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Impacting social economy
ecosystem through solidarity
financing: the case of a solidarity
finance institution

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Abstract

How do solidarity financial institutions impact the social economy and its ecosystem? The literature suggests a number of reasons why social economy enterprises (SEEs) should benefit from accessing capital to support their development and eventually scale up their impact (Hebb et al. 2008, Karaphilis et al. 2010). However, traditional financial tools are poorly adapted for SEEs' that develop emerging activities, respond to democratic aspirations, and exclude financial returns on investments. Traditional financial institutions do not know how to estimate the riskiness of such enterprises (Cornée 2017). While there is a growing interest for alternative forms of impact investing, literature points out that evidence for impact is generally missing (Guézennec and Malochet 2013). Proposed solutions mainly focus on measuring the impacts of the financed activities. However, limitations of some of the most popular methodologies are well known (Kroeger and Weber 2016). Access to finance is still only one of the components of the global ecosystem required for the development and growth of social economy enterprises (Rodert and Zvolská 2015; European Parliament Social Economy Intergroup 2015). Other aspects are crucial, namely knowledge of risk assessment in the specific case of SEEs, and intermediation between investors and project promoters. Yet, very little research has studied impact investment institutions themselves or their ecosystem. This paper focuses on the effects solidarity financial institutions (SFIs) have on the SEEs and their support environment. We studied the case of a Québec SFI that acts as a lender of development capital funds (long term uncollateralized loans) to SEEs. Using a mixed methods approach (Small 2010), we analysed data from different sources (information about the financed enterprises, secondary public data and interviews), namely exploiting of a unique set of detailed financial and non financial information used by the SFI to estimate the risk associated with 435 loans to SEEs between 1997 to 2014. We studied the selection, processing and leveraging effects of this institution's intervention on the funded enterprises and on the social economy ecosystem. This study highlights the systemic effects of a SFI as an essential component of an ecosystem devoted to social economy enterprises. In addition, it provides some avenues for assessing the impacts and systemic effects of impact financing

Key words

Impact evaluation, Innovative practices, Social economy enterprises, Social finance

1. Introduction

1.1 *Social enterprises facing a financial gap*

Traditional financing tools are in general poorly adapted for social enterprises, many of which are cooperative and non-profit enterprises, i.e., social economy enterprises (SEEs). For legal reasons, capitalizing SEEs poses challenges. For one thing, non-profit enterprises do not issue shares and cannot accumulate financial reserves. In the case of cooperatives, interest on shares is limited. Another concern for investors is that SEEs give primacy to their social goals over financial benefits. Benefits, in the case of SEEs are conceived as a tool to achieve social goals, not as a goal in itself. As they do not intend to maximize profits, SEEs can operate and develop projects in fields that offer low or uncertain profitability. They respond to needs that do not attract private traditional for-profit entrepreneurs, and for which government doesn't efficiently fill in efficiently. Hence SEEs are typically, at least at their origin, small or medium size enterprises, involved in activities that are emerging, not capital intensive, and destined to a small portion of the demand or to low-income customers. In addition, SEEs are collectively owned and democratically governed by members who are not motivated by benefits, and who for the most serve on a volunteer basis. Therefore, SEEs are not the "cold-feet risk-averse" investors' cup of tea. Therefore, the capital to launch and develop social economy (SE) projects is scarce. This problem of credit rationing and credit constraints has already been highlighted in the literature (e.g. Fedele and Miniaci 2010, Maietta and Sena 2010).

Such perspectives ward off traditional investors and financial institutions from SEEs. For these reasons, options for capitalization are limited to short- and medium-term debt. Accessing the much-needed long-term investment is difficult in most cases (Mendell and Barbosa 2013). For one thing, conventional financial institutions do not know how to estimate the riskiness of such projects (Cornée 2017, Harji and Hebb 2010), which, from their standpoint, are too complex. Finding a financial institution capable of supporting SE entrepreneurs is therefore crucial, namely in their start-up and growth stages or when they require financial liquidities to undertake new projects. This is true for SEEs as well as for other social enterprises, in emerging businesses as well as in the more mature ones.

1.2 *Social finance, impact investing, solidarity finance institution*

There is a growing interest for sustainable and responsible finance and impact investing, in more general terms, "social finance" (SF). These terms capture the wide range of financial instruments and institutions seeking triple bottom line returns, in terms of social and environmental goals as well as of governance standards. In 2010, it was estimated that at least US\$ 400 billion would be available to fund impact-oriented investments over the next decade (O'Donohoe et al. 2010, mentioned in Mendell and Barbosa 2013).

SF aims at combining social impact and financial gain. This can be achieved by, on the one hand, avoiding investment in companies that are detrimental to the environment or to human wellbeing, and, on the other hand, seeking out companies that are lucratively engaged in sustainability, justice, clean energy, etc. In many cases, investors are ready to trade off part of the financial return for more social return, looking for what is called a "blended value". In practice however, such social finance institutions find it difficult to face the quadruple challenge of 1) investing small amounts, in what are perceived as 2) highly risky projects, that offer 3) low financial return, in the 4) absence of an investment pipeline that enables scaling up impacts (TIRESIA 2017).

Among the different types of institutions practicing social finance, solidarity-financing institutions (SFIs) operate accordingly to social economy principles. SFIs include microfinance but also community-based or local finance, such as community development financial institutions, social finance and social banking as well as socially responsible investment. Because social economy

enterprises SEEs are coops and non-profit enterprises, they require financial tools of quasi-equity. Quasi-equity (or “patient capital”) corresponds to long-term investments made in collective enterprises without giving rights of ownership or control to investors. (Mendell and Nogales 2012)

1.3 Measuring impacts

The literature suggests a number of reasons why SEEs should benefit from accessing capital to support their development and eventually scale up their impact (Hebb et al. 2008; Karaphilis et al. 2010). However, literature also points out that evidence for impact is generally missing (Guézennec and Malochet 2013). There are social and environmental performance measurement tools that provide catalogues of indicators that can be used in the social finance sector: IRIS, GIIRS, Universal Standards for Social Performance Management (USSPM) for microfinance, AERIS measurement tool and ratings agency, etc. These are mainly aimed at benchmarking performance of social finance institutions with homogenous (“universal”) standards and help investors evaluate and compare investment opportunities. Such tools require data collection and carrying out of various validation procedures, often implemented by external experts. This can be cumbersome and costly, especially for small size institutions. Moreover, these measurement tools focus on the financial institution, as if its impacts were disconnected from those of other actors of the support environment.

Current practices in the evaluation of impacts still tend to focus on counting inputs and outputs, and on telling stories (Jackson 2013: 99). Added to this is the question of identifying the impact created by the investment itself, separate from the outputs or outcomes produced by the social enterprise that received the investment. Also, limitations of some of the currently popular impact measurement methodologies such as Social Return on Investment (SROI) are well known (Kroeger and Weber 2016, Mertens and Marée 2015). Some argue that investment’s impact—as distinguished from the enterprise’s impact—exists only if the quantity or quality of the enterprise or investee’s output is increased “beyond what would otherwise have occurred” (Brest and Born 2013: 22). Others contend that what matters more than evaluating a particular investment and its positive impacts, “is whether change happens and whether it reaches transformational scale” (Choi 2013: 27). Others, still, dispute that “we spent too much time and too many resources discussing impact measurement and trying to measure outcomes”, (...) and that it is time to “move on and not overburden those initiatives focused on underserved communities with academic questions” (Arregui and Chu 2013: 29).

