

Relationship Financing: A Process of Interpretative Phenomenological Analysis

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Abstract : Small and medium-sized firms (SMEs) face difficulties in accessing bank credit. Bank credit is actually the main source of external financing for SMEs. In general, SMEs are risky businesses because of the potential opacity maintained by the leader in the management of affairs, the agency conflicts between business owners and third-party funders and the potential opportunism of the leader due to the incompleteness of the contracts. These elements accentuate the problems of information asymmetries between SMEs and bankers leading to capital rationing. Moreover, the last economic crisis reinforced this rationing of capital. However, a long-term relationship between SMEs and their bank would enable the latter to accumulate a set of relevant information allowing the reduction of information asymmetry and, consequently, the reduction of credit rationing. The objective of this research is to investigate the lived experience of SMEs loan officers in their relationships with their clients in order to understand how these relationships can affect the financing structure of these SMEs. To carry out this research, an Interpretative Phenomenological Analysis is implemented. This approach is part of the constructivist paradigm and refers to the subjective narratives of the individual rather than to an objective description of the facts. The role of the researcher is to explore the lived experience of the interviewees and to try to understand the meaning they give to this experience. Currently, several sixty-minute semi-structured interviews with loan officers for SMEs have been conducted. The analysis of the content of these interviews brought out three main themes. First, the relationship between the credit officer and the company manager is complex because the credit officer is not aware of establishing a personal relationship with his client. Second, the emotional involvement in the bank financing decision is present and third, the trust in the relationship between the credit officer and his client is very important. The originality of this research is to use the interpretative phenomenological analysis more specific to psychology and sociology in order to approach in a different way the problem of the financing of SMEs through their particular relations with the bankers.

Keywords : financing structure, interpretative phenomenological analysis, relationship financing, SME

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