

## Chapter 58

# Does Crowdfunding (Creatively) Disturb the Conventional (Banking) Alliances with Support Networks for Financing (Micro–)Entrepreneurs?

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### ABSTRACT

*Microentrepreneurs need financial capital as well as human and social capital. Banks prefer refinancing microfinance institutions and capacity building organizations rather than dealing with microentrepreneurs directly. In this chapter, we examine if the advent of crowdfunding could disturb such relations. Our research question is “what is the perception of people working in support networks on the changing of the relations between banks, support networks and crowdfunding platforms?” In this chapter, we first provide a background on entrepreneurship and coaching in France, emphasizing the role of the entrepreneurial support networks. Thereafter, we present our research methodology based on semi-structured interviews with managers in these support networks. The findings from these interviews are presented in the third section. We find that while the support networks are aware of crowdfunding initiatives, they do not think it will make a major change to the existing relations. This finding is original because most other research seems flabbergasted by the dramatic speed of development of crowdfunding sites. In the fourth section, we analyze the discourse using Nvivo software. The recommendations that emerge from this analysis point to using crowdfunding more as a tool of image building and communication.*

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## **INTRODUCTION**

Crowdfunding has come up in a big way during the last few years. It has the potential to be a disruptive innovation in the field of project financing and fundraising. Should this potential for disruption cause any fear to the conventional financing channels for supporting entrepreneurs? This is an important subject because in the wake of unemployment and stagnation in many developed countries in Europe, entrepreneurship is often viewed as a way out. So, any financing that could impact entrepreneurship merits study.

Of course, much of crowdfunding is being used to finance consumption, entrepreneurial, and non-entrepreneurial projects of an artistic nature on platforms such as indiegogo and kickstarter. However, these same platforms also have some projects which could be using innovative finances such as advanced payment for sales for both commercial and not commercial projects. The Peebles watch, which raised ten million dollars, is an example.

Therefore, all crowdfunding platforms, not just the part which is directly providing loans or equity, have the potential to disrupt existing banking practises. Researchers have extensively explored the rivalry between conventional banking and non-conventional channels of financing micro-entrepreneurs. For example: Balkenhol and Gloukoviezoff (2015), have identified three disruptive scenarios for the microfinance sector:

1. Industrialization and the takeover of the sector by the banks;
2. Professionalization of the microfinance sector supervised strategically by the government; and
3. Autonomy of the microfinance sector from the banks.

This research is, to our best knowledge, one of the first on the destructive creation force of crowdfunding and its impacts on the traditional channels of firm financing. This inquiry is therefore important for banks and conventional institutions because all creative destruction may lead to destroying existing jobs and firms before creating new ones.

Our research analyzes one area in which crowdfunding could have an impact: the partnerships between banks and entrepreneurial support networks, which together provided financial, social and human capital to entrepreneurs and project leaders. Our research field is France.

In this chapter, we first provide a background on entrepreneurship and coaching in France, emphasizing the role of the entrepreneurial support networks. Thereafter, we present our research methodology based on semi-structured interviews with managers in these support networks. The findings from these interviews are presented in the third section. In the fourth section, we analyze the discourse using Nvivo software and we provide recommendations based on this. Finally, we conclude.

## **BACKGROUND: ENTREPRENEURSHIP AND COACHING IN FRANCE**

The traditional models of entrepreneurial finance found in the literature include equity investment such as founders' money, love money (family, friends and fools) (Szerb et al. 2007, Riding 2008, Ashta et al. 2013), business angels (Morrisette 2007, Ramadani 2009, Wong et al. 2009, Lahti 2011), venture capital (Zider 1998, Nadeau 2010) and large financial institutions. Some of these institutions may also provide debt along with banks and financial institutions. The essential role of most of these investors may be to provide finance, but being private investors, they are keen on getting good returns on investment, and

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