

When Discourses Of Conventional And Socially-Oriented Financial Backers Meet: The Question Of The Identity Of Two Austrian Financial Institutions

Identity Of Financial Backers: An Austrian Case

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Summary: Financial institutions have to pay attention to the identity they create and disseminate through their communication in order to avoid any risk of confusion between their different messages: financial as well as ethic.

Key points: identity, cooperative banking sector, social orientation, financing of entrepreneurial ventures, microfinance.

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Introduction

In a context of global crisis and increase of unemployment, each venture able to improve the job creation is welcome. In developing countries, entrepreneurship is sometimes the only way to survive and to try to get out poverty. But access to credit through traditional channels is quite impossible because those populations don't meet banks' risk requirements. Although many features seem to oppose poor in the South and start-uppers in the North, they face the same difficulty to get funding. Their need for funds is pervasive and remains a big issue for each start-up. Alternative channels of funding are then used, Microfinance Institutions (MFI) for the latter and traditionally, in addition to love money, Business Angels (BA) for the former. But Internet and NICTs have fostered a new source of financing, crowdfunding, which makes it easier to get money. In simple terms, crowdfunding is the financing of a project or a venture by a group of individuals instead of professional parties (Schwienbacher and Larralde, 2012). Its boom is tremendous as the figures show: more than 800 platforms are active as of mid-2013, for 2.7 billion dollars raised in 2012. At the conjunction of these traditional (brick and mortar or offline) and virtual (pure player or online) forms of financial institutions, Oikocredit is a mix of these two means. Operating online and offline this actor of microfinance is at the crossroads. No matter the type of medium used, image and identity spread by financiers remain fundamental in order to raise funds and to gain or retain clients. This issue is significant either for enterprises purely socially oriented or less targeted this way.

In fact, Oikocredit, a very successful model of social investment, has developed in Austria. Even if it is not an NGO, Oikocredit is not looking for profit maximization, which constitutes a very distinguishing feature with traditional banks. Nevertheless, this institution remains linked with classical funders in behaving as a financial actor by granting loans. This microfinance organisation raises funds both by online investment and in more traditional ways. The Oikocredit Ecumenical Development Cooperative Society was established in 1975, but the idea goes back to 1968, to a meeting of the World Council of Churches, when young church members called for an ethical investment instrument. Today Oikocredit is one of the world's largest sources of private funding in the microfinance sector¹. It provides credit to trade cooperatives, fair trade organizations and small-to-medium enterprises in the developing world. Whereas the headquarters are in the Netherlands regional and country offices can be found in 36 countries, including Austria, which is one with the best growth globally.

As any other business, a socially oriented business must communicate in order to reach its targets. For this identity building becomes necessary. In particular, to encourage social investment, Oikocredit has to attract potential financial backers while emphasizing a specific identity. Very little research work has been done on Oikocredit Austria (Kurspahic, 2012) and crowdfunding in this country. One of the references in the field of social investment, thus covering the scope of Oikocredit, is the doctoral thesis of Helmut Berg (2011), which analysed money and microfinance as a way to improve the lives of the loan recipients. Nonetheless only one study has been conducted yet on the specific question of the identity of such an organisation (Bonescu and Caseau, 2013).

¹ <http://www.oikocredit.coop/investing-in-people>