1.4 The Need for Impact Evaluation of SFI

There is a general consensus about the need for adapted risk assessment frameworks and measurement and evaluation tools. Perceptions about SEEs also need to be improved, as they are too often reputed unable to generate financial return (Mendell and Barbosa 2013). Furthermore, it is known that access to finance is still only one of the components of the global ecosystem required for the development and growth of social economy enterprises (Rodert and Zvolská 2015, European Parliament Social Economy Intergroup 2015). Other aspects are crucial, namely knowledge of risk assessment in the specific case of SEEs, and intermediation between investors and project promoters.

Very little research has studied the impact of social finance in relation to the other actors of the SEEs’ support environment. This paper focuses on the impacts that solidarity financial institutions (SFIs) have on the social economy and its ecosystem. By focusing our analysis on the information already gathered by a SFI in its daily activity, we find that the SFI’s internal procedures provide a great deal of relevant and valid data for measuring its financial and social performance. In this research, we studied the selection, processing and leveraging effects of this institution’s intervention on the funded enterprises and on the social economy ecosystem.

2. Methodology

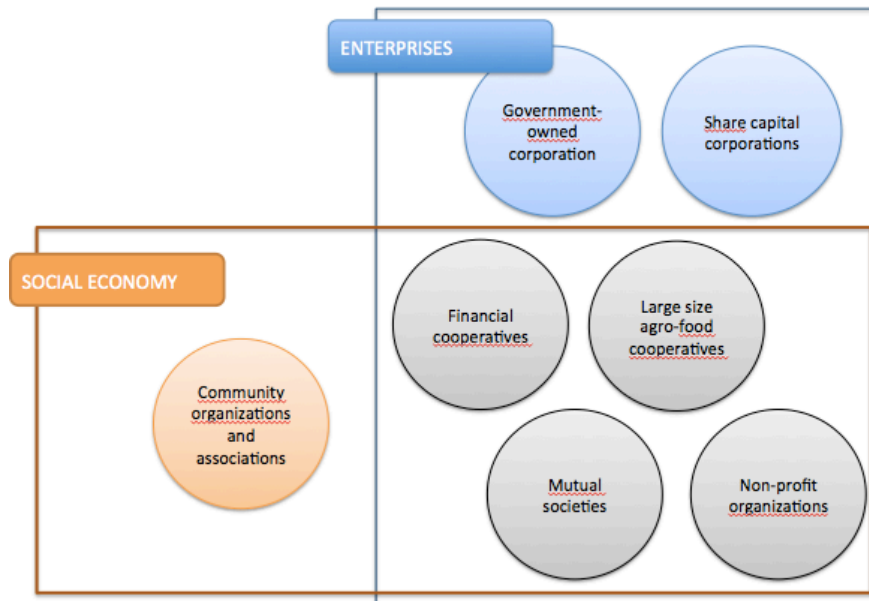
2.1 Réseau d'investissement social du Québec (RISQ)

The SFI we studied, the *Réseau d'investissement social du Québec* (RISQ), was created in 1997 in view of filling the funding gap of SEEs in Québec. RISQ's original endowment was provided in equal parts by donations from enterprises (the cooperative credit unions' movement, a private bank, a pharmaceutical foundation, an aluminum producer, a cigarette producer, and a circus) and by a contribution of the Québec government.

RISQ offers development capital in the form of quasi-equity (or quasi-capital) solely to SEEs. Quasi-equity is a hybrid type of financial product, in between risk capital and financial loans from traditional financial institutions. This type of liability is characterized by a moratorium on capital reimbursement, a flexible reimbursement schedule, a long-term deadline, and the absence of collateral guaranty or security. Investments do not give rights of ownership or control to investors.

The fund dedicates its interventions to cooperatives and non-profit enterprises that are engaged in an entrepreneurial process (See Figure 1).

Figure 1. Targeted enterprises according to the SFI



Source: RISQ (2017) *Guide d'évaluation des entreprises d'économie sociale*, Montréal, Réseau d'investissement social du Québec (our translation).

Investment decisions are made through a twofold process, the first being the revision of the analyst's proposals by the Investment Committee. This committee is formed of 7 members including a delegate from the Governing Board, the managing director, and 5 members coming from the following groups: (a) development support groups (local development support groups, local community economic development groups, regional development cooperatives); (b) financial partners (financial institution, specialized funds, community credit network); (c) SEEs and organization involved in the development of the social economy; (d) subscribers (e.g. ministry). The Investment Committee makes investment recommendations to the Governing Board. The Governing Board is composed of a majority of members coming from the *Chantier de l'économie sociale*, an apex organization of the social economy in Québec, plus a representative of a partnering financial institution, the managing director of RISQ, and two non voting observers, one

coming from the ministry responsible for the social economy and other representing the employees of RISQ.

2.2 Data collection¹

We analyzed 435 projects financed by RISQ between 1998 (the year after it was created) and 2014². Based on a mixed methods approach (Small 2011), our study is based upon three sources.

- A first are the dossiers that analysts constitute initially for each project to be financed in order to estimate the risk it constitutes. They include narrative elements and financial statements. Narrative elements cover: Mission and history of the enterprise; Project to be financed and envisaged financial package; Membership structure and governance; Management and human resources; Product or service production; Market, competition, marketing plan; Financial analysis (previous performance, financial structure, budgetary forecast); Global notation on 10 synthetic indicators; and Recommendations that the entrepreneur will need to meet before receiving the loan. A projects' dossier also includes financial statements for each year of the loan term.
- We analyzed as well the database in which all the information about a project is systematically filed over the years of the duration of the loan (between 2 to 10 years). This information namely covers: Number of maintained jobs; Total cost of project; Financial package; Reimbursements. This database is used by the SFI to estimate its default exposure.
- We also conducted semi-structured in-depth interviews with 15 key informants coming from the SFI and from other financial or technical support organizations that participate in the packages of the projects that this SFI finances. These interviews were conducted between May 24 and July 15 2016.

We processed this data and information mixing qualitative and quantitative methodologies. Qualitative analysis was used to codify narrative elements of the dossiers as well as interview transcripts³. Financial information and evaluation indicators were analyzed through descriptive, comparative and multivariate statistical techniques. Our final interpretation of the results is grounded on the combined methodologies.

In order to validate our findings, we triangulated (or crosschecked) the data sources: dossiers, database and interviews; and the types of data analysis: quantitative and qualitative. Aiming to corroborate data coming from key-informants, interviews were conducted with a variety of stakeholders that had a long-winded professional experience with this SFI, either from the inside or from outside, either as an employee or a governing board member. This triangulation has helped sharpen our interpretation of the information as well as validate the accuracy and stability of the findings (Denzin and Lincoln 2003). The number of interviews and analyzed data enabled to reach information saturation, allowing us to judge that adding another interview or document would not provide sufficiently new or distinct information to justify adding new ones (Pires 1997). Our results can be considered as generalizable since our analysis covers all the capitalization projects that the SFI financed from its creation to 2014.

¹ We thank for their assistance in this project: Thomas Bargone-Fisette, Pascale Lagacé-Brunet, Léa Leduc-Berryman, Marion Sirieix, Louis Truchon-Thériault and Tassadit Zerdani.

² This number excludes projects that were either not retained at the outset, refused after analysis, or that were withdrawn before they were financed. Depending on the available data, the size of our sample varies, in which case mention is made when presenting the research results.

