CROWDLENDING AND BANKS: TOWARDS NEW FORMS OF COOPERATION?: LITERATURE REVIEW

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ABSTRACT

This paper analyses the crowdlending market which is substantially growing during these last years. This financial innovation is becoming increasingly popular. The objective of our research is to assess its capacity to change the access to financing for SMEs. Although crowdlending is in a phase of exponential growth, it is still in its infancy and cannot alone meet the financing needs of businesses. This article shows that the collaboration between Crowdlending platforms and banks can be a solution to finance SMEs and boost investment in the real economy.

Crowdfunding is a fast growing financial innovation because it solicits a large number of investors.

INTRODUCTION

Crowdfunding is quickly becoming an important part of the entrepreneurial ecosystem in the Western world, while an outsider to the classical financing systems by nature (Chaboud & Caiser, 2028). It consists of a project manager using the services of a financing platform to propose a project (completed or not) to a community (large or selected) of qualified contributors (backers) in exchange for a predefined remuneration (Cai et al., 2021). It is a form of financing whose principle is to put an entrepreneur (individual or collective) in contact with a multitude of investors via an Internet platform. It thus requires a large set of online funders, for the financing and realization of a project (Raguet and Leteno, 2017). It appeared in the United States in 2008 and is becoming increasingly successful. In 2020, the global amount collected by crowdfunding will reach 34 billion USD.

In this new market, the United States and France now appear to be the world leaders in terms of business volumes and diversity of supply. Both countries have many leading platforms that have undertaken internationalization strategies, such as Lyft and Airbnb in the United States, and BlaBlaCar and Ulule in France. For example, the Wood Up urban planning project, which is developing a high-end, sustainable, grassroots real estate construction in the twentieth arrondissement of Paris in France in 2020, has raised €2.12 million on the Homunity platform (Newsletter Management, 2021).

There are several models of participatory financing, which are generally grouped into two categories: without financial benefit or with financial benefit in return for their funding. On the one hand, crowdfunding without financial benefit takes the form of simple donation without consideration "donation" or donation against reward "reward-based" (Kuppuswamy and Bayus, 2018). On the other hand, crowdfunding with financial benefit includes interest-free or interest-bearing loans "crowdlending", and equity investment "crowdequity" (Bapna, 2019).

The development of crowdlending is undeniable. In France, 741 million Euros were collected in 2020 on lending platforms, compared to 508 million euros in 2019. It is on this last form of participatory financing, crowdlending, that our research focuses.Faced with conventional financial institutions, which have become reticent to finance small, medium and innovative enterprises after the financial crisis of 2006-2008, out of solidarity and

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cooperation, alternative finance has emerged to provide financing to peers (Assadi, 2016).This new financing actor is considered a financial innovation and is a solution in its own right for financing these enterprises (Ibrahim, 2018). It is also presented as a solution to finance intangible types of projects, innovative companies, start-ups (Ben Slimane & Rousselet, 2018). Financing these companies is high-risk for banks because they typically do not have a track record and/or guarantees (Wilson & Testoni, 2014). It is a community mobilization through which a project can be tested, advised, improved and promoted. Unlike developed countries, Crowdfunding in the Maghreb countries is still in its infancy. Tunisia has recently adopted the law on Crowdfunding in August 2020. This new mode of financing emerges as an alternative solution offered to SMEs / VSEs in the face of the financing difficulties they may encounter through the traditional mode of financing and also to overcome the disruption caused by the crisis due to the Covid-19 pandemic.

In Tunisia, SMEs have difficulty accessing bank credit, which is considered as a major constraint by these firms. The relationship between banks and SMEs is initially characterized by the fact that SMEs financial specificities are hardly compatible with the banks' requirements (Fhima et al., 2009). This problem is intensified by asymmetric information in the credit market; in the absence of substantial legal protection for creditors (Adair & Fhima, 2013), it most often translates into credit rationing that SMEs face.

