



GEST-S-604

Module “Commercialization of microfinance”

Course: Commercialization of microfinance

2nd semester EMP 2019-20

Module manager: Prof. Marek HUDON

Planning

Date	Time	Lecturer	Guest speaker	Place
05/02/2020	6 pm to 9 pm	Prof. M. Hudon		R42.4.110
26/02/2020	6 pm to 9 pm	Prof. M. Hudon		R42.4.110
04/03/2020	6 pm to 9 pm	Prof. M. Hudon		R42.4.110
10/03/2020	6 pm to 9 pm	Prof. M. Hudon	Daniel Rozas	R42.4.110
18/03/2020	6 pm to 9 pm	Prof. M. Hudon		R42.4.110
25/03/2020	6 pm to 9 pm	Prof. M. Hudon	Prof. E. Balemba	R42.4.110
26/03/2020	6 pm to 9 pm	Prof. M. Hudon	Prof. E. Balemba	R42.4.110
01/04/2020	6 pm to 9 pm	Prof. M. Hudon		R42.4.110

Objectives of the course

- Understand the commercialization trend in microfinance.
- Address ethical concerns related to the evolution of the microfinance sector and their managerial implications.

Part 1: Prof. Marek Hudon (ULB)

Topics covered and recommended readings

This course is related to a MOOC on the Commercialization of Social Enterprises. Please register and watch it:

<https://www.futurelearn.com/courses/social-enterprise-mission-drift>

1) Introduction to ethics in microfinance & key principles

- Present the structure of the course and the evaluation.
- Discuss and challenge key microfinance principles

Reference:

- Hudon, M. (2008), "Norms and Values of the Various Microfinance Institutions," *International Journal of Social Economics* 35(1): 35-48.

2) Compartamos (1): Metro project & interest rates in microfinance

- Learn key management procedures of new products in microfinance
- Discuss what are fair interest rates when lending to the poor

Case study:

- Shlefer, J. and G. Stuart (2004), *Corporate Values and Transformation: The Microlender Compartamos*, Harvard University Case Study, 1761.0, http://www.ksgcase.harvard.edu/search_result.asp?value=22&id=22

References:

- Dugan, M. and R. Goodwin-Groen (2005), "Donors Succeed by Making Themselves Obsolete: Compartamos Taps Financial Markets in Mexico," *CGAP Case Study*, 19, http://cgap.org/direct/docs/case_studies/cs_19.pdf
- Economist (The) (2007), "In Praise of Usury," *The Economist*, August 2nd 2007, http://www.economist.com/finance/economicsfocus/displaystory.cfm?story_id=9587533

- Fernando, N. (2006), *Understanding and Dealing with High Interest Rates on Microcredit. A Note to Policy Makers in the Asia and Pacific Region*, Manila: ADB, <http://www.adb.org/Documents/Books/interest-rates-microcredit/Microcredit-Understanding-Dealing.pdf>
- Hudon, M., and A. Ashta (2013), “Fairness and microcredit interest rates: From Rawlsian principles of justice to the distribution of the bargaining range,” *Business Ethics: A European Review*, 22(3), pp. 277-291.

3) Compartamos (2): IPOs in microfinance

- Analyse Compartamos business model and strategy
- Draw lessons from IPOs in Microfinance

Case Study:

- Chu, M., and R. Garcia Cuellar (2008), "Banco Compartamos: Life after the IPO." Harvard Business School Case 308-094.

References:

- Ashta, A. and M. Hudon (2012), “The Compartamos microfinance IPO: Mission conflicts in hybrid institutions with diverse shareholding,” *Strategic Change: Briefings in Entrepreneurial Finance* 21(7/8): 331-341.
- Rosenberg, R. (2007), “CGAP Reflections on the Compartamos Initial Public Offering,” *CGAP Focus Note* 42, CGAP, Washington D.C. http://microfinancegateway.org/files/41181_file_FN_42_ENG_9_5_07.pdf
- Stuart, G. (2007), “From Standardization and Cross-Subsidization to Service Differentiation and External Subsidies,” *Ethics and Economics* 4(2): 1-7,
- Waterfield, D. (2007), *Compartamos*, <http://www.microfin.com/compartamos.htm>

4) Microfinance overindebtedness

- Analyse key measures of market capacity.
- Understand how microfinance markets can generate overindebtedness.

Guest Speaker: Daniel Rozas, Senior Microfinance Expert, European Microfinance Platform

References:

- Javoy, E. and D. Rozas (2015), “Estimating levels of credit market saturation” in Guérin, I., Labie, M. and J.M. Servet (Eds), *Crises in Microfinance*, Zed Book.

- Ugarte Ruiz, A. (2015) [Understanding the dichotomy of financial development: credit deepening versus credit excess](#), Jan 2015.
- Lewis, M. (2011), [The Big Short](#), Feb 2011.

5) Transforming Microfinance

- Understand the transformation process in microfinance
- Identify the main tensions related to transformation and the impact of transformation

Please watch MOOC Week 4 on UV

References:

- D'Espallier, B., Goedecke, J., Hudon, M. and R. Mersland (2017), "From NGOs to banks: Does institutional transformation alter the business model of microfinance institutions?", *World Development*, 89, 19-33.
- Hudon, M. Louche, C., Mair., J., "Transforming social enterprises: the case of Kenyan and Vietnamese microfinance institutions", Working Paper

6) Commercialization in the Great Lakes Region

- Understand the specificities of the microfinance sector in the Great Lakes Regio, including the Democratic Republic of the Congo
- Highlight the impact of commercialization on women and youth inclusion

Guest Speaker: Eddy Balemba, Catholic University of Bukavu

7) Microfinance overindebtedness

- Analyse overindebtedness in the borrowers' perspective
- Understand how customers go into and manage overindebtedness.

Guest Speaker: Eddy Balemba, Catholic University of Bukavu

8) Microfinance & Ethics: Where do we go?

References:

- Hudon, M., Labie, M., & Szafarz, A. (2019). A long time ago in a galaxy far, far away... How microfinance evolved and how research followed. In *A Research Agenda for Financial Inclusion and Microfinance*. Edward Elgar Publishing.
- Hudon, M. and J. Sandberg (2013), “Ethical Crisis in Microfinance: Issues and Findings,” *Business Ethics Quarterly* 23(4): 561–589.

Evaluation

The course is made up of formal presentations and class discussions organized around the readings and case studies.

A minimum of 80% of attendance is expected.

The course will be graded upon the writing of an individual final paper.

The paper will have to:

- ✓ Identify and discuss an ethical challenge/issue/situation in microfinance (including definitions, objectives, issue description, short review of the literature)
- ✓ Address management consequences and make practical recommendations to the managers or stakeholders of microfinance-related institutions.

The scientific approach to the problem, as well as the relevance and the realism of the recommendations are of prime importance. The quality and clarity of the writing also come into play.

The maximum length of the paper (bibliography excluded) is 6 pages in Arial font, size 12, 1.5-spaced, with numbered pages. The bibliography should follow the EMP thesis guide norms. Any plagiarism attempt will be strongly penalized and severely addressed.

Deadlines

Final submission of the papers: 19/04/2020