³ Codification was done through NVivo, a software that enables organizing, analyzing and discern content among non-structured or qualitative data.

An ethical approval was obtained from the UQAM Institutional Research Ethics Committee, namely clarifying that the principal investigator, who also had served as member of the SFI's Investment Committee, would not participate to interviewees and would only access anonymized information.

2.3 Research questions

Our study aimed at measuring a SFI's impacts. Basing ourselves on RISQ's mission statement, we developed research questions relating to four dimensions: social, financial, ecosystemic and economic impacts. We associated each to the needs or problems the SFI's action aims to contribute solving and to specific units of observations. We analysed:

Social dimension:

- 1) The target of the SFI's interventions, by investigating the socioeconomic roles of the financed enterprises and whether or not the financed activities were potentially substituting existing ones;

Financial dimension:

- 2) The selection process of investment projects, by examining the methodology used the analysis of investment projects and measuring its construct validity;

Ecosystemic dimension:

- 3) The processing's effects on the financed entrepreneurs, by analysing the recommendations made to entrepreneurs by RISQ's analyst;
- 4) The mobilization effects within the SFI ecosystem, by determining whether its investments filled a financial gap and measuring the leverage effects;
- 5) The effects on the ecosystem effects, also examined by evaluating the partnerships established with other SFI actors.

Economic dimension:

- 6) The economic and fiscal impacts, by measuring the employment and fiscal revenues creation.

Table 1 summarizes the general framework of the study.

Table 1. General framework of the study

Dimension	Need or problem	Element of the SFI mission statement	Research questions	Observations
Social	Needs and aspirations unmet by conventional businesses or by government	To foster a Québec model of socially profitable	<ul style="list-style-type: none"> - <i>What are the social goals of the financed social enterprises?</i> - <i>Are the financed activities new or are they substituting existing ones?</i> 	1. Target: Socioeconomic roles of financed social enterprises New economic activities
Financial	Existing financial institutions' criteria ill-conceived for enterprises not aiming at generating profits	To develop, utilize and diffuse financial analysis methods that are adapted to SEEs	<ul style="list-style-type: none"> - <i>Is the financial analysis methodology that is used well adapted to social economy social enterprises?</i> - <i>Are the criteria used in the analysis valid?</i> 	2. Selection: Financial analysis methodology
Eco systemic	Innovative practices in the social economy	To promote different yet efficient management practices within the social economy	<ul style="list-style-type: none"> - <i>What are the impacts on the viability of the financed projects and enterprises?</i> - <i>What are the effects of the relation between the SFI and the financed enterprises?</i> 	3. Processing: Types of recommendations
	... are generally badly understood by financial institutions	... namely to financial actors	<ul style="list-style-type: none"> - <i>Could a conventional financial institution have financed the activities?</i> - <i>What are the impacts of this SFI's interventions on the rest of the SFI sector?</i> 	4. Mobilization: Financial gap Leverage 5. Partnership: Relationship to other actors of the SFI ecosystem
Economic	Enterprises facing investment gap	To contribute to the capitalization of SEEs and increase collective wealth	<ul style="list-style-type: none"> - <i>What are the economic impacts of the investments in terms of employment?</i> - <i>What are the returns to public administrations?</i> - <i>May those impacts and returns be attributed to the intervention of the studied SFI?</i> 	6. Economic and fiscal impacts: Net contribution to employment creation and fiscal revenues creation

3. Results

The following sections present the results of this study.

3.1 Social dimension

One way used by financial institutions to aim at producing impacts is through targeting their investments. We analysed the various types of social goals pursued by entrepreneurs financed by the SFI, by referring to economic institutionalist frameworks. These explain why social economy organizations exist, where and when market and State cannot fill in. If the mission of the project or of the financed enterprise did not correspond to such a situation, we counted the investment out, as it did not fit this rather conservative conception of filling an unmet social need. We also examined if the project or enterprise could be in the situation of substituting existing economic activities (in the social or the convention economy), in which case the SFI's investment's impact would be considered as deadweight, hence counted out⁴.

3.1.1 Enterprises that prioritize social goals

All the social enterprises financed in capitalization by RISQ over the period we studied aimed at reaching one or more of the following socioeconomic goals: production of collective and trust goods or services; countervailing market power; providing jobs or training to persons generally excluded from the job market; operating in economically fragile environments.

- Collective goods and services

Our analysis of financed SEE projects show that for 32% of them, their goal is to produce collective goods or services. Collective goods and services are those that generate advantages to society of a worth that exceeds their production costs or the price economic agents are willing to consent to purchase them. Hence, the private gain is inferior to the social gain (see Helbing 2010 : 48). Such externalities may be generated in the production process, such as in the case of the installation of a food market in an area where there used to be none, which will contribute to economically and socially revitalize the area, or in the consumption process, such as the benefits that a child attending school provides to all members of society as it increases the probability of this child becoming an active and positively contributing citizen. Externalities can be collective when they are indivisible, reaching simultaneously a group of people or the whole socioeconomic environment (Lienard 2001).

Table 2. Examples of collective goods and services produced by the financed projects financed

Health and social services <ul style="list-style-type: none"> - Home care for the elderly or persons with decreased independence - Services for persons with disabilities - Activities aiming at preventing homelessness 	Accommodation with specialized services <ul style="list-style-type: none"> - Accommodation and therapy for people with dependence problems (substance abuse, sex, compulsive gambling) - Social community housing management
Childhood, youth <ul style="list-style-type: none"> - Early childhood centers - Perinatal care, training to parental skills - Services to young people facing family, social or educational difficulties 	Environment, territory <ul style="list-style-type: none"> - Recuperation and recycling - Protection and conservation of natural spaces - Activities aiming at revitalizing local touristic activities

⁴ This information also served to eliminate the deadweight when calculating economic impacts.

- Trust goods and services

Our analysis shows that 4% of projects financed by RISQ during the studied period aimed at producing trust goods or services. Trust goods and services are those whose characteristics are hard to validate even after their consumption. This is the case for example of ecological or organic qualities, for which the consumer is willing to pay a higher price, thinking that they will be less harmful for the environment. In the absence of supplementary information, the consumption alone cannot reveal if the consumed variety was organic or not (Bonroy and Constantatos, 2004: 1). Information asymmetries occur when, during and exchange, some participants dispose of more relevant information than others do not have, creating a disequilibrium between producer and consumer, or seller and buyer (See : Nelson 1970). Such goods or services require a trustworthy intermediary in order to guaranty the advertised quality of the good or service to the consumer. SEEs are likely to offer such intermediation namely because they do not have as a primary goal to generate profits for distribution to stockholders (see Anheier and Ben Ner 2003). Table 3 offers examples of these.

Table 3. Examples of trust goods and services produced by financed projects

<ul style="list-style-type: none"> - Agro-organic products: production or sale of products coming from organic agriculture - Faire trade: commercialization of products coming from fair trade - Environmental services: management of carbon credits for SMEs

- Market countervailing power

Our analysis shows that 34% of enterprises financed by the SFI are created to countervail the market power of agents that otherwise would control the prices or diminish the quality to their advantage, or cherry-pick the demand segments that are most profitable. Situations of monopoly and oligopoly result from a small number of producers and a large number of consumers, whereas monopsony and oligopsony result from a small number of buyers and a large number of producers. Some SEEs have as a goal to give a competitive advantage back to their members or to the community they serve, for example: cooperatives, consumer groups, short food circuits (Vienney, 1994). Table 4 offers examples of such in the RISQ portfolio.

