Insurance
INSTITUTE OF EAST AFRICA

Frankfurt School
of Finance & Management

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Certified Expert in Microfinance

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Course Overview

The microfinance sector is dynamic and rapidly changing. To be able to cope with the challenges of growth, complexity and competition, microfinance practitioners must be equipped with up-to-date knowledge and tools to strengthen their MFIs.

The Certified Expert in Microfinance course is an excellent and comprehensive qualification for microfinance practitioners. It prepares you for the challenge of serving your clients in changing and increasingly competitive environments.

Unit 1: Microfinance - International Trends and Best Practice

This unit introduces you to the world of microfinance. We start with the most important aspect: our clients. Who are they, what do they really need and how do they manage their own finances? Even seasoned practitioners will find these sessions interesting as these sessions will explain what kind of products, services and delivery channels will work in real life.

The second part of the unit is dedicated to MFIs: where do they originate from and what are their characteristics? You will learn the pros and cons of different microfinance approaches. Finally, we conclude the unit by looking into the future: what are the trends and how can MFIs make use of them?

Unit 2: Managing Micro Credits

Unit 2 focuses on the loan cycle and the two main different lending methodologies in microfinance: the group lending and the individual lending approach. The loan officer - playing a key role in each MFI - will be the central point of this unit. By going through each step of the loan cycle, we will discuss all of a loan officer's tasks and duties in detail. We will explain you how to do a proper loan analysis. You will learn how to do effective site visits, to assess the character of the loan applicant and what to take into consideration when assessing his business and family income. In order to decide on the appropriate loan amount and repayment schedule we will teach you how to do financial analyses and in particular how to calculate cash-flows.

It is much easier to prevent loan delinquency than to resolve it! Hence we have dedicated an entire chapter to loan monitoring which includes a set of practical tips to support the loan officer in his daily work. Dealing with loans problems requires special skills from the loan officer and a strong delinquency management. Recommendations and practical solutions for handling difficult clients are described in the last chapter of unit 2. Agrilending has certain specifics which make adjustments of the lending methodology necessary. Unit 2 provides guidance on product and delivery mechanisms that have been successful in the world.

Unit 3: Managing Micro Savings and Micro Insurance

Unit 3 presents further microfinance products: micro-savings and micro-insurance. For a long time, people believed that the possibility to save was not as important for poor people as the availability of credit. Many people even thought that poor people could not save. Unit 3 will show you that they actually can, need and want to.

Since most poor people use informal savings methods, the challenge for MFIs is to mobilize these savings and to design products that meet the needs of poor clients. Unit 3 discusses all aspects related to savings both from the clients' point of view and from the perspective of an MFI. You will get to know what poor people expect from a savings provider and his savings products. You will learn what prerequisites MFIs have to fulfil to take deposits and which factors influence their decision to offer savings products. Furthermore, unit 3 will point out the risk inherent to deposit-taking and will suggest appropriate risk management procedures.

Micro-insurances are another means to help poor people to better cope with the many risks they are faced with. The range of micro-insurances is broad. Unit 3 will familiarize you with the most important types of micro-insurance and will update you on the latest developments and international best-practices.

Unit 4: Practical Ethics in Risk Management & Risk Governance

Risk Management is one of the core functions in financial institutions. Each MFI manager continuously has to decide which levels of risk he is willing to take and which trade-off between risk and return he wants to strike. Unit 4 introduces you to the different kinds of risks that your financial institution faces - mainly operational risk and financial risk.

Each type of risk is explained and defined so that you will get a thorough understanding of the risks involved in the business of your MFI. Importantly, unit 4 provides you with tools and measures to mitigate or even rule out the particular risks.

Unit 5: Marketing and Sales

A successful MFI manages to target the right clients and offers them the right products. Therefore, marketing and market research is an important part of MFI operations. This unit takes its start at market research and how to identify your market potential and market needs in a structured way, as well as the strengths of your MFI in comparison to your competitors. The unit further looks at marketing activities with a specific focus on microfinance marketing measures.

Microfinance is, at its core, about providing financial services to the poor. A significant part of this unit is therefore Customer Relationship Management, focusing on how to ensure that your MFI is service-minded and successful in providing services to your clients in a client-friendly manner.

Unit 6: Financial and Social Performance Management

The eight chapters of this unit broadly cover two major aspects: how to measure financial and social performance, and how to use this information for management decisions. Many practical examples and exercises put the necessary flesh on these dry bones.

