

**ENVI-Y-001**

**Module “Introduction to rural development”**
**Course: Introduction to rural development**

**1st semester EMP 2024-25**

**Module manager: Prof. Patrick Reichert**

 ***Planning***

*Part 1:* Prof. Simon CORNEE

*Part 2:* Prof. Patrick REICHERT

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| --- | --- | --- | --- | --- |
| Date | Time | Lecturer  | Guest speaker | Place |
| 20/09/2024 | 6 pm – 9 pm |  | P. Van Damme | A.0.03 |
| 17/10/2024 | 6 pm – 9 pm | Prof. P. Reichert  |  | A.0.05.2 |
| 19/10/2024 | 9 am – 12 pm | Prof. P. Reichert |  | A.0.05.2 |
| 21/10/2024 | 6 pm – 9 pm | Prof. P. Reichert |  | A.0.03 |
| 08/11/2024 | 6 pm – 9 pm |  | Humundi (C. Stoeckel & D. Morel) | A.0.03 |
| 26/11/2024 | 6 pm – 9 pm | Prof. S. Cornée |  | A.0.05.2 |
| 27/11/2024 | 6 pm – 9 pm | Prof. S. Cornée |  | A.0.03 |
| 28/11/2024 | 6 pm – 9 pm | Prof. S. Cornée |  | A.0.05.2 |

**Part 1: Prof. Simon CORNEE**

 ***Objectives of the course***

* Present social banks and cooperative banks (in rural areas)
* Figure out the implications for rural microfinance

***Topics covered and recommended readings***

1. **Social banks:**

Based on a simple case study, the objective is to discover the foundational principles and functioning rules of social banking. The following topics will be covered:

* Governance
* Intermediation of values
* Selectivity and transparency
* Interest rate setting and reciprocity
* Relational approach of financing

References:

* Allet, M. and M. Hudon (2013), “Green Microfinance: Characteristics of Microfinance Institutions Involved in Environmental Management,” *Journal of Business Ethics* 126(3): 395-414.
* Cornée, S. (2019), “The Relevance of Soft Information for Predicting Small Business Credit Default: Evidence from a Social Bank”, *Journal of Small Business Management*, 57(3): 699-719.
* Cornée, S., P. Kalmi and A. Szafarz (2016), “Selectivity and Transparency in Social Banking: Evidence from Europe,” *Journal of Economic Issues* 50 (2): 494-502.
* Cornée, S., D. Masclet and G. Thenet (2012), “Credit Relationships: Evidence from Experiments with Real Bankers,” *Journal of Money, Credit and Banking* 44(5): 957-980.
* Cornée, S. and A. Szafarz (2014), “Vive la Différence: Social Banks and Reciprocity in the Credit Market,” *Journal of Business Ethics* 125(3): 361-380.
* Cornée, S., P. Kalmi, and A. Szafarz (2020), “The Business Model of Social Banks,” *Kyklos*, 73 (2), 196-226.
* Hudon, M. and J. Sandberg (2013), “The Ethical Crisis in Microfinance: Issues, Findings, and Implications,” *Business Ethics Quarterly* 23(04): 561-589.
* Weber, O. and S. Remer (eds.) (2011), *Social Banks and the Future of Sustainable Finance*, New York: Routledge.
1. **Cooperative banks:**

The objective is to provide an overview of the following themes:

* + Historical background
	+ Growth and governance issues in Western Countries
	+ Implications in Southern countries
	+ Implications for rural microfinance

References:

* Angelini, P., R. Di Salvo and G. Ferri (1998), “Availability and Cost of Credit for Small Businesses: Customer Relationships and Credit Cooperatives,” *Journal of Banking & Finance* 22(6): 925-954.
* Coco, G. and G. Ferri (2010), “From Shareholders to Stakeholders Finance: A More Sustainable Lending Model,” *International Journal of Sustainable Economy* 2(3): 352-364.
* Cornée, S., Fattobene, L., & Migliorelli, M. (2018), “An Overview of Cooperative Banking in Europe,” in: Migliorelli, M. (Eds.), New Cooperative Banking in Europe. Strategies for Adapting the Business Model Post Crisis, Springer, pp. 1-27.
* Ferri, G. and Neuberger, D. (2015), “The banking regulatory bubble and how to get out of it,” in: Calciano, F., Fiordelisi, F., and Scarano, G. (Eds.). The Restructuring of Banks and Financial Systems in the Euro Area and the Financing of SMEs. London: Palgrave Macmillan, 31–61.
* Guinnane, T.W. (1997), “Regional Organizations in the German Cooperative Banking System in the Late 19th Century,” *Research in Economics* 51(3): 251-274.
* Hesse, H. and M. Čihák (2007), “Cooperative Banks and Financial Stability,“ IMF Working Paper No. 07/02.
* Kalmi, P. (2012), “Cooperative Banking,” in Toporowski, J. and J. Michell (eds.) *Handbook of Critical Issues in Finance*, Edward Elgar Publishing, 56-65.
* Perilleux, A. (2013), “Strategic Governance Lessons from History for West African Microfinance Cooperatives*,*” *Strategic Change* 22(1/2): 95-106.