Table 4. Examples of countervailing market powers organized by financed project

<p>Producers' market organization</p> <ul style="list-style-type: none"> - Wood producers cooperative for transporting logs - Cooperative for the promotion of songwriters-composers - Shared workspace for independent workers - Start-up incubator 	<p>Workers' market organization</p> <ul style="list-style-type: none"> - Enterprise transmission to workers cooperatives - Former informal workers cooperatives - Training and job-seeking organization for performing arts stage workers
<p>Consumers' market organization</p> <ul style="list-style-type: none"> - Funeral services cooperative - Students cooperative - Cooperative book store - Cable and telecom cooperative - Food cooperative - Purchase and sale of second hand toys - Cooperative car repair garage - Legal clinic 	<p>Multi-stakeholders' market organization</p> <ul style="list-style-type: none"> - Solidarity cooperative - Collaborative space for sharing tools or small machinery - Food security in a given community - Internet regional service - Local convenience store (grocery, gas station post office)

- Employment and employability of persons generally excluded from the job market

Part of RISQ's investments goes to enterprises whose manpower would otherwise be at high risk of market exclusion. Our analysis shows that 32% of the financed projects train or employ people who are generally excluded from formal employment. Among them are the government-recognized work insertion enterprises that offer work-based training for a given period of time (11% of financed projects). Others (21%) offer jobs to persons who could be marginalized in the workplace for reason of their age, gender, lack of experience or education, physical or intellectual disabilities or living in a place with a high unemployment rate.

- Economically and socially fragile areas

A minimum of 17% of RISQ's investments is made in geographic areas that are characterized by their economic and social "fragility". Such areas were identified as such accordingly to their index of economic dependence, as defined by the Québec Statistical Institute⁵. This index corresponds to the value of transfer payments to private individuals per bracket of available 100 \$ revenue bracket (of which we excluded pension and workers injury's compensations in order to only reflect transfer payments related to economic precariousness). Areas with a dependency relation equal or superior to the province's median were qualified as "fragile". This figure is conservative, as more of the RISQ's portfolio is located in fragile urban communities. However, economic dependency index is not available at this level of granularity. Further research would be needed to find out about those.

3.1.2 New economic activities

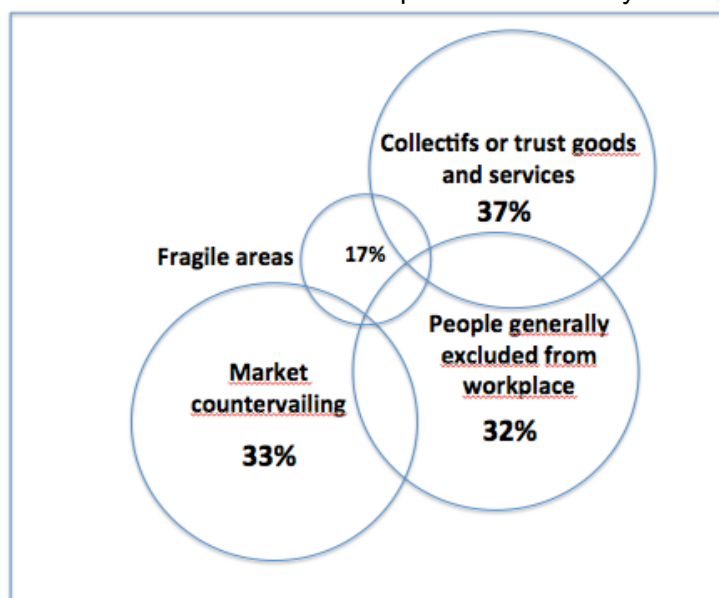
More than 80% of the financed projects were new commercial opportunities or niche activities and therefore did not enter into competition with market or public providers. These activities brought a net economic contribution to the economy. We can therefore conclude that at least that the quantity (if not also the quality) of outputs increased beyond what would otherwise had occurred (Brest and Born 2013) were it not the investment.

3.1.3 RISQ reaches its target

In short, notwithstanding the juridical statutes of the organizations (cooperatives or non-profit organizations), the enterprises financed by RISQ play typical roles of the social economy (Anheier and Ben Ner 2003, Ben Ner and Van Hoomissen 1991, Hansmann 1980, Weisbrod 1988, Vienney 1994), producing collective and trust goods and services, offering training and jobs to people generally excluded from the workplace, often in areas that are over-dependent of government transfers. Figure 2 shows the different roles played by the enterprises that received financing from RISQ between 1998 and 2014. These intersect, as many enterprises play more than one role.

⁵ *Indices de dépendance économique selon le sexe, régions administratives, municipalités régionales de comté (MRC), régions métropolitaines de recensement du Québec et ensemble du Québec - Données pour 2014.* Source : Statistics Canada, *Profils de dépendance économique*, adapted by l'Institut de la statistique du Québec (ISQ). On line: *Banque de données des statistiques officielles sur le Québec*.

Figure 2. Socioeconomic roles of enterprises financed by RISQ, 1998-2014



3.2 Selection process

All financial institutions have to evaluate *ex ante* the riskiness of projects, and do *ex post* follow up of borrowers in order to minimize capital write-off. RISQ also has to select investment projects that are undertaken by cooperatives and non-profit enterprises that take part to the “social economy”. It is to be noted that this notion that was hardly in usage in Québec at RISQ’s creation in 1997⁶. Based on the proclaimed values of the social economy, RISQ developed a methodology for analysing the risk posed by their investment projects.

Analysts, together with other social actors of the Québec social economy “ecosystem” (among which local community development support groups, solidarity economy credit union, government investment agency, ministry in charge of the social economy), produced in 2003 an analytical tool that details a methodology developed for identifying SEEs and evaluating their viability: the *Guide for evaluating social economy enterprises* (hereafter *Guide*). This methodology, developed by RISQ, is today used as a reference for all of Québec solidarity financing institutions and it serves as a reference outside Québec as it has been translated into 6 languages (English, Spanish, Portuguese, Korean, Japanese and Catalan) and a revised version has been published in 2017⁷.

Our research wanted to evaluate whether the financial analysis methodology used by this SFI and partners is well adapted to social economy social enterprises. First, we wanted to ascertain that the criteria used in this methodology were accurately measuring what they were supposed to measure. We then examined how the financed projects performed regarding this viability and risk evaluation.

3.2.1 Construct validity of the risk evaluation methodology

A project’s viability is evaluated under 10 criteria, some of which are typical of any financial analysis: quality of assets, financial structure, viability, operations, market; while others are

⁶ Members of the Working group on social economy had reached a consensus on SE values in 1996 in the declaration *Osons la solidarité* (see : http://162.219.163.96/~chantierqc/wp-content/uploads/2017/06/rapport-osonslasolidarite_1996.pdf). This led to the creation in 1999 of the Chantier de l’économie sociale, an umbrella organization grouping SE actors together with social movements representatives. Québec Law on social economy was voted in 2013.

⁷ See : <http://fonds-risq.qc.ca/guide-et-formation/guide/>

related to social and organizational dimensions: human resources, board of directors, management team, rootedness in the community, social objectives. Analysts mark each criterion with a synthetic indicator ranging from 0 to 4. A global average of 3 over 4 is required for a project to “pass” and be presented to the Investment committee, who will then recommend its adoption by the Board of administrators, often with additional recommendations to the project promoters.

