

An Analysis of European Online micro-lending Websites¹

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Abstract:

Purpose of the paper: With the development of web 2.0, a new kind on lending is taking place on the internet, termed peer to peer lending or social lending. In Europe, this includes commercial lending websites such as Zopa, smava, boober, Kokos, Monetto. At the same time, following the lead of Kiva in the US, European microcredit web platforms are coming up including MyC4 and Babyloan in Europe. The paper examines how the legal design of the online websites differs from the microcredit websites in Europe and how this impacts social performance issues of the different models.

Design/Methodology/Approach: Since the population size of these websites is rather small, we use a comparative case study approach. The case study approach is the most adapted to studying small samples in more detail. The case studies are based on exploring of websites and review of academic literature and press reports.

Key results: We find that although web2.0 permits platform models, most sites (commercial or micro-lending) have retained intermediary roles and have not permitted direct peer to peer contact. The paper will outline the advantages to both borrowers and lenders in the different models and their motivations. Challenges for expansion, such as trust-building as well as a marketing analysis will also be presented.

Impact: The findings would lead microfinance institutions to lobby for specific laws, and invest in online lending solutions to radically reduce operating costs as well as to increase outreach.

Value: This research would add value to those who are operating in or launching new online microcredit platforms to understand this young and fast changing marketplace.

Key Words: online lending, regulation, social performance, microfinance

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