**Part 2: Prof. Patrick Reichert**

**Microfinance for inclusive & sustainable rural development**

***Course Objectives***

The objective of this course is to introduce and analyze the difficulties and opportunities for rural and agricultural (micro)finance. The course discusses specificities of rural areas, and the role of business models in particular, in terms of the potential and challenges for financial services. Microfinance is presented and analyzed in light of its interaction with broader socio-institutional processes of rural development, allowing us to discuss and reflect on its potential transformative role to promote a more socially inclusive and environmentally sustainable rural development. We will conceptualize microfinance as an embedded and path-dependent instrument of socio-institutional transformation. These ideas will be illustrated with successful and unsuccessful cases of interventions aimed at transforming energy provision, value chains and/or landscape dynamics towards social inclusion, environmental sustainability/climate change adaptation.

***Topics covered and readings***

### Session 1: Lake Simulation: An Interactive Learning Exercise

This real-time simulation introduces students to the concepts of collective action problems through an active learning experience.

A computer is required to run the simulation (**please bring computer to class).**

The objective is for students to analyze the decisions made in this type of situation and look for successful strategies to manage them.

Understand how profit motives can drive perverse effects in microfinance organizations

Recommended Readings: None

Individual Assignment:

• Students prepare an Ignite template (to be provided – 10 slides, 20 seconds per slide) to introduce themselves to their peers. High-level using images - The point is merely for us to get to know each other better and uncover common interests.

### Session 2: Rural Development: From Theory of Change to Financial Modeling

Topics:

• Theory of Change & International Development (1st part)

• Social Enterprise & Financial Modelling (2nd part)

Theory of Change is essentially a comprehensive description and illustration of how and why a desired change is expected to happen in a particular context. It is focused in particular on mapping out or “filling in” what has been described as the “missing middle” between what a program or change initiative does (its activities or interventions) and how these lead to desired goals being achieved. It does this by first identifying the desired long-term goals and then works back from these to identify all the conditions (outcomes) that must be in place (and how these related to one another causally) for the goals to occur.

Through an interactive case, this session Introduces the pay-as-you-go (PAYG) business model and builds the business and financial model for a PAYG company together with students. The case builds on the previous session by first developing a Theory of Change for the PAYG company and explores the challenges of PAYG. Students also learn about how to identify and measure social and financial indicators.

Recommended Readings:

• Stein, D., and C. Valters (2012), “Understanding theory of change in international development.”

• Raimi, L., Dodo, F., and R Sule (2022), “Comparative discourse of social enterprises in the developed and developing countries using theory of change framework: a qualitative analysis,” In *Social Entrepreneurs (*Vol. 18, pp. 29-54). Emerald Publishing Limited.

Assignment:

• Interactive in-class workshop on computers **(bring computer to class)**

* + - Case introduces the pay-as-you-go (PAYG) business model (builds the business model for a pay-go company together with students)
		- Explores the challenges of PAYG
		- Analyzes the PAYG model through social and financial indicators

### Session 3: Social Innovation: A Roadmap

Topics:

• The impact economy and social finance spectrum

• Supply and demand of social innovation: main players

• The Agenda 2030 and the Sustainable Development Goals

• Applying social innovation in rural development

Recommended Readings:

• ‘‘Business Reality Reshaped: The Big Three Trends’, Chapter 1 of Embedded Sustainability: The Next Big Competitive Advantage by Chris Laszlo and Nadya Zhexembayeva, Stanford Business Books, 2011.

• Social innovation map, WEF Dynamic Briefing co-curated by Vanina Farber and Patrick Reichert, IMD.

• Phills, J.A., Deiglmeir, K. and D.T. Miller (2008), “Rediscovering Social Innovation,” *Stanford Social Innovation Review*, (Fall): 34-43.

Group Assignment:

• Students identify and pitch the theory of change for an innovative organization tackling a social or environmental challenge in rural development (more details provided in class).

Additional (Optional) Readings:

• Allet, M. (2014), “Why do microfinance institutions go green? An exploratory study,” Journal of Business Ethics 122: 405-424.

• Bastiaensen, J., F. Huybrechs, D. Forcella and G. Van Hecken (2015), “Microfinance plus for ecosystem services: a territorial perspective on Proyecto CAMBio in Nicaragua,” Enterprise Development and Microfinance 26(3): 292-306.

• Bastiaensen, J. and P. Marchetti (2011), “Rural microfinance and agricultural value chains: strategies and perspectives of the Fondo de desarrollo local in Nicaragua,” in Armendáriz B. and M. Labie (eds.) Handbook of Microfinance, Singapore: World Scientific, 461-500.

• Bédécarrats, F., I. Guérin and F. Roubaud (2017), “All that Glitters is not Gold. The Political Economy of Randomized Evaluations in Development,” Development and Change 50(3): 735-762.

• Huybrechs, F., J. Bastiaensen and G. Van Hecken (2019), “Exploring the potential contribution of green microfinance in transformations to sustainability”, Current Opinion in Environmental Sustainability 41: 85-92.

• Ramprasad, V. (2018), “Debt and vulnerability: indebtedness, institutions and smallholder agriculture in South India,” The Journal of Peasant Studies: 1-22.

• Reichert, P., and U. Trivella (2015), “Increasing energy access: the rise of pay-as-you-go solar and innovative financing partnerships”, Enterprise Development & Microfinance 26(3): 248-261.

• Taylor, M. (2013), “Liquid Debts: credit, groundwater and the social ecology of agrarian distress in Andhra Pradesh, India,” Third World Quarterly 34(4): 691-709.

**Evaluation of the course (both parts)**

***Evaluation***

Written exam