

Alternative Financial Systems and Intermediation

IBUS 3000 (3 credits / 45 hours)

SIT Study Abroad Program:
Switzerland: Banking, Finance, and Social Responsibility

PLEASE NOTE: This syllabus represents a recent semester. Because courses develop and change over time to take advantage of unique learning opportunities, actual course content varies from semester to semester.

Description

Banking institutions thrive on financial intermediation, the process through which banks take funds from a depositor at a low rate of interest and then lend them to a borrower at a higher rate of interest. However, recent successive crises in the international financial system have drawn attention to the important role that can be played by alternative systems of financial intermediation. Alternative financial intermediation systems are defined as non-market (stock or bond) and non-modern banking sources, including external financial channels that make it possible for an individual or a small enterprise to access credit that would not otherwise be available to them through modern banking systems. Alternative financial channels are proving to be equally important funding sources in both developing and developed countries. This seminar aims to explore alternative forms and practices of financial intermediation (formal and informal) and their role in the empowerment of individuals and groups that are usually not serviced by modern banking channels and institutions. Modules include solidarity economies and intermediation, microfinance and social entrepreneurship, Islamic banking and financing, and future of finance in an Internet driven information society.

Learning Outcomes

The Alternative Financial Systems and Intermediation course comprises 45 hours of instruction (3 credits). Upon completion of the course, students will be able to:

- Demonstrate awareness of formal and informal alternative systems of financial intermediation;
- Define the role of solidarity economies in the expansion of values of equity and social justice;
- Explain the role of microfinance, micro-credit, and social entrepreneurship NGOs in financial intermediation;

- Show understanding of the conceptual framework of Islamic banking and its implementation in Europe;
- Explore the role and future of finance in the era of information society, Internet governance and virtual reality;
- Produce a critical research paper on a case study involving the use of an alternative financial intermediation system.

Language of Instruction

This course is taught in English, but students will be exposed to vocabulary related to course content through in-country expert lectures and field visits in a wide range of venues and regional locales.

Course Schedule

*Please be aware that topics and excursions may vary to take advantage of any emerging events, to accommodate changes in our lecturers' availability, and to respect any changes that would affect student safety. Students will be notified if this occurs.

Module 1: Globalization, Solidarity Economies, and Intermediation

Solidarity economy is founded on the core values of cooperation, equity, and social justice. As defined by Ethan Miller, solidarity economy “embraces a plural and cultural view of the economy as a complex space of social relationship in which individuals, communities, and organizations generate livelihoods through many different means and with many different motivations and aspirations—not just the maximization of individual gain.” Besides neoliberal globalization, this module addresses the limits of neoliberalism, alternative financial sectors and case studies of solidarity economies such as complementary and alternative currencies.

Session 1: Neoliberal Globalization and Global Governance

This session focuses on the globalization debate in international political economy and discusses four main aspects of the world economy today: Internationalization, technological revolution, liberalization and ‘deterritorialization’. The session addresses the financial aspects of the global economy such as the spread of global currencies, digital cash, global credit, and debit cards.

Required Reading:

Baylis, J., Smith, S., & Owens, P. (2014). *The Globalization of World Politics: an Introduction to International Relations*. Oxford University Press, 15-31.

Recommended Reading:

Davies, W., Mills, T. (2014). *Neoliberalism and the end of politics*. Retrieved from: http://www.newleftproject.org/index.php/site/article_comments/neoliberalism_and_the_end_of_politics

Session 2: Introduction to Alternative Financial Services and Intermediation

This session introduces the core concepts of alternative financial services such as financial intermediation, solidarity economies, Islamic finance and technology based financial systems. The session discusses the 2008 financial crash and the limits of neoliberalism.

Required Reading:

Allen, F., Qian, J., Carletti, E., & Valenzuela, P. (2012). Financial intermediation, markets, and alternative financial sectors. Retrieved from: <http://fic.wharton.upenn.edu/fic/papers/12/12-05.pdf>

Recommended Reading:

Serrano, M. R., & Xhafa, E. (2011). *The Quest for Alternatives beyond (Neoliberal) Capitalism* (No. 14). Global Labour University Working Paper. Retrieved from: http://www.global-labour-university.org/fileadmin/GLU_Working_Papers/GLU_WP_No.14.pdf

Session 3: “Leman Monnaie and Alternative Financial Systems”

The session retraces the history of regional currencies and introduces the concept of alternative / complementary currencies. This session discusses alternative / complementary currencies such as leisure money, cryptocurrency (bitcoin), local exchange trading system (LETS), time bank, pledged money, and mutual credit clearing system.

