



GEST-S-604

Module “Commercialization of microfinance”

Course: Commercialization of microfinance

2nd semester EMP 2024-25

Module manager: Prof. Marek HUDON

Planning

Date	Time	Lecturer	Guest speaker	Place
11-02-25	6 pm to 9 pm	Prof. M. Hudon		A.0.005
13-02-25	6 pm to 9 pm		Prof. E. Balemba	A.0.005
14-02-25	6 pm to 9 pm		Prof. E. Balemba	A.0.005
10-03-25	6 pm to 9 pm	Prof. M. Hudon		A.0.005
12-03-25	6 pm to 9 pm		Prof. D.Rozas	A.0.005
17-03-25	6 pm to 9 pm	Prof. M. Hudon		A.0.005
20-03-25	6 pm to 9 pm		Prof. O. Biosca	A.0.005
21-03-25	6 pm to 9 pm	Prof. S. Nyarko		A.0.005
22-03-25	9 am to 12 pm	Prof. J. Morduch		A.0.005
24-03-25	6 pm to 9 pm	Prof. J. Morduch		A.0.005
25-03-25	6 pm to 9 pm	Prof. J. Morduch		A.0.005

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 (Session 1)

- 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.
- Maïtrot, M. (2022). The moral economy of microfinance in rural Bangladesh: Dharma, gender and social change. *Development and Change*, 53(2), 335-355.

2) Compartamos IPOs in microfinance (Session 2)

- 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:

- Bajde, D., Chelekis, J., & van Dalen, A. (2022). The megamarketing of microfinance: Developing and maintaining an industry aura of virtue. *International Journal of Research in Marketing*, 39(1), 134-155.
- 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

- Waterfield, D. (2007), *Compartamos*,
<http://www.microfin.com/compartamos.htm>

3) Microfinance market saturation & overindebtedness (Session 3)

- Understand why and how microfinance markets become over-saturated
- Learn to recognize the key warning flags of market saturation and overindebtedness

Guest Speaker: Daniel Rozas, e-MFP

References:

- The Big Short (either or both):
 - Lewis, M. (2011), [The Big Short](#), Feb 2011 (book)
 - [The Big Short](#), 2015 (film)
- Sam Mendelson, Daniel Rozas, [Selected microfinance crises: past, present, and future](#), *Oxford Review of Economic Policy*, Volume 40, Issue 1, Spring 2024, Pages 30–43
- Mader, P. (2013). [Rise and Fall of Microfinance in India: The Andhra Pradesh Crisis in Perspective](#). Strategic Change. 22. 10.1002/jsc.1921.
- Rhyne, E. (2001). [Commercialization and crisis in Bolivian microfinance](#). *USAID Microenterprise Best Practices*. Washington DC.
- MIMOSA (read either of the below):
 - 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.
 - Javoy, E. and D. Rozas (2015), “[MIMOSA 2.0: Mapping the \(micro\)credit cycle](#)”

4) Microfinance & Ethics: Where do we go?

References:

- Hudon, M. and J. Sandberg (2013), “Ethical Crisis in Microfinance: Issues and Findings,” *Business Ethics Quarterly* 23(4): 561–589.
- Hermes, N., & Hudon, M. (2019). Determinants of the performance of microfinance institutions: A systematic review. *Contemporary Topics in Finance: A Collection of Literature Surveys*, 297-330.
- Cai, J., Meki, M., Quinn, S., Field, E., Kinnan, C., Morduch, J., & Said, F. (2023). Microfinance. *VoxDevLit*, 3(2), 26

5) Non-financial services in microfinance (Session 5)

- 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
- 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>

6) Commercialization in the Great Lakes Region (Session 9 and 10)

- 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

Part 2: Prof. Jonathan Morduch (New York University)

Topics covered and recommended readings

1) Interest rates

- Evidence on global interest rates
- The logic of high interest rates
- What is a “fair” interest rate?
- Evidence on interest rate elasticities and why they matter

References:

- Morduch, J. “The Microfinance Schism,” *World Development* 28 (4), April 2000, 617 - 629.
- Dehejia, R. Morduch, R. and H. Montgomery (2012) “Do interest rates matter? Credit demand in the Dhaka Slums”. *Journal of Development Economics* 47 (2): 437 - 499.
- Cull, R., Demirgüç-Kunt, A. and J. Morduch. (2018). “The Microfinance Business Model: Enduring Subsidy and Modest Profit.” *The World Bank Economic Review*, Volume 32, Issue 2, 1 June 2018, Pages 221–244.
- Rosenberg, R. (2009), “The New Moneylenders: Are the Poor Being Exploited by High Microcredit Interest Rates?” CGAP Occasional Paper 15. Washington, DC: Consultative Group to Assist the Poor.

2) Business models and subsidy

- The microfinance business model (material w/Cull et al)
- What is the logic of subsidy?
- How large are subsidies?
- Who benefits from subsidies?
- Are long-term subsidies justifiable?

References:

- Cull, R., Demirgüç-Kunt, A. and J. Morduch (2018), “The Microfinance Business Model: Enduring Subsidy and Modest Profit” *The World Bank Economic Review*, Volume 32, Issue 2, 1 June 2018: 221–244.
- 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.

3) Social investment and commercial microfinance

- Double bottom lines – what do they mean?
- Why mission drift happens
- The social returns to investment – and why they are hard to measure
- Final thoughts: Prospects for microfinance and commercialization

References:

- Morduch, J. and T. Ogden (2019), “Social Investment through the Lens of Microfinance.” Chapter in *Research Agenda in Financial Inclusion and Microfinance* edited by Marek Hudon, Marc Labie, and Ariane Szafarz. 2019.
- Cull, R. and J. Morduch (2018), “Microfinance and Economic Development.” In Thorsten Beck and Ross Levine, eds., *Handbook of Finance and Development*, Edward Elgar, 2018.

Recommended but optional:

- Armendáriz, B. and A. Szafarz (2011), “On mission drift in microfinance institutions.” In Beatriz Armendáriz and Marc Labie, eds., *The Handbook of Microfinance*, Singapore: World Scientific Publishing.
- Mersland, R. and R. Ø. Strøm (2010), “Microfinance Mission Drift?” *World Development* 38 (1): 28-36.

Part 3: Samuel Anokye NYARKO (Montpellier Business School)

Topic covered and recommended readings

Informal institutions and gender issues in microfinance.

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.
- 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.
- Nyarko, S. A. (2022). “Gender discrimination and lending to women: The moderating effect of an international founder.” *International Business Review*, 31(4): 101973.

Evaluation

Written exam: Date to be determined