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“Social banks’ raison d’être in the credit market”

Paper co-authored with Prof. A. Szafarz (Université libre de Bruxelles, CERMi, Belgium)

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From 12.30pm to 2.00pm

At Seminar Room R42.2.110 (ground floor)
of the Solvay Brussels School of Economics and Management
Université Libre de Bruxelles - ULB

Abstract:
Social banks are financial intermediaries paying attention to non-economic (i.e., social, ethical, and environmental) criteria. This paper investigates the behaviour of social banks in the credit market. It puts forward two possible strategies for social banks. These banks can indeed supply subsidised credit either to social firms otherwise redlined by profit-oriented banks, or to already viable social firms in order to raise their chances of success. We use a unique hand-collected dataset on 339 business loans granted by a French social bank. Our results show that the social bank seems more interested in raising the probability of success of viable social projects than offering a chance to social projects with low profitability. Moreover, the social bank is reluctant to subsidize start-ups of which social character is difficult to assess. Our results confirm the necessity of complementing the action of social banks through public subsidies.

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