Chapter 6
Is an Offline Sharing Economy Innovation Transmissible Online?
Exploring the Role of Conformity in Group Lending

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ABSTRACT

Group lending is a social innovation because the substitution of the guarantee on assets by the collective guarantee of the group of belonging leads to the financial inclusion of the excluded. In a lending group, members who know each other mutually control each other to guarantee repayment of the loan and its circulation among the members. Is the social collateral that supported the development of the offline microcredit to the world level transposable to social lending on the internet? To answer this question, this chapter aims at determining the factors of mutual supervision and control of the members within the affiliation group and examine the potential of their transposition on the internet. Understanding the conditions for transposing social security is not only a solution to the problem of the unbanked; it is also a source of inspiration for peer-to-peer activities which develop considerably on the internet.

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INTRODUCTION

There is a significant difference between the financial and the bank excluded. The latter are rejected because they are offenders of banks. The former are excluded because they are commercially unfit to banks (Tasque, 2011).

The exclusion from the banking services is explained by the supply-sided reasons like small loans valuation, risk and costs of transaction with the poor and fragile individuals (Akula 2010), along with the demand-sided reasons such as the lack of financial education and the inability to provide guarantees to reduce risk (Armendariz and Morduch 2005).

Adult bank excluded count for 2.5 billion in the world at the beginning of the 2010s (Global Findex, Demirguc-Kunt et al., 2015) and around 1.7 billion around the end of the same decade (Global Findex, Demirguc-Kunt et al., 2018). The improvement is evident; however, there is still a huge population to financially integrate.

Technological and social innovations can overcome the problem of non-banking. The technology of mobile money now accounts for 12% of adults (64 million) in sub-Saharan Africa, compared to only 2% in the rest of the world (Global Findex, Demirguc-Kunt et al., 2015). Social innovation contributes no less to financial inclusion. The best known or at least the most high-profile example is the group loan whose originality lies in the substitution of the asset-based guarantee by the guarantee of belonging to a group.

The research inquiry of this contribution bridges the two types of innovation and addresses the transposition of social innovation: *Can the social innovation of social collateral (guarantee) in offline group lending be transposed to cyberspace?*

Transposition means adapting knowledge of solving an acute problem from one area to another. This contribution addresses the transposition of the knowledge of social guarantee to the problem of the unbanked from offline to online. While the transposition of a social innovation from one country to another is already studied (Boxenbaum and Battilana 2005), the transposition of a social innovation such as social collateral from offline microfinance to online crowdfunding is to the best of our knowledge is the first of its kind.

This transposition is legitimate because its two ends aim to leverage sharing within groups to address individual problems. In France, the *"Association for Development and Economic Initiative" ("Adie")* refinances since 2011 a part of the microcredits granted via the online crowdfunding platform *Babyloan*. Inversely, crowdfunding platforms like *Kiva* and *Babyloan* support microfinance among modest populations in both developing and developed countries.

The results of this research provide useful academic and managerial insights. Transposing the dynamics of social collateral from offline to online is important not only because it is a decisive solution to the problem of non-banking that often