



GEST-S-6001

**Module “Management of microfinance institutions”**

**Course: Contracting and microfinance products**

1st semester EMP 2020-21

**Module manager: Prof. Marc LABIE**

**Planning**

Date	Time	Lecturer	Guest speaker	Place
26/10/2020	6 pm – 9 pm	Prof. R. Mersland		R.42.4.110
27/10/2020	6 pm – 9 pm	Prof. R. Mersland		R.42.4.110
28/10/2020	6 pm – 9 pm	Prof. R. Mersland		R.42.4.110
06/11/2020	6 pm – 9 pm		T. Geladé	R.42.4.110
09/11/2020	6 pm – 9 pm	Prof. R. Mersland	Prof. A. Ashta	R.42.4.110
12/11/2020	6 pm – 9 pm		T. Geladé	R.42.4.110
09/12/2020	6 pm – 9 pm	Prof. J. Morduch		remotely
10/12/2020	6 pm – 9 pm	Prof. J. Morduch		remotely
11/12/2020	6 pm – 9 pm	Prof. J. Morduch		remotely
12/12/2020	9 am – 12 pm	Prof. J. Morduch	Prof. S. Nyarko	R42.4.110

## **Part 1: Prof. R. MERSLAND**

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### **Objectives of the course**

To introduce students to key concepts in the development of the microfinance industry, and to present recent research in combination with case experiences related to the topics covered.

### **Topics covered and recommended readings**

#### **1) CEOs and their influence on Microfinance Performance**

References:

- Mersland, R., D. Pascal and L.A. Beisland (forthcoming), "The Origin of Chief Executive Officers and Performance in Hybrid Businesses: The Case of Microfinance," *Journal of Small Business Management*.
- Pascal, D., R. Mersland and N. Mori (2017), "The influence of the CEO's business education on the performance of hybrid organizations: The case of the global microfinance industry," *Small Business Economics* 49(2): 339-354.
- Hambrick D.C. and T.J. Quigley (2014), "Toward more accurate contextualization of the CEO effect on firm performance," *Strategic Management Journal* 35(4): 473-491.

#### **2) Mission Drift in Microfinance?**

References:

- Mersland, R. and R. Ø. Strøm, (2013), "Microfinance Costs, Lending Rates and Profitability," in Caprio, G. (ed), *The Encyclopedia of Financial Globalization*, Oxford: Elsevier.
- Armendariz, B. and A. Szafarz (2011), "On Mission Drift in Microfinance Institutions," in Armendariz, B. and M. Labie (eds.) *The Handbook of Microfinance*, London-Singapore: World Scientific Publishing, 341-366.
- Schreiner, M. (2002), "Aspects of outreach: a framework for discussion of the social benefits of microfinance," *Journal of International Development* 14(5): 591-603.
- Mersland, S., S. Nyarko and A. Szafarz (forthcoming), "Do social enterprises walk the talk? Assessing microfinance performances with mission statements," *Journal of Business Venturing Insights*, forthcoming.
- Beisland, L.A., B. D'Espallier and R. Mersland (forthcoming), "The commercialization of the microfinance industry: Is there a 'personal mission drift' among credit officers?" *Journal of Business Ethics*, forthcoming.

#### **3) The future of the microfinance product innovations and institutional designs**

References:

- Mersland, R. and R. Ø. Strøm (2012), "The Past and Future of Microfinance Innovations", in Cumming, D. (ed), *The Oxford Handbook of Entrepreneurial Finance*, New York: Oxford University Press.
- Mersland, R. (2013), "The microfinance market opportunities," *Enterprise Development & Microfinance* 24(4): 282-294.

- Hollis, A. and A. Sweetman (1998), “Microcredit: What can we learn from the past?” *World Development* 26: 1875-1891.

