



GEST-S-6001

Module “Management of microfinance institutions”

Course: Contracting and microfinance products

1st semester EMP 2021-22

Module manager: Prof. Marc LABIE

Planning

Date	Time	Lecturer	Guest speaker	Place
08/11/2021	6 pm – 9 pm	Prof. R. Mersland		R.42.4.110
09/11/2021	6 pm – 9 pm	Prof. R. Mersland		R.42.4.110
10/11/2021	6 pm – 9 pm	Prof. R. Mersland		R.42.4.110
26/11/2021	6 pm – 9 pm	Prof. J. Morduch	Prof. S. Nyarko	R42.4.110
06/12/2021	6 pm – 9 pm	Prof. J. Morduch		remotely
08/12/2021	6 pm – 9 pm	Prof. J. Morduch		remotely
09/12/2021	6 pm – 9 pm	Prof. J. Morduch		remotely
10/12/2021	6 pm – 9 pm	Prof. R. Mersland	Prof. A. Ashta	R.42.4.110
2 nd semester	6 pm – 9 pm		T. Geladé	R.42.4.110
2 nd semester	6 pm – 9 pm		T. Geladé	R.42.4.110

Part 1: Prof. R. MERSLAND

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 (10 December 2021)

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*, 5th 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.
- 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

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.
- Morduch, J. (2021), “Rethinking Poverty, Household Finance, and Microfinance”

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

Guest speaker: Samuel Anokye NYARKO (26 November 2021)

Topic covered and recommended readings

Informal institutions and the delivery of microfinance products and services.

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.
- Drori, I., Manos, R., Santacreu-Vasut, E., & Shoham, A. (2020). “How does the Global Microfinance Industry Determine its Targeting Strategy Across Cultures with Differing Gender Values?,” *Journal of World Business* 55(5): 100985.
- Maclean, K. (2010). “Capitalizing on Women's Social Capital? Women-Targeted Microfinance in Bolivia,” *Development and Change* 41(3): 495–515.

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 $C = \min (A,B)$.