of microfinance tools and identifies areas where challenges and controversies exist in microfinance. The final section documents creative and innovative approaches that are currently being mainstreamed and provides insights on how the microfinance frontier could be extended.

The objective is to prepare students to take on roles as policy analysts and technical advisers on Microfinance and Development in foundations, governments, multilateral development institutions and international agencies. Participants will have an appreciation of the broader context that underpins the microfinance field; understand how and why the formal credit market fails to meet the financial needs of the poor; be knowledgeable about the challenges and controversies facing Microfinance, and be equipped with a framework to objectively examine and assess these issues.

COURSE MATERIAL
The recommended textbooks for the class are:
- Armendariz de Aghion, Beatrice, and Jonathan Morduch, The Economics of Microfinance. The MIT Press, 2005
- Daryl Collins et al., Portfolios of the Poor: How the World’s Poor Live on $2 a Day. Princeton University Press, 2009
- Brigit Helms, Access for All. The World Bank, 2006 (Blackboard)
CLASS FORMAT
Classes will be interactive. It is essential that students participate in these discussions, both in class and on Blackboard. Required readings for each week will be marked with an asterisk and students should, at the minimum, read these materials before the class as they are expected to come to class prepared for the discussions on these readings.

GRADING
Participation, in-class and on Blackboard: 20%, Policy brief: 20%, Presentation and paper on featured discussion: 20%, Final examination: 40%. The policy brief and final examination will be completed individually while the featured discussion and paper will be done in groups of 3-5 students depending on the class size.

POLICY ON PLAGIARISM AND CHEATING
Please adhere to the instruction on completing the policy brief and essay. I also want you to refer to CMU’s policy on plagiarism and cheating at http://www.cmu.edu/policies/documents/Cheating.html. The repercussion from plagiarizing or cheating may range from not receiving credit for the assignment to a failing grade in the course. Any questions on the University policy should be directed to the Intercultural Communication Center at Warner Hall, Room 418.

COURSE OUTLINE AND READING LIST

03/21: Overview and Characteristics of the Unbanked

- B. Helms, Access for All. Chapters 1 & 2*
- Daryl Collins et al., Portfolios of the Poor: How the World’s Poor Live on $2 a Day. Chapter 7*

Featured Discussion: Women and Microfinance

03/28: Coping Mechanisms and the Rationale for providing Financial Services to the Poor

- Daryl Collins et al., Portfolios of the Poor: How the World’s Poor Live on $2 a Day. Chapters 1 & 2*
- Armendariz de Aghion, and Jonathan Morduch, The Economics of Microfinance. Ch. 2 & 3*

Featured Discussion: RoSCAS
04/04: Models and Spectrum of Financial Services

- B. Helms, Access for All. Ch. 3*
- Debraj Ray, Development Economics, Princeton University Press, 1998 Ch. 14*
- Armendariz de Aghion, and Jonathan Morduch, The Economics of Microfinance. Ch. 4 & 6*

Policy brief and guidelines to be posted on Blackboard, due 04/18

Featured Discussion: Pros and Cons of Peer Monitoring and Group Lending approach

04/11: Controversies and Existing Challenges I – Cost of Money & Ownership Structure

- Daryl Collins et al., Portfolios of the Poor: How the World’s Poor Live on $2 a Day. Chapters 5*
- “Who is making money from Microcredit?” http://www.pbs.org/now/shows/338/video.html
- Foreign Capital investment in Microfinance – Balancing Social and Financial Returns, CGAP Focus Note #44, February 2008

Featured Discussion: Grameen and Compartamos

04/18: Controversies and Existing Challenges II – Value Added and Key Constraints

- B. Helms, Access for All. Ch. 4 & 5*
- Dichter T. & Harper M. (eds), What is wrong with Microfinance? Practical Action, 2007 Ch. 2 & 5*
- Accessing the Development impact of Microfinance Programs. Study commissioned by SIDBI and funded by DFID, UK. Available at http://www.sidbi.in/NOTICES/Impact_study.pdf
• The Economist, “A Partial Marvel”, July 16th, 2009 and “Froth at the bottom of the pyramid”, August 25th, 2009

Policy brief due

Featured Discussion: Governments’ Role and Optimal Policy Measures

04/25: Emergent Approaches and Looking Beyond Microfinance
• B. Helms, Access for All. Ch. 7*
• Creating Pathways for the Poorest: Early Lessons on implementing the Graduation Model, CGAP Brief, December 2009
• McKinsey Quarterly, “Capturing the promise of banking in emerging markets”, February 2010 and “A new idea in banking for the poor”, November 2010
• Mas I. & Radcliffe D., “Mobile Payments go viral: M-PESA in Kenya”, from Yes African Can, The World Bank, August 2010*
• Using Technology to Build Inclusive Financial Systems, CGAP Focus Note #32, January 2006

Featured Discussion: The Future of Mobile Money

05/02: Course Review

Final Examination