#### **4) Pro-poor microfinance products: Disability market; Microfinance plus; Savings Groups**

##### References:

- Beisland, L. A. and R. Mersland (2013), “A literature review and policy guidelines on microfinance and disability”, in Heymann, J., M.A. Stein and G. Moreno (eds.), *Disability and Equity at Work*, Oxford: Oxford University Press.
- Lensink, R., R. Mersland, N.T.H. Vu and S. Zamore (2018), “Do Microfinance Institutions Benefit from Integrating Financial and Nonfinancial Services?” *Applied Economics* 50(23): 2509-2524.
- Mersland, Gonzales, Nakato and D’Espallier (2018), “Global Indicators of Savings Groups - A description of the SAVIX database,” CERSEM, Norway.

#### **5) The Internationalization of the microfinance industry**

##### References:

- Mersland, R., S. Zamore, K.O. Djan and T. Woldetsadik Sommeno (2019), “Internationalization of the Microfinance Industry,” in Hudon, M., M. Labie and A. Szafarz (eds.) *Research Agenda for Financial Inclusion and Microfinance*, Edward Elgar.

### **Guest speaker: Prof. Arvind ASHTA (9 November 2020)**

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#### **Topics covered and recommended readings**

##### **1) Theoretical Introduction to technology, innovation, adoption (1 hour)**

- Innovation models in the information age

##### References:

- Rogers, E. (2003), *Diffusion of Innovations*, 5<sup>th</sup> ed., New York: Free Press.
- Friedman, T. (2006), *The World is Flat: The globalized world in the twenty-first century*, U.K.: Penguin.
- Shuen, A. (2008), *Web 2.0: A Strategy Guide*, Sebastopol, CA: O’Reilly Media Inc.
- Ashta, A. and D. Assadi (2010), "An analysis of European online micro-lending websites," *Innovative Marketing* 6(2): 7-17.
- Ashta, A. (2011), "Advanced Technologies for Microfinance: Solutions and Challenges," Hershey, PA: IGI Global. (Introduction to the Book)

##### **2) Online Lending (2 hours)**

- Different online lending models (commercial and microfinance)
- Governance, Strategy and Marketing of different online lending sites, commercial as well as microfinance base, direct as well as intermediary, profit as well as not-for-profits.

## References:

- Attali, J. (2000), "A Market Solution to Poverty: Microfinance and the Internet," *NPQ: New Perspectives Quarterly* 17(1): 31.
- McAfee, A. P. (2006), "Enterprise 2.0: The Dawn of Emergent Collaboration," *MIT Sloan Management Review* 47(3): 21-28.
- Kupp, M. and J. Anderson (2007), "Zopa: Web 2.0 meets retail banking," *Business Strategy Review* 18(3): 11-17.
- Robinson, K. (2007), "Peer-to-peer lending strives to break the banking mould," *Banker* 157(974): 110-111.
- Wolfe, D. (2007), "How Secondary Market Could Morph Prosper (cover story)," *American Banker* 172(212): 1-9.
- Powers, J., B. Magnoni and S. Knapp (2008), "Person-To-Person Lending: Is Financial Democracy A Click Away?" *microREPORT* 130, USAID, Washington, D.C.
- Assadi, D. and A. Ashta (2009), "How do People Trust on Peer-to-Peer Lending Websites? Analysis of the Impacts of the Web 2.0 Technologies and Intermediation Roles," in Gera, R. (ed.), *Advances in Technology and Innovation in Marketing*, Delhi: MacMillan Publishers India Ltd, 49-69.
- Flannery, M. (2009), "Kiva at Four," *Innovations* 4(2): 31-49.
- Roodman, D. (2009), "Kiva is Not Quite What it Seems", Center for Global Development blog, [http://blogs.cgdev.org/open\\_book/2009/10/kiva-is-not-quite-what-it-seems.php](http://blogs.cgdev.org/open_book/2009/10/kiva-is-not-quite-what-it-seems.php).
- Johnson, S., A. Ashta and D. Assadi (2010), "Online or Offline? The Rise of "Peer-to-Peer" Lending in Microfinance," *Journal of Electronic Commerce in Organizations* 8(3): 26-37.
- Ashta, A. and D. Assadi (2010), "Should online micro-lending be for profit or for philanthropy? DhanaX and Rang De," *Journal of Innovation Economics* 2(6): 123-146.
- Assadi, D. and M. Hudson (2011), "Marketing Analysis of Emerging Peer-to-Peer Microlending Websites," in Ashta A. (ed.), *Advanced Technologies for Microfinance: Solutions and Challenges*, Hershey, PA: IGI Global, 185-205.
- Ashta, A. and D. Assadi (2011), "The use of Web 2.0 technologies in online lending and impact on different components of interest rates," in Ashta, A. (ed.), *Advanced Technologies for Microfinance: Solutions and Challenges*, Hershey, PA: IGI Global.