Tunisian banks, which retain an unfavorable bias towards SME financing, are called upon to replace their traditional financing models. Crowdlending, which is booming in developed countries, could bring concrete solutions to the development challenges of Tunisia. This evolution can certainly allow the collaboration between the participative and traditional financing mode. Thus, several banks, in developed countries, have already reacted to Crowdfunding by establishing partnerships and creating participatory financing platforms.

Our study is an extension of this debate and aims to provide answers to the following question: "Can the collaboration between Crowdlending platforms and banks in Tunisia be a solution to finance SMEs and boost investment in the economy?

Our research is based on both the finance literature and the emerging literature on crowdfunding. The literature in finance allows us to identify the difficulties of financing Tunisian SMEs (El Ouardani, 2009) the recent academic work on crowdfunding provides elements of understanding as to the definition and functioning of this mode of financing. They allow, therefore, understanding how the development of associations of crowdlending platforms with banks can be the solution to boost investment in the economy.

The interest of our research is twofold. On the one hand, it completes the work done on the financing of Tunisian SMEs, by focusing on a particular type of financing that is still very little studied. On the other hand, it contributes to the emerging literature on crowdfunding. Our research highlights that these platforms, which are carriers of a financial innovation, are likely to change the access to financing for SMEs through the reactions they generate among banks and the partnerships they establish with them.

SMEs financing in Tunisia: difficulties in accessing loans

Tunisia, marked for a long time by state intervention and strict public regulation, leads the authorities to promote SMEs. These companies do not meet the requirements of banks in order to satisfy their need for financing, despite their numerical importance and the role assigned to them as part of the strategy to promote the private sector in the country. On the other hand, Almost all Tunisian companies are small and medium sized and represent 80% of the of the fabric of private enterprises, contribute to the level of 50% of GDP and provide nearly 70% of jobs in the sector (Ahmed, 2021). According to a study published, in 2017 by the Tunisian Institute of Competitiveness and Quantitative Studies, 78% of

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companies have performed an innovation action. 50% of the managers of these companies believe that the financial constraints are very important. In the case of Tunisia, SMEs are expected to take over the role of State and to cope with the challenges of integration into the global economy (Adair & Fhima, 2013). However, SMEs have difficulty accessing bank credit, which is considered as a major constraint by these firms. The relationship between banks and SMEs is initially characterized by the fact that SMEs financial specificities are hardly compatible with the banks' requirements (Fhima et al., 2009). the majority of studies that have looked at SME financing show that bank loans are the only source of financing for these firms (El Ouardani, 2013). Their results mostly confirm the hypothesis that SMEs have more difficulty obtaining bank financing than larger firms (Cenni et al., 2015). This difficulty is mainly due, on the one hand, to the restrictive requirements endorsed by banks, and on the other hand, to the poor quality of financial statements presented by SMEs. 79% of these companies state that they were unable to benefit from an increase in their bank overdraft authorization as a result of the covid situation (GSAudit & advisory, 2020). For banks, which have long held a monopoly on the loan market, require restrictive mortgage guarantees and excessive financing costs. Especially since access to bank financing can be even more difficult in an environment such as Tunisia's where private banks are known to be very reluctant when it comes to financing SMEs.

Based on a panel dataset of 1 275 Tunisian SMEs over the period from 2001 up to 2006, estimation results show that demand for bank credit from SMEs is not driven by "endogenous" factors such as the level of activity and internal available resources of the enterprise, but rather by other "exogenous" factors in the credit demand function, namely the applied financing cost and required guarantees. The strong risk aversion of banks makes the decision of supplying credit mainly dependent on real guarantee, and leads to an average share of 80% – partially or totally – credit rationed enterprises ((Adair & Fhima, 2013). Further, banks are tightening the conditions for granting credit since they have difficulty assessing the ability of these SMEs to repay their loans (Berger & Udell, 1998). The risk of default for SMEs is potentially greater than for large firms because their bankruptcy rate is higher (Ben Ayed & Zouari, 2014) and their financial structure is more fragile (Kasznik et al., 2001).

