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Bridging Trust: Collaborative Dynamics in Dutch SME Financing

EXPLORING THE IMPACT OF TRUST ON BANK AND NON-BANK COLLABORATION IN THE NETHERLANDS

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Management summary:

Small and medium-sized enterprises (SMEs) in the Netherlands are an important part of the economy by creating jobs (71.4%), adding value (61.7%) and the number of Dutch companies (99.8%) compared to large companies. However, entrepreneurs do face significant challenges with their business, including obtaining financing. Traditional bank loans are increasingly focused on risk mitigation, collateral and financial stability, which is why the rise of non-bank financiers in the Netherlands is increasing significantly every year. Because this is still emerging, there is still a gap in understanding the collaboration dynamics between the banking and non-banking sectors. In November 2023, a 'National Covenant on SME Financing' was signed, and a collaboration was established with MKB-Nederland, the Dutch Banking Association, SME Finance Foundation, Qredits, Invest NL and Invest International. The aim is to create the best financing climate in Europe through four points: diversified financing up to 1 million, transparency and findability through a financing hub, professional advice through a quality mark and equal data set and access for all.

From this issue, we looked at complications that have prevented optimal cooperation between banks and non-banking institutions. The theory shows that due to a 'mismatch' with traditional financing and the rise of non-banking financiers, there is currently still a lack of trust between both parties, which hinders effective financing for SMEs. Trust is a clear barrier and there is a need for increasing synergy between different financing options in order to support entrepreneurs in the Netherlands. Building trust can provide a solid foundation for effective cooperation between the entire banking and non-banking sector.

The central research question is therefore as follows: *"To what extent does a lack of trust affect collaboration between banks and non-bank financiers in the Dutch SME sector, and how do regulations and information sharing influence trust and collaboration in this context?"*

The research uses qualitative research in the form of semi-structured interviews to gain deep insights and practical examples. The questions are asked using interview schedules and specific information about the organization (secondary data collection). The results are answered per sector in combination with the literature. Interviews were held with banks (eight), non-bank financiers (seven) and SME entrepreneurs (three).

The collaboration between banks and non-bank financiers can currently be described as inconsistent and limited. Eleven of the fifteen interviews say that there was/is talk and there are intentions, but that the outcome remains minimal. At the moment it is mainly from personal/previous working relationships instead of a structured way to work together effectively. Banks often still find non-bank financiers too different, insufficiently professional or hear negative stories in the media about themselves from the non-banking sector (which does not help in the collaboration). Non-bank financiers actually think that they are 'extra' and can fill in part of the financing that banks reject.

Several factors emerge that influence the trust between banking and non-banking institutions. The eight interviews with banking representatives reveal factors in regulations; the recognition of non-banking financiers and new financing possibilities; the professionalism and market knowledge and negative statements in the media. The seven interviews with non-banking employees reflect factors in an additional, flexible and innovative financing solution that is still difficult to recognize/combine; the reaction of the banks by calling them unprofessional or not mature enough and their effort to improve trust where the bank makes less effort.

Regulation is a very important barrier that affects trust because there are large differences between banking and non-banking financiers. All eight interviews with banks show that banks are linked to the banking license and have strict rules and supervision compared to non-banking institutions. Seven of the eight interviews indicate that they are also linked to regulations of the European Central Bank and national laws. Furthermore, five of the eight interviews show that there are guidelines from the European Banking Authority, national supervision (Financial Supervision Act) and internal supervision at banks. Non-banking financiers have much milder rules and supervision but are working on regulatory frameworks and codes of 'Good Conduct' to gain the trust of banks.

The mutual sharing of information and referrals between banks and non-bank financiers is severely hampered by privacy regulations (GDPR) and technological limitations (standardized system), as was evident from all fifteen interviews. Thirteen interviews showed that an integrated system can ensure accurate data sharing and fast referrals. Nine interviews emphasized that customer consent requirements and data protection laws further complicate collaboration, take up a lot of extra time and leave the ball in the customer's court.

The three interviews with SME entrepreneurs largely confirmed the findings of the research. Mainly start-up companies, without collateral or with few financial resources are immediately rejected by banks due to strict requirements and an increasingly impersonal approach. However, banks did refer to non-bank financiers to try it there, although this was often with a known/personal relationship. Entrepreneurs found non-bank financiers more accessible and flexible, with financing being possible very quickly, but this did entail higher costs. All three SMEs interviewed acknowledged the current status in the financing landscape and had a need for better coordination between banks and non-bank financiers (or through an integrated system).

Trust has a **significant impact** on the collaboration between banks and non-bank financiers. The main conditions for this are different regulations, limited referral and information transfer and a difference (as the opinion of both sectors) in recognition, professionalism and market knowledge. Trust is measured according to the 'Trust Equation' formula with the outcome 'trustworthiness'. This is determined by <u>credibility</u> (knowledge and expertise), <u>reliability</u> (keeping agreements) and <u>intimacy</u> (openness and transparency) divided by <u>self-orientation</u> (own interests), whereby there are many differences between the various institutions in cooperation.

Concrete advices, in short, from the study to improve collaboration/trust:

- Implement the National Covenant on SME Financing
- Develop Trust-Building Initiatives
- Invest in Secure Information Sharing Technologies
- Align Strategic Goals
- Promote Ethical Conduct

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1: Introduction

Small and Medium-sized Enterprises (SMEs) form the backbone of the Dutch economy, creating jobs, driving innovation, and contributing significantly to the growth of the economy. The importance of SMEs to the economy is very large. This group is extremely important for economic recovery and growth and represents a large group. At the same time, this branch has had a hard time, partly due to the corona pandemic[1].

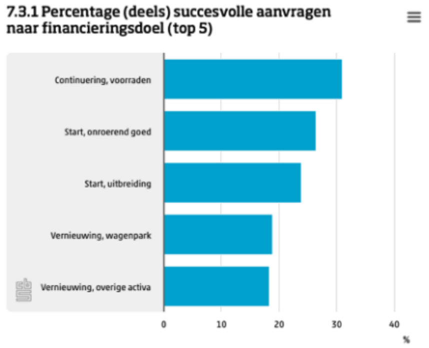

Figure 1: % of (partly) successful applications by financing goal, top 5

Looking at the search for financing by SMEs, we see that of the 51% who apply, 86% are successful, which is an increase compared to recent years. However, we see that the form of financing has changed in recent years (2020-2023). Fewer bank loans (from 41 to 32%), more leasing (from 20 to 24%) and other forms of financing (from 17 to 23%). In addition, we read in the CBS that: "The chance of a successful application increases with the size of the company". In Figure 1 we see an overview of the percentage (partly) successful applications by financing goal, top 5[2]. ‘Appendix 1: Financing monitor 2020 and 2023’ includes a comparison of the Financing Monitor in 2020 and 2023, it provides insight into the extent to which SMEs need financing for their business operations and how successful the search for external resources is.

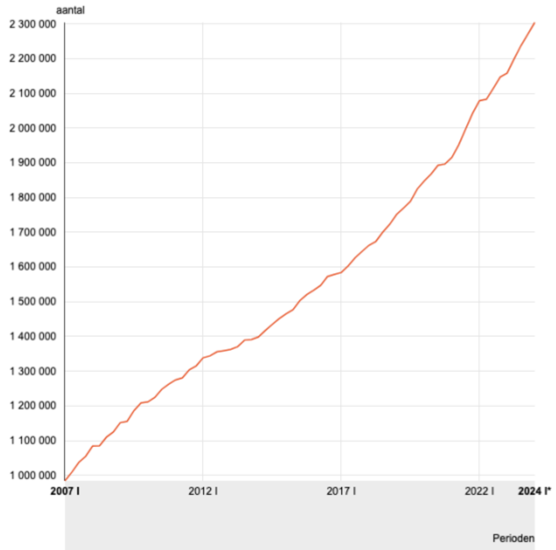

Figure 2: Number of employees in the Netherlands for SMEs with 0 to 250 employees from 2007 to 2024

We also see continued growth in the number of companies in this sector, as shown in Figure 2. By 2024, we will already have 2.3 million companies in the Netherlands across all economic activities[3].

The economic importance is enormous with a turnover of 1.178 billion in 2021 by SMEs in the Netherlands. The share in the Dutch economy is also enormous, as shown in Figure 3. The number of companies is 99.8% compared to large companies and the added value is 61.7%[4].

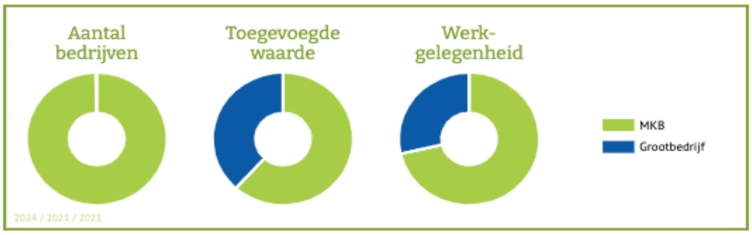

Figure 3: Data from 'De Staat van het MKB’

However, despite their crucial role, SMEs (which includes start-ups) seems to face obstacles when seeking financing, especially from traditional banking institutions. As shown in Figure 4, there are problems with entrepreneurs obtaining financing. Research shows that there must be an improvement in 'increase funding to start-ups' (Qredits, University of Twente, 2024). This issue has fueled interest in alternative financing options, leading to the emergence of non-bank financial institutions as viable options for SMEs. It lacks 'drivers', like a techleap in this sector. It is a long-term project in which banks, non-bank financiers and others must work together[5].

[1] https://www.groenemetropoolregio.nl/actueel/patrick-sessink-het-mkb-is-ontzettend-belangrijk-voor-economisch-herstel-en-groei/#:~:text=Het%20MKB%20biedt%20werkgelegenheid%2C%20economische,MKB%20zet%20zich%20daarvoor%20in.
[2] https://www.cbs.nl/nl-nl/longread/aanvullende-statistische-diensten/2024/financieringsmonitor-2023
[3] https://mkbstatline.cbs.nl/#/MKB/nl/dataset/48015NED/line?dl=30B3
[4] https://www.staatvanhetmkb.nl/themadashboard/economisch-belang
[5] https://www.deondernemer.nl/financien/mkb-in-problemen-met-financiering-sector-mist-aanjagers-zoals-techleap-en-prins-constantijn~cab18cf

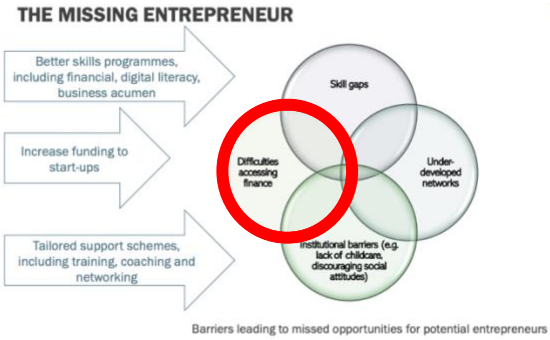

Figure 4: The missing Entrepreneur (Qredits, University of Twente, 2024)

The Netherlands, like many other economies, has witnessed a surge of interest in non-bank financing solutions in recent years. This trend reflects the growing recognition of the limitations within the traditional banking sector in meeting the diverse needs of SMEs. Non-bank solutions for SME financing are becoming increasingly common. In the past, entrepreneurs went to the bank for financing, but nowadays banks are increasingly reluctant[6].

But while alternative financing holds promise, a gap remains in understanding the collaboration dynamics between banks and non-bank institutions, and how these dynamics influence SMEs' financing strategies. According to Ronald Kleverlaan of SME Finance Foundation, there must be more intensive cooperation between banks and non-bank institutions to enable the growth of SMEs. This requires a powerful financing platform. The current 'Platform Passend Financieren' should therefore be strengthened with cheap capital and guarantee schemes[7].

Developments have currently been initiated through the 'Nationaal Convenant MKB-financiering'[8]. This is a collaboration between MKB-Nederland, the Dutch Banking Association, SME Finance Foundation, Qredits, Invest NL and Invest International. With this agreement, the Netherlands wants to create the best SME financing environment in Europe. This includes points about:

- More varied financing offers up to €1 million in SMEs.
- Transparency and findability via financing hub.
- Professionalization of financing advice with quality mark.
- Uniform data set and improved access to financial data for financiers.