## Part 2: Prof. J. MORDUCH

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### Objectives of the course

- Get an understanding of microfinance lending services
- Focus on the economics of group lending versus individual lending
- Get an understanding of microfinance savings and insurance services
- Discuss the interrelationship between microfinance services and remittances

### Topics covered and required (!) readings

- 1) **Credit**
- 2) **Savings**
- 3) **Product design**

References:

#### General

- Collins, D., J. Morduch, S. Rutherford and O. Ruthven (2009), *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*, Princeton: Princeton University Press, Chapter 1.
- Armendáriz, B. and J. Morduch (2010), *The Economics of Microfinance*, Cambridge, MA: MIT Press.

#### Credit

- Banerjee, A., D. Karlan and J. Zinman (2015). "Six Randomized Evaluations of Microcredit: Introduction and Further Steps," *American Economic Journal: Applied Economics* 7(1): 1–21.
- Field, E., R. Pande, J. Papp and N. Rigol (2013), "Does the Classic Microfinance Model Discourage Entrepreneurship among the Poor? Experimental Evidence from India," *American Economic Review* 103(6): 2196-2226.
- Hermes, N., R. Lensink and H.T. Mehrteab (2005), "Peer Monitoring, Social Ties and Moral Hazard in Group Lending Programs: Evidence from Eritrea," *World Development* 33(1): 149-169.

#### Savings

- Dupas, P., and J. Robinson (2013), "Savings Constraints and Microenterprise Development: Evidence from a Field Experiment in Kenya," *American Economic Journal: Applied Economics* 5(1): 163-92.
- Collins, D., J. Morduch, S. Rutherford and O. Ruthven (2009), *Portfolios of the Poor: How the World's Poor Live on \$2 a Day*, Princeton: Princeton University Press, Chapter 4.

#### Product design

- Bauchet, J. and J. Morduch (2019), "Paying in Pieces: A natural experiment on demand for life insurance under different payment schemes," *Journal of Development Economics* 139: 69-77.

- Labie, M., C. Laureti and A. Szafarz (2016), “Discipline and Flexibility: A Behavioral Perspective on Product Design in Microfinance,” Working papers CEB 15-020, Université Libre de Bruxelles. Available at SSRN: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2155327](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2155327)

## **Guest speaker: Samuel Anokye NYARKO (12 December 2020)**

### **Topic covered and recommended readings**

Informal institutions and the delivery of microfinance products.

References:

- Aggarwal, R., J. W. Goodell and L. J. Selleck (2015), “Lending to Women in Microfinance: Role of Social Trust,” *International Business Review* 24(1): 55–65.
- Boehe, D. M. and L. B. Cruz (2013), “Gender and Microfinance Performance: Why does the Institutional Context Matter?” *World Development*, 47: 121–135.
- Dowla, A. (2006), “In Credit we Trust: Building Social Capital by Grameen Bank in Bangladesh,” *The Journal of Socio-Economics* 35(1): 102–122.

## **Both parts**

### **Evaluation**

Written exam

The module « Management of microfinance institutions” is composed of two courses:

A) Microfinance from conception to management (Prof. M. Labie)

B) Contracting and microfinance products (Prof. J. Morduch and Prof. R. Mersland)

Two marks A and B must set the final mark C of the module.

- if A and B are greater than or equal to 8/20, then  $C = (A + B)/2$

- if  $A < 8/20$  or  $B < 8/20$ , then  $C = \min (A,B)$ .