Required Reading:

Boyle, D. (2011). “More than Money: Platforms for exchange and reciprocity in public services,” Nesta. Retrieved from: www.nesta.org.uk/sites/default/files/more_than_money.pdf

Recommended Readings:

Kennedy, M., Lietaer, B. A., & Rogers, J. (2012). *People money: The promise of regional currencies*. Triarchy Press Limited. Retrieved from:

<http://fr.slideshare.net/LocalMoney/bernard-lietaer-people-money-the-promise-of-regional-currencies-full-362p-book-with-margrit-kennedy-and-john-rogers>

Blanc, J. (2006). Silvio Gesell's Theory and Accelerated Money Experiments. Retrieved from: <http://monnaie-leman.org/wp-content/uploads/2015/10/BlancAccelerated.pdf>

Greco, T. (2013). Taking moneyless exchange to scale: measuring and maintaining the health of a credit clearing system. *International Journal of Community Currency Research*, 17, 19-25. Retrieved from: <http://monnaie-leman.org/wp-content/uploads/2015/10/ijccr-2013-greco.pdf>

Module 2: Sustainable Business and the Environment

Environment-related risks are increasingly featured in financial valuation and businesses are becoming more cautious about the impacts of investment on natural capital and biodiversity loss. Changes in policy and technology have had material impacts on financial investments, as is the case with carbon risk management. Also, the changing regulatory environment is impacting banks' capacity to provide long-term loans. This module addresses the intricate relationship between finance and the environment. In particular, it looks at the workings of divestment, stranded assets, and the changing regulatory environment in Europe.

Session 1: Environmental Policies and Natural Capital

This session provides an overview of the impact the divestment movement is having on financial investment. The focus is on the changing regulatory environment in Europe and its implications on banking and financial responsibility.

Required Reading:

Credit Suisse and McKinsey Center for Business and Environment. (2016).
Conservation Finance, From Niche to Mainstream: The Building of An Institutional Asset Class, 24.

Session 2: Carbon Markets

This session focuses on climate change investment, carbon market consulting and accounting. It discusses international regulations and development of carbon credits between governments, private sector and civil society representatives.

Required Reading:

Brohé, A., Eyre, N., & Howarth, N. (2012). *Carbon Markets: An International Business Guide*. Earthscan, 21-53.

Session 3: Carbon Farming, Biochar, and the Future of Agriculture

This session focuses on global economy, environment and sustainable development. It discusses issues such as carbon markets, sustainable business and eco-innovation. Special attention is given to organic food production and the future revolution in agriculture.

Required Reading:

Woolf, D., Amonette, J. E., Street-Perrott, F. A., Lehmann, J., & Joseph, S. (2010). Sustainable biochar to mitigate global climate change. *Nature communications*, 1, 9.

Paustian, K., Lehmann, J., Ogle, S., Reay, D., Robertson, G. P., & Smith, P. (2016). Climate-smart soils. *Nature*, 532(7597), 49-57.

Module 3: Microfinance and Intermediation

This module focuses on microfinance as an important channel of intermediation between the small businesses and households lacking access to banking services, and investors. The module addresses a series of case studies related to microfinance in Africa, Indochina, and Islamic microfinance as an alternative form of intermediation.

Session 1: Microfinance NGOs and Intermediation

This session provides an overview of the role of microfinance institutions and NGOs in the global south as well the impact of microcredit on regional development.

Required Reading:

Ledgerwood, J., Gibson, A. (2013). "The Evolving Financial Landscape" *The New Microfinance Handbook. A Financial Market System Perspective*. Joanna Ledgerwood (ed.), The World Bank: Washington, D.C., 15-48

Session 2: Microfinance in Africa

This session focuses on the empowering small businesses and households through financial inclusion in Africa by allowing the access to financial services, in particular for the poor, to obtain loans.

Required Reading:

United Nations. (2013). Microfinance in Africa. Overview and Suggestions for Action by Stakeholders. United Nations: Geneva, 14-36. Retrieved from:
<http://www.un.org/en/africa/osaa/pdf/pubs/2013microfinanceinafrica.pdf>

Session 3: Microfinance in Vietnam and Switzerland: Connecting Eco-Innovation and Sustainable Finance

This session examines technical cooperation between Switzerland and Vietnam in the field of agriculture. It explores innovative industrial solutions and sustainable finance approach applied in the rice sector.

Required Reading:

- Szilagyi, A., Churican, A., Verniquet, A. and Rochat, D. (2015). "Eco-Innovation, A Business Approach Towards Sustainable Processes, Products and Services", *The Environment and Industry*, Proceedings, Book Volume X., 13.
- Demont, M., & Rutsaert, P. (2017). Restructuring the Vietnamese Rice Sector: Towards Increasing Sustainability. *Sustainability*, 9(2), 325. Retrieved from: <http://www.mdpi.com/2071-1050/9/2/325/htm>

Module 4: Islamic Banking and Finance

This module provides an overview of the conceptual framework of Islamic banking. The focus is on the principles of the prohibition of interest or usury, liability and business risks, ethical and moral standards, and the concept of social responsibility in Islamic finance. The students learn on early day transactions in the era of the Prophet, as well as the modern-day experiments in Islamic finance.

Session 1: Islamic Finance: A General Overview

This session introduces core concepts of Islamic banking and finance. The students learn about corporate governance in Islamic financial institutions, asset and bonds, fund and risk management and insurances.

Required Reading:

- Hassan, M. K., Kayed, R. N., & Oseni, U. A. (2013). *Introduction to Islamic Banking and Finance: Principles and Practice*. Pearson Education Limited, 2-39.