This study aims to delve into the relationship between banks and non-bank financial institutions in the context of SME financing in the Netherlands. By examining the collaboration dynamics between these entities, the research aims to uncover insights into how a limiting cooperation influences their interactions and, consequently, SME financing outcomes.

Understanding these dynamics is essential for policymakers, financial institutions, and SMEs themselves to navigate the evolving landscape of financing options effectively. By shedding light on the complexities of bank and non-bank collaboration, this study tries to provide actionable insights that can enhance SME access to finance, ultimately fostering economic growth and innovation in the Netherlands.

From the introduction, the following main question is initially formulated:

"Is there a complicated relationship between banks and non-bank financiers within the Dutch SME sector, and what are the main factors influencing this cooperation?"

With this main question, relevant literature is further examined. The various options within financing, the Dutch SME sector (especially the start-ups), the possibilities with financing through banks and other institutions are examined. This information is used to search for a more specific main question with various sub-questions to develop this research and its contribution to society. After elaborating the literature, we look at how the research can be organized with the research method and data collection.

[6] https://www.bnr.nl/nieuws/ondernemen/10517218/steeds-meer-mkb-bedrijven-vinden-hun-weg-naar-non-bancaire-financiering
[7] https://www.deondernemer.nl/financien/ronald-kleverlaan-mkb-financiering-banken-moeten-intensiever-samenwerken-met-non-bancaire-instellingen~5fc72f7
[8] https://www.rijksoverheid.nl/documenten/publicaties/2023/11/16/nationaal-convenant-mkb-financiering

2: Literature

This literature examines the diverse landscape of financing, with a focus on Small and Medium Enterprises (SMEs). It covers various types of financing, the roles of different financers, and recent developments in the field. Additionally, it explores challenges faced by SMEs, emerging trends in alternative financing, and the evolving relationship between traditional banks and alternative financers. Drawing on established theories, the review aims to provide insights into financing decisions and their implications. The literature was found using specific search terms, described in 'Appendix 2: Search Query Literature'. Search terms were found by filtering on relevant journals/books, publication date and relevance to the research. It also outlines the research question with sub-questions and the theoretical and practical contribution.

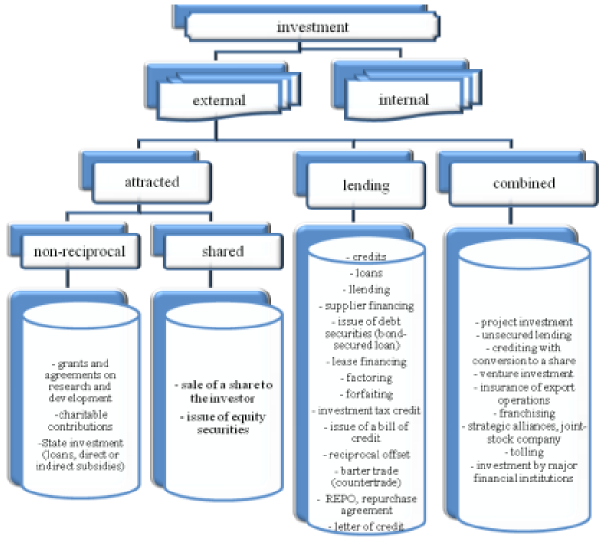

Figure 5: Classification of investment (Gorshkov, 2017)

2.1: Financing

The first part is about financing in general. First we look at the different types of financing (2.1.1: Types of financing), then we look at which financers there are (2.1.2: Types of financiers), after that there is a look at the different stages of start-ups (2.1.3: Stages of , following is what the developments are in this regard (2.1.4: Trends and Developments), and finally there is a look at Behavioral Finance (2.1.5: Theories and Behavioral Finance).

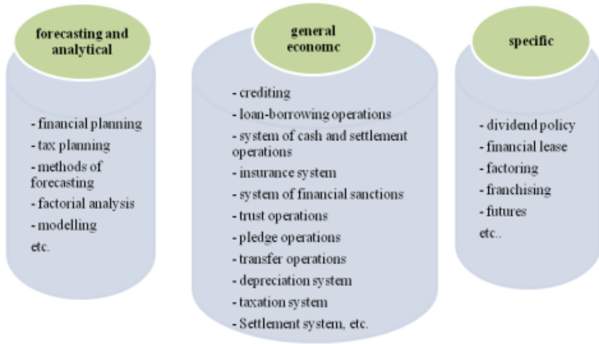

Figure 6: Methods of financial management (Gorshkov, 2017)

2.1.1: Types of financing

In the realm of business, securing financing is crucial for companies seeking growth and development. There are various avenues through which businesses can obtain funds tailored to their specific needs and objectives. Both articles discuss different ways companies can finance their projects, such as using their own savings, borrowing from banks, or receiving assistance from the government. The following eight sources of financing are taken into account (see also Figure 5 and 6) (Anabela M. Santosa, 2024) (Gorshkov, 2017) (Technology Ventures, 2015):

- *Internal Funds*: These are funds that a company already possesses, typically sourced from savings or profits. They can be utilized for different goals such as research, equipment acquisition, or covering everyday expenses.
- *Loans*: Companies can borrow money from banks, with the obligation to repay the borrowed amount along with an additional fee known as interest.
- *Credit Lines*: Short-term loans provided by banks that allow companies to access additional funds as needed, up to a predetermined limit.
- *Trade Credit*: This involves purchasing goods or services on credit, allowing companies to pay for them at a later date, essentially obtaining a loan from the supplier.
- *Equity*: Companies can raise capital by selling equity in the company to stakeholders or investors.
- *Grants*: Government-provided funds that do not require repayment, often awarded to support specific projects or research endeavors.
- *Leasing*: Instead of purchasing equipment or assets outright, companies can opt to rent them, making regular payments for their use.
- *Factoring*: Companies can sell their unpaid invoices to another entity at a discounted rate, providing immediate cash flow rather than waiting for payment from customers.

2.1.2: Types of financiers

Securing funding for a company is no easy feat, but it's crucial for growth and success. There are different types of financiers available, each with their own set of resources, capabilities, and motivations. Understanding these various types of financiers is essential for entrepreneurs seeking funding for their ventures[9] (Technology Ventures, 2015):

- *Personal Investors*: Many entrepreneurs turn to personal investors, such as friends, family, or close acquaintances, in the early stages of their business. While these investors can offer crucial funding, there are limitations to the amount they can invest, and proper documentation is necessary to avoid complications.
- *Angel Investors*: An angel investor is an individual who invests in a small start-up company or a new entrepreneur. They often provide both funding and advice to help the start-up grow, and their investment can be crucial in the early stages of developing a business.
- *Venture Capitalists (VCs)*: Venture capitalists are investors who provide capital to startups with long-term growth potential. Their investment is usually in exchange for equity in the company and may also be in the form of advice and expertise. VC funding can be substantial and is often sought by startups looking to scale rapidly.
- *Peer-to-Peer Lenders*: A peer-to-peer lender is an individual or group of individuals who provide capital to small business owners through a lending platform. These lenders evaluate businesses based on their investment criteria and offer loans accordingly.
- *Accelerators and incubators*: Accelerators and incubators offer startups with funding, resources to help them grow and mentorship. Access to potential investors and valuable networking opportunities are available to startups accepted into these programmes.
- *Banks and Financial Institutes*: While not traditional investors, banks and financial institutions can provide capital to businesses through loans and credit lines. These forms of financing are often sought by established businesses looking to expand their operations.
- *Government Programs*: Government programs offer funding and grants to businesses for specific projects or initiatives. While these programs can provide valuable capital, they often come with strict eligibility criteria and requirements.
- *Corporate Investors*: Large corporations may invest in startups to support their growth, diversify their assets, and access innovative technologies. Corporate investors can be valuable partners but may require careful navigation of corporate partnerships and integration.

2.1.3: Stages of start-ups

When a business is started there are many different phases, from the idea to a mature business. The books 'Entrepreneurial Finance' and ‘Technology Ventures’ linked to scientific research, contains a lot of information about the different phases and types of financing that can be used (Alemany & Andreoli, 2020) (K Srinivas, 2019) (Technology Ventures, 2015). These are explained below and are summarized in Figure 7. This also includes an estimate of the time period with the profit.
These phases are (Alemany & Andreoli, 2020) (K Srinivas, 2019) (Technology Ventures, 2015):

- Exploration/Idea: This is the first phase, where the idea for the startup is developed and evaluated.
- *Validate/Proof of Concept (pre seed)*: In this phase, the concept is tested and validated through market research and prototype development.
- *Build (Seed/Startup)*: In this phase, the startup's product or service is developed and launched.
- *Launch (Early Stage)*: In this phase, the product or service is marketed and offered to customers.
- *Growth*: In this phase, the startup grows and expands its market share.
- *Maturity*: At this stage, the startup is an established business with a profitable business model.

[9] https://eqvista.com/types-of-company-funding/different-type-of-investors/

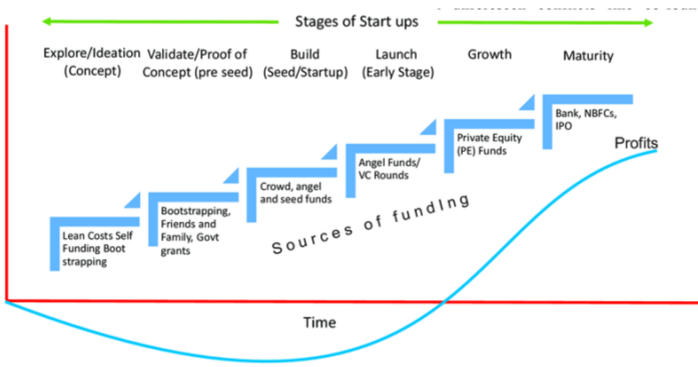

Figure 7: Stages of Start-ups

There are also many different sources of financing available during these phases (Alemany & Andreoli, 2020) (K Srinivas, 2019) (Technology Ventures, 2015):

- *Bootstrapping*: This is the financing of the startup by the founders themselves, using their own money and resources.
- *Friends and Family*: This is the funding of the startup by friends and family of the founders.
- *Government grants*: This is the financing of the startup by the government, in the form of grants or loans.
- *Crowdfunding*: This is the financing of the startup by a large number of small investors, via crowdfunding platforms.
- *Angel Investors*: These are wealthy individuals who invest in young companies.
- *Venture capital (VC)*: These are funds that invest in high-growth start-up companies.
- *Private equity*: These are investment funds that invest in mature startups that are ready for expansion.
- *Bank:* Traditional loans or lines of credit from banks for business financing
- *IPO:* The process where a private company offers its shares to the public for the first time on the stock exchange.

2.1.4: Trends and Developments

The financial sector is in a constant state of evolution, and this trend is expected to continue in the coming years. Here are the top 10 trends and developments shaping the financial sector from 2024 to 2030[10] (with explanations of the relevant ones):

1. Digitization & Data: Data and digitization play crucial roles in the financial sector. The use of data is increasing rapidly, leading to optimization of business processes and improved service quality and profitability. However, managing data quality and complying with data protection regulations like the GDPR are important considerations.
2. Sustainability
3. Crypto
4. Changing Role of Banks: Banks are facing challenges from emerging FinTech companies leveraging advanced technologies. The role of banks is expected to evolve, with startups potentially capturing a significant share of the market.
5. Rise of FinTech Companies: FinTech companies, blending finance with technology, are gaining prominence. Services like digital lending, mobile banking, and cryptocurrency transactions are becoming more prevalent, challenging traditional banking models.
6. Robot Economy Development
7. Talent and Workforce
8. Artificial Intelligence
9. Growing Importance of Intermediaries: As financial companies diversify their offerings and seek specialized knowledge, the demand for intermediaries to provide expertise and advice is increasing, making their role more crucial than ever.
10. Cyber Attacks: Cybersecurity remains a significant concern for the financial sector. While technological advancements and increased vigilance have reduced the frequency of cyberattacks, protecting sensitive data against cyber threats remains a top priority.

