

Florida International University (FIU)
Department of Economics
ECO4934 RVC 1231: Topics in Theory (Development
Finance)

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Office Hours: Mon/Wed 4.00-5.00pm

Office Hours Booking: By appointment only

Teaching Assistant: Md. Rezwan Haque

Tutor's Email: mdrhoque@fiu.edu

Tutoring Location: VH-136

Tutoring Hours: Wednesday: 10:00 - 3:00 pm

Course Description

This course aims at developing a better understanding of the role of finance for economic development. In doing so, this course will take both micro and macro aspects of development financing by combining theoretical, empirical, and case-study based analysis to deepen the understanding. The course is divided into two distinct parts. The first part of the course focuses on the micro aspect of development financing. In this part, topics of financial inclusion, credit market rationing, market imperfections, and the emergence of micro-credit and its impact will be studied. Then we will continue evaluating recent models of micro-insurance, financing for Small and Medium Enterprises (SMEs) as well as Micro-enterprises, and inclusive growth based capital transfer programs for a better understanding of the development finance from the bottom-up approach. During the second half of the lecture, we will focus on the macro aspects (top-down approach) of development finance by examining the theory supported by the evidence to explore the interlink between finance and growth. Then the course continues examining various external and internal financing strategies used by the government and the impact of such policies on development.

Required Materials (Text Book) for the second half of the course

Todaro, Michael P. and Stephen C. Smith (2015), *Economic Development*, 12th Edition, Addison Wesley

Complementary Materials

- Banerjee and Duflo (2012), *Poor Economics: A Radical Rethinking of the Way to Fight Global Poverty*, Public Affairs books, New York.
- Ray, D (1998), *Development Economics*, Princeton University Press
- Basu, K (1997), *Analytical Development Economics*, MIT Press
- Sen, Amartya (2000), *Development as Freedom*, New York: Anchor Books.
- Banerjee et. al. ed. (2006), *Understanding Poverty*, Oxford University Press.

Prerequisites

Students should have passed ECO3101 (Intermediate Microeconomics), and should have the knowledge of basic calculus and algebra. The content is designed as an advanced (400-level) undergraduate course that provides a bridge to graduate school level of instruction. This course makes moderate use of mathematical tools, statistics, econometrics going beyond the level of formalization in ECO3101. The student should, therefore, be comfortable with quantitative reasoning.

Learning objective

- Understand the concept of development finance and its role in promoting economic growth and reducing poverty.
- Analyze the main sources of development finance, including government aid, foreign direct investment, and international institutions.
- Evaluate the different approaches to development finance, such as microfinance, and impact investing.
- Explore the challenges and opportunities of financing development in different contexts, including low-income countries, emerging markets, and fragile states.
- Examine the role of public policy in promoting development finance, including tax incentives, regulatory frameworks, and investment promotion agencies.
- Understand the key actors and institutions involved in development finance, including multilateral development banks, bilateral aid agencies, and philanthropic organizations.
- Critically evaluate the impact of development finance on economic, social, and environmental outcomes, including issues related to sustainability and inequality.

Course objective: Pedagogical Learning

Successful students should spend at least 5-7 hours each week on the following items

- Class lecture;
- Interactive in class participation, debates and discussions;
- Reading assignments;
- Regular attendance and class presentations;
- Case studies.

Assessments

Short Quiz

There will be four short quizzes (equally weighted) to check the progress of your understanding of the lecture materials. These are scheduled quizzes which will be taken during the time of the class. We will take a total of 4 quizzes — all of which will be credited for the final grade of the course. The topics of the short quizzes would be the reading materials, lecture notes and the case-study. The material covered in the quizzes will necessarily build upon previous class lectures. I will also assign practice questions (taken from the end of chapter questions in the textbook for example) to which solutions will be provided. However, the practice questions are not to be handed in, nor will they be graded. It is your own responsibility to keep up with the course material.

Presentation and Essay submission

Each student would be randomly assigned into a group (ideally two/three students in one group) and would be assigned to present one case study, from the list of case studies given in this syllabus, to be presented in the class. Groups should prepare their own presentation with additional materials and information along with the text provided in the syllabus.

The group assignment will be announced by the Monday, January 22nd via email.

Keep the group presentation strictly limited to 10 minutes. In the presentation, first discuss the key issues of the case-study (kind of abstract/synopsis of the overall case that will be discussed.) Spent 1-2 minutes on it. Then spend 2-3 minutes on the background and key issues related to the case. Then spend another 2-3 minutes on the solutions for the case-issue discussed and then conclude the presentation with broader policy suggestions. The performance of the presentation depends on presentation style (5%), content of the presentation and ability to respond to the questions (5%).

