At USD’s School of Business Administration
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 594)

Professor: Stephen J. Conroy, Ph.D.

Summer 2012

Class Sessions:

- Saturday, July 28 (9:00 a.m. – 1:00 p.m.) Meeting in OH 325, Friday, Aug. 3 (12:00 p.m. – 8:00 p.m.) Meeting in OH 325; Saturday, Aug. 4 (9:00 a.m. – 5:00 p.m.) Meeting in Olin Hall, Rm. 325.
- Aug. 16 – 18: Meeting in Antigua, Guatemala

Office:

- University of San Diego, Coronado 108 (as of July 23, 2012).

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: August 2, 2012. 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 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 and visits with MFIs
5. 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 website (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:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>A</td>
<td>94% and above</td>
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<tr>
<td>B</td>
<td>83 – 86.99%</td>
</tr>
<tr>
<td>C</td>
<td>73 – 76.99%</td>
</tr>
<tr>
<td></td>
<td>B+</td>
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<tr>
<td></td>
<td>C+</td>
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Grades are calculated at the end of the semester based on the following weighting:

1. Class participation and professionalism (25%) [Based on: (a) class participation in which students demonstrate their knowledge of the readings and assigned material; and (b) professionalism in interactions with MFI’s, fellow students, professor, etc.

2. Short papers (30%) [These papers will be of two types: (a) short, two-page papers that provide basic descriptions, summary information and important details about the MFI’s and the presentations/meetings with their representatives both in San Diego and in Guatemala, (due within 48 hours of visits; 10% daily penalty after that) and (b) short, two-page summary and analysis of the assigned readings (due before class in which the readings are covered; 10% daily penalty after that).

3. Final project (45%) [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 project. Please let me know by August 4, 2012 what project you have chosen and your company.]

**Course Material**

Books:

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 Sundersan), 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: http://cb.hbsp.harvard.edu/cb/access/14291094. You may need to go to the main site at http://www.hbsp.harvard.edu/hbsp/case_studies.jsp (note: there is an underscore between “case” and “studies” in this URL) to set up an account with a user name and password. 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:**
- **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).
  - *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 Aug. 2, 2012—Subject to Change)

<table>
<thead>
<tr>
<th>Date</th>
<th>Time</th>
<th>Activity</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/28/2012</td>
<td>9:00 a.m. - 1:00 p.m.</td>
<td>Introduction to course, including discussion of final project; Brief overview of microfinance; Economics of Microfinance; HBS Case</td>
<td>Olin Hall, Rm. 327; <em>Banker to the Poor</em> (Muhammad Yunus) (Chs. 3 - 7); <em>The Economics of Microfinance</em> (Armendariz &amp; Morduch), Chs. 1; HBS Case: <em>MiBanco: Meeting the Mainstreaming of Microfinance</em> (Michael Chu &amp; Gustavo Herrero, 9-309-095, 2009)</td>
</tr>
<tr>
<td>8/3/2012</td>
<td>12:00 p.m. - 1:25</td>
<td>Meet at Olin Hall 325; Discuss Microfinance History, Models and Economic Rationale; Economics of Group Lending</td>
<td>The Economics of Microfinance (Armendariz and Morduch, Ch. 1 (Brief Summary). The Economics of Microfinance (Armendariz and Morduch), Chs. 2 &amp; 4</td>
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<tr>
<td>8/3/2012</td>
<td>1:25 - 1:45</td>
<td>Drive to CDC Small Business Finance, 2448 Historic Decatur Rd., # 200, San Diego, CA 92106</td>
<td>Address: CDC Small Business Finance, 2448 Historic Decatur Rd. #200, San Diego, CA 92106</td>
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<tr>
<td>8/3/2012</td>
<td>1:45 - 2:15</td>
<td>At CDC Small Business Finance, meet with ACCION San Diego Director, Elizabeth Schott</td>
<td>Elizabeth Schott, Executive Director of ACCION San Diego</td>
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<td>8/3/2012</td>
<td>2:15 - 3:00</td>
<td>Meet with CDC Small Business Finance staff, including Susan Lamping and Kaitlan Hammock</td>
<td>Susan Lamping, Senior Community Loan Officer</td>
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<tr>
<td>8/3/2012</td>
<td>3:00 - 3:30</td>
<td>Drive to USD</td>
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<tr>
<td>8/3/2012</td>
<td>3:30 - 5:00</td>
<td>A critical view of microfinance</td>
<td>HBS Case: <em>SKS Microfinance: The Sour Taste of Success</em> (Srinivasan Sunderasan, Ivey, W12906, 2012); <em>More than Good Intentions</em> (Dean Karlan), Chs. 1 &amp; 2.</td>
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<tr>
<td>8/3/2012</td>
<td>5:00 - 6:00</td>
<td>Dinner Break/Logistics Discussion</td>
<td>Pizza provided: Allison Howitt and Elaine Elliott (via Skype) Present</td>
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<tr>
<td>8/3/2012</td>
<td>6:00 - 8:00</td>
<td>Finish up More than Good Intentions, Chs. 1 &amp; 2; Possible Local Group Panel</td>
<td>Finish up More than Good Intentions, Chs. 1 &amp; 2; Possible Local Group Panel.</td>
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<tr>
<td>8/4/2012</td>
<td>9:00 a.m. - 11:30</td>
<td>Discuss a specific application of microfinance and how to start up a social business, led by Edify CEO, Christopher Crane</td>
<td>&quot;Private Schools for the Poor,&quot; Kwan, Josh, in <em>Stanford Social Innovation Review</em>, Spring 2012 (Do not write a short paper for this reading or Annual Report); Also, 2011 Annual Report for</td>
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<tr>
<td>Date</td>
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<td>Activity</td>
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<tr>
<td>8/4/2012</td>
<td>11:30 - 12:30</td>
<td>Lunch</td>
<td>Lunch Provided by Ahler's Center</td>
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<tr>
<td>8/4/2012</td>
<td>12:30 - 2:00</td>
<td>Incorporating Behavioral Economics/Finance and Human Behavior</td>
<td>*More than Good Intentions (Dean Karlan), Chs. 3 &amp; 4</td>
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<tr>
<td>8/4/2012</td>
<td>2:00 - 2:30</td>
<td>Break</td>
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<tr>
<td>8/4/2012</td>
<td>2:30 - 5:00</td>
<td>Panel: local group lending model</td>
<td>La Maestra Family Clinic Panel: Elena Cruz</td>
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<td>8/15/2012</td>
<td>TBA</td>
<td>Travel to Guadalajara (Read on Airplane)</td>
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<td>8/16/2012</td>
<td>TBA</td>
<td>Meet with MFI's; Discussion/Debriefing/Analysis</td>
<td>See Detailed Guatemala Schedule</td>
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<tr>
<td>8/17/2012</td>
<td>TBA</td>
<td>Meet with MFI's; Discussion/Debriefing/Analysis</td>
<td>See Detailed Guatemala Schedule</td>
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<tr>
<td>8/18/2012</td>
<td>TBA</td>
<td>Group Activity in Guatemala</td>
<td>See Detailed Guatemala Schedule</td>
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<tr>
<td>8/19/2012</td>
<td>TBA</td>
<td>Return to San Diego (Work on Project)</td>
<td>See Detailed Guatemala Schedule</td>
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<tr>
<td>8/27/2012</td>
<td>Before 5:00 p.m.</td>
<td>Turn in Final Project</td>
<td>Project Details Provided in WebCT</td>
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