[10] https://www.highq.nl/trends-en-ontwikkelingen-in-de-financiele-sector-2024/

2.1.5: Theories and Behavioral Finance

In 'Appendix 3: Finance theories' different financial theories have been compared, namely the Pecking Order, Growth Cycle, Trade Off and Agency theory. For this research it appears that the Agency Theory fits best with this research, because of the cooperation between the banks and non-bank financiers. Here an important role plays in principal and agent with both their own goals and insights in the financing of SME.

Behavioral finance looks at the influence of psychology with the study on the behavior of financial analysts or investors. The behavior influences the financial decisions and the effect on market outcomes. Investors have limits to self-control, are not always rational and are influenced by their own biases. Unlike traditional financial theories, like in 'Appendix 3: Finance theories', where the assumptions are always act in their best interests, be rational, have self-control and are not influenced by emotions, biases or cognitive errors. Traits of behavioral finance are that investors: make cognitive errors that can lead to poor decisions, are influenced by their own biases, limit self-control and are treated as 'normal' not 'rational'.[11] For this research, it is interesting to see whether behavioral finance also plays a role in the financing of SMEs from banks and non-banking institutions. Behavioral Finance has a major impact on how SMEs manage their money. By creating awareness about these behavioral patterns and through training, managers can make better financial decisions and improve cooperation with financiers (Raveendra, Singh, Singh, & Kumar, 2018).

Impact investors, such as non-bank institutions, highly value the authentic character of the founding team, the importance of the social problem the company addresses, and the financial sustainability of the company (Block, Hirschmann, & Fisch, 2021). Donors mainly focus on tackling social problems, while stock and bond investors value financial sustainability more highly. This reflects behavioral finance theory, where different investors base their decision-making on different risk and return preferences, in addition to non-financial motivations. Regarding the motivations of social entrepreneurs, a meta-analysis shows that individual characteristics such as a proactive personality and values such as openness to change play an important role, in addition to social norms and economic factors such as previous experience (Kruse, Wach, & Wegge, 2020). Further research highlights the importance of a hybrid experience – both social and entrepreneurial – when starting social enterprises. Looking from the banks' perspective, we looked at what influence behavioral finance has on them. In a study on the implications of technology integration, with a focus on artificial intelligence (AI), for behavioral and decision-making dynamics within the banking sector, with a behavioral finance lens. The rise of AI in commercial banking activities, such as customer interactions and risk management, highlights new research opportunities to understand the impact of technological changes on behavior. These findings contribute to further refine our understanding of behavioral finance and the adaptation of financial practices to these technological shifts (Konigstorfer & Thalmann, 2020).

Our main question looks at the limited cooperation between banks and non-bank institutions. Looking at the types of financing, the **loans** and **credit lines** are mainly an important part of this research. The types or financiers in this story are the **'Banks and Financial Institutes'**, where you actually split the entire group and put it under a magnifying glass. Important trends & developments for this research are mainly: **'Changing Role of Banks'** and **'Rise of FinTech Companies'**. In addition, 'Digitization & Data' could play a greater role in collecting data to investigate and accelerate financing. The most important theory is the **'Agency Theory'**. To examine the relationship between the principal and agent and see how conflicts arise due to different goals and incentives. In this case, it can be seen as a not ideal cooperation between banks and non-bank institutions as a symptom of agent-principal conflict. The theory can provide valuable insights into how trust issues influence cooperation between banks and non-bank financiers in the context of Dutch SMEs. Lastly, there was a look at **behavioral finance's impact** on financial decision-making and its relevance to SME financing by banks and non-bank institutions. After the theory of financing has been discussed, we can now delve deeper into the **Dutch SME sector**.

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[11] https://corporatefinanceinstitute.com/resources/career-map/sell-side/capital-markets/behavioral finance/#:~:text=Behavioral%20finance%20is%20the%20study,influenced%20by%20their%20own%20biases.

2.2: Dutch SMEs

This section focuses on Dutch Small and Medium Enterprises (SMEs) and their financial aspects. Firstly, there is a look at the characteristics of SMEs in the Netherlands (2.2.1: Characteristics). Then, look into how SMEs obtain financing (2.2.2: Financing SMEs). Lastly, examine the challenges that SMEs face in relation to financing (2.2.3: Challenges of SMEs).

2.2.1: Characteristics

SME, which stands for Small and Medium Enterprises, encompasses businesses meeting certain criteria[12]:

- Manufacturing: Those with a sales turnover exceeding RM50 million or employing more than 200 full-time workers are categorized as such.
- Services and other sectors: Enterprises with a sales turnover surpassing RM20 million or having over 75 full-time employees fall under this classification.

Table 1: Different enterprises by sales turnover and employees

Enterprise:	Sales turnover:	Employees:
Micro	Between 0 and 300k	Less than 5 employees
Small	Between 250k and 15m	Between 5-75 employees
Medium	Between 15m and 50m	Between 75-200 employees

Dutch SMEs are really important to the Dutch economy with driving innovation, job creation and significant economic growth. At the start of 2024, the Netherlands is projected to host a staggering 2.3 million companies across various economic sectors[13].

In 2021 alone, SMEs in the Netherlands generated a remarkable turnover of 1.178 billion, showcasing their immense economic impact. Compared to large corporations, SMEs represent a staggering 99.8% of all businesses, contributing 61.7% of the country's total added value[14].

Small and Medium-sized Enterprises (SMEs) in the Netherlands exhibit several distinct characteristics that shape their operations and impact on the economy. These traits reflect the unique dynamics of the Dutch business landscape and contribute to the resilience and adaptability of these firms. Here are some key characteristics (Gils, 2005):

- *Size and Scale*: Dutch SMEs typically have fewer than 250 employees, distinguishing them from larger corporations. This characteristic enables them to be agile and responsive to market changes, fostering innovation and flexibility.
- *Sector Diversity*: SMEs in the Netherlands operate across a wide range of sectors, including industry, services, transportation, and non-profit organizations. This diversity contributes to the robustness of the economy by reducing dependency on any single sector.
- *Lifecycle Stage*: SMEs in the Netherlands span various lifecycle stages, from start-up ventures to mature enterprises. This diversity reflects the evolving nature of entrepreneurship in the country and presents opportunities for growth and consolidation.
- *Ownership Structure*: Many Dutch SMEs are family-owned businesses, with ownership often passed down through generations. This familial connection instills a sense of stewardship and long-term commitment to the company's success.
- *Educational Background*: CEOs and entrepreneurs in Dutch SMEs often possess a high level of education, with many holding university degrees or technical qualifications. This educational attainment contributes to strategic decision-making and managerial effectiveness.
- *Decision-Making Dynamics*: While the CEO is typically the primary decision-maker in Dutch SMEs, strategic decisions are often informed by input from top management teams (TMTs). This collaborative approach ensures a diverse range of perspectives and expertise.

[12] https://www.exabytes.my/blog/what-is-sme/
[13] https://mkbstatline.cbs.nl/#/MKB/nl/dataset/48015NED/line?dl=30B3
[14] https://www.staatvanhetmkb.nl/themadashboard/economisch-belang

- *Adoption of Governance Practices*: While not all Dutch SMEs have adopted formal governance structures like supervisory boards, there is a growing recognition of the importance of good governance practices. Some SMEs voluntarily establish supervisory boards to enhance firm continuity and shareholder protection.
- *Competitive Environment*: Dutch SMEs operate in a highly competitive environment, characterized by rapid technological advancements and evolving consumer preferences. This necessitates a focus on customer orientation, innovation, and continuous improvement.

2.2.2: Financing SMEs

The increasing involvement of financial technology (fintech) entities in financing small and medium-sized enterprises (SMEs) in the Netherlands presents both opportunities and risks for Dutch SMEs. (Huibers & de Graaf, 2021) delve into the regulatory challenges associated with fintech innovation. They stress the importance of nuanced regulatory frameworks that balance the promotion of innovation with the preservation of sectoral stability. The authors advocate for self-regulation mechanisms and vigilant oversight to maintain quality standards and foster the growth of innovative fintech entities.

(Roosenboom, 2021) explores the changing financing landscape for Dutch SMEs, highlighting a noticeable shift towards non-bank financing alternatives due to ongoing challenges in accessing traditional bank credit. Despite the increasing popularity of crowdfunding, leasing, and factoring, concerns persist regarding elevated costs and inadequate oversight, hindering widespread adoption.

Creating an inclusive ecosystem is crucial for fostering SME growth and innovation in the Netherlands. (Kleverlaan, 2021) emphasizes the importance of targeted support mechanisms and the establishment of a central coordinating entity to synchronize initiatives and harmonize governmental policies with industry needs. (Rauwerda, de Graaf, van Teeffelen, & Abid, 2021) shed light on the decision-making processes within SME finance, underlining the influence of organizational dynamics and individual perceptions in shaping financing strategies and risk assessment. Their findings underscore the multifaceted nature of financial decisions within SMEs and the necessity of tailored advisory services.

The traditional way of financing is for a company to go to a bank for a loan. We look at an example of how such financing works at Rabobank, a Dutch bank that has made many loans to companies in the past. A company that wants to use Rabobank for financing and other financial services can consider the following steps[15]:

1. *Preparation and Research*: Before contacting Rabobank, it is important to carefully map out your business plan and financial values. What are your goals, how much financing do you need and what services do you expect from the bank?
2. *Appointment with an Advisor*: Make an appointment with a Rabobank business advisor. During this conversation you can discuss your plans and ask questions about the different financing options.
3. *Credit Assessment and Risk Analysis*: Rabobank will assess your creditworthiness. This includes an analysis of your financial situation, business performance and future prospects. Based on this, it is determined which form of financing is best for your past.
4. *Choice of Financing Options:* You can choose from a range of financing options, including overdrafts, business loans, leasing and alternative finance, depending on your needs and situation.
5. *Application procedure*: Once you have chosen a form of financing, you submit an application to Rabobank. This can be done online or through a personal conversation with your advisor.
6. *Review and Approval*: Rabobank will assess your application and decide whether it will be approved. This may take some time depending on the likelihood of your request.

[15] https://www.rabobank.nl/bedrijven

7. *Payout and prosecution*: If your financing is approved, Rabobank will transfer the money to your account. Make sure you comply with the agreed conditions and maintain regular contact with your advisor.
8. *Support and Advice*: In addition to financing, Rabobank also offers advice and support in the areas of business operations, risk management and growth. Use this expertise to grow your business successfully.

2.2.3: Challenges of SMEs

The financing situation for Dutch SMEs is complicated, with various factors affecting their ability to get funding. Many studies have shown that SMEs struggle to get loans from banks, and it's hard for them to find other sources of funding too. (Voorn, 2023) says we need to pay more attention to this problem from both the government and businesses. They think we should come up with different ways to help SMEs in different industries.

(Bongers, Grond, Maltha, Roosenboom, & Smeitink, 2021) say that SMEs, especially in sectors like trade, transport, and hospitality, need more money to grow, but they're finding it tough to get. Bottlenecks are there in: 'Low Profitability Small Loans', 'Reduced Personal Services and Automation', 'Lack of Financing Market Overview', 'Information asymmetry and Lack of Standardized Data' and Lack of collateral and equity. In Figure 8 we see the 'External funding gap' elaborated over the years. For example, we saw large shortages in most countries mainly in the first years (around 2016), but we see this continuing to improve. This can grow much further by improving the bottlenecks and creating more room for SMEs to grow.

