



GEST-Y-002

Module “Digital finance”

Course: Digital finance

2nd semester EMP 2019-20

Module manager: Prof. Baptiste VENET

Planning

Date	Time	Lecturer	Guest speaker	Place
18/02/2020	6 pm to 9 pm	Prof. B. Venet		R42.4.110
19/02/2020	6 pm to 9 pm	Prof. B. Venet		R42.4.110
20/02/2020	6 pm to 9 pm	Prof. B. Venet		R42.4.110
21/02/2020	6 pm to 9 pm	Prof. B. Venet		R42.4.110
20/03/2020	6 pm to 9 pm	Prof. B. Venet	V. Salifou	R42.4.110
21/03/2020	9 am to 12 pm	Prof. B. Venet	V. Salifou	R42.4.110
27/03/2020	6 pm to 9 pm	Prof. B. Venet	Prof. S. Morvant	R42.4.110
28/03/2020	9 am to 12 pm	Prof. B. Venet	Prof. S. Morvant	R42.4.110

Objective of the course

The share of adults owning a banking account is now 69 percent worldwide. However, about 1.7 billion adults remain unbanked, most of them living in the developing world (Demirguc-Kunt et al., 2017, pp. 2 and 4). The World Bank Group has therefore launched in 2017 the World Bank Universal Financial Access (UFA2020) initiative. According to this initiative, by 2020 the adults who are excluded from the formal financial system will be able to manage their financial lives by having access to a transaction account allowing them to store money and send and receive payments.

What are the consequences of digitizing finance in emerging and developing economies? What do we know about the behavioral changes in DFS users (impacts on savings, remittances, etc.) and about the changes in users' welfare and economic activity?

The main objective of the course is to present key issues in digital finance.

Topics covered and recommended readings

1 and 2) Digital Finance Services (DFS) and financial inclusion

- Mobile microfinance is a possible way to improve the access of poor people to financial services.
- What are the main advantages and drawbacks of digital finance?
- M-Pesa and M-Shwari in Kenya
- What do we know about the behavioural changes in DFS users (impacts on savings, remittances, etc.) and about the changes in users' welfare and economic activity?

References:

- Kapoor, M., J. Morduch and S. Ravi (2007), "From Microfinance to m-Finance," *Innovations*, winter/spring, Microcredit Summit Annual Report: 82-90.
- Venet, B. (2019), "FinTech and Financial Inclusion," in Hudon, M., M. Labie and A. Szafarz (eds.) *A research Agenda for Financial Inclusion and Microfinance*, Cheltenham: Edward Elgar Publishing, 162-173.

3 and 4) Mobile banking

Mobile banking: the impact of Orange Money use on clients' behavior in Madagascar.

The Digital finance banana skins: Main concerns about the use of DFS

5) Digital finance business models for MFIs

Guest Speaker: Victorin Salifou, Digital Finance Expert

It has become almost an evidence that digital finance, under some conditions, can lead to greater financial inclusion (Ozili, 2018, p. 330). While Microfinance Institutions (MFIs) are increasingly facing pressure to develop digital finance, finding a suitable business model, which matches with the MFI's objectives, capacities and capabilities, is often complex and challenging for them.

In the light of the above consideration, the main objective of this course is to discuss concrete examples of digital finance business models as MFIs are developing them in low-income countries, by emphasizing their benefits, their limits as well as lessons learned.

One of the particularities of this course is the fact that it is built on empirical work (field experience) in digital finance implementation with Microfinance Institutions on the field.

Topics covered and recommended readings

1) and 2) Digital finance business models for MFIs

- Contextualization and use of concepts related to digital finance business models
- Case studies of digital finance business models implemented by MFIs in low-income countries

References:

- Goyal, S. et al., (2017), "Understanding business model – literature review of concept and trends", *Int. J. Competitiveness*, Vol. 1, No. 2, 2017
- Mader, P. (2016), Microfinance and Financial Inclusion, *The Oxford Handbook on the Social Science of Poverty*, Oxford: Oxford University Press
- Manyika, J. et al., (2016), "Digital Finance for all: powering inclusive growth in emerging economies" McKinsey Global Institute
- Ozili, P. O. (2018), "Impact of digital finance on financial inclusion and stability", *Borsa Istanbul Review* 18-4 (2018) 329-340
- Alliance for Financial Inclusion (AFI) (2016), "Digital financial services: basic terminology," *Guideline Note No.19*, Alliance for Financial Inclusion (AFI)
- "MicroLead's DFS Toolkits: How to Succeed in your digital journey," A series of practical guides and case studies from UNCDF MicroLead, Mastercard Foundation and PHB Academy
<http://www.uncdf.org/microlead/download-the-dfs-toolkits-from-microlead>

