GEST-S-6003

<u>Module "Financial management"</u> *(part 2)*

Course: *Financial management*

2nd semester EMP 2025-26

Planning

Part 1: Prof. Patrick Reichert
Part 2: Prof. Hubert Tchakouté-Tchuigoua

Module Manager : Prof. Patrick Reichert

Date	Time	Lecturer	Place
03/03/26	6 pm – 9 pm	Prof. Patrick Reichert	A.005
04/03/26	6 pm – 9 pm	Prof. Patrick Reichert	A.005
05/03/26	6 pm – 9 pm	Prof. Patrick Reichert	A.003
06/03/26	6 pm – 9 pm	Prof. Patrick Reichert	A.003
23/03/26	6 pm – 9 pm	Prof. Hubert Tchakoute Tchuigoua	A.005
24/03/26	6 pm – 9 pm	Prof. Hubert Tchakoute Tchuigoua	A.005
28/03/26	9 am – 12 am and 14 pm- 16 pm	Prof. Hubert Tchakoute Tchuigoua	R42.2.113

Objectives of the course

The course aims to help students:

- LO 1.2 understand and assess the risk management of MFIs.
- LO 1.3 understand the need for financial regulations and the lessons to be learned from the current crisis.
- LO 1.4 provide a sound financial statement analysis of an MFI.
- LO 4.1 define and write a business plan (final group work).

Objectives of the course

The course aims to help students:
• Understand and assess the risk management of MFIs.
• Provide a sound financial statement analysis of an MFI.
• Define and write a business plan (final group work).
The topics taught in the previous courses will be used to support the debates. We expect this course to be highly interactive since it will mainly be based on case studies and simulations.

Part 1: Prof. Patrick Reichert

Topics in financial management

Course Objectives

This course focuses on the financial management challenges faced by microfinance institutions (MFIs) and mission-driven social enterprises operating in low-income and emerging-market contexts. Moving beyond introductory discussions of development and impact, the course equips students with the analytical tools and managerial perspective needed to make strategic financial decisions under conditions of uncertainty, risk, and resource constraints.
The course examines how financial managers translate mission and theory of change into sustainable financial structures, balancing outreach, impact, and institutional viability. Students explore core topics such as liquidity management, portfolio growth, capital allocation, pricing, risk management, and financial planning, with particular attention to the distinctive features of subsidy design within MFIs and social enterprises.
The course conceptualizes financial management as an embedded, path-dependent, and strategic activity, shaped by organizational objectives, governance arrangements, market conditions, and socio-institutional contexts. Through applied cases, simulations, and hands-on financial modeling exercises, students engage directly with the types of

trade-offs faced by managers, investors, and boards in inclusive finance and social enterprise settings.
The course uses interactive simulations, case-based learning, and practical workshops. Students work with tools such as MFI management simulators and business models (e.g. pay-as-you-go) to develop, test, and revise financial strategies, while critically reflecting on their implications for social inclusion, environmental sustainability, and long-term institutional resilience.

By the end of this course, students will be able to:
1. **Analyze financial sustainability challenges** faced by microfinance institutions and social enterprises operating in low-income and emerging-market contexts.
2. **Translate mission and theory of change into financial strategies**, budgets, and performance indicators.
3. **Manage liquidity, growth, and risk trade-offs** under operational and capital constraints.
4. **Design and assess financial structures and portfolios** aligned with organizational objectives and target markets.
5. **Use financial simulations and models** to support managerial decision-making and strategic planning.
6. **Critically evaluate financial decisions** in light of social impact, governance, and institutional resilience.

Session 1 (3 Mar 2026): Lake Simulation: Finance, Incentives, and Collective Action

This real-time simulation introduces students to the concepts of collective action problems through an active learning experience.
A computer is required to run the simulation **(PLEASE BRING COMPUTER TO CLASS).**

Objective:
Build intuition around systemic risk, profit motives, and perverse incentives before introducing financial tools in subsequent sessions. Students analyze the decisions made in this type of situation and look for successful strategies to manage them. Why “profit” and “impact” tensions emerge in financial systems.