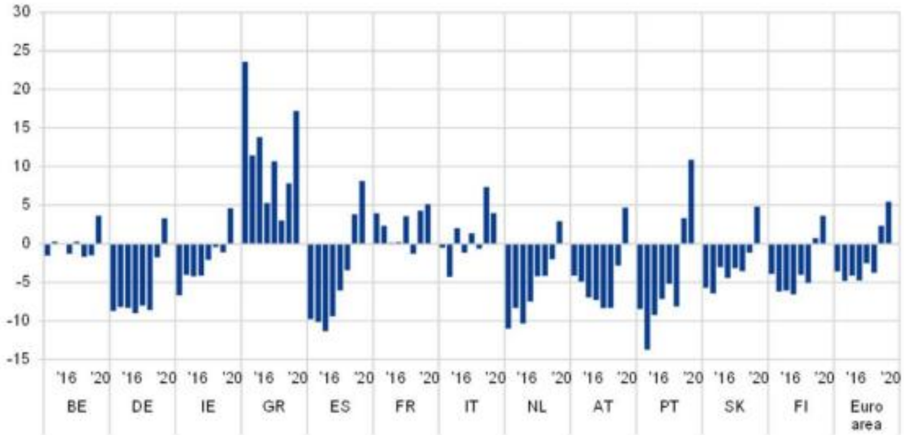

Figure 8: External funding gap over the years (Bongers, Grond, Maltha, Roosenboom, & Smeitink, 2021)

(Kaya, 2022) talks about how SMEs in the Netherlands have trouble with late payments and getting good financing deals. Even though late payments aren't too common, SMEs still struggle to get fair financing terms, which is a problem across Europe. But despite these challenges, the Netherlands has a thriving startup scene, showing how strong its entrepreneurial spirit is and why it's a top spot for innovation in Western Europe.

This sub-chapter looked at the Dutch SME sector, which includes almost all companies and contributes more than 60% to the total added value. Important for this research is the **'Lifecycle Stage'** (in which stage does a company need financing) and the other characteristics to get a good picture of the company and the type of financing. The financing environment for Dutch SMEs is influenced by **emerging fintech entities**, **shifts to non-bank financing alternatives** and challenges in **obtaining traditional bank credit**. Dutch SMEs face complex financing problems, including difficulties in **obtaining loans from banks**, **limited alternative financing options** and problems with late payments.

For this research we will delve deeper into the SMEs that really need finance. This does not include self-employed persons or already advanced companies. It will be the **micro and small companies** that are **seriously looking for financing** from a **bank or non-bank institution.**

The challenges that Dutch SMEs face in obtaining financing emphasize the need for alternative financing methods. In the next subchapter, '2.3: Alternative financing', explores various **alternative financing model**s that can help SMEs **overcome traditional financing obstacles**.

2.3: Alternative financing

The third part discusses alternative ways of financing. Firstly, it examines how traditional financing methods may not always fit the needs of certain businesses (2.3.1: Mismatch traditional financing). Then, it explores alternative solutions that are emerging to address this mismatch (2.3.2: Alternative solutions).

2.3.1: Mismatch traditional financing

Nowadays we see many more rejections by banks, which increasingly creates a 'mismatch' with traditional financing through banks[16]. Why then do the banks reject applications? This has several factors, namely:

- The bank expects that the company will have insufficient free cash flow to repay the interest and principal.
- The company has too small a buffer to absorb unexpected setbacks.
- The company does not provide sufficient security, such as a mortgage or pledge.
- The application is incomplete or insufficiently substantiated.

Companies are then informed orally or in writing about the decision. A bank can then refer the entrepreneur to an external financing advisor or financier.
(Preziuso, Koefer, & Ehrenhard, 2023) delve into the collaborative nexus between traditional banks and non-bank financiers, exploring the ramifications of open banking and inclusive finance within the European Union. Their analysis underscores the growing demand for diversified financing avenues, particularly among self-employed individuals, and the potential of fintech entities in addressing existing gaps in SME financing. Nonetheless, formidable challenges remain, including regulatory impediments and trust deficits between traditional banking institutions and nascent fintech entities.

2.3.2: Alternative solutions

Traditional bank financing for SMEs is becoming less accessible, prompting businesses to explore alternative financing options. Hans Biesheuvel, chairman of 'Ondernemend Nederland', highlights the growing popularity of non-bank financing solutions[17]. The types of financiers have already been mentioned in '**Error! Reference source not found.**', but now we are specifically looking at alternative solutions for SMEs. The different types of alternative financing for the SMEs are: Angel Investors, Crowdfunding, Factoring, Leasing and Credits and Loans.
An example of an application at Qredits is shown in Figure 9. First there is an intake where there is an online application with an information check, this is more administrative. This is followed by a check looking at the external credit bureaus and systems. A screening will then take place with a result of the risk level for financing with this company. Finally, there is 'Risk Management', whereby the entire report is examined with the four eyes principle and determines whether or not financing will follow (Qredits, University of Twente, 2024). This often involves a principal-agent problem, due to the asymmetric information and different interests. For example, a financier, in this case Qredits, has very different needs and information than the entrepreneur. The process in negotiation is similar to other studies, but it can help by identifying the risk (negotiation in signaling and self-selection) and mitigating it (contracting in bonding and monitoring). By going through these steps, the principal-agent problem can be (partially) solved (Alemany & Andreoli, 2020).

[16] https://www.nvb.nl/themas/ondernemen/banken-als-financier-van-het-mkb/waarom-wijst-de-bank-sommige-aanvragen-af/
[17] https://www.bnr.nl/nieuws/ondernemen/10517218/steeds-meer-mkb-bedrijven-vinden-hun-weg-naar-non-bancaire-financiering

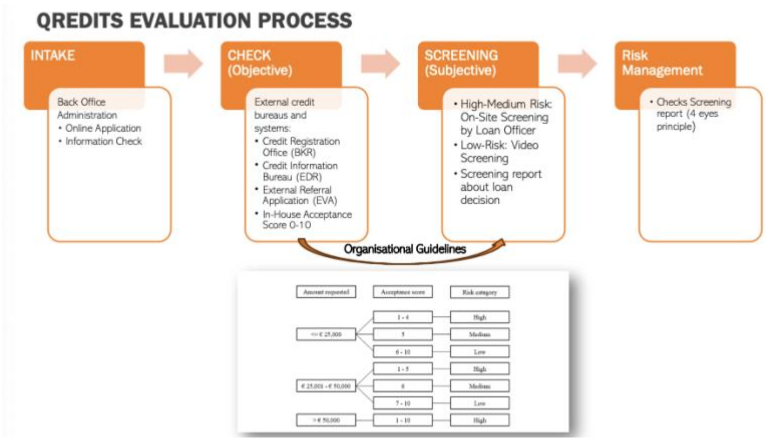

Figure 9: Qredits Evaluation Process (Qredits, University of Twente, 2024)

When looking at alternative financing, we first look at the current problems. Traditional financing methods, such as loans from banks, do not always suit the needs of certain companies. This can lead to **rejections of financing applications by banks**, for reasons such as **insufficient cash flow**, **lack of certainty** and **incomplete applications**. This highlights the growing need for diversified financing options. Companies are exploring alternative financing options, such as angel investors, crowdfunding, factoring, leasing and **loans from non-bank financial institutions**. However, the **principal-agent problem** between financier and entrepreneur must be taken into account, where there are different **interests** and **asymmetric information**.

The alternative financing methods discussed illustrate the growing importance of **cooperation between traditional banks and non-bank financiers**. '2.4: Banks and alternative financers' takes a closer look at this collaboration dynamic and its potential benefits and challenges for both companies and financial institutions.

2.4: Banks and alternative financers

The fourth section delves into the relationship between traditional banks and alternative financers. Firstly, it examines how alternative financing options are being incorporated alongside traditional banking services (2.4.1: Embedment of alternatives). Then, it explores the nature of the relationship between banks and alternative financers (2.4.2: Relationship). Finally, it investigates the factors that contribute to building and strengthening this relationship (2.4.3: What builds relationship?).

2.4.1: Embedment of alternatives

Based on suggestions from (Bongers, Grond, Maltha, Roosenboom, & Smeitink, 2021), we'll look at options like continuing current policies or creating new ones. They also give advice on how to make sure any new initiatives are really helpful and how to connect them with existing programs. This information is useful for policymakers and others involved in SME financing.

Figuur 2. Beleidsopties voor een verbetering van kleine kredietverstrekking aan het mkb.

Figure 10: Government intervention (Bongers, Grond, Maltha, Roosenboom, & Smeitink, 2021)

Policy options (Bongers, Grond, Maltha, Roosenboom, & Smeitink, 2021)**:**

- Incremental Structural Improvements:
  - Continuation and adaptation of existing policies.
  - Focused on framework conditions to make the SME finance market work better.
  - Limited government intervention.
- Scaling up SME finance instruments:
  - Expand existing SME financing instruments.
  - More budget, expand guarantee schemes, wider access for target groups.
  - Limited government intervention.
- Intermediary SME Advisory Organisation:
  - Independent advice desk for SME entrepreneurs.
  - Public-private funded with a 'seal of approval'.
  - Limited government intervention.
- Hybrid SME Financing Organisation:
  - New public-private partnership with banking licence.
  - Access to capital market and SME financing instruments.
  - Medium government intervention.
- Establishment of a New SME Bank:
  - Establishment of an entirely new SME bank.
  - Funding through favourable conditions and government guarantees.
  - Large government intervention.

Recommendations (Bongers, Grond, Maltha, Roosenboom, & Smeitink, 2021):

- *Continue existing policies*: Continue specific policy measures, such as introducing a credit register and improving the quality of the advisory market.
- *No new initiatives without added value*: Do not launch new policy initiatives unless their added value compared to existing policies is clear. Make best use of existing financing instruments.
- *Connect to existing infrastructure*: If new initiatives are needed, integrate them as much as possible into existing structures, such as Qredits or the Volksbank, focusing on both financing and advice.
- *Critically assess SME bank*: Only consider an SME bank if there is a clear market failure in small lending. Consider costs and benefits and consider alternative solutions such as improving advisory services.
- *SME bank concerns*: If considering an SME bank, pay attention to its name, profit motive, target group, viability and possible market impact. Also explore the possibility of an 'intermediate bank'.
- *Consider 'intermediate bank' model*: When establishing an SME bank, consider an 'intermediate bank' model that provides cheap capital to financiers who in turn provide small loans to SMEs.
- *Focus on scaling up and professionalisation*: Focus on measures aimed at scaling up and professionalising existing funders, with shared data infrastructure to reduce costs and combat fragmentation.

2.4.2: Relationship

In today's financial world, banks and alternative financiers, such as online lenders or crowdfunding platforms, collaboration is limiting, but new ways are being formed. In the past, it was mainly banks that lent money to companies. But now, thanks to technology such as FinTech, things are changing. Small businesses often struggle to obtain loans from banks because they do not have sufficient collateral or because their financial history is unclear. FinTech is changing this. It helps banks and other lenders gather information about these companies more quickly and easily. For example, online banking platforms allow banks to check company information anytime, anywhere. FinTech also brings new ways to borrow money and collaborate. For example, blockchain technology helps solve the problem of insufficient knowledge about a company. And with the help of big data and AI, lenders can better understand whether a company is likely to repay a loan. Moreover, there are now more opportunities for companies to obtain money outside the banks. Things like crowdfunding or peer-to-peer lending allow companies to borrow money directly from people or groups online. Relationship between banks and non-bank institutions is therefore essential to achieve this (Sanga & Aziakpono, 2023).

Challenges in information sharing among financial entities pose significant obstacles to effective collaboration and SME financing. The absence of a centralized platform for SMEs to access financing advice exacerbates these challenges, hindering SMEs' ability to identify and access suitable financing options. (Voorn, 2023) highlights the need for improved information-sharing mechanisms and the verifying of challenges and obstacles (by Dutch SMEs) to enhance collaboration and improve SME financing accessibility. The first steps in the Netherlands to collaborate more have been taken through with initiatives such as the 'Platform Passend Financieren' and the 'Nationaal Convenant MKB-Financiering'. They demonstrate potential pathways for enhancing collaboration and improving SME financing outcomes. With 'Passend Financieren', an advisor will look at the best financial solution for your organization. Your type of organization, capabilities and more are taken into account to determine where financial resources can be attracted[18].

With the covenant, an agreement has been concluded within the Netherlands between MKB-Nederland, the Dutch Banking Association, SME Finance Foundation, Qredits, Invest NL and Invest International. They aim to create the best SME financing climate in Europe in the Netherlands. A major step towards realizing cooperation between the parties with plans for accessible financing, more transparency, further professionalization and improvement of data[19].

2.4.3: What builds relationship?