A principal component analysis⁸ was used to ascertain the construct validity⁹ of the methodology. Our analysis shows that correlations (r) between certain criteria are sufficiently strong to form three general dimensions¹⁰. It appears that there is a strong correlation within families or groups of criteria, which correspond to how they are grouped in the Guide:

- The financial dimension, which groups: viability ($r = 0.55$), financial structure ($r = 0.75$), quality of assets ($r = 0.83$).
- The social dimension, which groups: rootedness in the community ($r = 0.82$), social objective ($r = 0.87$).
- The operational dimension, which groups: management team ($r = 0.76$), human resources ($r = 0.78$), market ($r = 0.50$), operations ($r = 0.78$).

Only one criterion, the board of directors, is correlated to both the social dimension ($r = 0.45$) and to the operational dimension ($r = 0.45$). This is understandable when considered that, depending on the context and on the nature of the projects, the evaluation will concern either the composition of the board and the combined expertise of its members, or the capacity of the board to act as a democratic instance of the association and adequately represent its members. In the first case, this rating is expected to follow the operational dimension and, in the second case, the social dimension. This recalls the two basic functions of a governing board which, on the one hand, is about providing services, something that is reflected by the expertise and the representativeness of board members, and, on the other hand, is about exercising power and controlling the decision process within the organization (Mintzberg 1986).

In sum, the criteria used in the *Guide for the evaluation of social economy enterprises* are valid and accurately measure what they are supposed to measure.

3.2.2 Selection of economically viable social projects

Considering only projects for which evaluation ratings were available (n varying between 324 and 326 depending on criteria), we can observe that the average ratings (0 being lowest and 4 highest) are rather high: $M = 2.95$; $SD = 0.35$; $n = 324$ ¹¹. The criteria that have the highest rates are Social objective: $M = 3.38$; $SD = 0.48$; $n = 325$; and Rootedness in community: $M = 3.38$; $SD = 0.48$; $n = 325$. This suggests that the selected projects already score very high on those criteria when entrepreneurs start applying for their loan. The lowest scores are given to the criteria of

⁸ Principal component analysis (PCA) is namely used for understanding the structure of a set of variables in order to see which are associated with each other. The analysis consists of transforming variables related to one another in new variables named “principal components” or new axis. See Université de Sherbrooke’s SPSS 17 web page: <http://spss.espaceweb.usherbrooke.ca/pages/interdependance/analyse-en-composantes-principales.php> (Our translation.)

⁹ “Construct validity is also named construction validity, theoretical validity or conceptual validity by certain authors. This type of validity aims at insuring that an instrument actually measures what it was conceived to measure and that it offers an adequate measurement of the theory upon which it is relying.”

Source: Université de Sherbrooke’s Psychometrics’ web page: <http://psychometrie.espaceweb.usherbrooke.ca/validite-theorique-2> (Our translation.)

¹⁰ A reciprocal relation between two ratings that vary simultaneously in relation to one another defines what is a correlation. Dimensions are formed by grouping ratings that presented a difference of 0,4 points and more between the rating and its factor and its correlation over the other factors with a VARIMAX rotation.

¹¹ M : mean; SD : standard deviation; n : size of the sample.

Financial structure: $M = 2.68$; $SD = 0.62$; $n = 326$; and of Quality of assets: $M = 2.7$; $SD = 0.59$; $n = 326$. This suggests that, at the moment of the analysis, many projects were proposed by enterprises that were not entirely sound in terms of their financial situation.

It is also possible to test how these scores relate to the probability of reimbursing the loan. We crossed the average ratings with the status of the dossiers with the financial institution. This status can be of one of the following three: Authorized, meaning that financing period is ongoing; Reimbursed, financing period is over and loan is fully reimbursed; or Written off, meaning that the dossier is closed but that the authorized loan has not been reimbursed. The controller's database, the 435 dossiers are indicated as following:

- Authorized: $n = 173$, or 40%
- Reimbursed: $n = 166$, or 38%
- Written off: $n = 96$, or 22%

Taking into account only the completed dossiers (reimbursed and written off) and excluding ongoing ones, RISQ gets its money back two out of three times and 37% of the loans are written off.

Analysing the variation of averages (t-test) makes it possible to observe if there exists a strong variation of the ratings between these three groups (Authorized, Reimbursed, Written off) in order to judge their predictive potential regarding reimbursement.

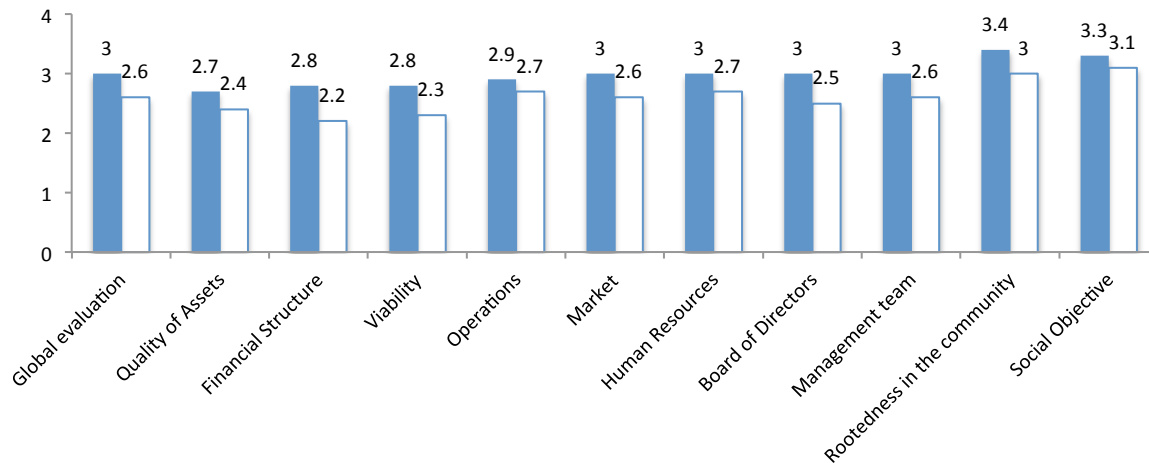
Comparing the ratings obtained by projects for which the loan has been reimbursed ($n = 113$) to those that have been written off ($n = 41$) for which the ratings are available, we observe that the average ratings are all significantly higher for the dossiers showing full reimbursement than for those that have been written off ($p \leq 0.05$). (See Figure 3)¹².

Even if it is not the sole explanatory factor, our results show that dossiers completed with success (fully reimbursed loans) have a higher rating than those written off. And, even if there are statistically significant differences between the average rating of the social dimensions (Social objective and Rootedness in the community), this difference is nevertheless not sufficient as it remains that both groups are qualitatively judged as "acceptable" (average rating above 3 over 4). It is important to note that these results are robust to the existence of missing ratings¹³.

¹² These differences remain unchanged if the reimbursed and ongoing dossiers ($n = 284$) are grouped to compare them to written off dossiers. This is partly explained by the relatively low rate of write off and that, proportionally speaking, the majority of ongoing authorized loans have a better chance of being reimbursed (109 of 173) than written off (64 of 173).

¹³ For a complete demonstration, see Annex E in Bouchard et al. 2017.

