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We develop socially responsible business leaders with a global mindset through academically
rigorous, relevant, and values-based education and research.*

Course Syllabus

Microfinance and Wealth Creation (GSBA 584)

Professor: Stephen J. Conroy, Ph.D.

Summer 2014

Class Sessions:

- Saturday, June 14 (9:00 a.m. – 5:00 p.m.) Meeting in OH 325, Friday, June 20 (12:00 p.m. – 8:00 p.m.) Meeting in OH 325; Saturday, June 21 (9:00 a.m. – 1:00 p.m.) Meeting in Olin Hall, Rm. 325.
- June 26 – 28: Meeting in Antigua, Guatemala

Office:

- University of San Diego, Coronado 108.

Telephone: (619) 260-7883

Email: sconroy@sandiego.edu

Web Page: <http://www.sandiego.edu/~sconroy>

Blackboard: <https://ole.sandiego.edu/webapps/portal/frameset.jsp>

Last revised: June 16, 2014. Please be sure to check the Blackboard site for the most current syllabus.

Course Description

This course provides a unique opportunity to explore the area of microfinance and wealth creation—both from a theoretical and practical point of view—with a unique, global perspective. Ever since Grameen Bank founder, Professor Muhammad Yunus, won the Nobel Peace Prize in 2006, awareness of and interest in the microfinance business model has risen dramatically. This course is designed to explore and analyze the key issues associated with microfinance and wealth creation. In the process I will address such questions as: What is microfinance? What are the various business models for microfinance institutions (MFI's) and wealth creation? Which of these models are sustainable, scalable and reproducible? What is the social and economic impact of MFI's? What are the benefits and limitations of microfinance as a path for alleviating poverty?

Students will have a chance to explore these questions through course readings, class discussions, on-site visits to MFI's, meetings with MFI practitioners and their clients and a

final project. One of the highlights of the course is a visit to the city of Antigua, Guatemala, where students will have the opportunity to see first-hand how different types of organizations are offering financial services to low income citizens in Latin America. Combined with assigned readings, this experience will provide a “global” perspective of microfinance while at the same time providing several “local” MFI models.

Learning Objectives

The principal aim of this course is to critically analyze the various forms of wealth creation for households and businesses, with a specific emphasis on the microfinance model(s). By the end of the course, students should be able to

- Understand the basics of lending, saving and investing including how firms deal with risk, moral hazard and adverse selection, especially in the context of microfinance
- Understand the benefits and limitations of research design (e.g., randomized controlled testing) in critically assessing the effectiveness of claims about microfinance
- Recognize the advantages and disadvantages of different types of organizations in the simultaneous creation of social and economic value
- Identify success factors of high performing MFIs
- Grasp the managerial challenges of MFIs
- Understand the global reach of MFIs and their impact on alleviating poverty throughout the world

In addition to assigned readings on these topics, students will also have the opportunity to learn from interactions with real-world practitioners and experts in the field of microlending, including the international experience and visits with local MFIs in San Diego. Students will demonstrate their knowledge and awareness of these topics through short papers, a journal and a final project.

Learning Methods and Measurement of Learning

The topics in the Course Calendar section will be addressed at length throughout the course using a myriad of teaching devices. Among these are the following:

- 1. Assigned readings**
- 2. Class meetings and discussions**
- 3. Meetings with microlending practitioners and their clients**
- 4. Short papers on assigned readings**
- 5. Practitioner Meetings Journal**
- 6. Final project**

Prerequisites

There are no prerequisites for this course. GSBA 505 Financial Management and Analysis is strongly recommended.

Expectations for Academic Conduct/Plagiarism Policy

I expect all students enrolled in this course to accept the responsibility of reading, understanding, and meeting all course requirements and policies as set forth in this syllabus and other accompanying documents. You are expected to inform the professor immediately of any personal circumstances that may require special consideration in meeting course requirements or adhering to course policies. I expect all students to abide by the University's *Student Code of Rights and Responsibilities* as published on the USD web site (http://www.sandiego.edu/conduct/the_code/). Failure to do so will result in disciplinary actions as specified in the *Code*.

Special Assistance

Students with special needs who require specific examination-related or other course-related accommodations should contact the Director of Disability Services at 619-260-4655. This office will provide the student with a letter for the instructor that will specify any recommended accommodations. The university also offers student counseling services, available at the Counseling Center at 619-260-4655.

