

# Report on Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

<b>Student:</b>	<b>Roman Gorgan</b>
<b>Advisor:</b>	<b>PhDr. Pavel Streblov</b>
<b>Title of the thesis:</b>	<b>Microfinance institutions, an empirical study from Moldova</b>

## **OVERALL ASSESSMENT** *(provided in English, Czech, or Slovak):*

The updated master thesis is dedicated to the microfinance institutions as widely spread type of activity that is common neither to the Czech financial environment nor to the standard Czech economics topic. The reason is obvious - the motivation behind the microfinance movement was poverty alleviation that is fortunately not the crucial Czech issue as our poverty indicators have been so far among the best in Europe (except for special Roma issue). But around the world the poverty mitigation is one of core problems and the microfinance is one of promising mitigators. As Roman Gorgan rightly declares “the microfinance organizations offered the potential to alleviate poverty being self-sufficient and perhaps even turning a profit-“doing well by doing good.””

The thesis is well-structured, starting with the comprehensive review of theoretical notions of microfinance (chapter 2) disclosing various aspects including basic math models. Chapter 3 is focused to the measurement of performance of microfinance institutions that is so crucial to any investor to the field. The high frequency of low amount loans clustered around the group of investors creates the financial institutions very different from banks based upon economies of lending scale. And frankly speaking what can also emerge is high risk loan portfolio that can disappoint even enthusiastic investors. On the other side well managed microfinance institutions with diligently collected performance indicators can result in win-win situation. The discussion of relevant performance issues is partially included in chapter 4 . E.g. data on page 42 indicate loss making activities within one relevant segment - savings and credit associations (SCAs) with high administrative expenses, increasing delinquency etc. Somewhat better figures are reported by MFIs that are however providing mostly unproductive consumer loans (page 47). On page 32 the demand for microfinance loans should be expressed in millions USD (units missing).

The objective of the chapter 4 is to conduct an empirical analysis of the microfinance sector of the Republic of Moldova through different approaches. There is one hypothetical observation to raise potential of MFI (current supply only 25 % of expected demand) due to unique level of remittances transferred by Moldovans working abroad. The author properly states that Moldova is a country highly dependent on remittances (see page 31) - according to the World Bank's Migration and Remittances Factbook for 2011, 23 percent of GDP in 2009 came from remittances that could also partially contribute as one source of microfinance investors. It might work only in case that current MFIs and SCAs are investor friendly and efficient.

Specific efficiency assessment is provided on the basis of three selected MFI's (the first is in the agricultural sector - still the largest sector of Moldovan economy accounting for about 35 % of GDP, and third for rural entrepreneurs). Specific objectives of the thesis are to determine the level of development of the microfinance sector and calculate main industry indicators; for

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three selected MFI's calculate outreach, efficiency and profitability indicators; analyze SCA network and determine its role in poverty alleviation.

Both calculations of ratios and econometric models demonstrate that Mr.Gorgan handles relevant tools adequately and carefully process collected data. The conclusions are adequate in spite of missing support for some hypotheses. E.g. author admits that one of the main finding is that above stated MFIs do not deal directly with the poorest being self-sufficient and profitable. It gives him the idea that they are for-profit organizations and do not completely follow the idea of microfinance concept of helping the poorest layers of society.

In the case of successful defense I propose "velmi dobře " or " good" (2).

## **SUMMARY OF POINTS AWARDED** (for details, see below):

<b>CATEGORY</b>	<b>POINTS</b>
<i>Literature</i> (max. 20 points)	18
<i>Methods</i> (max. 30 points)	22
<i>Contribution</i> (max. 30 points)	15
<i>Manuscript Form</i> (max. 20 points)	18
<b>TOTAL POINTS</b> (max. 100 points)	<b>73</b>
<b>GRADE</b> (1 – 2 – 3 – 4)	<b>2</b>

**NAME OF THE REFEREE:** *prof. Michal Mejstrik*

**DATE OF EVALUATION:** 25.8.2012

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**Referee Signature**

**EXPLANATION OF CATEGORIES AND SCALE:**

**LITERATURE REVIEW:** *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

Strong                  Average                  Weak  
20                          10                          0

**METHODS:** *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

Strong                  Average                  Weak  
30                          15                          0

**CONTRIBUTION:** *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

Strong                  Average                  Weak  
30                          15                          0

**MANUSCRIPT FORM:** *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Strong                  Average                  Weak  
20                          10                          0

**Overall grading:**

TOTAL POINTS	GRADE		
81 – 100	<b>1</b>	= excellent	= výborně
61 – 80	<b>2</b>	= good	= velmi dobře
41 – 60	<b>3</b>	= satisfactory	= dobře
0 – 40	<b>4</b>	= fail	= nedoporučuji k obhajobě