Figure 3. Initial rating mean values on risk evaluation criterion by projects' reimbursement status



Note: Reimbursement mean in blue bar; write-off mean in white bar

3.3 Ecosystemic dimension

The third objective of this study is to examine the role of the SFI within the social economy ecosystem. This part of our study aims at documenting of how RISQ meets one element of its Mission Statement, which is: "to promote different yet efficient management practices within the social economy namely to financial actors". We examined the recommendations made to entrepreneurs by the SFI analysts and members of the Investment committee to evaluate if and how these recommendations influenced management practices. We also analyzed the financial packages in which RISQ participates with other financial actors in order to assess the mobilization effects of RISQ's investments. Finally, we interviewed financial actors to see how they perceived RISQ's role in this ecosystem.

3.3.1 Structuring recommendations

The questions we addressed in this part of the study concerned: the impacts on the viability of the financed projects and enterprises and the effects of the relation between the SFI and the financed enterprises.

- Types of recommendations

We examined 969 recommendations made to entrepreneurs that were susceptible of having a structuring effect on the financed project or enterprise. These recommendations are often formulated as conditions to be met in order to receive the entire loan or a second instalment. We classified them in the groups identified with the principal component analysis: social, financial and operational dimension; plus the governing board, which is associated to both the social and the operational dimension (see above in section 3.2.1). A very small percentage of recommendations concerned the social dimension (5%). The rest is distributed relatively equally between the Operational dimensions (35%), the financial dimension (32%) and the Governing Board

dimension, in which we included recommendations regarding the managing director of the enterprise¹⁴ (28%). Examples of such recommendations are presented in Table 5.

Table 5. Examples of structuring recommendations to SE entrepreneurs

Dimensions	Distribution (over 969)		Examples of recommendations
	n	%	
Operational	338	35	Provide a marketing strategy to increase number of potential clients
Financial	311	32	Provide confirmation of additional financing
Gov. Board and Director	268	28	Provide a plan for the succession of board and managing director
Social	52	5	Provide a monthly calendar for increasing membership

- *How analysts and stakeholders perceive the recommendations*

Our interviews with analysts and financial or support actors partnering in the financial packages and in the accompaniment of SE entrepreneurs help us understand RISQ's approach from the moment a project is received for a loan application, to that when it is recommended to the Board of Directors by the Investment Committee. Interviews were led with large open questions about this process so that our questions would not suggest preconceived answers.

- Recommendations mostly address management issues

When asked what concerns were mainly addressed by the recommendations made to the entrepreneur, respondents mentioned: management issues, adding that the social dimension was generally very well covered already.

- Loan applications are almost never refused

Half of the respondents (8 of 15) indicated that it is RISQ's role to accompany SE entrepreneurs and many (6 of 15) also mentioned that to hopefully never refuse a loan application was part of the SFI's vision. Analysts work with the entrepreneur to have him/her ameliorate the information about the project or the enterprise in order to meet the criteria required to obtain the loan.

- A reflexive approach

Respondents (5 of 15) explained how the approach works. The SFI's analyst examines the loan application and interacts with the entrepreneur in order to understand the project and get the information required to complete the dossier. This can take many weeks. The analyst's recommendation to finance the project alongside with the dossier (a document of more or less 10 pages) is then brought forth to the members of the Investment Committee who will in their turn ask questions and sometimes bring new concerns. Sometimes, the dossier has to go back to a second round of work with the entrepreneur in order to eventually be recommended when the expectations relating to the criteria are finally met.

- A complex approach

The evaluation being based on both the financial aspects and the social dimension of the projects, it is sometimes perceived as complex and cumbersome. One respondent mentions that

¹⁴ The addition of the recommendations concerning the Managing Director to those concerning the Governing Board was decided in view of the information collected through our interviews. According to our respondents, the Board and the Direction of SE enterprises work hand in hand, often complementing each other in terms of expertise. It is also to be recalled that governing board members act on a volunteer basis and often take part in a crucial activities such as financial follow up, membership recruitment, etc.

it can be time-consuming and cause delay in the treatment of the applications. Another respondent mentions that it is sometimes the entrepreneur who will find it irritating to have to provide so much information. Other respondents (3 of 15) add that, however weighty, this approach also offers the support of specialists and, in this sense, helps reinforce the viability of the financed projects. According to respondents (6 of 15), RISQ offers expertise that is varied in terms of sectors of activities and development phases of SE projects.

- Few recommendations concern the social dimension of projects

As already observed in our analysis of 969 recommendations (see above: Table 5 Examples of structuring recommendations to SE entrepreneurs), few are about the social aspects of the financed projects or enterprises. Respondents (5 of 15) explain this by the fact that the social mission is the first criterion being considered before accepting to examine a loan application. Hence, according to respondents (3 of 15), hardly any recommendation on the social aspects needs to be made to entrepreneurs who's application will be analyzed.

- Recommendations main concerns

Respondents corroborate our quantitative analysis of recommendations and confirm that most of them are about Financial or Operational aspects, or about the Board of governors of Managing director of the enterprise. Regarding financial aspects, respondents (10 of 15) mention concerns about financial planning, precaution in case government subsidies are not obtained, proper usage of the loan money, etc. Respondents (9 of 15) mention the preoccupation for planning the renewal of Board members or of Managing director, or the need for more expertise in certain operational domains.

3.3.2 Financial mobilisation (leverage effect)

Social economy projects in which RISQ invests also involve other financial actors, for the most other Québec solidarity financing institutions: the Caisse d'économie solidaire, a credit union dedicated to the SE; the Fiducie du Chantier de l'économie sociale, a development fund controlled by SE apex organizations; Investissement Québec, a government-owned investment fund; local funds managed by community development corporations or similar organizations, etc.

- *Participation to financial packages*

Topped at a maximum of \$CAN 50 k¹⁵, this SFI's uncollateralized and long-term loans are often used by SE entrepreneurs to make a down payment on equipment or a real estate transaction, or to replenish liquidities. Once RISQ has engaged in the project, other financial institutions make up the rest of the total investment required to develop the project. As such, RISQ is considered as providing the "love money" to the social economy sector.

The part financed by RISQ is generally rather small in comparison to that of other financial actors. Table 6 shows the average amount financed by RISQ and the total value of the projects for each year we studied. We see that the relatively small amounts invested by RISQ were completed by 5 to 26 times, with a total average 13 \$ for each dollar invested by RISQ¹⁶.

¹⁵ From here on, unless otherwise specified, \$ indicates Canadian dollars (CAD).

¹⁶ This was calculated as such: average amount of project minus RISQ's contribution, divided by average amount financed by RISQ.

Table 6. RISQ portion of financing – Annual average per project (1998 - 2014)

Year	Total amount required for the project (average)	Amount financed by RISQ per project (average)	\$ financed by other financial actors per \$ financed by RISQ
	\$	\$	\$
1998	368 800	43 200	8
1999	283 615	45 708	5
2000	493 202	36 188	13
2001	390 067	40 859	9
2002	512 866	40 538	12
2003	437 457	43 345	9
2004	509 586	39 971	12
2005	548 227	42 318	12
2006	362 207	38 067	9
2007	709 810	46 215	14
2008	674 877	39 435	16
2009	849 924	31 000	26
2010	318 501	36 900	8
2011	785 719	36 407	21
2012	591 282	33 500	17
2013	648 309	36 452	17
2014	607 418	40 965	14
Total average	557 052	38 924	13

In fact, the distribution is largely dependent of the total amount of the project. If we analyze the statistical distribution of the financed amount in four almost equal groups (quartiles), distinctions appear. For each 25% of projects for which the total amount is inferior or equal to \$84 638 (1st quartile), RISQ provides the most important part of the financial package 83% of the times, and its contribution over the total cost of the projects amounts to an average of 65%. For projects of the second group (2nd quartile), of which the amount is between 84 638 \$ and 200 000 \$, RISQ's contribution is the largest in 39% of the cases and its contribution amounts to an average of 32% of the financial package. Things change with the two superior quartiles. For the third group (3rd quartile), where the total amount is between \$ 200 000 and \$ 548 100, RISQ offers the largest amount in only 1% of the cases (1 dossier), with a participation of an average of 13% of the financial package. For the 25% most important projects (4th quartile), of which the amount is over \$ 548 100, RISQ is never the largest contributor to the financial package. Its average contribution is of only 4%. Table 7 shows this distribution per quartile.