Faced with this risk and the difficulty of assessing it, banks have set up objective criteria, "hard", which are mainly based on financial indicators. But the quality of the financial statements often provided by these companies is deficient (Kasznik et al., 2001). To overcome this problem, banks also take into consideration more qualitative criteria, "soft" (Cenni & al., 2015). This refers to the profile of business managers, their skills and experience (Mester, 1997). However, small and medium-sized enterprises are generally family businesses where the leader is an owner (El Ouardani, 2009; Anderson & Reeb, 2003; Kotey, 2005) and his or her qualities are often not well established Herzenstein et al., (2011). It is even more so because any decision made by the owner-manager carries risks, not only for the life and continuity of his or her business, but also for the guarantee of an own income and the proper management of the family patrimony (Adair & Fhima, 2013). To get to know managers better, banks rely on the personal banker-manager relationship. This relationship is crucial in the financing of these companies (Berger & Udell, 2006; Cole, 1998; Cenni et al., 2015). However, the difficulty of collecting information on SMEs and their managers could explain the lengthy loan granting process often reproached by banks. This relatively long duration represents one of the barriers to financing for these companies. Our study offers to answer in facilitate the access of Tunisian SMEs to loan financing Johnson et al., (2001).

Crowdlending: towards new paradigms of innovation

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The crowdlending movement has developed in a post-financial crisis context marked mainly by the rationing of bank credit to SMEs (Ben slimane & Rousselt, 2018; corcoran, 2021). It is considered a financial innovation and constitutes a solution for the financing of these companies. Beyond its technological dimension, crowdlending is at the center of economic and social transformations (Aassadi, 2016) and managerial (Assadi, 2018), due to the fact that it solicits a large number of investors in an open way: the crowd Kleemann et al., (2008).

Crowdlending new stakeholders: While recognizing the ability of crowdlending to transform SME access to loan financing (Ben Slimane & Rousslet, 2018), this financial innovation has its origins in the concept of crowdfunding, which itself is embedded in crowdsourcing (Kleeman et al. 2008, Poetz & Schreier, 2012). Crowdfunding is a new mode of financing that allows companies to loan funds from the crowd in order to realize their project. It is essentially carried out through intermediaries, whose activity consists of proposing projects to the public for financing, through an Internet platform (Belleflamme et al., 2015).

Many authors have provided more or less converging definitions concerning crowdlending (Lambert & Schwienbacher 2010, Valanciene & Jegeleviciute 2013, Mollick 2014, Moris & all, 2016), emphasizing the need to consider the three stakeholders: capital-providers, capital-seekers and intermediaries Moritz & (2016). A recent literature review extends the scope to include capital market and institutional perspectives (Mochkabadi & Volkmann, 2018, Cai et al., 2021). The originality of crowdlending lies in the integration of the crowd in the decision making process of offering credit to the company (Bitterl & Schreier, 2018). A new partner thus complements the traditional stakeholders. The platform also constitutes a new actor.

The crowdlending phenomenon has developed in a post-financial crisis context marked mainly by the rationing of bank credit to SMEs (Kremp, Piot, 2014). It is considered a financial innovation and constitutes a solution for the financing of these companies. This progression can be explained in particular by a very high speed in the validation of projects, with less strict application rules than traditional financing, attractive financing conditions in a context of very low interest rates, and a reduced cost structure PA, (2018).

Crowdlending financial innovation: Crowdlending is manifested by the proposal of an innovative and alternative method of financing that enables SMEs to change the way they access financing. These companies often face major difficulties in terms of financing because they do not have sufficient self-financing capacity and are confronted with the reluctance of banks to lend them money. This difficulty is mainly due to the incompatibility of the financial specificities of SMEs with the requirements of banks. Thus, they are forced to look for alternative financing. In this context, it is essential to evaluate the economic and financial innovation of crowdlending and its capacity to profoundly modify access to financing.Associated with the collaborative economy movement, this type of financing puts the investor, who belongs to a particular community, in direct contact with the project manager. Crowdfunding consists of direct financing between investors and project holders, without the intermediation and control of traditional financial institutions. Cai et al., 2021 focus on the quality of information that platforms publish online about companies seeking funding, including trust, obligations, standards, and identification, which affect individual behavior. Caldieraro et al., 2018, believes that this trust depends on different elements such as the linguistic quality of the presentation, the quality of the information shared (budget), the presence of visuals, the quality of communication about the project (e.g. update), the reputation (e.g. success of previous fundraisers), the enthusiasm, commitment and passion of the project manager and previous satisfaction. In this sense, on the Tunisian platform