Email Correspondence

A few considerations:

- When I send out “broadcast” emails to students, I will also post the contents of these messages in Blackboard under the “announcements” section.
- When sending assignments via email attachment, please:
 1. Make sure that when I open the file everything is on one page and/or spreadsheet so that I do not have to keep opening files or tabbing through spreadsheets to print out problem after problem. An "ideal" attachment would be in Word or PDF format, with tables/graphs cut and pasted into the document.
 2. **Make sure your name is at the top of each page.**
 3. For spreadsheets, check the "Page Set-Up" to make sure that when I print out a spreadsheet, I will print out only the content part of the spreadsheet. (If it

is possible, use the "fit to __ pages" option and try to get everything into one or two pages (exception being if this makes the font too small to read.)

Grading

Grading scale:

A: 94% and above	A-: 90 – 93.99%	B+: 87 – 89.99%
B: 83 – 86.99%	B-: 80 – 82.99%	C+: 77 – 79.99%
C: 73 – 76.99%	C-: 70 – 72.99%	

Grades are calculated at the end of the semester based on the following weighting:

1. Class participation and professionalism (20%) [Based on: (a) class participation in which students demonstrate clear knowledge of the readings and assigned material; and (b) professionalism in interactions with MFI's, fellow students, professor, etc.]
2. Short papers (20%) [A total of four, short, two-page summary and analysis of the assigned readings (due before class in which the readings are covered; 10% daily penalty after that). Last day to submit these is June 21st, the last day of class in San Diego. Short papers "prompt" is available in Blackboard]
3. Journal (20%) [summary information and important details about each of the visits with MFI presenters both in San Diego and in Guatemala, including reflections about social impact and financial viability, comparisons to other MFIs, etc.; part 1 due at end of day on June 21; part 2 due with final paper. Journal "prompt" is available in Blackboard.]
4. Final project (40%) [This project will incorporate as many of the concepts of this class as possible by allowing the student to work on either (a) an analysis of an existing MFI (e.g., a SWOT analysis)--it MUST include a "Background" and "Financials" section) or (b) development of a comprehensive business plan for the creation of a new MFI. Instructor approval is needed before beginning either project. Please let me know by June 21st what project you have chosen and your company.]

Course Material

Books:

- Armendariz, Beatriz and Jonathan Morduch, *The Economics of Microfinance*, MIT Press, (2005) 2007

- Yunus, Muhammad, *Banker to the Poor: Micro-lending and the Battle against World Poverty*, Public Affairs: New York, (1999) 2003
- Karlan, Dean and Jacob Appel, *More than Good Intentions: How a New Economics is Helping to Solve Global Poverty*, Dutton: New York, 2011.

Harvard Business School Cases:

- *MiBanco: Meeting the Mainstreaming of Microfinance* (Michael Chu & Gustavo Herrero), 2010 [No. 9-309-095] Note: This includes a written case and a DVD.
- *SKS Microfinance: The Sour Taste of Success* (Srinivasan Sunderasan), 2012 [No. W12906]

[Note: I have set up a special course pack at HBS Press that contains the cases we will cover this semester. I have sent you all an email from the HBS site and you can follow that link to the site. To access this, please to the following URL:

<https://cb.hbsp.harvard.edu/cbmp/access/27365376> . Just follow the instructions online, or, if you have questions, contact HBS Customer Support at: Phone: (800) 545-7685 or (617) 783-7600 outside U.S. and Canada or email custserv@hbsp.harvard.edu . They are quite good at responding to inquiries, so do not hesitate to contact them with questions.]

Other Readings:

- On Microfinance:
 - *The Economist*, “The Hidden Wealth of the Poor: A Survey of Microfinance,” November 5, 2005, pp. 1-10. [Available in Blackboard]
 - Epstein, Keith and Geri Smith, “The Ugly Side of Microlending,” *Business Week*, December 13, 2007. [Available in Blackboard]
- Background on Guatemala:
 - *Country Report, Country Profile and Country Commerce* reports from the Economist Intelligence Unit, available for free from USD’s library web site (go to Economist Intelligence Unit).
 - Diamond, Jared, *Collapse: How Societies Choose to Fail or Succeed*, (Chapter 5: The Maya Collapses), Penguin Books: New York, 2005.
 - Gates, Henry Louis, *Black in Latin America*, (Chapter 2: Mexico), New York University Press, 2011
 - *When the Mountains Tremble* (DVD), starring Nobel Peace Prize winner, Rigoberta Menchu.