Session 2: Principles of Islamic Banking and Investment

This session discusses Islamic law and financial transactions based on Sharia and explains what is forbidden in Islamic commercial transactions. The module includes an exercise of calculating loans in Islamic banks versus conventional banks.

Required Reading:

- Hassan, M. K., Kayed, R. N., & Oseni, U. A. (2013). *Introduction to Islamic Banking and Finance: Principles and Practice*. Pearson Education Limited, 40-75.

Session 3: Islamic Microfinance

This session examines how Islamic financial intermediaries provide a microcredit to the entrepreneurial poor. This session investigates Islamic microfinance products and compares the conventional with Islamic microfinance institutions. The session gives an overview of the main Islamic microfinance institutions operating on the global scale.

Required Reading:

- Hassan, M. K., Kayed, R. N., & Oseni, U. A. (2013). *Introduction to Islamic Banking and Finance: Principles and Practice*. Pearson Education Limited, 326-365.

Module 5: Future of Banking, Finance, and Social Responsibility

This module offers an overview of the role of finance in the era of Internet driven information society. Internet governance and online financial services (e-banking, e-commerce, e-money, etc.) and in the very near future, the virtual reality, fundamentally change the way financial services are performed in a traditional, one-dimensional, off-line setting. By focusing on the future of banking and finance in a digital era, this module deals with alternative futures, new business trends and emerging opportunities.

Session 1: Internet Governance and Future of Finance

This session explains how the Internet is currently governed. It discusses the economic and financial issues such as mobile commerce, electronic funds transfer, online marketing and transaction processing, electronic data exchange and automated data collection systems. The session concludes on the future of finance in an Internet driven information society.

Required Reading:

Kurbalija, J. (2014). *An Introduction to the Internet Governance*. Geneva: Diplo Foundation, Geneva, (6th edition), 117-139.

Session 2: Future of Business: Augmented Reality / Virtual Reality (AT/VT)

This session discusses the business applications of the AT/VT in sectors such as education, real estate, healthcare, and tourism as a fast-growing future industries.

Required Reading:

O'Brien, J. M. (2016). The race to make virtual reality an actual (business) reality. *FORTUNE*, 173(6), 127-133. Retrieved from: <http://fortune.com/virtual-reality-business/>

Module 6: Review and Wrap-up of the Seminar

Sessions: Meeting with the Academic Director

This session provides an overview of the main issues that have been addressed in the seminar. The discussions are framed around key reflection questions that have been approached either through guest lecturers' presentations, field visits, or assigned readings.

Module 7: Field Study

On-Site Visits: Organized visits to public, international and financial Institutions (Government, international organizations / NGOs, corporate sector, museums).

Evaluation and Grading Criteria

Papers will be graded on style and structure, depth of analysis, and synthesis of secondary and primary sources.

Description of Assignments:

Midterm assessment, final exam, and participation constitute the seminar requirements. In all exercises, students are asked to reflect analytically and to integrate the briefings, lectures, readings, as well as field visits.

Individual Project

Research assessment includes an academic paper on an issue related to alternative financial systems and intermediation. Length: 1,500 words. Class presentation with Power Point (images only). Research topics: Neoliberal globalization, global governance and its critiques; Solidarity economies; Alternative financial sectors; Microfinance and NGOs; Microcredit and development; Islamic banking; Internet governance and finance in digital era; Information society, finance and virtual reality; Etc.

Final Exam

This is an in-class written exam on alternative financial systems and intermediation.

Participation

Attendance, punctuality, active involvement in discussions, and completion of reading assignments are mandatory.

Assessment:

Final Exam	50%
Individual Project (30%) + Presentation (10%)	40%
Participation	10%

Grading Scale:

94-100%	A
90-93%	A-
87-89%	B+
84-86%	B
80-83%	B-
77-79%	C+
74-76%	C
70-73%	C-
67-69%	D+
64-66%	D
below 64%	F

Expectations and Policies

- Show up prepared. Be on time, have your readings completed and points in mind for discussion or clarification. Complying with these elements raises the level of class discussion for everyone.
- Have assignments completed on schedule, printed, and done according to the specified requirements. This will help ensure that your assignments are returned in a timely manner.
- Ask questions in class. Engage the lecturer. These are often very busy professionals who are doing us an honor by coming to speak.
- Comply with academic integrity policies (no plagiarism or cheating, nothing unethical).
- Respect differences of opinion (classmates, lecturers, local constituents we engage with on-site visits). You are not expected to agree with everything you hear, but you are expected to listen across difference and consider other perspectives with respect.

Academic Policies: SIT prides itself on providing students with an experientially based program; we hold ourselves, and our students, to the highest of academic standards. Students are asked to refer to the **SIT Study Abroad Handbook** for policies on academic integrity, ethics, academic warning and probation, diversity and disability, sexual harassment and the academic appeals process.

Disability Services: Students with disabilities are encouraged to contact Disability Services at disabilityservices@sit.edu for information and support in facilitating an accessible educational experience. Additional information regarding SIT Disability Services, including a link to the online request form, can be found on the Disability Services website at <http://studyabroad.sit.edu/disabilityservices>.