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Tamweeli, a team of business analysts offers assistance to SMEs in need of funding to compete and improve the quality of their file.

The process of obtaining financing via a crowdlending platform generally consists of four steps. The first step is for ventures seeking funding to submit their financing request to the platform. The platform ensures the solvency of the entrepreneurs and selects the most promising projects prior to submission. In the second step, the platform requests additional information on the selected entrepreneurs in order to study their file in greater detail. The information generally includes accounting and financial documents about the company and financial documents specific to the project (its projected income statement or financing plan). Other more qualitative information is sometimes requested. Assadi's (2018) study proves that the applications for which companies seeking funding are subjected to a severe selection (the acceptance rate is less than 2% for the majority of platforms that make it public). In this sense, platforms use objective "hard" selection criteria. These are indicators that concern the company (turnover, result of the year, capital and reserves). Others concern the project to be financed: type of financing, amount to be financed, repayment period and solvency of the project. These criteria are almost the same for all platforms.

In addition to these hard criteria, there are more subjective criteria "soft ". Company-specific criteria include market development and growth forecasts, the business environment and the characteristics of the company's manager. His professional experience and the degree of knowledge of the business sector by the management team. Other soft criteria relate to the project itself, such as its sector of activity or its nature. T his selection step allows eliminating a large number of financing requests. If the platform deems a file admissible, it puts it online, at the third stage, the SME's financing project, so that it can be known by potential borrowers. Finally, if the financial resources offered by the Internet users cover the financing needs of the ventures seeking funding and if the company accepts the loan conditions, the platform establishes a loan contract between the project manager and the lenders.

The platform charges a fee to the company. Interest rates vary depending on the platform and the estimated risk of the funded projects. Platforms cannot make the crowd find too much risk (Ben slimane & Rousselt, 2018). On the Landopolis platform, financial analysts judge the level of risk and determine the rate accordingly. The commission charged by the Tunisian platform CoFundy is 5% of the amounts raised per project, while that of Afrikity is 5% for the investor and can reach up to 9% for the entrepreneur. However, the reasons for choosing another platform depend on the objectives of the entrepreneurs, those of the investors and supporters (Mollick, 2014), and the institutional environment (Kshetri, 2015).

The financial products offered by crowdlending are very similar to those offered by the classical financing systems. Do bank have an intereset in including participative financing il their strategy and encouraging its development?

CROWDLENDING AND BANKS: THE BEGINNING OF COLLABORATION IN TUNISIA?

The development of crowdlending, raises several questions about its relationship with the traditional financing. The platforms represent a priori a competition, proposing a similar offer at the level of loans and capital financing of companies by eliminating the intermediary. Non-bank lending have greatly increased their role in financing the economy since the 2006-2008 crisis by offering services that almost identical to traditional banks (nearly 45% of new loans were granted by non-banks in 2014, compared to 15% in 2001) (Jamet & Vinel, 2015). In France 2.6 million French people had already contributed to finance projects through

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participatory financing in 2016. Their contribution amounted to 334 million euros , an amount up 40% in one year and more than 8 times higher than in 2012. In 2020, €1.02 billion was collected on French participatory finance platforms, a growth of 62% compared to 2019. In addition, these platforms were able to mobilize to meet the needs of economic actors during the crisis of covid-19, with 115616 projects and companies financed, including 13,796 projects of VSE / SME. There are moves toward closer ties between crowdfunding platforms and banks (Chaboub & Caseau, 2018). In 2015 Groupama Bank joined forces the Unilend platform, the French leader in crowdlending, to finance French VSEs and SMEs to the tune of 100 million Euros.

