



**GEST-S-604**

**Module “Commercialization of microfinance”**

**Course: Commercialization of microfinance**

**2<sup>nd</sup> semester EMP 2021-22**

**Module manager: Prof. Marek HUDON**

**Planning**

<b>Date</b>	<b>Time</b>	<b>Lecturer</b>	<b>Guest speaker</b>	<b>Place</b>
07/02/2022	6 pm to 9 pm	Prof. M. Hudon		R42.4.110
16/02/2022	6 pm to 9 pm	Prof. M. Hudon		R42.4.110
23/02/2022	6 pm to 9 pm	Prof. P. Reichert	Dr. Olga Biosca	R42.4.110
24/02/2022	6 pm to 9 pm	Prof. P. Reichert	Prof. E. Balemba	R42.4.110
25/02/2022	6 pm to 9 pm	Prof. M. Hudon	Prof. E. Balemba	R42.4.110
03/03/2022	6 pm to 9 pm	Prof. M. Hudon	Prof. Reichert	R42.4.110
04/03/2022	6 pm to 9 pm	Prof. M. Hudon	Prof. Reichert	R42.4.110
22/03/2022	6 pm to 9 pm	Prof. M. Hudon	Daniel Rozas	R42.4.110
23/03/2022	6 pm to 9 pm	Prof. M. Hudon		R42.4.110

## Objectives of the course

LO 1.2

- Understand the commercialization trend in microfinance.

LO 1.1

- Address ethical concerns related to the evolution of the microfinance sector and the associated managerial implications.

LO 2.2

- Develop critical thinking skills on the commercialization trend in microfinance.

LO 1.3

- Articulate public policy frameworks with management issues in MFIs.

## **Part 1: Prof. Marek Hudon (ULB)**

### Topics covered and recommended readings

#### **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 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](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>

### 3) 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.

### 4) Non-financial services in microfinance

- Understand the concept and evolution of credit-plus
- Analyse the different approaches which may be taken in the design of non-financial services
- Assess how both social and financial objectives can be met through credit-plus programmes
- Discuss the impact of non-financial services

### **Guest Speaker: Dr. Olga BIOSCA, Yunus Centre for Social Business and Health**

#### References:

- Biosca, O., P. Lenton and P. Mosley (2014), “Where is the ‘Plus’ in ‘Credit-Plus’? The Case of Chiapas, Mexico,” *The Journal of Development Studies* 50(12): 1700-1716.
- GDI (2017), “Financial Inclusion and Resilience: How BRAC’s Microfinance Program Recovered from the West Africa Ebola Crisis”, *Global Delivery Initiative Case Study*: [http://globaldeliveryinitiative.org/sites/default/files/case-studies/rflessonslearned\\_10-25-17.pdf](http://globaldeliveryinitiative.org/sites/default/files/case-studies/rflessonslearned_10-25-17.pdf)
- Karlan, D. and M. Valdivia (2011), “Teaching entrepreneurship: Impact of business training on microfinance clients and institutions,” *Review of Economics and Statistics* 93(2): 510-527.

- Lensink, R., R. Mersland, N. Vu and S. Zamore (2017), “Do microfinance institutions benefit from integrating financial and nonfinancial services?”, *Applied Economics* (online), <http://dx.doi.org/10.1080/00036846.2017.1397852>

## 5) 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**

## 6) Microfinance overindebtedness

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

**Guest Speaker: Eddy Balemba, Catholic University of Bukavu**

## 7) 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.

## Part 2: Prof. Patrick Reichert (ULB)

### 8) Multimedia Case: The Lake Simulation

- Introduce students to the concepts of collective action problems through an active learning experience
- Understand how profit motives can drive perverse effects in microfinance organizations

## 9) Subsidy design and the MFI lifecycle

- Introduce students to a typology of subsidies
- Discuss the benefits and drawbacks of each type of subsidy
- Assess which subsidy instruments are desirable at various points throughout an MFIs lifecycle

### **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: 18/04/2022