Collaboration between banks and non-bank financiers is essential for addressing the financing challenges faced by Dutch SMEs effectively. However, achieving meaningful collaboration requires overcoming trust deficits and aligning disparate risk perceptions among financial institutions. (Postema, 2023) identifies these trust deficits as a significant barrier to collaboration, emphasizing the need for increased synergy between different types of financial institutions to bridge the gap. Moreover, the declining interest from traditional banks in financing SMEs underscores the urgency of fostering collaboration and synergy across the financial ecosystem. (Voorn, 2023) emphasizes the importance of building trust and establishing common ground between banks and non-bank financiers to facilitate more effective collaboration and address SME financing challenges.

The *regulatory environment* plays a crucial role in shaping collaboration dynamics and SME financing outcomes. (Adriaansens, 2023) highlights the growing recognition of the need for regulatory support and government intervention to address financing gaps and foster a more conducive environment for SMEs to access funding. Policy options such as establishing a financing hub, intermediary SME advisory organizations, or even a new SME bank are being considered to improve the financing ecosystem and facilitate greater access to funding for SMEs. (Bongers, Grond, Maltha, Roosenboom, & Smeitink, 2021) emphasize the importance of regulatory reforms to enhance transparency, reduce regulatory burdens, and stimulate innovation in SME financing. These regulations also ensure *limited information transfer* between financiers. For example, there is limited information provision due to the Basel guidelines and there is information asymmetry due to a lack of standardized reporting

Looking at the relationship between banks and alternative financers, the first look was at how the alternatives can be integrated. **Policy options** such as continuing existing policy measures or creating new financing instruments are discussed, with a focus on **increasing access to finance for SMEs**. **The rise of FinTech** and other technological innovations is changing the dynamics between banks and

[18] https://www.deondernemer.nl/financien/ronald-kleverlaan-mkb-financiering-banken-moeten-intensiever-samenwerken-met-non-bancaire-instellingen~5fc72f7
[19] https://www.rijksoverheid.nl/documenten/publicaties/2023/11/16/nationaal-convenant-mkb-financiering

alternative financiers, **creating new opportunities for collaboration and financing of SMEs**. Challenges such as sharing information and **creating a central platform** for financial advice are discussed as essential for improving collaboration and facilitating access to finance. A **covenant** was recently signed with this, which should provide the best SME financing climate in Europe in the Netherlands. **Trust** between banks and non-bank financiers is crucial for **effective collaboration** but is hampered by differing risk perceptions and regulatory dynamics. The role of the **regulatory environment and information sharing** is highlighted as important for shaping collaborative dynamics and improving financing access for SMEs.

2.5: Trust

Trust is a crucial factor in effective collaboration between banks and non-bank financiers in the Dutch SME sector, according to (Postema, 2023). This study examines the level of mutual trust to improve collaboration to provide financial solutions. But how is trust defined for this study? Trust is a multifaceted, complex concept and concerns the credibility, reliability and integrity of another stakeholder (The Trusted Advisor, 2002). This factor influences the risk assessment and decision-making of partnerships, for which the 'Trust Equation' will be used in this study. The Trust Equation (abbreviated as TE), developed by Charles H. Green, provides a structured framework to analyze and improve the level of trust between individuals in professional relationships. The analytical, deconstructive model gives a definition of trustworthiness. The formula can be found in Figure 11 and the variables are explained below [20] (The Trusted Advisor, 2002):

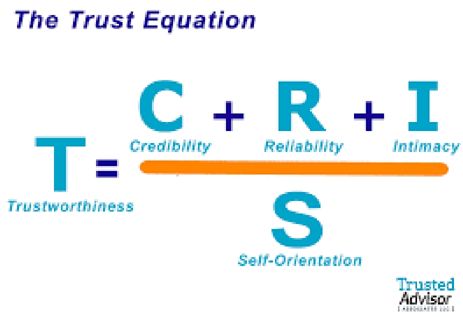

Figure 11: Formula of the Trust Equation (The Trusted Advisor, 2002)

- Credibility: The knowledge and expertise that an organization brings to the collaboration. So, it is considered whether both sectors have the same market knowledge and expertise in the financing solutions. How do both financiers view each other's credibility in terms of knowledge?
- Reliability: This concerns the ability to deliver on promises and the consistency of actions. It looks at how reliably financiers meet their obligations when making agreements. How do the financiers deal with the agreements made (such as the covenant) and adhere to them?
- Intimacy: Concerns the transparency and security of mutual communication during the collaboration. Is the sensitive information shared confidential and secure? This level of intimacy is important for trust in financing decision-making and negotiations.
- Self-Orientation: The extent to which one's own interests are placed above those of others in the collaboration is examined. This is shared by the above factors. A high self-orientation means lower trustworthiness, with a low score there is more trust in the mutual benefits of collaboration. The 'agency theory' comes to the fore here, because there are always different interests between a principal and an agent, where it is important to look carefully at each other's interests.

With this information, there is a look at a more specific research question for the research to really delve deeper into the current problem. This happens in '2.6: Research Question and Sub-Questions'.

2.6: Research Question and Sub-Questions

From the theory, more information has been obtained about the suboptimal cooperation between banks, non-bank financiers and government. The previous main question "What are the primary reasons for the suboptimal level of cooperation between banks and non-bank financiers within the Dutch SME sector, and what are the main factors influencing this cooperation?" can now be further defined.

[20] https://trustedadvisor.com/why-trust-matters/understanding-trust/understanding-the-trust-equation

The literature states the following: "Collaboration between banks and non-bank financiers is essential for addressing the financing challenges faced by Dutch SMEs effectively. However, achieving meaningful collaboration requires overcoming trust deficits and aligning disparate risk perceptions among financial institutions. (Postema, 2023) identifies these trust deficits as a significant barrier to collaboration, highlighting the need for increased synergy between different types of financial institutions to bridge the gap. Moreover, the declining interest from traditional banks in financing SMEs underscores the urgency of fostering collaboration and synergy across the financial ecosystem. (Voorn, 2023) emphasizes the importance of building trust and establishing common ground between banks and non-bank financiers to facilitate more effective collaboration and address SME financing challenges."
The summary of '2.4: Banks and alternative financers' states the following:
"**Trust** between banks and non-bank financiers is crucial for **effective collaboration** but is hampered by differing risk perceptions and regulatory dynamics. The role of the **regulatory environment and information sharing** is highlighted as crucial for shaping collaborative dynamics and improving financing access for SMEs."
Based on the literature, a new main question has been formulated, namely:

"To what extent does a lack of trust affect collaboration between banks and non-bank financiers in the Dutch SME sector, and how do regulations and information sharing influence trust and collaboration in this context?"

The two crucial factors in collaboration and a growth of trust are also included in the sub-questions. To address this central question comprehensively, several sub-questions are posed:

- Current state of collaboration: *What is the current level of collaboration between banks and non-bank financiers in the Dutch SME sector?*
- Factors influencing trust: *What factors contribute to a lack of trust between banks and non-bank financiers in the SME sector?*
- Regulatory environment: *How do regulatory policies and frameworks affect collaboration between banks and non-bank financiers?*
- Information sharing: *To what extent do issues related to information sharing impede collaboration?*
- Verifying challenges and obstacles: *To what extent do the challenges and obstacles identified by banks/non-bank institutions correspond to the experiences and perceptions of SMEs in obtaining financing?*

The framework for the research based on the theory and the questions can be found in Figure 12.

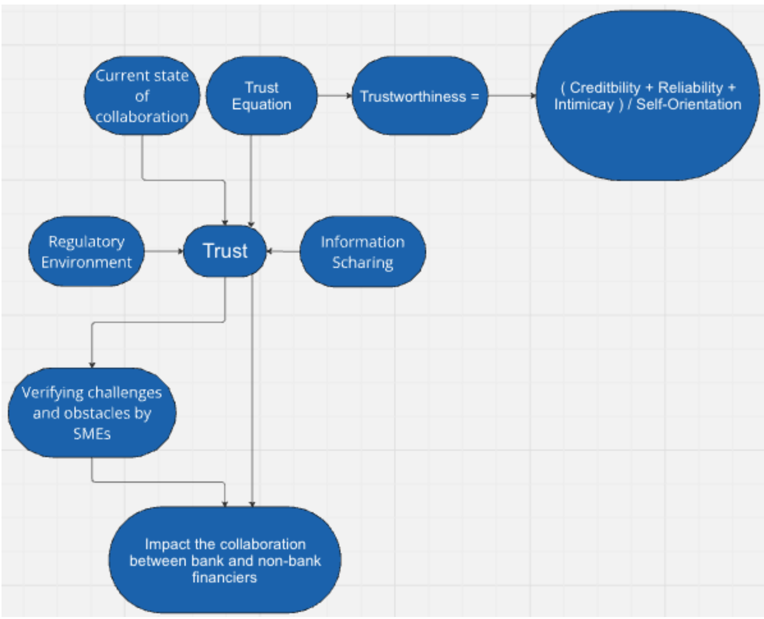

Figure 12: Framework of the research

2.7: Contributions

This chapter explores the theoretical and practical impact of collaboration between banks and non-bank financiers in the Dutch SME sector.

2.7.1: Theoretical contribution

This research helps to understand how banks and non-bank financiers work together in the Dutch small and medium-sized enterprise (SME) sector. By carefully studying how these collaborations currently work, this study adds new insights to what we already know about finance. It gives a more detailed picture of how relationships between these financial players operate in this important part of the economy. The research looks at what factors affect trust between these parties, such as rules set by the government and difficulties in sharing information. Exploring these factors helps to build a stronger foundation of knowledge about how financial collaborations function.

Moreover, this study goes beyond just looking at banks and financiers in the Netherlands. It also looks at what works well in collaborations in other places or industries. By comparing different situations, we can learn valuable lessons. This research then figures out how these lessons can be applied to the unique situation of the Dutch SME sector. This expands our understanding of the challenges of collaboration and enriches the academic discussions about how financial systems work.

For example, imagine a bank and a FinTech company in the Netherlands trying to work together to provide loans to small businesses. They may face difficulties in trusting each other because of different regulations they have to follow or because they struggle to share important information securely. By studying these challenges, the research helps to understand how to make these collaborations more successful and beneficial for everyone involved.

2.7.2: Practical contribution

From a practical view, this research has important implications for the people and organizations involved in the Dutch SME sector. By thoroughly analyzing how well collaborations currently work, the study provides a practical way for businesses to measure and improve how they work together. By identifying what factors help build trust and looking closely at the rules they have to follow, banks and other financial institutions can learn how to overcome challenges more effectively.

The research doesn't just stop at pointing out problems, it also offers solutions. For example, it suggests using successful collaboration models from other places as examples to follow. By applying these strategies, businesses in the Netherlands can improve how they work together. This study gives practical advice and recommendations that can be put into action, helping both businesses and policymakers make the SME financing system in the Netherlands stronger and more resilient.

To mention another example, a small business owner in the Netherlands is looking for a loan to expand their operations. This research could help banks and other financiers understand how to work together more effectively to offer them the best possible financial support, making it easier for the business to grow and succeed.

3: Research method

The previous chapter collected information about the limited cooperation between banks and non-banking institutions, specifically about the extent to which there is a lack of trust. This chapter outlines the research methodology employed to address the central question and sub-questions articulated in this study, investigating the collaboration between banks and non-bank financiers in the Dutch SME sector and the key conditions influencing this collaboration. For this we use the book by Creswell & Creswell about the different research methods and the approach to do research as the main source (Creswell & Creswell, 2018).

3.1 Research Design

This study specifically looks at banks and non-banking institutions. Qualitative research is used to go into depth, ask for examples from practice and ask further questions to get an in-depth answer. Qualitative research is the approach to exploring and understanding the meaning of individuals or groups to a human or social problem (Creswell & Creswell, 2018). Interview data will undergo thematic analysis, identifying recurring themes and patterns. This is done on the basis of the theoretical framework and the various sub-questions that have been drawn up to answer the main question. Coding will then be used to categorize the responses, allowing qualitative insights to be gained. The type of interview conducted will be a semi-structured interview. This is an interview with a mix between a structured and unstructured interview, where the questions are partly prepared, but there is also the opportunity to ask extra questions for clarification or specification in the form of open-ended questions (Alsaawi, 2014).

