

Economics 1088: Financial Markets for the Poor

Syllabus, Spring 2021

Administration:

Instructor: Emily Breza ebreza@fas.harvard.edu
Teaching fellow: Louise Paul-Delvaux lpauldelvaux@fas.harvard.edu
Lecture: MW 10:30-11:45 am (zoom links available in Canvas calendar)
Recitation Section: Th 1:30-2:30 pm

“Office” hours: (zoom links will be available in Canvas calendar)

- Breza: Tuesdays 2-3pm, Thursdays 9:30-10:30pm.
- Paul-Delvaux: TBD.

Recitation: the course will have an optional online recitation. The TF will use this time to answer questions, provide background material, and to work through practice problems. (Time TBD)

- If you cannot attend the recitation but have questions for Louise, please email them to her ahead of time. She will then address the questions in the recorded recitation.
- Recitations will be recorded and posted to the Canvas page.

Course Description:

1.7 billion adults around the world do not have access to a financial account. Why has it been so challenging to reach this population? What kinds of financial product innovations have worked in reaching poor customers? How do the unbanked make do without access to the formal financial market? 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; 4) credit; 5) insurance; 6) mobile banking and digital payments. The course will cover relevant economic principles, business case studies, product design experiments, and research papers.

Prerequisites: Ec10.

Course Materials:

- There is no required textbook
- Lecture notes will be posted on Canvas
- Required articles and research papers will be posted on Canvas
- 4 HBS Cases:
 - There is a required coursepack from HBS that costs \$17.
 - Please use the following link: <https://hbsp.harvard.edu/import/792338>
 - Once you click on the link, you will need to first set up a student account. Then, follow the instructions to purchase and download the case pdfs.

Lecture Recordings and Asynchronous Participation

All lectures will be recorded and posted to the course Canvas page. If possible, I encourage students to watch the lectures synchronously, so that you can participate in real time. The case lectures in particular are designed for active student participation. However, I am allowing asynchronous participation chiefly for the benefit of students taking the course in inconvenient time zones. Traditionally, I factor class attendance and engagement into the participation grade. However, I am relaxing this requirement in light of the online, at-home circumstances this semester (see below). I will make arrangements so that all students taking the course asynchronously will be able to complete the course requirements. Louise and I will also hold open zoom meeting times to accommodate all times zones.

Assignments and Evaluation:

The course requirements will be:

- Homework (40%) (due before class on the due date)
 - 2 Cases
 - 4 Problem Sets
- Participation (10%)
 - Submission of regular reading responses (due the night before class).
- Midterm Exam (25%)
- Final Project (25%)
 - Presentation (5%)
 - Written Draft (20%)

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 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.

Class Participation

During this unique semester, the class participation grade will be based on two components: 1) the submission of weekly reading responses; and 2) a short (5 minute) in-class presentation of one of the assigned readings. For the reading responses, students will be asked to read an assigned case or article (posted on Canvas) and answer a discussion question. Responses should be very brief (no more than one paragraph) and should be uploaded online by 11pm the

night before class. These will not be graded, but submission will be recorded. Students will each sign up to present one of these readings in class. All completed presentations will receive full credit. Students taking the course asynchronously will have an alternate way to fulfill this requirement.

Midterm Exam

The midterm examination will take place in class on **March 15**.

Final Project

For this project you may work with a partner or by yourself. (We will facilitate matching students to partners if requested.) The goal will be to pitch a new financial product or piece of financial infrastructure targeted at underserved populations. Components of the final paper will include: a) statement of the use case of the product using reasoning from the course lectures; b) analysis of financial product landscape for target customers; c) analysis of regulatory landscape for the target population; d) analysis of potential for sustainability of the product; e) plan for measuring impact. Students will be given a list of financial products to choose from, but they will not be required to choose a product from the list.

Preliminary Course Schedule: Lectures and Deliverables (lecture topics and assignment due dates may change)

L1: January 25, *Intro: finance for the poor*

L2: January 27, *Does finance cause development? + the costs of delivering finance to the poor*

L3: February 1, *Discounting, present value and financial literacy*

- Reading Response: "The Economic Importance of Financial Literacy: Theory and Evidence"

L4: February 3, *Financial decision-making + China Life case*

- Homework 1 (Case): China Life

L5: February 8, *The Theoretical Case for Savings*

L6: February 10, *Barriers to Savings*

- Reading Response: "Saving by Default: Evidence from a Field Experiment in Rural India"

February 15, *No class – Presidents Day*

L7: February 17, *Benefits of Savings*

- Reading Response: "On Her Own Account: How Strengthening Women's Financial Control Affects Labor Supply and Gender Norms"

L8: February 22, *The difficulty of lending to the poor + intro to microfinance*

- Homework 2 (Problem Set)

L9: February 24, *Microfinance*

- Reading Response: Pick 1 of the following
 - "Microcredit Impacts: Evidence from a Randomized Microcredit Program Placement Experiment by Compartamos Banco"
 - "The Miracle of Microfinance? Evidence from a Randomized Evaluation"

March 1, *No class – Wellness Day*

L10: March 3, *SKS Case + Equilibrium Impacts*

- Reading Response: SKS Case

L11: March 8, *Credit Beyond Microfinance*

- Homework 3 (Problem Set)

L12: March 10, *Consumer Financial Protection*

L13: March 15, *MIDTERM*

L14: March 17, *Investments and CAPM in complete markets*

L15: March 22, *Investments and CAPM in incomplete markets*

- Reading Response: “Access to Migration for Rural Households”

L16: March 24, *The demand for insurance, formal insurance, and social protection*

- Homework 4 (Problem Set)

L17: March 29, *Informal insurance*

March 31, *No class – Wellness Day*

L18: April 5, *BASIX case*

- Homework 5 (Case): BASIX

L19: April 7, *The case for mobile banking*

L20: April 12, *When does mobile banking catch fire?*

- Reading (no response): Mobile Banking Case

L21: April 14, *International remittances*

L22: April 19, *Mobile Payments for COVID-19 and Facebook for Financial Inclusion*

- Reading Response: “Facebook’s Libra: The Privatization of Money?”

L23: April 21, *Firm Training and Impacts of Consultants*

- Reading Response: “Does Management Matter?”

L24: April 26, *Student Presentations*

L25: April 28, *Student Presentations*

- Homework 6 (Problem Set)

May 5, *Final Project Due*