MICRO FINANCE: 40 YEARS LATER, WHERE DO WE STAND?

Teachers : Emmanuelle Javoy, Joséphine GONZALEZ, Pauline ANGOSO
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BIOGRAPHICAL INFORMATION

Emmanuelle Javoy is an independent consultant specialized in the analysis of the performance of Microfinance Institutions and Microfinance Investment Vehicles. She has worked for eleven years for Planet Rating, a rating agency specialized in microfinance, as an analyst, Quality Manager and then as its Managing Director for 6 years. She has also worked for responsAbility, the leading MIV as the head of the Credit Analysis team for Financial Institutions. Throughout her career, Emmanuelle has supervised numerous rating reports and credit analysis of microfinance institutions, which gives her a very deep knowledge of microfinance institutions operations and risk profile. This experience has notably allowed her to contribute to the development of the Smart Campaign Client Protection Certification Standards and led her to work on the creation of the MIMOSA index, which is designed to measure the risk of market saturation and over-indebtedness in microfinance.

Pauline Angoso has 8 years’ experience in microfinance and social investments. She is currently investment officer specialized in microfinance at Proparco, the subsidiary of the French Development Agency dedicated to private sector activities. Before joining Proparco in 2014, Pauline spent four years as investment officer at the Grameen Crédit Agricole microfinance foundation. She also has an experience as SRI Analyst in the socially and responsible investment department of BNP Paribas Investment Partners.

Joséphine GONZALEZ (Responsable Investissement)
Emmanuelle JAVOY (Experte en microfinance)

COURSE OUTLINE

Session 1: Introductory session

- Introduction of teachers and students
- Objective of the course
- Q&A on expectations of students
- Group creation and selection of case studies
- Introductory session: The origins of microfinance
Suggested lectures:
- www.cgap.org
- www.lamicrofinance.org
- www.mixmarket.org
- *Due Diligence: An Impertinent Inquiry into Microfinance*, David Roodman, Center for Global Development, 2012

**Session 2: Overview of the microfinance industry today**

- Microfinance in Number: clients, providers, volumes, untapped markets and perspectives of growth
- Microfinance stakeholders: micro, meso and macro level
- Variety of legal forms and missions
- Network: from loose version to holdings
- Institutionalization and transformations
- Regional diversity: young markets, mature markets, microfinance in development countries
- Main challenges of the industry

Suggested lectures:
- *The New Microfinance Handbook*, Joanna Ledgerwood
- *Le guide de la microfinance : Microcrédit et épargne pour le développement*, Sébastien Boyé, Jérémy Hajdenberg, Christine Poursat, David Munnich, Alix Pinel

**Session 3: Clients, demand and Credit products**

- Working with the bottom of the pyramid: segmentation
- Focusing on clients’ needs: does microfinance have to be only productive?
- Beyond group lending: credit product innovation
- Markets: from growth to saturation

Presentations:
- Is there still room for village lending?
- Until what point is consumer lending acceptable in Microfinance?

Suggested lectures:
- *The Economics Lives of the Poor*, Abhijit V. Banerjee, and Esther Duflo

**Session 4: Clients Demand and Non Credit Products**

- Savings and deposits: product types, client segmentation, untapped markets, growth, challenges
- Microinsurance: brief overview (products, clients, untapped markets, challenges)
- Remittances, payment systems and alternative delivery channels
- Mobile banking: the next big thing? (covered in session 11)

Presentations:
- Are savings more relevant than credits?
What is a “good” micro-insurance product?

Suggested lectures:
- *Portfolios of the Poor: How the World's Poor Live on $2 a Day*, Daryl Collins, Jonathan Morduch, Stuart Rutherford and Orinda Ruthven
- *The New Microfinance Handbook*, Joanna Ledgerwood
- [www.microinsurancenetwork.org](http://www.microinsurancenetwork.org)
- [www.microinsurancecentre.org](http://www.microinsurancecentre.org)

Session 5: Market Infrastructure and regulatory environment

- Market infrastructure: refinancing mechanisms, professional networks, technical assistance providers, raters, training centers, credit bureaus
- Regulation and supervision: prudential and non-prudential regulation, consumer protection, supervisory arrangement

Presentations:
- Challenges to settle performing credit bureaus in developing countries
- Regulating microfinance institutions: a booster or an obstacle to financial institutions?

