

Economics 1088: Financial Markets for Inclusive Growth

Syllabus, Fall 2024

Administration:

Instructor: Emily Breza ebreza@fas.harvard.edu

Teaching fellow: Yifan Xu yifanxu@g.harvard.edu

Lecture: MW 1:30-2:45 pm

Recitation Section: TBA

Office hours:

- Breza: Wednesdays 4:30-5:30pm, Littauer M18 and by appointment.
- Xu: (Yifan will reach out with a doodle poll)

Recitation: the course will have an optional recitation. The TF will use this time to answer questions, provide background material, and to work through practice problems. All materials will be posted on the Canvas site.

Course Description:

Over the past decade, access to financial services has expanded by 50%, yet a quarter of adults globally still do not have access to a formal financial account. Why has it been so challenging to reach this population? What financial product innovations have worked for banking poor customers? How do the underbanked make do without access to the formal financial market? What opportunities and challenges are presented by the global rise of digital payments and fintech? This course investigates the functioning of the financial market for low-income populations, with a focus on developing countries. Example topics include: 1) the link between financial market development and economic growth; 2) financial literacy and consumer protection; 3) savings and credit; 4) mobile banking and digital payments; 5) fintech. The course will cover relevant economic principles, business case studies, product design experiments, and research papers.

Prerequisites: Ec10, Stat 100, 104, 110 or equivalent.

Recommended Courses: Econ 1123 or 1126, Econ 1010A/1011A. (These are not strict co-requisites)

Course Materials:

- There is no required textbook
- Lecture notes will be posted on Canvas
- Required articles and research papers will be posted on Canvas
- HBS Cases:
 - There is a required coursepack from HBS that costs approximately \$26.

Assignments and Evaluation:

The course requirements will be:

- Homework (25%) (due before class on the due date)

- 2 Cases
- 4 Problem Sets
- Term Paper (20%)
- Participation (5%)
 - Attendance and class participation
 - Submission of regular reading responses (due the night before class)
- Exams (50%)
 - Midterm Examination (25%)
 - Final Examination (25%)

Homework: Cases

For two of the cases, you will be given a case document to read and an accompanying set of questions and problems to solve before class. We will discuss the case and walk through the solutions together in class.

Homework: Problem Sets

The four problem sets will include a variety of questions including short answer, theory, problems with calculations and some work in a statistical software program.

Homework: Guidelines

The cases and problem sets are comparable in length and difficulty. Students **can drop the lowest score** out of the 6 homework assignments (either one problem set or one case). **No late homework will be accepted.** Students are permitted to discuss the problem sets and cases with one another. However, each student must submit an independent write-up. Please write the names of collaborators at the top of your solutions.

Paper Assignment:

Students will also be required to submit a paper (~15 pages) by the end of the semester analyzing a novel financial product aimed toward traditionally underserved communities. If students wish for this assignment to fulfill the writing requirement for the Economics concentration, the paper will need to be completed individually. Otherwise, students are welcome to work in groups of two.

Policy on Adaptive AI:

Using AI tools such as Chat GPT on reading responses, cases or problem sets is **not allowed** unless explicitly stated in the assignment instructions. Guidelines for the use of AI tools on the term paper will be

Midterm Exam

The midterm examination will tentatively take place in class on October 16.

Final Exam

The final exam will be held during exam week. The length will be similar to the midterm.

Course Schedule: Lectures and Deliverables (Topic dates may change.)

Lecture	Date	Topic	Deliverables
1	9/4/24	Introduction	
2	9/9/24	Does finance cause development? + the costs of banking the poor	
3	9/11/24	Discounting, present value and financial literacy	Reading Response: Financial Literacy
4	9/16/24	Financial decision-making + China Life case	Homework 1 (Case): China Life
5	9/18/24	The Theoretical Case for Savings	
6	9/23/24	Barriers to Savings	Reading Response: Savings
7	9/25/24	Benefits of Savings	Reading Response: Women's Financial Control
8	9/30/24	The difficulty of lending to the poor + intro to microfinance	Homework 2 (Problem Set)
9	10/2/24	Microfinance	Reading Response: Microcredit
10	10/7/24	SKS Case + Equilibrium Impacts	Reading Response: SKS Case
11	10/9/24	Improving Microfinance and Beyond	Homework 3 (Problem Set)
12	10/14/24	Consumer Financial Protection	
13	10/16/24	MIDTERM	
	10/21/24	No class: University Holiday	
		Investments and CAPM in complete markets + discussion of paper	
14	10/23/24	assignment	
15	10/28/24	Investments and CAPM in incomplete markets	Reading Response: Vulnerability to Shocks
16	10/30/24	The demand for insurance, formal insurance, and social protection	Homework 4 (Problem Set)
17	11/4/24	Informal insurance	
18	11/6/24	Formal Insurance, BASIX case	Homework 5 (Case): BASIX
19	11/11/24	The case for mobile banking	
20	11/13/24	When does mobile banking catch fire?	Reading Response: Mobile Banking Case
21	11/18/24	International remittances	Homework 6 (Case + Problems)
22	11/21/23	Other Models for Digital Finance	Reading Response: Facebook Libra Case
23	11/25/23	Financial Product Innovation and Fintech	
24	12/2/24	Venture Capital and Equity Investing	
25	12/2/23	Firm Training and Impacts of Consultants	Term Paper Due