ING Bank announced, in 2016, a partnership with the Seeders platform to fund startups, scale-ups and SMEs needing an investment from 30 thousand euros. In 2016, BNP Pribas Securities Services and Smart Angels, a crowdfunding platform dedicated to startups and SMEs, entered into a strategic partnership using blockchain technology. In 2017, BNP Paribs and Ulule strengthened their partnership with a financing program combining crowdfunding platform and bank loans. The principle: a project owner who has successfully completed a crowdfunding campaign on Ulule will be able to take out an additional bank loan of at least the same amount after reviewing his or her application within just 48 hours.

Crowdlending could bring concrete solutions to the development challenge of Tunisia and find sources of funding for recurring problems for SMEs, thanks to the new law N° 2020-37 of August 6, 2020, relating to “Crowfunding”, promulgated and published in the Official Journal of the Tunisian Republic. Crowdfunding represents a credible alternative to additional sources for an SME wishing to raise funds. Tunsian Bank, which still have an unfavorable bias towards SME financing at a time when the focus is on economic recovery. In this new context, banks and crowdlending platforms have a mutual interest in cooperating. This cooperation brings added value to the both.

On the side of banks, participatory financing is a financial, social and managerial innovation (Assadi, 2018) that credit institutions cannot ignore and must be ready to follow this trend (Bbva, 2013 brief) to support entrepreneurs who innovate for a more inclusive and sustainable economy. Cooperation with crowdfunding platforms also helps gain notoriety by benefiting from the advantageous image of this emerging activity (Wajsbrot, 2014). Moreover, the involvement of Tunisian banks in participatory financing is part of an investment approach in "FinTech" and contributes to the expansion of the banking sector.

crowdlending can then benefit from the cooperation with traditional financial institutions. Thus, the association will also provide certain guarantees to investors (Belleflamme et al., 2015) due to the visibility and notoriety towards savers of traditional credit institutions. In addition, the bank's clientele also represents a advantage and a source of trusted future investors with some experience (Vanhaeren et al., 2016, pp. 27-28). BNP Paribas supports Ulule and is strengthening their partnership to better identify the new generation of entrepreneurs who offer an innovative product or service. The Prêt d'union platform is working with four private banks that sell mutual funds managed by the platform to their wealthy clients.

CONCLUSION

Crowdfunding, a disruptive innovation in the digital economy, is revolutionizing access to business financing. It offers new opportunities but also raises new issues and challenges this financial innovation works like social networks and allows the project owner to connect to a large audience interested in the project, to communicate and create relationships (Kuti and Madarasz, 2014). The entrepreneur can thus receive encouragement or feedback from investors. He will have a better knowledge of the customers' expectations and can better identify the consumers' profile. The crowd's interest in the project gives the company a competitive advantage.

We are interested in the capacity of this financial innovation to change the access of SMEs to loan financing. Crowdlending has developed in a post-financial crisis context marked mainly by the rationing of bank credit to SMEs. It is considered a financial, social and also managerial innovation. It is also a solution for the financing of these companies and a means of support for their post-covid-19 revival. Faced with the rigidity of traditional structures, crowdlending provides an alternative financing solution to bank credit, at a time when managers really need it. It is also considered as an excellent complement to bank credit.

In Tunisia, Crowdfunding is still in its embryonic phase, its development will be facilitated by the establishment in 2020 of a legal framework giving a full status to its actors and offering a form of protection to stakeholders This framework signed the end of the banking monopoly and could provide concrete solutions to the development challenges of Tunisia. Even if crowdlending is in a phase of exponential development, it is still in its infancy and cannot alone meet the need for business financing. In our research we have shown that banks have an interest in joining the development of participatory finance. For the platforms, it is a way to differentiate themselves from the competition, to gain credibility and to reassure users in a still nascent market. For traditional financing players, it is an opportunity to attract a new target and to showcase themselves as an innovative actor.

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