3.2 Primary data collection

This section outlines the proposed methodology to investigate the dynamics of collaboration between banks and non-bank financiers in the Dutch SME sector. Different interviews will be utilized to ensure a comprehensive analysis of the main and sub-questions.

- Current State of Collaboration: Interviews will be conducted with representatives from banks and non-bank financiers operating in the Dutch SME sector. This approach aims to get a general introduction and gather firsthand insights into the current level of collaboration.
- Factors Influencing Trust: Interviews are employed to identify the factors that are expected to contribute to the extent to which a lack of trust between banks and non-bank financiers exists. Questions remain fairly general in the form of examples, initiatives, current obstacles and recommendations.
- Regulatory Environment: The theory discussed the regulatory 'environment' and 'burdens' that play a crucial role in SME financing. The interview will ask about the regulatory policy and frameworks in the financial sector in the Netherlands. The intention is to ask deep questions about the current regulations and the obstacles for the organizations to get a good, specific picture of the limitations in financing and cooperation.
- Information Sharing: 'Limited information transfer between financiers' causes limitations in cooperation and mutual trust, according to the literature. The interviews ask about examples of information exchange, the challenges and which improvements are possible.

An interview guide has been drawn up for banks and non-bank institutions for the first four sub-questions. This can be found in 'Appendix 3: Interview Guide bank/non-bank financiers (Nederlands / English)'.

- Verifying challenges and obstacles: Interviews will be held with people from SMEs who have had to deal with different forms of financing. Verify which problems they encountered and whether this corresponds with the data from the four sub-questions above.

'Appendix 5: Interview Guide Dutch SMEs (Nederlands / English)' contains an interview guide that is held with SMEs that have experience in asking for financing. Discuss the current results of the research and check how they view these challenges/obstacles. The interview has not yet been completely determined, because the results from the previous sub-questions must first be answered.

3.3: Secondary Data collection

In addition to primary data collection method, this study will also utilize secondary data sources to complement and enrich the research findings. Secondary data offer valuable insights and context drawn from existing sources. By leveraging these resources, the study aims to provide a comprehensive analysis of the collaboration dynamics between banks and non-bank financiers in the Dutch SME sector. The first Literature Review can be found in ‘2: Literature’.

The goal of the literature Review is to get some practical examples, a comprehensive literature review will be conducted. Relevant studies and examples of successful collaboration between banks and non-bank financiers globally will be examined, extracting insights applicable to the Dutch SME context.

Furthermore, in preparation for interviews, information on banks, non-bank financiers and SMEs was used. In each interview, some personal information and specific information about the organization were requested before the interview schedule was conducted. In order to ask precise questions about the specific information of the organization, extensive use was made of annual reports and databases in preparation.

Annual reports issued by banks, non-bank financiers and SMEs represent a rich source of information regarding their financial performance, strategic priorities, and operational activities. These reports offer detailed insights into lending practices, risk management strategies, and market positioning within the financial industry. By analyzing annual reports, the study will gain valuable insights into the evolving landscape of SME financing and the potential implications for collaboration between different financial institutions.

Databases such as Orbis and LexisNexis provide access to a wealth of structured data on companies, including financial statements, ownership structures, and industry classifications. These databases enable researchers to conduct comprehensive analyses of market trends, competitive dynamics, and industry benchmarks. By leveraging data from these sources, the study will enhance its understanding of the factors influencing collaboration between banks and non-bank financiers in the Dutch SME sector.

3.4 Limitations

While efforts will be made to ensure the validity and reliability of the study, several limitations may impact the interpretation and generalizability of the findings. Firstly, reliance on self-reported data from interviews may introduce biases or inaccuracies, as respondents may provide socially desirable responses or lack complete information. Additionally, the study's findings may not be fully generalizable beyond the specific context of the Dutch SME sector, as industry dynamics and regulatory environments may vary across different countries and regions. Despite these limitations, every effort will be made to mitigate potential biases and ensure the rigor and credibility of the research findings.

4: Data

In this section, we discuss the anticipated data sources and the sampling criteria that will be applied in the research, aiming to gather comprehensive insights into the collaboration between banks and non-bank financiers in the Dutch SME sector.

4.1 Data Sources

- **Interviews**:
  - *Type*: Qualitative data from stakeholders. This includes interviews with employees of financing SMEs from banks, experts from non-bank financiers, financial people from the SMEs and insights from the SME Finance Foundation.
  - *Purpose*: To collect firsthand insights into collaboration dynamics, trust factors, regulatory impacts, information sharing practices and verifying these by the SMEs.
- **Literature**:
  - *Type*: Academic articles, studies and reports on recent problems in the financing of Dutch SMEs. For example, looking at where the current problems lie, what developments there are, but also characteristics of the current financing of Dutch SMEs.
  - *Purpose*: To gain good insights into the current method of financing and to see where the gaps lie in other studies to build on this.
- **Annual Reports**:
  - *Type*: Financial reports of banks, non-bank financiers, and Dutch SMEs.
  - *Purpose*: To extract financial performance indicators, collaboration initiatives, and strategic directions for the interviews.
- **Databases**:
  - *Type*: Comprehensive business databases of banks, non-bank institutions and different Dutch SMEs from Lexis
  - *Purpose*: To obtain detailed information on the organizational structures, collaborations, and regulatory compliance of banks, non-bank financiers and SMEs for the interviews.

4.2 Sampling Criteria

- **Sample Period**:
  - *Scope*: The research mostly covers the past six years (2017-2023) to collect the most recent developments.
  - *Rationale*: There is plenty of information available, so only the last four years are considered, because a lot has changed (think of Covid-19, for example). Literature about this period is only collected to get a good picture of the current situation and problems within the Dutch SMEs.
- **Target Firms**:
  - *Banks*: Three major traditional banks: ABN AMRO, Rabobank and ING.
  - *Non-Bank Financiers*: Four various non-bank financing entities with different financing options or types of organisations. And also:
    - *Regulatory Bodies*: Law and Regulations in the Netherlands via the National Government
    - *Foundation*: ‘Stichting MKB Financiering’ in the Netherlands -> SME Financing Foundation
  - *SMEs*: Three SMEs representing different sectors, sizes, and collaboration experiences. These must be micro or small companies that are looking for financing and have just completed financing when talking with both parties.
- **Sample Size**:
  - *Banks*: A representative sample of major banks operating in the Dutch SME sector. For this, three big banks in the Netherlands are used: ABN AMRO, Rabobank and ING. For the banks there is a need of eight interviews to have a good insight into different functions and banks.
  - *Non-Bank Financiers*: A representative sample of four non-bank financiers operating in the Dutch SME sector. Therefore, there is a minimum need of seven interviews to have a careful insight into different financiers and functions.

    This also applies to approaching the ministry and the foundation:

- *Regulatory Bodies*: Key regulators overseeing financial partnerships are looked at, this provides an overview of the regulations in the Netherlands. There is a need of one interview from a regulatory side in this case. [21]
- *Foundation*: SME Financing Foundation is also asked to answer some questions in an interview. Here is one interview needed. This foundation is very busy and is committed, with a national covenant, to the best SME financing climate in Europe (Stichting MKB Financiering, 2023).

- *Dutch SMEs*: Three SMEs in different sectors, sizes and collaboration experiences. There will be a minimum of three interviews by SMEs to gain an initial insight into the practice.

4.3: Data Analysis

To arrive at the results, the fifteen interviews (eight with banks, seven with non-banks) are first conducted and transcribed. Then, based on the first results, three more interviews with entrepreneurs follow. From the transcripts, the interview data are systematically coded. The Gioia method is used for this.

The Gioia methodology is a three-step coding process employed to structure the data involved a systematic approach to categorize, organize, and extract meaningful insights from the interview transcripts (Gioia & Magnani, 2023).

It involves the following three steps and an example is in Table 2 (Gioia & Magnani, 2023):

1. **Open coding: Identification** - In-depth examination of responses to identify key concepts, sentiments and recurring themes. More or less a shorter translation of the actual transcription.
2. **Axial Coding: Linking** - Establishing relationships between identified categories, refining them and identifying overarching dimensions. This attempts to bring together multiple open coding to make it structured.
3. **Selective Coding: Consolidation** - Refining and consolidating dimensions to distill core elements, resulting in aggregate dimensions which are overarching for axial coding.

Table 2: Example of coding

IP Nr	Original text in transcript	Inductive code (close to text)	Emerging category	(Theme)
IP4	We zien een opkomst van nieuwe financiële modellen, zoals fintech-oplossingen die sneller en eenvoudiger krediet kunnen verstrekken. Dit biedt ons kansen, maar ook uitdagingen omdat we moeten concurreren met deze innovatieve spelers.	Rise of Fintech	Emerging Financial Models	Evolving Financing Landscape

Based on the coding (and the structured transcriptions), a short description is given per sector and sub-question about the quotes per interviewee. From here, a comparison is made per subject to the comparable answers in order to arrive at unambiguous results. For example, the following is described: "Seven out of eight interviews say...". Codes from the Gioia methodology are often linked to this.

After dealing with the first four sub-questions, a 'Bank vs Non-Bank analysis' follows in which the first conclusions are drawn. These are taken to the interviews with the SMEs, in which the same approach is followed.

With these results, a number of conclusions are then examined that emerge from practice that is confirmed in multiple sectors. By using this method, it was possible to arrive at well-founded conclusions in a transparent manner.

[21] https://www.rijksoverheid.nl/onderwerpen/ondernemen-en-innovatie/ondersteuning-voor-midden--en-kleinbedrijf-mkb#:~:text=De%20Rijksoverheid%20biedt%20steun%20aan,een%20deel%20garant%20voor%20leningen.

4.4 Data Validation and Reliability

In the pursuit of rigorous and credible research, ensuring the validation and reliability of data is paramount. This section discusses the strategies employed to uphold the integrity of the data collected for the study on collaboration between banks and non-bank financiers in the Dutch SME sector.

- Validation: Cross-referencing data from multiple sources is crucial for ensuring the accuracy and reliability of the research findings. By comparing information obtained from various sources, such as interviews, surveys, annual reports, and databases, researchers can identify inconsistencies or discrepancies that may arise. For example, if data obtained from interviews with SMEs regarding their financial performance differs significantly from the figures reported in their annual reports, further investigation may be warranted to reconcile the discrepancies. Additionally, validation techniques such as triangulation, which involves comparing data from different methods or sources, can enhance the credibility of the findings by corroborating evidence and minimizing biases.
- Reliability: Reliability refers to the stability and consistency of the results of research over time and in a variety of contexts. To enhance reliability, researchers should use established databases and reputable sources of information that are known for their accuracy and reliability. For example, leveraging databases such as Orbis or LexisNexis, which are widely recognized for their comprehensive and accurate data on companies, can help ensure the reliability of the data collected for the study. Moreover, selecting a diverse sample of SMEs and financiers to participate in the research can enhance the representativeness of the findings and increase confidence in their reliability. By including a variety of perspectives and experiences, researchers can mitigate the risk of bias and ensure that the findings are robust and generalizable to the broader population of SMEs and financiers in the Dutch market.

5: Results

Based on the introduction, the theoretical framework drawn up, the research method and the analysis of data, the results are now examined further. Interviews were held with stakeholders of the research. The chapter is divided into an introduction on how the interviews are analysed, then the results are examined with analysis of the research.

5.1: Introduction

The interviews are divided into three different parties (banks, non-bank financiers and SMEs). Initially, interviews were held with banks and non-banking parties for the first four sub-questions. The guide of the semi-structured interview can be found in 'Appendix 3: Interview Guide bank/non-bank financiers (Nederlands / English)'. The interview guide was drawn up based on the results and is also semi-structured. It can be found in 'Appendix 5: Interview Guide Dutch SMEs (Nederlands / English)'. Based on these themes and categories, the most important results are shown per sector and sub-question. The sub-questions were structured as follows:

- Current State of Collaboration: *What is the current level of collaboration between banks and non-bank financiers in the Dutch SME sector?*
- Factors Influencing Trust: *What factors contribute to a lack of trust between banks and non-bank financiers in the SME sector?*
- Regulatory Environment: *How do regulatory policies and frameworks affect collaboration between banks and non-bank financiers?*
- Information Sharing: *To what extent do issues related to information sharing impede collaboration?*

For the fifth sub-question, interviews were held with SMEs to verify the results from the four sub-questions and are made from the results of the interviews with the bank and non-banking financiers.