My web site on microfinance:

<http://home.sandiego.edu/~sconroy/MICROFINANCE/Microfinance.html>

Course Calendar

Prospective Course Outline, Reading and Assignment List

(Current as of June 16, 2014—Subject to Change)

Date	Time	Class Discussion/Activity	Details
6/14/2014	9:00 a.m. - 12:00 p.m.	Introduction to course, including discussion of syllabus; Brief overview of microfinance; Conroy Wealth Creation Model. The <i>Economics of Microfinance</i> : (1) Rethinking Banking and (2) Why Intervene in Credit Markets?	Introduction: What is Microfinance? "Conroy Wealth Creation Model." * <i>The Economics of Microfinance</i> (Armendariz & Morduch), Chs. 1 & 2 [2 units].
6/14/2014	12:00 - 1:00	Predeparture meeting with Elaine Elliott (Skype)	Danielle Levanetz
6/14/2014	1:00 - 4:00	<i>The Economics of Microfinance</i> : (3) Roots of Microfinance (ROSCA's, Moneylenders) and (4) Group Lending (joint liability and origination efficiencies). <i>Banker to the Poor</i> :	* <i>The Economics of Microfinance</i> (Armendariz and Morduch), Chs. 3 & 4 [2 units]; * <i>Banker to the Poor</i> (Muhammad Yunus) (Chs. 3 - 7) [1 unit].
6/14/2014	4:00 - 5:00	HBS Case: Mibanco [Competition in Lima, Peru]	HBS Case: MiBanco: Meeting the Mainstreaming of Microfinance (Michael Chu & Gustavo Herrero, 9-309-095, 2009).
6/20/2014	12:00 - 2:00	<i>More than Good Intentions</i> : (1) The Monks and the Fish and (2) To Work Against Poverty: How we Do What we Do . HBS Case: SKS Microfinance	* <i>More than Good Intentions</i> (Dean Karlan), Chs. 1 & 2 [1 unit]; HBS Case: <i>SKS Microfinance: The Sour Taste of Success</i> (Srinivasan Sunderasan, Ivey, W12906, 2012)
6/20/2014	2:00 - 2:30	Drive to CDC Small Business Finance, 2448 Historic Decatur Rd., # 200, San Diego, CA 92106	Address: CDC Small Business Finance, 2448 Historic Decatur Rd. #200, San Diego, CA 92106
6/20/2014	2:30 - 3:45	<u>Local Microfinance</u> : Meet	Susan Lamping, Senior Community

		with CDC Small Business' Senior Community Loan Officer, Susan Lamping	Loan Officer
6/20/2014	4:00 - 4:30	<u>Local Microfinance</u> : Meet with IRC Lender, Kaitlan Hammock at the CDC	Kaitlan Hammock, Microenterprise Program Manager at International Rescue Committee
6/20/2014	4:45 - 5:45	Drive back to USD campus from CDC, grab food along the way	
6/20/2014	6:00 - 8:00	More than Good Intentions: (3) To Buy (4) To Borrow	* <i>More than Good Intentions</i> (Dean Karlan), Chs. 3 & 4 [1 unit]
6/21/2014	9:00 a.m. - 10:30	Discuss a specific application of microfinance and how to start up a social business, led by Edify CEO, Christopher Crane	"Private Schools for the Poor," Kwan, Josh, in <i>Stanford Social Innovation Review</i> , Spring 2012 (Do not write a short paper for this reading or Annual Report); Also, 2013 Annual Report for Edify and "Slim" Business Plan. [Additional background for Chris Crane: <i>More than Good Intentions</i> (Dean Karlan), Ch. 9, "To Learn."]
6/21/2014	10:45 - 1:00	New Models in Microfinance	Puddle; Give Directly; Kiva Zip; Savings Groups (Presentations)
6/25/2014	TBA	Travel to Guatemala City	
6/26/2014	TBA	Meet with MFI's; Discussion/Debriefing/Analysis	See Detailed Guatemala Schedule
6/27/2014	TBA	Meet with MFI's; Discussion/Debriefing/Analysis	See Detailed Guatemala Schedule
6/28/2014	TBA	Group Activity in Guatemala	See Detailed Guatemala Schedule
6/29/2014	TBA	Return to San Diego (Work on Project)	See Detailed Guatemala Schedule
7/7/2014	Before 5:00 p.m.	Turn in Final Project and Journal, part 2	Project Details Provided in Blackboard