

Author(s): Steve Jackson, 2009

License: Unless otherwise noted, this material is made available under the terms of the **Attribution - Noncommercial - Share Alike 3.0 license**
<http://creativecommons.org/licenses/by-nc-sa/3.0/>

We have reviewed this material in accordance with U.S. Copyright Law **and have tried to maximize your ability to use, share, and adapt it.** The citation key on the following slide provides information about how you may share and adapt this material.

Copyright holders of content included in this material should contact open.michigan@umich.edu with any questions, corrections, or clarification regarding the use of content.

For more information about **how to cite** these materials visit <http://open.umich.edu/education/about/terms-of-use>.

Any **medical information** in this material is intended to inform and educate and is **not a tool for self-diagnosis** or a replacement for medical evaluation, advice, diagnosis or treatment by a healthcare professional. Please speak to your physician if you have questions about your medical condition.

Viewer discretion is advised: Some medical content is graphic and may not be suitable for all viewers.

Citation Key

for more information see: <http://open.umich.edu/wiki/CitationPolicy>

Use + Share + Adapt

{ Content the copyright holder, author, or law permits you to use, share and adapt. }



Public Domain – Government: Works that are produced by the U.S. Government. (USC 17 § 105)



Public Domain – Expired: Works that are no longer protected due to an expired copyright term.



Public Domain – Self Dedicated: Works that a copyright holder has dedicated to the public domain.



Creative Commons – Zero Waiver



Creative Commons – Attribution License



Creative Commons – Attribution Share Alike License



Creative Commons – Attribution Noncommercial License



Creative Commons – Attribution Noncommercial Share Alike License



GNU – Free Documentation License

Make Your Own Assessment

{ Content Open.Michigan believes can be used, shared, and adapted because it is ineligible for copyright. }



Public Domain – Ineligible: Works that are ineligible for copyright protection in the U.S. (USC 17 § 102(b)) *laws in your jurisdiction may differ

{ Content Open.Michigan has used under a Fair Use determination. }



Fair Use: Use of works that is determined to be Fair consistent with the U.S. Copyright Act. (USC 17 § 107) *laws in your jurisdiction may differ

Our determination **DOES NOT** mean that all uses of this 3rd-party content are Fair Uses and we **DO NOT** guarantee that your use of the content is Fair.

To use this content you should **do your own independent analysis** to determine whether or not your use will be Fair.

SI657/757: Information Technology and Global Development (WI 10)

Wk 11: Finance and Administration



General Notes:

- Reminder: no class next week
- Tuesday, April 13th, 11:30-1:00 Ehrlicher Room: IPOL Student Paper Competition Winners
- April 19th session (12-4 + food!) and final project/paper submissions: 5 pm, Sat Apr 17th, 'FINAL paper and projects' folder, discussion section of Ctools site
- 657 policy papers
- this week's additional readings
- course feedback



Role of Finance in Economic Development

- Payment services beyond cash
- Matching savers and investors
- Allocating credit efficiently
- Pricing, pooling, and trading risks
- Generating and distributing information

(Todaro & Smith, 751-752)



Why are the poor 'unbankable'?

- High default risks
- High transaction and service costs
- Absence of land tenure for financing housing
- Irregular flow of income due to seasonality
- Lack of tangible proof for assessment of income
- Unacceptable collateral such as crops, utensils and jewelry

(source: Tiwari and Fahad, <http://www.gdrc.org/icm/conceptpaper-india.html>)



Existing Financial Institutions for the Poor

- Informal finance (family & commercial moneylenders)
- Development banks (industrial and medium-sized enterprises)
- **Microfinance** (credit, also savings, insurance, and fund transfers)



Grameen Bank (Bangladesh)

- Founded in 1976; founder Muhammed Yunus wins Nobel Peace Prize in 2006
- No collateral, legal instrument, or joint liability; borrowers organized into 5 member groups, loans disbursed at rates ranging from 0-20% for income-generation, housing, student, and struggling member loans
- More than 8 million borrowers, 97% women; 8.96 bn in loans disbursed, 7.95 bn repaid (+ outstanding); 95% borrower owned and non-grant supported since 1995
- **97-98% repayment rate**; profitable in all but 3 years



 BY-SA

Marufish ([flickr](#))



10 Principles, Consultative Group to Assist the Poor, 2004

- Poor people need not just loans but also savings, insurance, and money transfer services.
- Microfinance must be useful to poor households: helping them raise income, build up assets and/or cushion themselves against external shocks.”
- Subsidies from donors and government are scarce and uncertain, and so to reach large numbers of poor people, microfinance must pay for itself.
- Microfinance means building permanent local institutions.
- Microfinance also means integrating the financial needs of poor people into a country's mainstream financial system.
- "The job of government is to enable financial services, not to provide them."
- Donor funds should complement private capital, not compete with it."
- "The key bottleneck is the shortage of strong institutions and managers." Donors should focus on capacity building.
- Interest rate ceilings hurt poor people by preventing microfinance institutions from covering their costs, which chokes off the supply of credit.
- Microfinance institutions should measure and disclose their performance – both financially and socially



Additional sources on microfinance:

- Microfinance Information Exchange
(www.mixmarket.org)
- <http://en.wikipedia.org/wiki/Microfinance>



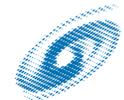
Administrative Capacity & Good Governance

- Weak administrative capacity for core state functions, incl. carrying out identified development programs
- High coordination costs with and between international donors (see 2005 Paris Declaration on Aid Effectiveness; 2008 Accra Agenda for Action)
- Variety of standardization / coordination efforts:
 - * WB/IMF country framework papers
 - * 'country lead' strategies
 - * Development Gateway's Aid Management Platform



Discussion (go to the text!)

- What are some of the principal administrative challenges currently faced by developing country governments (Schuppan) and micro-finance organizations (Parikh, Abad & Matin) (i.e., what are the problem(s) that new information system investments are meant to address)?
- What are some of the principal challenges encountered by efforts to implement new information systems in developing country government and microfinance institution contexts?



Additional reading discussion:

- Working in small groups, explain the key points, findings, and lessons from your additional reading from the ICTD 2009 conference.



Additional Source Information

for more information see: <http://open.umich.edu/wiki/CitationPolicy>

Slide 8: CC BY-SA 2.0, Marufish ([flickr](#))