- Verifying challenges and obstacles: *To what extent do the challenges and obstacles identified by banks/non-bank institutions correspond to the experiences and perceptions of SMEs in obtaining financing?*

5.2: Banking sector

A total of eight interviews were held with the banking sector. Seven interviews were with employees of the three largest banks, namely Rabobank, ABN-AMRO and ING. This is included in 'Table 3'. The interviews were held with employees who were closely involved in SME financing, such as advisors, account managers, business developers and directors within this sector. An eighth interview was also conducted with an employee of the 'The Dutch Banking Association' (NVB). This unites Dutch and foreign banks that are active in the Netherlands. The banks meet with the NVB at least once a week to discuss current events. The coding of the interviews yields three overarching themes. In 'Appendix 4: Coding interviews with bank and non-banking' these themes and all categories that fit the subjects can be found. Furthermore, all sub-questions are addressed from the banking sector, whereby a short summary of the answers is given at the beginning regarding the sub-question.

Table 3: Overview of interviews with banks

Abbreviation (Abb.)	Duration of interview	Gender	Company	Function
IP1	54m 56s (recording)	Men	ABN-AMRO	Business Developer External Affairs
IP2	56m 4s (recording)	Women	NVB	Policy Advisor Business Services
IP3	33m 23s (recording)	Men	Rabobank	Accountmanager Food & Agri
IP4	38m 54s (recording)	Men	Rabobank	Advisor SME
IP5	37m 46s (recording)	Men	Rabobank	Advisor SME (Account Manager)
IP6	39m 49s (recording)	Men	Rabobank	Director SME
IP7	49m 11s (recording)	Men	Rabobank	Business Development Manager
IP8	1h 12m 54s (recording)	Men	ING	Program Director External Relations Business Credit ING

5.2.1: Current State of Collaboration

The first topic is the current cooperation between banks and non-bank financiers within the Dutch SME sector. The banks look at the current situation in cooperation with non-bank financiers. The answers are briefly summarized in Table 4 and then further analyzed.

Table 4: Answers to questions about the current state of collaboration (banks)

Questions about the 'Current state of collaboration'	
Abb.:	**Answers in summary:**
IP1	"There is a difference in maturity and different expectations between the banking and non-banking sectors, which sometimes leads to misunderstandings, lack of understanding and a lack of trust."
IP2	"To trust each other and cooperate, it doesn't help when the other parties are continuously negative about your sector. When this also happens publicly, that does something to the trust and cooperation."
IP3	"We are both professional parties and we have to work together as such. Non-banking institutions do not always have the same obligations and then you are sometimes competitors, which can sometimes cause tensions in the collaboration."
IP4	"Collaboration with non-bank financiers is sometimes difficult due to differences in business processes and culture. It takes time and effort to understand each other well and to get on the same page, especially when it comes to sharing risks."
IP5	"The success of our collaborations largely depends on the personal relationships we build. A good working relationship can help overcome obstacles and ensure a smooth collaboration."
IP6	"There is cooperation, they do talk to each other. People do refer to each other."
IP7	"We talk to each other a lot about how we look at the market, where the developments are, and where we can strengthen each other. However, the cooperation is still mainly in the discussion phase and has not yet developed much further."
IP8	"As soon as you start thinking about stacking finance or sharing risk, it becomes more complex and involves higher transaction costs. That is why cooperation has not yet reached this stage and it is difficult for banks to trade."

The current level of collaboration between banking and non-banking institutions to finance Dutch SMEs is currently experienced by banks as limited and inconsistent, according to six out of eight interviews. There are examples of successful initiatives (such as drawing up the financing agreement in the Netherlands), but there are many more ambiguities, mutual reproaches and few procedures to collaborate more. Although advice or referral sometimes takes place, this mainly occurs through personal relationships (previous work) or individual mutual agreements. The banks often look at insufficient organization, limited maturity, negative statements towards banks by institutions and the media and little structure. For the banks there are issues with trust, barriers to regulation and information sharing and referral, which will be addressed in the following sub-chapters.

5.2.2: Factors Influencing Trust

Looking at the factors from the bank that influence mutual trust between both sectors. (The Trusted Advisor, 2002) defines trust as a multifaceted, complex concept and concerns the credibility, reliability, integrity and self-orientation of another stakeholder. (Postema, 2023) identifies these trust decifies as a significant barrier to collaboration, emphasizing the need for increased synergy between different types of financial institutions to bridge the gap. Table 5 summarizes the answers from the interviews:

Table 5: Answers to questions about the factors that influencing trust (banks)

Questions about the 'Factors influencing trust'	
Abb.:	**Answers in summary:**
IP1	"There is a difference in maturity between the banking and non-banking sectors, which sometimes leads to misunderstanding and mistrust. For example, the banking sector is heavily regulated, which gives less freedom in operations compared to the non-banking sector which is barely regulated. This sometimes leads to a difference in approach and expectations. You can also see that the concept of personal does change and that it does not always have to be a human being. A bank does not finance risk assets and that is the trade-off. So, if it is really risking capital, also what is being asked for, the bank is just not the party."
IP2	"I think what does not help in confidence is the quite negative framing towards banks that is spoken out in the media. Whereas we don't speak negatively about the non-bank sector at all. We really see it as a complement and are very real, I think realistically looking at what can the non-bank sector contribute.

	Banks' operational structures are often much more complex than those of non-bank institutions, which can lead to inefficiencies and difficulties in cooperation. Non-bank institutions often have less stringent rules, allowing them to respond more quickly to customers' needs. This makes them an attractive option for many entrepreneurs.”
IP3	“The regulations that banks have to follow are strict and require us to maintain certain levels of financial stability. Non-bank institutions do not always have the same obligations, which can sometimes cause tensions in trust. Non-bank institutions often have more flexibility in their funding options. This can be attractive to clients who want fewer rigid terms, but it can also lead to higher risks.”
IP4	“We have found that cooperation with non-bank financiers is more effective when there are clear agreements and expectations. This prevents misunderstandings and ensures that both parties are on the same page about objectives. Mutual trust with non-bank financiers can be beneficial, but there are often misunderstandings about the division of roles and expectations. It takes time and commitment to build a good working relationship in which both parties complement rather than compete.”
IP5	“While there is collaboration, there are also times when we as a bank prefer to work alone. This is because we want to maintain full control over financing and risk management. If a second party is involved, this can sometimes cause complications. The success of mutual trust often depends on the level of openness and communication between the parties. If there is mistrust or poor communication, this can seriously hamper cooperation. We therefore need to invest in building relationships and creating clear channels of communication.”
IP6	“So, you can really see that in the SME market, of course, a lot of new players are entering the market and snatching some of the market. They are nibbling away at our market share. What we do see is that as a bank, we have to adapt much more to the speed and simplicity offered by non-banks and fintechs. This means we need to constantly innovate and improve our customer processes to remain competitive.”
IP7	“Non-bank financiers naturally want to grow. It helps if you can relate to something. We've had that conversation with the non-bank sector too. Is it really necessary to say that banks are closed and no longer finance? That obviously helps them put themselves down. What you also see is that some non-bank parties are maturing, while others are dropping out. We see a dichotomy. Above all, let's speak positively about each other in the media.”
IP8	“If an entrepreneur is super satisfied with a non-banking party and is prepared to pay 8%, while that company can also be financed by banking at 5%, he can easily choose that non-banking party. But that does mean that that party is a competitor for us. How much trust and how important it is to have trust, in the end you are also each other's competitor. It's that simple.”

For the banks it is a big change from the traditional method. Previously, they provided all financing for SMEs, but nowadays, and also at the bank itself, there are numerous financing options for a company which can be seen as competition. The competition is in line with the self-orientation on the TE. If banks look at this negatively, this could indicate lower trustworthiness. Banks mainly offer loans, Qredits and leases. Non-bank financiers have many more options, such as crowdfunding, VC, angel investors, private equity etc. Banks will have to accept this and ensure that they can continue to offer the right products to entrepreneurs themselves, or in combination with other parties. The difference in offering financing options is mentioned in seven out of eight interviews as an important factor for further cooperation or possibilities. During the interviews, questions were asked about mutual trust, including questions about the extent, factors and experiences with trust between banks and non-bank institutions. The following other important things emerged:

- **Recognition of non-bank financiers:** Because non-bank institutions have only emerged in recent years, banks often consider them still in the development phase, which gives rise to terms such as 'not yet mature' and 'not professional enough'. In six of the eight interviews, the immaturity, development phase and excessive risks of non-banking financiers are discussed. As a result, banks are not always completely familiar with the non-banking sector and want to remain financially stable. However, in recent years there has been much more discussion with each other and the best solutions for SMEs are looked at (e.g. drawing up the covenant), which improves cooperation. The development towards each other is mentioned in four interviews.
- **Professionalism and market knowledge:** In all eight interviews it also appears that there is a lot of difference between the non-banking organizations, which makes it difficult for the banks. There are many different organizations, financing methods and needs from the entrepreneur. Banks stand for their professionalism and knowledge of the market but have always worked according to the traditional method with loans and securities. They are also expanding their products much more these days, for example due to the rise of operational and financial leasing

at the bank. Here, credibility emerges from the TE, where there is a difference in expertise between the financing solutions and the banks doubt the market knowledge of the non-bank financiers. This results in lower trustworthiness between both sectors. Furthermore, they are strictly bound by certainties to remain financially stable, because figures are closely monitored. For example, there are strict due diligence processes and risk assessment protocols that non-bank financiers may not follow as strictly, partly due to the banking license. Professional accuracy is often seen as a strength that is undervalued by non-banking organizations. It is also difficult for banks if they do not have thorough insight into other financing or accounts, which increases their risk. This skepticism is especially strong among newcomers to the non-banking institutions, who may prioritize quick profits over long-term health.

- **Negative Statements in media:** In two interviews it also becomes clear that banks feel abandoned by statements in the media from the non-banking sector. Non-bank financiers are often negative about banks when they prioritize safety in financing, which makes financing difficult. They then report this explicitly in the media, while banks have to follow protocols to remain financially stable. This does not promote cooperation, according to the interviewees. In addition, five interviews also discuss the general mutual communication. This concerns negative intimacy from the TE in open and transparent communication towards each other and publicly.

Factors that influence confidence from banks include the **different financing options** (causing distrust and uncertainty), the **emergence of non-bank financiers** (development phase), **differences between non-bank financiers** (independent, profit-oriented, etc.) and the **negativity towards banks** in the media. Credibility and intimacy are therefore given a lower score and self-orientation a higher score on the TE formula, which negatively affects trustworthiness.

5.2.3: Regulatory Environment

Regulations play an important role in the provision of financing to entrepreneurs by banks and non-bank financiers. Different rules apply to both parties, which allows them to act and finance in a different way. Banks have a banking license that they must adhere to, which non-bank institutions do not have. The interviews investigate the impact this has on the collaboration between both parties. Table 6 provides a summary of the answers from the interviews:

Table 6: Answers to questions about the regulatory environment (banks)

Questions about the 'Regulatory environment'	
Abb.:	**Answers in summary:**
IP1	"The banking sector is heavily regulated and have stricter rules and procedures, giving less freedom in operations compared to the non-banking sector, which is barely regulated and can act much more flexibly. A bank does not finance risk capital and that is the trade-off. Besides Basel III, we also have national regulations like the Financial Supervision Act that affect how we operate and what we can do in terms of lending. That picture of we are not allowed to fix prices, that penny drops fairly quickly. But we are also not allowed to influence each other's policies, and that is also very important to realise, so that means you sometimes have to look very closely at what is allowed and what is not."
IP2	"We are dealing with a couple of very important laws in the Netherlands. One is the 'AVG', which is privacy legislation. We also have the Competition Act in the Netherlands, which imposes restrictions on how banks and non-banking institutions can cooperate with each other without distorting competition. Besides, we also have Basel III, European legislation that is very much enforced by the ECB on the bank's balance sheet and what a bank can and cannot do in terms of financing because of the stability of the financial system."
IP3	"As a bank, we have a regulator who is keen to ensure that we do not overfund both retail and corporate customers. There are situations where customers are overfunded and then unable to meet their obligations. If too many such situations occur, the regulator can intervene. There are internal controls within the bank, and if it happens too often, our banking licence can be revoked. The regulations that banks have to follow are strict and require us to maintain certain levels of financial stability The big advantage of non-bank financiers is that they are less tied to repayment terms, for example. Our internal guidelines are strongly influenced by national and European regulations. This means we have to regularly adjust our practices to meet these changing standards. We have strict internal controls to ensure we comply with all regulations. This includes everything from credit risk management to customer information management, and these controls are regularly updated to meet the latest requirements."