Recommended Readings: None

Session 2 (4 Mar 2026): Financial Management: From Theory of Change to Financial Modeling

Topics:

• Social Innovation (1st part)

• Theory of Change (2nd part)

Theory of Change is a comprehensive description and illustration of how and why a desired change is expected to happen in a particular context. It is focused in particular on mapping out or "filling in" what has been described as the "missing middle" between what a program or change initiative does (its activities or interventions) and how these lead to desired goals being achieved. It does this by first identifying the desired long-term goals and then works back from these to identify all the conditions (outcomes) that must be in place (and how these related to one another causally) for the goals to occur.

Group Assignment: **PLEASE BRING COMPUTER TO CLASS**

Students identify and pitch the theory of change for an innovative organization tackling a social or environmental challenge in rural development (more details provided in class).

Recommended Readings:

• Stein, D., and C. Valters (2012). *Understanding theory of change in international development*.

• Raimi, L., Dodo, F., & Sule, R. (2022). Comparative discourse of social enterprises in the developed and developing countries using theory of change framework: a qualitative analysis, In *Social Entrepreneurs (*Vol. 18, pp. 29-54). Emerald Publishing Limited.

• Allet, M. (2014). Why do microfinance institutions go green? An exploratory study, *Journal of Business Ethics, 122*, 405-424.

• *Social Innovation Map*, WEF Dynamic Briefing co-curated by Vanina Farber and Patrick Reichert, IMD.

• Phills, J.A., Deiglmeir, K. & Miller, D.T. (2008). Rediscovering Social Innovation, *Stanford Social Innovation Review*, (Fall): 34-43.

Session 3 (5 Mar 2026): Subsidy Design and Financial Modelling for Social Enterprise & MFIs

Objective:

Through an interactive case, this session Introduces the pay-as-you-go (PAYG) business model and builds the business and financial model for a PAYG company together with students. The case builds on the previous session by first developing a Theory of Change for the PAYG company and explores the challenges of PAYG. Students also learn about how to identify and measure social and financial indicators.

Topics:

• The impact economy and social finance spectrum

• Supply and demand of social innovation: main players

• The Agenda 2030 and the Sustainable Development Goals

• Applying social innovation in rural development

Assignment:

Interactive in-class workshop on computers (**PLEASE BRING COMPUTER TO CLASS)**

Case introduces the pay-as-you-go (PAYG) business model (builds the business model for a pay-go company together with students)

• Explores the challenges of PAYG

Analyzes the PAYG model through social and financial indicators

Recommended Readings: None

Session 4 (6 Mar 2026): "Symbanc" Managing Liquidity Risk in an MFI & Financial Planning

Objective:

Students will be split into different groups that will work independently on the Symbanc simulator. Each session will have its own objectives that need to be achieved. It will be asked randomly some groups to present their results to other participants, followed afterwards by discussion/debates animated by the audience and the professor

Topics:

• Get familiar with Symbanc V.1 MFI simulator

• Understand the complex interrelation between the decisions that a manager in MFI takes

• Identify target market and design of loans according to your objectives

• Staff an MFI and allocate resources

• Liquidity risk

• Understand sustainable growth and expansion of an MFI

• Optimize use of funds

Assignment:

• Interactive in-class workshop on computers (**PLEASE BRING COMPUTER TO CLASS**)

You will find the latest version of SymBanc, together with the user's manual, at the following link: SYMBANC SIMULATION DOWNLOAD

https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/programs/financial-sector-program/MFI_Simulator.exe

User guide to Symbanc: USER GUIDE DOWNLOAD

https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/programs/financial-sector-program/UsersGuidetoMFISimulator.pdf

Part 2 : Prof. Hubert Tchakoute Tchuigoua

Risk Management in Microfinance Institutions

Course Objectives

This part of the course is case study-based and grounded in academic research and regulatory frameworks. It is designed to be highly interactive, and participants are required to prepare the cases before each session. The class will be divided into groups of up to five people.
By the end of the course, participants will be well-equipped to identify, measure, monitor, and control risks specific to microfinance institutions (MFIs), particularly credit risk and extra financial risk, while balancing financial sustainability and social impact.

Session 5 (23 Mar 2026): Foundations of Microfinance & Risk

Objective:
Understand the risks faced by MFIs, their performance dynamics, and why risk management is critical in microfinance
• Conventional financial institutions versus institutions with an explicit social mission (to be prepared by students before the session)
• Risk and performance of microfinance institutions
• The regulatory perspective on risk management in microfinance
Assignment:
Group work on microfinance regulatory frameworks around the world (MENA, SSA, LAC, EECA, EAP, SA).

