Workshop – Call for papers

Fintech as a boost for entrepreneurial finance ?

with

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Transaction costs (Williamson, 1986), asymmetric information problems (Akerlof, 1970) and other market distortions (Berger & Udell, 1998), as well as behavioral biases (Hervé & Schwienbacher, 2018a) both on the demand and the supply side (Hamelin & Pfifellmann, 2015; Raharja et al., 2022), can limit access to finance for firms with valuable projects. Entrepreneurial finance literature has shown that start-ups, and more generally small businesses, are especially affected by those distortions. They harm their development and limit their ability to grow and flourish. This can affect economic growth and slow productive transformation like ecological transition to a more sustainable business practice. Ideally, the financial system should structure itself to mobilize institutional and technological features to reduce the difficulties and to be more efficient. In fact, it has been structured by history and political struggles to organize funding allocation.

Over the last two decades, new actors have emerged under the impulse from information technologies progress, deregulation movements and often the will of public authorities. Fintechs offer unseen solutions to fund the activity with payment systems (AmazonPay; ApplePay; GooglePay; AliPay; Lyft), insurance (Tesla Insurance; Ford Insure), investment opportunities (Acore; Moneybox; Grifin; Stash) or lending (Klarna, Amazon EMI; Affirm; Shopify) as well as Fintech enablers (Banxware; Finix; Marqeta; MX; OpenPayd; Plaid; Railsbank; Solaris Bank) or challenger banks (e.g. the American SoFi in 2011 or Chime in 2013; the Brazilian Nu in 2013; the German N26 in 2013; the Chinese WeBank in 2014; the British Monzo and Revolut in 2015; the South African TymeBank in 2015; the South Korean Kakaobank in 2016; the Argentine Ualà in 2017; the Nigerian Kuda in 2018). Their entrance on the market has the potential to reduce financial gaps in equity (Wilson *et al.,* 2018;

Hervé & Schwienbacher, 2018b) or debt in the financing cycle, and to promote competition (Cumming & Groh, 2018). They can disturb existing business models by creating new funding channels such as crowdfunding and by doing so they allow the emergence of new types of activities (Cumming *et al*., 2021a). For example, reward-based crowdfunding, which is a mix of pre-sales and gifts, has changed the way the publishing industry operates, especially independent publishing, which uses it extensively. This type of movement can be found in video games, comics, music and even in cinema, where the million euro collected threshold can be crossed while a few tens of thousands of euros are targeted. Without these platforms, these businesses would scarcely exist. In terms of growth, the crowdfunding market continues to expand in nature and volume raised. The global crowdfunding market raised more than $102 billion in major countries in 2020.[1]

Fintech firms' operations are also a new source of information about the prospect of potential funding demand for traditional financing actors like banks, venture capitalists, private equity funds and so on (Vanacker *et al*., 2019, for a review). Success or failure in fundraising contributes to reducing the information asymmetry coming from the project holders and conveys signals (Spence, 1973; Connelly *et al.,* 2011) that help them in the choice of entrepreneurial firms to fund later. It can reduce asymmetric information problems even if it is not perfect (Kukk, 2022; Bouaiss *et al.,* 2022).

While the new funding options offered by Fintech can possibly contribute to reducing classical problems, they can also make the classical problems more acute. First, a lot of firms are new on the market and for part of them, their business model is not matured (Cumming *et al.*, 2021b). For instance, the secondary market for securities resulting from equity crowdfunding is still limited; take, the first European stock exchange for startups and SMEs, Kriptown, which has only 9 listings of assets funded by equity crowdfunding in February 2023.[2] Small businesses dealing with them take risk of seeing their new funding canal disappears or at least of having to deal with its restructuring (from an equity crowdfunding business model financing innovative projects to real estate projects, for example). Second, for platform mediated funding, firms must attract potential backers' attention (Butticé *et al.*, 2022; Colombo *et al*., 2015) to improve the internal social capital of the crowdfunding platform (Butticé *et al.*, 2017). Doing this, they must face congestion problems associated with the important diversity of offers available online (Kim *et al*., 2016; Bouaiss & Vigneron, 2021). Third, if firms catch the attention of potential backers, they must persuade them. At this stage, they must show that what they provide (returns, goods...) is valuable and that their offer is not a fraud (Cumming *et al*., 2021c). The recent example of the arrest of Sam Bankman-Fried, founder of the FTX platform specializing in the exchange of crypto-assets, and the scandal of the German Fintech Wirecard are some illustrations. This list of potential new difficulties is not exhaustive.

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[1] https://www.statista.com/statistics/1078229/global-crowdfunding-volume-worldwide-by-country/
[2] https://www.kriptown.com/projects?filter=CLOSED

The objective of this workshop is to document these changes to offer insights into the impact of Fintech (crowdfunding platforms, stock-exchange platforms, crypto-assets, payment systems, insurance online platforms, NFT exchanges, Fintech enablers, challenger banks, etc.) on the difficulties that small businesses, and more generally entrepreneurial businesses, face in financing and growing. Is there really a boost or simply a substitution among fund providers? If there is a boost, how big is it? We are looking for both quantitative (econometric or sociometric) and qualitative (case studies) empirical contributions. Particular attention will be given to papers on new business models and their impact.

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<u>Submission process</u>

Interested contributors for parallel sessions should submit full papers or extended abstracts by email to karima.bouaiss@univ-lille.fr and ludovic.vigneron@univ-lille.fr.

<u>Deadlines</u>

Deadline for submission: **September 15th, 2023**
Notification of final decision: **October 15th, 2023**
Presenting author registration deadline: **October 30th, 2023**
Submission to the special issue of the review of entrepreneurship : **December 15th, 2023**

<u>Publication opportunity</u>

A special issue of the review of entrepreneurship (FNEGE 2) is dedicated to the workshop. This special issue is managed by a team of guest co-editors who are Karima Bouaiss, University of Lille (FR); Tom Vanacker, Ghent University (BE) and University of Exeter (UK) et Ludovic Vigneron, University of Lille (FR).

<u>Workshop organization</u>

The local organising and scientific committee is composed of Pascal Alphonse, Karima Bouaiss, Pascal Grandin, Jean-Christophe Statnik, David Verstraete, Ludovic Vigneron, Giang Vu.

Venue: IAE Lille University School of Management, 104 Avenue du Peuple Belge, 59000 Lille