Table 7. RISQ as largest contributor to financial packages (435 projects), per quartile

Quartile	Total amount of financial package	% of project in which RISQ is the largest contributor	Average % of RISQ's share of the financial package
1 st quartile	≤ 84 638	83%	65%
2 nd quartile	84 638 - 200 000	39%	32%
3 rd quartile	200 000 - 548 100	1%	13%
4 th quartile	≥ 548 100	0%	4%

The categories of expenditures financed by RISQ are documented in 389 of the 435 dossiers we studied (89%). Typically, the amount loaned by RISQ serves to refurbish the cash flow (26%), acquire movable assets (25%) or to put a down payment for real estate (21%). Almost all amounts loaned by RISQ are uncollateralized. In this sense, this SFI fills a financing gap since, without this contribution, other financial actors would most likely not have stepped in to complement the financial packages. It is also noticeable that the projects are of strategic importance for the SE enterprises: the average total amount of the investment represents 70% of the average business turnover (calculated from 295/435 projects).

- *How analysts and stakeholders perceive the leverage effect*

Our interviews tend to confirm the importance RISQ has in leveraging financing for SE projects.

- Small player

Respondents (10 of 15) recognize that this SFI is a “small player” in the financial packages, mentioning that this characteristic goes back to the creation of the fund, where investments have been limited to a maximum of \$ 50 000, an amount that hasn’t changed since.

- High level of risk

However, this “small” partner happens to specialize in risky loans. Interviewees (10 of 15) mention that RISQ is present at the start-up phases of projects or of new enterprises, which is something traditional investors do not usually like to invest in, mainly on the account of the high risk of failure during the first year. RISQ also very rarely take guaranties on loans, leaving this option open to other financial actors taking part to the package.

- First to commit

Respondents (9 of 15) mention that RISQ is known to be the first to commit in financial packages. “This first commitment is always the hardest one to get.” Many (7 of 15) admit that, as RISQ doesn’t take guaranties on its loans, it acts as a spark plug regarding the commitment of other investors. However, it is to be noted that RISQ confirms its loan conditionally to the confirmation of the other partners in the financial package.

- Unique and adaptable financial products

Financial products offered by RISQ are considered by respondents (5 of 15) to be unique and adaptable to SE enterprises’ needs. Among others, the interest rate is the same for all loans and remains stable in time (it hasn’t changed since 1998!), which facilitates financial planning for entrepreneurs.

- Encouraging the presence of other partners

Entrepreneurs that contact RISQ for a loan are often encouraged by analysts to also contact other partners, namely at the local community development organizations, in order to diversify the financial inputs, receive support in financial planning or any other managerial need they may have. According to RISQ analysts (3 of our 15 respondents), this reflects the preoccupation analysts have in seeing the projects succeed and the enterprises achieve their mission.

- RISQ could loose its leadership

Some interviewees (2 of 15) mention that RISQ has for a long time played a crucial role in training analysts specialized in the social economy and that it has strongly influenced its financial partners. However, with the arrival of new financial actors within the social economy ecosystem, this influence has in time weakened.

3.3.3 Partnership effects

A third aspect in relation with the role played by the SFI in the social economy ecosystem has to do with what we called the partnership effects. In other words, we wanted to see if this SFI's interventions impacted the rest of the SFI sector.

- *Number of participants to financial packages*

The number of financial actors participating to the 435 projects we analysed varied from 1 to 15. It is to be noted that not only financial institutions are considered here but also members contributions, subsidies, contracts with a public entity, donations and crowd funding. Between 1998 and 2014, we observe an average of 4.9 participants per financed project, including RISQ. This maximum number of participants had remained relatively stable during the first five years, between 6 and 8. But has increased to more than 10 since 2003.

In only 7% of cases (33 of 435), is RISQ the sole financier. Conversely, in 93% of cases, other participants join in.

An analysis per quartiles show a more detailed picture (see Table 8) : for the smaller projects (\$84 638 or less), there are few participants (2,3 in average, including RISQ) while this number becomes more important for projects requiring larger amounts.

Table 8. Number of participations (including RISQ) in financial packages, per quartile (435 dossiers)

Quartile	Average total of package (\$)	Average number of participants	SD
1 st quartile	≤ 84 638	2.3	0.12
2 nd quartile	84 638 - 200 000	3.9	0.12
3 rd quartile	200 000 - 548 100	5.8	0.22
4 th quartile	≥ 548 100	7.4	0.25

The quartile analysis of the average number of financial partners in a project, on the one hand, and of the average contribution of RISQ in the financial package, on the other hand (see Table 8 above), suggest that the role of RISQ is differentiated according to the total amount of the project. We can say that RISQ has a structuring role in smaller projects and a leverage effect on the larger ones.

- *How analysts and stakeholders perceive the partnership effects*

Many interviewees told us how important it is that actors play in complement to one another in analysing and supporting SE projects.

- An institutionalized partnership

Most respondents (11 of 15) indicated that RISQ's actions are complementary to that of other SE financing and accompaniment organizations. In some cases, it is an internal policy to systematically collaborate with RISQ when financing a social economy project. This is the case with Investissement Québec, a government agency, and with the Fiducie du Chantier de l'économie sociale, RISQ's bigger yet younger "sister", as it is also governed by the SE apex organizations.

- Trust and collective learning

Many mention that RISQ belongs to a "family" of which members share trust relationships (11 of 15). It is also mentioned that there is a collective learning process, where each learns how the

others work and react, knowing for example that they will not let the others down even in a difficult dossier.

- Collaboration

This complementarity facilitates collaboration. Respondents (11 of 15) indicate that their organization collaborates with others of the SE ecosystem in order to insure that the projects are successful. Together, they find the necessary adjustments in order to make things work.

- Distribution of financial risk

According to our respondents, the joint participation of many actors constitutes a guaranty of each of them. The partnership approach for analysing, financing and accompanying SE projects and entrepreneurs offers a diversification of inputs and reduces the financial risk. This is of course reinforced by the fact that RISQ does not take any guaranty on the loans it provides.

- A patient and competent partner

Among the financial actors of the SE ecosystem, RISQ is considered as competent, flexible and patient. An example of this is the moratorium on their debt payments offered to borrowers in case of difficulties, obtained thanks to the coordination among financial partners. It is to be noticed that this is not at the cost of an excessive risk exposure, as the reimbursement rate at RISQ is quite high.

In some cases, RISQ partners align their investment decision to that of RISQ, therefore not having to go about their own financial analysis of the project. Nevertheless, RISQ conditions its investment decision to the further commitment of the others involved in the package.

