

MASTER OF SCIENCE IN WEALTH MANAGEMENT
MAÎTRISE UNIVERSITAIRE EN GESTION DE PATRIMOINE

MICRO-FINANCE (S402045)

Prof. Bernd BALKENHOL

6 ECTS

Semester: Spring

Teaching language: English

Objective

The course seeks to give participants a solid understanding how microfinance institutions balance profitability and outreach to the poor. Students should acquire insights into the double bottom line in responsible finance. Students will also get a sense of the multiple business models in microfinance with different relative emphasis on commercial or social outcomes. The competition between MFIs running different business models can lead to mission drift.

Lastly, participants will get an idea of the views, debates and controversies concerning the role of donors, governments and investors. In particular, the course will deal with the conditions to promote microfinance with "smart", non-distorting interventions

Description

The course is organized in nine modules:

1. Definitions, concepts and clarifications
2. Market failure and dysfunctioning and the emergence of micro-finance:
 - information asymmetry
 - moral hazard
 - adverse selection
 - «principal - agent» issues
 - property rights and access to finance
3. Demand for microfinance
 - the concept « household-enterprise »
 - informal finance
 - life cycle events, emergencies and opportunities
 - demand elasticities
4. Products and services
 - transaction costs
 - pricing
 - legal form and other determinants of the of supply of microfinance
 - special case: (conditional) grants

5. Methods

- targeting
- group transactions
- collateral substitutes
- savings first
- financial and non-financial services

6. Micro-finance institutions

- Types
- Performance
- Indicators of financial performance
- Indicators of social performance
- « Is there a trade-off »?
- Efficiency : absolute and relative

7. Micro-finance markets

- Competitiveness
- Interest rates and gross margins
- Response options to increased competition
- Growth and portfolio quality
- Client debt status
- Subsidies and market distortions
- « Mission drift »

8. Public policy for micro-finance

- Rationale
- Intervention criteria
- Entry points
- Instruments
- The special case of interest rate ceilings
- Regulation
- Subsidies and taxation

9. Impact

- Vulnerability, incomes, assets, education, health, housing etc.
- Innovations in micro-finance
- Experimental and other evaluation techniques
- Microfinance and the Sustainable Development Goals

Assessment

2 hour written exam.