

Institut ekonomických studií

Fakulta sociálních věd, Universita Karlova Praha

Referee report on the Bachelor/Master Thesis submitted to State Exam

Student Name:	Martin Tesař
Thesis Supervisor Name:	Pavel Streblov
Thesis Title:	Microfinance: Fighting poverty vs. sustainable banking

Overall Evaluation:

Martin Tesař addresses a topical issue of the sustainability and role of subsidies in the emerging sector of microfinance institutions in developing countries. He has done a thorough research examining the annual reports of several microfinance institutions over the period of the last ten years and has used this unique dataset to present an insightful analysis of the life-cycle of individual micro-finance institutions as well as the cycle of the whole industry. Given the profound analysis of the assessed area and the utilization of primary sources for his argumentation I recommend awarding Martin Tesař an "A" for his thesis. In addition, I believe that the thesis qualifies for a special honor of the dean.

In the first two chapters of the thesis, Martin provides a very useful analysis of the main characteristics and tools used by microfinance institutions and shows the non-standard banking incentives such as group lending, forced savings and other dynamic incentives utilized by microfinance institutions. The third part of the thesis explains the adopted Yaron's Subsidy Dependence Index to scrutinize both the explicit and implicit subsidies provided to the microfinance institutions. The fourth part provides description of the operations and financial parameters of a cross-national sample of six different micro-finance institutions in South Asia. This part provides very interesting insights into the operations of the institutions and their development over time. I highly appreciate the structured way in which the author was able to collect and put into the same analytical framework data from such diverse sources and at the same time highlighted specifics of each individual institution (e.g. economic effects of fraudulent activities of managers in Seilanithih).

The core of the thesis is nevertheless in the following part which uses econometric methods to derive several interesting conclusions. The econometric results confirm the finding of other authors that higher amounts of savings in the bank help institutions to become less dependent on subsidies funds. On top, the results point at certain unexplored areas in current researches of microfinance institutions such as the fact that the sustainability of the institutions is rather independent of whether the institutions focus on the poorest or the less poor and the interdependency between sustainability and interest rates charged. The collected data set also enable to draw interesting conclusions on the life-cycle of the microfinance institutions and the decreasing dependency on subsidies of the microfinance institutions over years of operations.

As a matter of potential future research, Martin should consider an extension of the analyzed sample of microfinance institutions and try to identify if there are any country or region specific characteristics that have an impact on the sustainability of such institutions (e.g. a comparison of his existing sample with micro-finance institutions in Africa that generally prove to be more subsidy-dependent). Another stream of future research could be a focus on the different incentive methods used by the micro-finance institutions and analyse their impact on sustainability.

The whole thesis is written in very good English and both the straightforward style as well as professional graphics make it a convenient read.

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Martin has clearly gone beyond the standard of a master thesis and has proved to be able to provide a valuable input to the ongoing debate on the role of micro-finance institutions and their costs and benefits to the society. I therefore recommend an "A" and recommend awarding a special honor of the dean for this thesis.

SUMMARY OF POINTS AWARDED (for the explanation of categories and scale, please, see below):

CATEGORY	POINTS
Quality of Research	27
Clarity and Readability	10
Content/Quality of Ideas	36
Organization & Development	15
Manuscript Form	5
TOTAL POINTS	93
LETTER GRADE	A

PhDr. Pavel Streblov MSc.

Evaluated on: **June 17th, 2008**

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Explanation of categories and scale:

QUALITY OF RESEARCH: *The thesis demonstrates the author's full understanding and command of current literature and he/she uses it competently. The topic of the thesis is well structured and methods used are proper and relevant to the research question being investigated. A full and accurate analysis of thesis statement, from both a theoretical and applied perspective, is provided.*

<i>Strong</i>			<i>Middle</i>				<i>Weak</i>		
30	27	24	21	18	15	12	8	4	0

CONTENT/QUALITY OF IDEAS: *A range and depth of exposition; an appropriate sense of complexity of the topic; appropriate analysis of the thesis statement; and an accurate understanding of theoretical concepts is demonstrated. A full discussion of applicable and relevant theories stylized data is included. Original, creative thought is provided and evident. Demonstrates critical thinking and analysis with application of theory and student's ability to draw conclusions based on their knowledge, skills and research.*

<i>Strong</i>			<i>Middle</i>				<i>Weak</i>		
40	36	32	28	24	20	15	10	5	0

ORGANIZATION AND DEVELOPMENT: *The paper demonstrates a logical and clear arrangement of ideas; an effective use of transitions; a unity and coherence of paragraphs; and a clear development of ideas through supporting detail and evidence. The reader is successfully oriented to the subject, purpose, methodology, and structure of the report; an overview of the whole is included; the reader's attention and interest is engaged. The thesis statement is clearly and definitively stated without ambiguity. The conclusion is strong and reflective of the work as a whole.*

<i>Strong</i>			<i>Middle</i>				<i>Weak</i>		
15	13	12	10	8	6	4	2	0	

CLARITY AND READABILITY: *Ease of readability; appropriate use of language and style for the rhetorical content; clarity of sentences (reader doesn't get lost; minimum need for slowing down or re-reading) is appropriately demonstrated. Professional level of English expression is evident (limited amount of non-native language to English translation is detectable).*

<i>Strong</i>			<i>Middle</i>				<i>Weak</i>		
10	9	8	7	6	5	3	2	1	0

MANUSCRIPT FORM: *The appropriate manuscript form and style for the rhetorical content; a professional image; an appropriate use of headings and sub-headings; an appropriate format for graphs and tables; an effective referencing of graphs and tables in the text; complete and accurate bibliography documented to support the applied research; and the overall impact of document design is considered.*

<i>Strong</i>		<i>Middle</i>		<i>Weak</i>	
5	4	3	2	1	0