6) The coupling of digital social grants with financial inclusion

Guest Speaker: Prof. Solène Morvant

While more than half of the world population still lacks any kind of social protection (International Labour Office 2017), social programmes have been strongly supported by the World Bank and other international organisations such as ILO since the end of the 1990s. Known as *government to people cash transfers* (G2P) or *conditional cash transfers* (CCT), such redistribution policies aim to fight short and long run poverty and hunger by setting up a “social protection floor” (International Labour Conference 2011) for the low-income population segments in the Global South (Hanlon et al. 2010).

While the primary goal of cash transfers is to alleviate poverty and vulnerability, evidence points to spill-over effects over a wide range of development outcomes, including education, health and nutrition as well as embryonic forms of citizenship (ibid) casting renewed relationships between the state and wider segments of the population.

Digital Social Payments, its promoters argue, have the potential to increase the efficiency and transparency of the programmes, reduce their delivery costs and enhance their outreach in rural and isolated areas (Klapper & Singer 2017). Digital social payments, not only allow a shift away from hand-to-hand cash distribution but also expedite the implementation of a broad financial inclusion agenda. Indeed, in countries where fewer than 30% of the population has access to financial services (Demirguc-Kunt et al. 2015) the transition to digital social payments was the first step to introducing a wide array of banking services such as basic bank accounts (current, savings, etc.), credit and payment services.

This combination is supposed to induce a virtuous cycle where, on the one hand, G2P transfers are viewed as efficient instruments for fostering financial inclusion, and on the other, the expansion of financial inclusion through digital-transfer-channels further facilitates the payment and potential impacts of government cash transfers.

Topics covered and recommended readings

- Present an overview of social grants (Government to people-G2Ps) and their evolution
- Look at the ways G2Ps have been used to foster financial inclusion
- Big data to craft new public policies

Mandatory readings (will be shared with the students) :

- Gronbach, L., “Social Cash Transfers and (Digital) Financial Inclusion in South Africa,” Working paper.
- Langevin, M. (2019), “Big Data for (Not so) Small Loans: Technological Infrastructures and the Massification of Fringe Finance,” *Review of International Political Economy* 26(5): 790–814.
- Maurer B. (2017), “Value Transfer and Rent: Or, I Didn’t Realize My Payment Was Your Annuity,” in Hart, K. (eds.) *Money in a Human Economy*, The Human Economy, Volume 5, New York: Berghahn Books.

References:

- Duryea, S. and E. Schargrotsky (2008), *Financial Services for the Poor: Welfare, Savings and Consumption*. World Bank. Retrieved from: <http://siteresources.worldbank.org/INTFR/Resources/DuryeaSchargrotsky150208.pdf>
- Hanlon, J., A. Barrientos, D. Hulme (2010), *Just Give Money to the Poor: The Development Revolution from the Global South*. Sterling, VA: Kumarian Press.
- International Labour Office (2017), "World Social Protection Report 2017–19. Universal Social Protection to Achieve the Sustainable Development Goals," Geneva: International Labour Organisation.
- Klapper, L. and Singer D. (2017), "The Opportunities and Challenges of Digitizing Government-to-Person Payments," *The World Bank Research Observer* 32(2): 211–26.
- Maldonado, J. H., Moreno-Sánchez, R., Giraldo Pérez, I. and Barrera Orjuela, C. A. (2011), "Conditional Transfer and Financial Inclusion Programs: Opportunities and challenges in Latin America," in *short* 22(June): 1–13.
- Mariscal, J., Renteria, C. (2013), "Implementation of Information and Communications Technologies for Financial Inclusion in Programs to Alleviate Poverty in Brazil, Colombia and Mexico," in *E-Government Success around the World: Cases, Empirical Studies, and Practical Recommendations* (IGI Global). Gil-Garcia; J. Ramon; Mahmood; Zaigham.
- Morvant-Roux S. and M. Carmona (forthc.), "La financiarisation des politiques sociales au Mexique : la laborieuse conversion des transferts monétaires en produits financiers", [Mondes en développement](#).
- World Bank (2015), *The State of Social Safety Nets 2015*, The World Bank.

Evaluation (all parts)

Written assignments: date to be confirmed.

Pairs of students have to write a short essay (from 10 to 20 pages) dedicated to the use of new technologies in microfinance and financial inclusion. It could be either a theoretical or an empirical writing.