- New gaps in the ecosystem

Three subjects are mentioned in a less recurrent manner but have been mentioned each by at least one of our interviewees. They nevertheless have their importance namely to understand the context in which this SFI evolves. One is the concern for the changes in public policy, the outcome of which being a considerable reduction of the number of local support organizations that used to accompany the SE enterprises at all stages of their development, namely their emerging phase. This could mean that the rhythm of creation of new SE enterprises or of new projects within existing enterprises could slow down and therefore compromise the functioning of the pipeline that brings entrepreneurs to get financing from the social finance actors.

3.3.4 Economic dimensions

One of the questions this research addressed by this research is weather a conventional financial institution could finance the same activities in the same fashion this SFI does? The fifth objective of this study is to analyze how RISQ contributes to the capitalization of SEEs (first element of its mission statement) and to the increase of collective wealth (second element of its mission statement). To this end, we asked the consultancy E&B Data to conduct a study of the economic and fiscal contribution attributable to the RISQ intervention during the period under review¹⁷. We will not go into the details of this study but mention some highlights¹⁸.

- *Employment*

¹⁷ Out of the total number of 435 dossiers considered in our study, 130 did not contain all of the relevant information for conducting economic impact analysis (financial statements, total payroll) or were counted as deadweight as their activities could be found potentially substituting to existing ones, so 295 dossiers were analysed for calculating the economic impact.

¹⁸ The full study can be obtained upon request to: risq@fonds-riq.qc.ca

RISQ's intervention supported the employment of 4 792 paid workers between 1998 and 2014 in the financed enterprises. Just over half of these correspond to full-time jobs (52%). A third are part-time or occasional jobs and almost 20% are work-insertion jobs. The estimated average annual salary is of close to \$35 000 (average salary of average project in 2008).

- *Geographic distribution*

We observe that 58% of financed projects (56% of project value and 63% of related jobs) are located in areas outside large urban centers (i.e. outside Montreal, Laval and Capitale nationale). The average value of investments in fragile areas is of 20% superior to the average value of projects within the whole studied population.

- *Financial performance*

The analysis of the financial return was conducted on the dossiers that were either closed or written off (143 of 295). We observe that 76% of those reimburse the totality of the loan (capital and interests). On the whole, RISQ recovered more than 85% of capital it loaned. Moreover, the interests earned offset and exceed the losses due to the write-off of capital. The percentage of write-offs (24%) is similar to results obtained by other social economy financial institutions¹⁹. And, even if the universes in comparison are not the same, we note that these ratios compare well with the conventional venture capital industry, according to which, out of 10 financed projects, "... two will prove resounding failures, six will come to life for some time without ever really taking off and, finally, two will be a great success allowing investors to get a return on their investments"²⁰.

- *Average impact of a typical project*

A typical project financed by RISQ, is defined as an average project financed over the studied period. RISQ average participation to the financial package is of \$ 38 000. The average total value of a project is of \$ 630 000 and sustains 19 direct, indirect and induced full-time equivalent employees. That is to say that for each \$2 000 invested by RISQ, one job is sustained in the Québec economy.

4. Conclusion and discussion

This paper presents the results of a study conducted on a SFI, seeking to evaluate its social and economic impacts. A first challenge met for this study is of conceptual nature and consisted in identifying indicators that are relevant to the solidarity finance activity, a sector on which little research has been done so far. This research also aimed at evaluating a SFI's impacts per se and not only through those produced by the financed enterprises. Hence, a second challenge, which is methodological, was to address the attribution and double-counting issues. A third challenge was to go beyond the simple illustration of social impacts through exemplary cases ("storytelling"), and to base the study on sturdy data that could be homogenous enough to be aggregated without being too general as to betray the diversity of SEEs' social missions. Our concern was also to not overburden the SFI or the financed entrepreneurs with complex data collection which would mean for them high organizational cost.

Examining the data collected and processed by the SFI in its daily operations was a revelation. We found a wealth of information within the data collected by analysts to examine the entrepreneurs' needs and projects potential, as well as in the financial data compiled by the controller to assess the SFI's risk exposure. First, this information is consistent and well structured. It can therefore support a longitudinal study such as this one. Second, it contains

¹⁹ See Cornée (2017). Analysing data of a French financial cooperative (389 loans between 2001 and 2004), the author finds that almost 24% had faced payment defaults.

²⁰ See Groupe de travail sur le rôle de l'État québécois dans le capital de risque (2003), p. 16.

qualitative and quantitative data that can be analysed to answer our research questions. We analysed the SFI's information and triangulated it by going about in-depth semi-structured interviews with internal and external stakeholders. Fifteen of these interviews were sufficient to reach saturation. In the end, we can conclude that internal information already available in SFIs turns out being instrumental in evaluating its social and economic impacts. It is also a great research opportunity and our results confirm the value of a mixed analysis.

We analysed data from different sources (information about the financed enterprises, secondary public data and interviews), namely exploiting of a unique set of detailed financial and non financial information used by the SFI to estimate the risk associated with 435 loans to SEEs between 1997 to 2014. The results of this research give interesting clues as to how to analyze and deal with the financing of ESS, as well as the use of effective instruments to evaluate non-financial risk factors.

Our results show that 1) targeted projects provide a response to unmet socioeconomic needs and aspirations (Anheier and Ben Ner 2003, Ben Ner and Van Hoomissen 1991). Moreover, the financed SEEs carry an emphasized social goal: delegation of quasi-public goods and services (Hansmann 1980; Weisbrod 1988); training or offering jobs to people generally excluded from the work market; emerging in economically fragile areas; or allowing the constitution of market countervailing powers (Vienney 1994). Our results also show that 2) the SFI's original methodology for analyzing projects' risks serves to reinforce the viability of financed enterprises, in which the resilience of the business activity is correlated with the vitality of the associative governance and community support (Desforge 1980). All this, with 3) an good financial performance, especially considering the fact that, contrary to the vast majority of loans provided by banking institutions which are collateralized by assets (Becchetti and Garcia, 2008), this SFI works without such guaranties thus filling a financial gap. The fourth main finding is that 4) the combination of using a specific risk analysis methodology and of offering an uncollateralized loan entices the mobilization of other financial and non-financial partners, namely by reducing their transaction costs. This highlights the partnership effects of the SFI on the social economy ecosystem.

From a practical perspective, our study shows that the quadruple challenge identified by SFI (TIREZIA 2017) can be successfully met. One of the keys to this success consists of a risk evaluation methodology developed especially for evaluating SE projects. The performativity of this approach proves to be pivotal in: selecting SEEs that carry clear social objectives; analysing financial riskiness of their projects; reinforcing their business plan; leveraging financial packages; and building trust and knowledge sharing in the ecosystem. In the end, this methodology for analysing SE investment projects proves to insure the economic effectiveness of the enterprises and of the financial institutions partnering in their funding.

However, we need to highlight some elements that limit the scope of generalization of the results of this study. Two main issues plague our analysis of the selection process. On one hand, we don't have any data on unselected projects that fall beyond the "threshold" ratings and on self-unselected projects whose entrepreneurs choose to not candidate to a loan from the SFI. This sample bias process (Heckman 1979) may explain in part the difference in ratings between reimbursed and write-off projects. On the other hand we did not control for potential confounders (other covariates like year, size, sector...) in this comparison as in classical causal inference model. If these two issues may affect the statistical significance of the results, our mixed methods approach, which relies also on qualitative interviews, allows us to be confident in our results. In future works we will extend our analysis from correlation to causal inference using auxiliary data collected by the RISQ that will allow us to estimate classical survival models (Bouchard and Rousselière 2016).

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