Chapter 1 gives an overview of what performance and sustainability means in microfinance, with special reference to the hotly debated ‘double bottom line’ (profits and social mission). Chapter 2 to chapter 5 deals with the issue of how to measure performance. We start by looking at formats of income statements, balance sheets and loan portfolio reports used in microfinance. Furthermore, various financial ratios and critical issues of how to interpret these ratios are being presented. Finally, the rating of Microfinance Institutions - with a focus on the so-called CAMEL system - is covered. Chapter 6 looks at profitability management. Different product costing and product pricing methods are illustrated. Chapter 7 covers latest aspects of social performance management. Various social performance indicators, as well as issues related to responsible finance, social audits, social ratings and social performance reporting are briefly presented. The last chapter deals with debt and equity funding, which is necessary for growth - a prerequisite for increasing financial and social performance. Various funding instruments and the required due diligence processes are presented.

Unit 7: Management of Human Resources

Staff is the biggest asset of an MFI. An MFI that is able to have motivated, well-trained, well-informed staff has a big advantage in a competitive environment. At the same time, microfinance is a sector where change happens often and continuously.

This last unit of our certification course will start looking at leadership and motivation and how to manage change projects in a successful way. It takes a more careful look at bonus systems as a way to create motivation and thereafter move into HR Management and the strategic parts of HR. HR is also about how to ensure the right people at the right place; therefore, the session ends with looking at a good operational set up of an MFI, including reporting and MIS set up.

Unit 8: Elective Units

Units 8 are non-compulsory units and will not be part of the final exam. If you decide to take one of the elective units and if you pass it, we will mention it on your Certificate.

You can choose between the following topics:

- Agricultural Lending
- Mobile Money & Digital Finance Services
- Islamic Microfinance
- Water, Sanitation and Hygiene (WASH)

Unit 8a: Agricultural Lending

High operational costs, as well as high exposures to risk reduce incentives for financial institutions to serve the agricultural sector and thus a considerable part of agricultural businesses remain without access to finance. However, the increasing demand for agricultural commodities as well as rising competition in the urban areas has lead financial institutions to think again about working with this sector. For any financial institution willing to go deeper into agricultural and livestock finance, the need for specific tools as well as technologies will be useful to reduce risks and costs.

The objective of this unit is to enable participants to identify potential business opportunities for lenders in the agricultural sector, as well as to optimally evaluate the risks caused by exposure to agricultural loans. For this, participants will study the characteristics of small farms, the risks of agriculture, the need for understanding agricultural markets as well as tools for assessing clients' repayment capacity with a focus on cash flow analysis.

Topics covered in this unit include:

- Characteristics of agricultural sector in general and of agricultural businesses,
- Key aspects of agricultural finance with a focus on client analysis
- Agricultural loan products

Unit 8b: Mobile Money & Digital Financial Services

Mobile money is an important new opportunity within the realm of electronic payments that has the capacity to build greater financial inclusion for all. The extension of financial services to the rural areas through Agent networks creates critical infrastructure necessary to facilitate economic development. Once this delivery channel is developed innumerable products and services can be offered to reduce risks for those living on the margins and drive economic growth.
In this unit, participants will learn the concepts, business models, and approaches necessary for institutions to successfully integrate into ecosystem of electronic payments. Through use of scenarios and case studies, you will gain knowledge of mobile money in numerous different countries. Structured questions and activities will help you develop an appropriate strategy to leverage the mobile money and electronic payment systems in your Country. Special thanks to GSMA for providing us with useful Information for this unit.

Unit 8c: Islamic Microfinance

This unit gives an overview on the Islamic finance and microfinance market. It describes the way Islamic microfinance functions, the alternative products they offer and how they manage risk.

The Islamic Microfinance market has gained a lot of importance in the last few years and showed to be a fast growing market. But, why Islamic Microfinance?

About 700 million of the world's poor live in predominantly Muslim-populated countries. Yet, only very few of them have an account at a formal financial institution. When asked why they do not have a bank account, quite a few cite religious reasons. Hence, we can assume that many of these people voluntary exclude themselves from formal financial markets because of Sharia requirements.

Islamic Finance and especially Microfinance has already made a significant contribution to financial inclusion of the poor offering them an alternative to conventional finance and microfinance.

Unit 8d: Water, Sanitation and Hygiene (WASH)

This elective unit of the Certified Expert in Microfinance (CEMF) program focuses on the management of microloans for low income households that intend to improve their access to safe water and sanitation facilities. We call this approach Water, Sanitation and Hygiene (WASH) Microfinance.