The presenting group also need to submit a two-page summary (singled spaced, times new Roman font size 12) of the presentation — worth 5% marks (each group presents one report). The presentation is due by the end of the presenting week (that is all presentations are due by

Monday, while this 2-page summary is due by Friday). Please send the 2-page summary to the teaching assistant by email. The summary should including the following:

- Introduction to the problem statement;
- Background;
- Key takeaway points from this case-study;
- Your policy suggestions;
- Reference/Bibliography.

Mid-term and Final Exam

The questions in the Mid-term and final exam will be more descriptive but will test your knowledge and critical thinking. These questions are broadly in the category of problem solving, deriving a theory with a graph or critique to a policy suggestions with coherent arguments. Please note that these two exams will be open book exams, equally weighted.

Grading

Your final grade will be determined by four in-class quizzes, class presentation, submission of the case-study report, class participation, mid-term and a final exam. The distribution of the total grade is the following:

- Active class participation (5%)
- Case-Study presentation (10%)
- Case-study report (5%)
- 4 quizzes, equally weighted (40%)
- Mid-term Exam (20%)
- Final Exam (20%)
- Activity Bonus (5%)

Individual letter grades on each assessment will not be given. At the end of the semester, grades will be curved based on your total score.

Course Policies

Academic Integrity and Honesty

It is imperative that students become aware of FIU definitions of and policies toward academic misconduct. These policies may be found on the FIU web-site at Academic Misconduct and Code of Academic Integrity (<http://www2.fiu.edu/oabp/misconductweb/1acmisconductproc.htm>).

Accommodations for Disabilities

In case of any specific physical, psychiatric or learning disabilities that require accommodations (such as a note taker or special testing arrangements), a notification should be made in private and early in the semester so that such learning needs can be appropriately addressed. A valid documentation of disability from the Disability Resource Center(DRC) [GC 190, (305)348-3532] is needed. I cannot make any accommodations without a written statement from the DRC.

Discrimination and harassment of any person based on race, color, religion, creed, sex, national origin, age, disability, veteran status, or sexual orientation is a violation of state and federal law and/or Florida International University policy and will not be tolerated. Retaliation against any person who complains about discrimination is also prohibited.

Schedule and weekly learning goals

The schedule is tentative and subject to change. The learning goals below should be viewed as the key concepts you should grasp after each week, and also as a study guide before each exam, and at the end of the semester.

Week 01, 01/08 - 01/12: Micro-approach: Population without financing Opportunities

Week 02, 01/15 - 01/19: Credit Market Imperfection and Credit Rationing.

Week 03, 01/22 - 01/26: Savings, remittances and Consumption Smoothing

- Case Study 1: The Financial Lives of the Poor

Week 04, 01/29 - 02/02: Credit for poor and un-bankable population

- Case Study 2: The Financial Diaries of RMG workers in Bangladesh
- **Quiz 1**

Week 05, 02/05 - 02/09: Micro-credit and Beyond

- Case Study 3: The success of Grameen, a pioneer of Micro-credit in Bangladesh
- Case Study 4: ROSCA, an indigenous savings scheme.

Week 06, 02/12 - 02/16: Insurance for the poor population

- Case Study 5: m-PESA, mobile money revolution in Kenya.

Week 07, 02/19 - 02/23: Financing for SME and Micro-enterprises

- Case Study 6: Spandana, a story of micro-insurance in India

Week 08, 02/26 - 03/01:

- **Spring Break, Quiz 2**

Week 09, 03/04 - 03/08:

- **Mid-term Exam, no class**

Week 10, 03/11 - 03/15: Big-push, Asset transfer and Poverty trap

- Case Study 7: Innovating financing for the poor: green-credit for sanitation, clean energy and safe-water.

Week 11, 03/18 - 03/22: Finance, Economic Growth and Development

- Case Study 8: The development success story of Taiwan

Week 12, 03/25 - 03/29: Deficit Financing, Taxation, and Sovereign Debt management

- Case study 9: Trade, Capital Flows and Development Strategy: South Korea
- **Quiz 3**

Week 13, 04/01 - 04/05: Financial Aid, Poor Institution and Development

- Case Study 10: Global Partnership for Development
- Case Study 11: Development Impact Bond.

Week 14, 04/08 - 04/12: Foreign Direct Investment and MNC

- Case Study 12: Crisis in Venezuela
- Case Study 13: Hyper-inflation in Zimbabwe

Week 15, 04/15 - 04/19: Foreign remittance and National reserve

- Case Study 14: G-20 guideline for sustainable financing
- Case Study 15: Topics of Impact investment
- **Quiz 4**

Week 16, 04/22 - 04/26: **Final Exam**

- April 22nd, 2024