Session 6 (24 Mar 2026) & Session 7 (28 Mar 2026, 9h-12h): Credit Risk (The Core Risk in Microfinance)

Objective:
Learn how to manage the most significant risk faced by MFIs.

Topics:

1. Nature of Microcredit
   - Characteristics of microcredit
   - Group vs. individual lending risks
   - Client appraisal for informal borrowers

2 Key Risk Metrics
   - PAR 30, 90
   - Repayment rate vs. PAR
   - Loan loss rate
   - Write-off ratio

3 Causes of Delinquency
   - Drivers of delinquency
   - Rescheduling vs. restructuring
   - Collection practices and ethics

Practical Exercise:
Analyze a loan portfolio report and identify problems — case study of three greenfield MFIs.

Session 8 (28 Mar 2026, 14h-16h): Extra-Financial, Strategic & Reputational Risks

Objective:

This session equips participants to identify, manage, and mitigate extra-financial, strategic, and reputational risks arising from rapid growth, new lending products, and responsible finance obligation.

Topics:

1. Rapid growth risk
2. New product risk (SME loans, digital loans)
3. Client protection principles

Assignment: Case study (in-class)

Materials:

Case studies will be made available to participants before the start of the course.

As part of the learning activities, participants are required to attend the LABIFUL (Laboratoire d'ingénierie financière de l'Université Laval) seminar series online. LABIFUL is a center of excellence in financial engineering that offers seminars and workshops on topics such as quantitative risk analysis, credit risk modeling, and portfolio performance. https://www.labiful.com/

References & Readings:

- Responsible lending Basel Committee on Banking Supervision. (2010). *Microfinance activities and the Core Principles for Effective Banking Supervision*. Bank for International Settlements.
- Bank for International Settlements. (2016). *Guidance on the application of the Core Principles for Effective Banking Supervision to the regulation and supervision of institutions relevant to financial inclusion*.
- Soumaré, I., Tchuigoua, H. T., & Hessou, H. T. (2020). Are microfinance institutions resilient to economic slowdowns? Evidence from their capital ratio adjustment over the business cycle. *Economic Modelling, 92*, 1–22.
- Hessou, H. T., Lensink, R., Soumaré, I., & Tchuigoua, H. T. (2021). Provisioning over the business cycle: Insights from the microfinance industry. *International Review of Financial Analysis, 77*, 101825.
- Zamore, S., Beisland, L. A., & Mersland, R. (2019). Geographic diversification and credit risk in microfinance. *Journal of Banking & Finance, 109*, 105665.

Evaluation of the course (both parts)

The exam will consist of a presentation of a case study in groups (4 to 5 students). You have to design a mission statement for an MFI you would like to create. This mission statement has to be sent for approval by **15 March 2026**. Once approved, you should prepare a business plan to reach your objectives, including the design of a theory of change model. The business plan should also include a Risk Management Framework for an MFI.

During the presentation of 20 minutes, you should discuss the following aspects:

- Business description
- Industry background
- Operations plan and management summary
- Financial plan and the funding of your MFI
- The sustainability of your MFI in the long run; and,
- Other issues you judge important and would like to raise

You should prepare a ppt presentation (maximum 15 slides) to be sent and given to Prof. Patrick Reichert & Prof. Hubert Tchakoute Tchuigoua at the latest on **15 April 2026 by 22:00 CET (exact date TBD and discussed during class)**. You may (not an obligation) provide a memo (word document) of maximum 10 pages to support your financial analysis. Some questions on the course may be asked individually to participants during the presentation.

The grade will be based on:

- Participation (and thus your active presence), group work, and quality of presentations (including your MFI analysis); and,
- Final group assignment (case study).

The presentations will (tentatively) take place during the afternoons of **16 April or 17 April 2026.**

The module "Topics in financial management for microfinance institutions" is composed of two courses:
A) Introduction to financial management (Prof. L. Gheereart) (1st semester)
B) Financial management (Prof. P. Reichert & Prof. H. Tchakouté-Tchuigoua) (2nd semester)
Two marks A (50%) and B (50%) must set the final mark C of the module.
- if A and B are greater than or equal to 8/20, then C = (50%. A) + (50%.B)
- if A < 8/20 or B < 8/20, then C = min (A,B).