Suggested lectures:

Session 6: Introduction to institutional analysis – Part 1

- Analysis toolkit (social and institutional ratings, CAMEL tool / SEEP Pocket guide)
- Qualitative analysis (mission & vision, regulatory environment, market positioning, peer analysis)
- Organizational diversity and set-up

Suggested lectures:
- SEEP Pocket Guide
- [www.planetrating.com](http://www.planetrating.com)
- [http://www.woccu.org/bestpractices/pearls](http://www.woccu.org/bestpractices/pearls)
- [www.microfinanzarating.com](http://www.microfinanzarating.com)

Session 7: Introduction to institutional analysis – Part 2

- Getting to understand one institution (in-class analysis with assistance of professors)
- Presentation of the case study

Case study on institutional assessment of an MFI to be submitted to teacher on session 9

Suggested Lectures:
• Microfinance consensus guidelines: Definition of selected financial terms, Ratios and Adjustments for microfinance, CGAP 2003.
  • www.themix.org
  • www.mixmarket.org

Session 8: Microfinance industry crisis and the “Responsible finance” response

• Examples of crisis: Bolivia, Nicaragua, Morocco, Bosnia, India, Benin, etc.
• Common factors and regional/local causes
• Addressing the issue of over indebtedness
• Basic concepts of responsible finance
• The continuum of tools of responsible finance: client protection principles, social performance management, responsible finance ratings, certification, seal of excellence
• Double bottom line or two faces of the same coin?

Presentations:
• Responsible finance: just do no harm?
• “Pro-poor” microfinance: what does that mean?

Suggested lectures:
• www.smartcampaign.org
• www.sptf.info
• Responsible finance: Putting Principles to Work, CGAP, 2011
• A survey of the evidence on Over-Indebtedness, CGAP, 2011
• The Rise, Fall and Recovery of the Microfinance Sector in Morocco, CGAP, 2010
• Growth and Vulnerabilities in Microfinance, CGAP February, 2010
• Over-Indebtedness and Microfinance, responsAbility, 2010
• Microfinance Banana Skins 2014, CSFI, 2014

Session 9: Interest rates in microfinance

• Interest rates: microcredit = microrate?
• Transparency matters
• Calculating interest rates: using the Transparent Pricing Tool (Mftransparency)
• Interest rates determinants: cost of funds, credit risk, operational expenses, loan size and profit

Presentations:
• Interest rate caps: necessary evil or political interference?
• Interest rates in microfinance: how much is too much?

Suggested Lectures:
• www.mftransparency.org
• The New Moneylenders: Are the Poor Being Exploited by High Microcredit Interest Rates? CGAP, 2009
• Microcredit Interest Rates and Their Determinants 2004 – 2011, CGAP, 2013
• Microfinance Transparent Pricing Supervision Handbook (Microfinance Transparency, Planet Rating, AfD), 2013

**Session 10: Review of case studies**

• Review of Case Studies

**Session 11: Mobile Banking / Digital finance**

• Mobile Banking / digital finance: landscape and current client outreach
• Telco, MFIs, intermediaries and delivery channels
• Product features and challenges

**Presentations:**

• Can digital finance help achieve universal financial inclusion?
• M-PESA: can it be easily replicated?

**Suggested Lectures:**

• The New Microfinance Handbook, Joanna Ledgerwood
• www.gsma.com

**Session 12: Social Impact: the story so far**

• Individual Exam 45 min
• Diversity of Impact Assessment Methodologies
• Randomized control Trials
• Example of Al Amana in Morocco

**Presentation:**

• Does Microfinance have an impact on poverty reduction?

**Suggested lectures:**

• Banker To The Poor: Micro-Lending and the Battle Against World Poverty, Muhammad Yunus, 2006
• Latest Findings from Randomized Evaluations in Microfinance, CGAP, 2014
• Due Diligence: An Impertinent Inquiry into Microfinance, David Roodman, Center for Global Development, 2012