IP4	“Our internal control systems are rigid and ensure that we comply with all legal requirements. However, these systems can sometimes hamper our innovativeness by introducing additional layers of approval and supervision. This is especially noticeable compared to non-bank financiers who have less stringent rules and can therefore be more flexible. Within the bank, we have strict compliance rules that every funding application has to go through. These rules are meant to manage risk, but they can also slow things down. The influence of external regulators such as the ‘Nederlandse Bank’ but also AFM is significant. They determine a large part of our policies and ensure that we comply with international standards. This can be restrictive but is also necessary to ensure stability in the financial system. There is growing pressure from both the market and regulations to operate more sustainably. This means we need to develop new products that meet these requirements and help customers become more sustainable too.”
IP5	“Staying competitive is a challenge, especially as non-banking parties can often respond faster to market changes. We are bound by more regulations and internal processes, which makes it harder to be flexible. According to the ‘AVG’, you have to record that. That goes very strictly. Data, everything you have to report. You have to be keen on it, you have to report it. Our compliance department plays a crucial role in assessing funding applications. They make sure we comply with all regulations, but that also means more time for approvals, which can sometimes be frustrating for clients. We have to adapt to changing regulations, which means we have to be flexible and proactive. This can sometimes lead to internal restructuring and adjustments in our processes.”
IP6	“Banks have many strict regulations to follow, which often means we are less flexible than fintechs. This sometimes makes it difficult to respond quickly to new market trends and customer needs. Our compliance department makes sure we comply with all regulations, but sometimes it takes so long to get approval that we miss opportunities. We need to strike a balance between compliance and speed. With the introduction of new European regulations, we have to constantly adapt our internal processes to meet the changing requirements. This requires significant resources and attention. For banks, the laws and regulations are much stricter, also with much more supervision from Europe on the correct provision and application of the rules. For alternatives, it is mostly not yet regulated in that way. One of our main priorities is to prevent customers from being overcredited. We carry out strict checks to ensure that customers only get loans they can repay, so that we do not put them in financial trouble.”
IP7	“We have more legislation than a non-bank financier. You can become a non-bank financier tomorrow if you meet a few conditions. You don't need a banking licence. Fintechs have it easier than us as banks. The only regulations that do hamper us are those of the EBA and KYC. We go absolutely crazy with all the details we have to figure out in that area.”
IP8	“Most importantly, we have to follow EBA guidelines, EBA stands for European Banking Authority. They make guidelines for loan origination and monitoring (LOM). Look at that legislation around terrorist financing and money laundering (wwft in Dutch). For that, we have to take responsibility to keep society safe and that means there is, and rightly so, an incredible amount of supervision by DNB from the ECB on how we do that lending.”

In all eight interviews it immediately becomes apparent that banks have to act more strictly and are much more strictly supervised (partly due to a banking license) compared to the non-banking sector. This seems to be the most important difference in dealing with the financing possibilities for banks. The banking license must be applied for at the ECB, the only competent authority in Europe in the field of banking licenses. A license ensures that only suitable institutions can enter the market and operate as a bank, which also ensures a reliable financial system, because only healthy banks with the correct legal requirements are entitled to this[22]. When financing the SME sector, banks have stricter regulations, extra supervision, they must be financially stable and stricter credit assessment. This makes it more difficult for banks to provide financing to entrepreneurs. From a trustworthiness perspective, they must always be reliable in the agreements they have made and continue to make. In addition, other topics about regulations and compliance also come up in the interviews:

<u>Regulations:</u>

- **General Data Protection Regulation/’Algemene Verordening Gegevensbescherming’ (GDPR/AVG):** In two interviews, the GDPR is mentioned. The GDPR imposes strict rules on customer data sharing, making it difficult for banks to openly refer or collaborate with non-bank financiers. These regulations aim to protect customer privacy, which all interviewees agree with, but inadvertently create a barrier to the information exchange necessary for effective collaboration (which is discussed further in ‘**Error! Reference source not found.**’). This means

[22] https://www.bankingsupervision.europa.eu/banking/tasks/authorisation/html/index.nl.html#licensingbanks

that they cannot always forward data openly, transparently and quickly (intimacy) due to the agreements they have made (reliability).

- **Banking regulations:** Other banking regulations that emerged during seven interviews are Basel III and national regulations. Basel III is a European legislation to guarantee the financial stability of banks. These regulations ensure strict risk management and capital requirements for banks. They aim to ensure financial stability, but they also limit banks' flexibility to enter into joint financing agreements (reliability) with non-bank entities. It is summarized in 4 points: 'Implementation increases the credibility of capital ratios and strengthens the banking sector', 'Implementation signals that banks meet global minimum standards', 'Implementation leads to banks that are better able to maintain lending during an economic decline' and 'Implementation ensures global cohesion and a level playing field'[23]. Furthermore, some national rules emerged in the interviews, such as the Dutch Competition Act, which ensures that banks cannot enter into exclusive agreements or make referrals. This limits the possibility for structured collaboration.

<u>Compliance:</u>

- **National and internal supervision:** During five of the eight interviews with the banks, strict national and internal supervision is often discussed. Internally, the national and European guidelines are checked, whereby the control systems are updated with the latest requirements. From national perspective, the framework of the Financial Supervision Act (WFT in Dutch) coming up. This supervision applies to all financial institutions and is to protect consumers and companies. This sets requirements for risk management, customer protection and capital adequacy. The Dutch Bank (DNB) and the Netherlands Authority for the Financial Markets (AFM) implement this[24]. Below this footnote you will find a complete overview of decrees, policy rules, regulations and other rules[25]. This poses operational limitations for banks, especially when it comes to innovative or risky financing solutions that are often offered by non-bank financiers.
- **European Banking Authority (EBA) guidelines:**
  - Banks must also adhere to the EBA guidelines to harmonize all banking practices in Europe. These guidelines are an additional burden for banks on top of the other regulations, as revealied in three interviews. For example, these additional guidelines make it even more difficult for banks to cooperate with non-bank financiers who are much less affected by this.

With the TE formula, compliance with agreements (<u>reliability</u>) is an important factor. Banks must act **more strictly** and have stricter supervision compared to the non-banking sector due to the *banking license*. Furthermore, they are bound to **regulations** such as the *GDPR, Basel III* and *national regulations*. There is both *national supervision* (AFT), *internal supervision* at banks and the enforcement of the *EBA guidelines*.

5.2.4: Information Sharing

In order to work together efficiently and increase mutual trust, it is nice to be able to exchange information quickly and also to be able to refer easily. Entrepreneurs often first end up at banks, after which the bank has to see if they can finance or what the other possibilities are. With the second option, it is nice to be able to refer or pass on information without obstacles. Table 7 provides an overview of the answers from the interviews:

Table 7: Answers to questions about information sharing (banks)

Questions about the 'Information sharing'	
Abb.:	**Answers in summary:**
IP1	"In practice, data sharing means that we often run into technical and legal barriers, which makes it difficult to cooperate efficiently. Is if the big banks, which have quite a hefty market share, refer customers to one or two parties, then I think you actually have a form of market forces. Because then you start channeling all the customers to a limited number of parties and then you leave out

[23] https://www.dnb.nl/algemeen-nieuws/achtergrond-2023/snelle-en-volledige-invoering-bazel-3-belangrijk-voor-europese-banken/
[24] https://www.rijksoverheid.nl/onderwerpen/financiele-sector/wet-op-het-financieel-toezicht-wft
[25] https://www.dnb.nl/en/sector-information/open-book-supervision/laws-and-eu-regulations/financial-supervision-act/

	the other financiers. So, I think it is good to realise that we just need to be as objective as possible in the market there. One of the biggest challenges in data exchange is ensuring the privacy and security of customer data. This is a big concern for banks."
IP2	"What can you share without violating privacy, can we share data? Absolutely not. And I think that is very important to realise and not every stakeholder around us always realises that. So, we have to be very careful about that. So, you also see that those referrals are often cold referrals. We are not allowed to make price agreements or influence each other's policies. This means that sometimes you have to look very closely at what is and what is not allowed in the cooperation between banks and non-bank financiers."
IP3	"If we cannot fill it as a bank, we quite often refer to a non-banking party such as a pension fund. The big advantage of investors or private investors is that they are less tied to repayment terms, for instance. Information exchange, we are always very careful about that. If a customer finds that he wants to share his results, his prognosis to an investment company or a pension fund, that's fine. But we as a bank will never give information there directly to another party. That is also where you come to the word privacy, but it is also the sensitivity of financial information. Ensuring the privacy of customer data is paramount. We have strict protocols to ensure that this information is not shared unnecessarily, even within the organisation."
IP4	"If we are not funding something, we are obliged to explain to that customer why we are not funding. If we think it is really not right for the customer, we do not give alternatives, except maybe sending it back to the accountant to see what else should be done. You can't just pass on the information the client provides to someone else. You have to be massively careful with that. The client needs permission to do that, but in practice I don't do that. We have to ensure that all customer data remains strictly confidential. This means there must be strict protocols for how data is collected, stored and shared, even internally. Ensuring privacy and the sensitivity of information is a big concern. This sometimes makes it difficult to collaborate effectively with non-bank financiers."
IP5	"We are bound by strict rules around data protection. This means that all information exchange must be carefully managed and documented, which adds an extra layer of complexity to our partnerships. With customer consent. This has to be explicitly recorded. For example, if you want to share financial statements, you have to have explicit permission and document that. This sometimes complicates collaboration because not all parties have the same standards and practices in terms of data protection."
IP6	"We have strict protocols and a dedicated team monitoring customer protection compliance to ensure our customers are treated fairly. This is also a top priority for us. You have to make agreements on what information you are allowed to share, always from the customer's point of view. The customer decides where their data is shared. However, this is very precarious because of privacy laws. You cannot just forward all data to any alternative funder."
IP7	"We have a far-reaching duty of care when advising clients. If we refer a customer to a party and things go wrong, they come back to us. This does not always have to do with trust in the non-bank lender, but also with legal sentiment. That is why we are cautious about referrals. Mostly, it is on a personal level. Referring to a funding guide of the KVK, which falls under the government, is better for our duty of care than if we have to find that out individually for each non-bank financier."
IP8	"We point out to the customer with a rationale as to why we cannot provide that credit, and again refer them to ING's website, indicating that they can contact other parties. We have collaborations with several, experienced parties to the extent that if a customer comes in through us to them, they report whether they have managed to still provide financing. What I hear is that we are leading the way with this, because we report to each other the extent to which we have succeeded in providing credit. We keep track of the numbers."

As in the regulations, all 8 interviews indicate that there are strict requirements for sharing information. Data may not be distributed without further bother, referrals to individual parties are not allowed (market forces) and privacy is a top priority for the banks. In the area of trustworthiness, intimacy plays an important part by acting openly and transparently, which is not always possible due to specific requirements. For the banks, a number of problems concerning information distribution are being examined:

Technological limitations

- **Lack of integrated system**: Banks are not allowed to simply pass on data to other external parties, which all 8 interviews see as a challenge. There is currently no system in the Netherlands to collect and process all data from SMEs for the best financing solution. This compatibility ensures that information cannot be shared seamlessly. Banks must handle customer data carefully and this is stored in data silos, which prevents access and sharing with external parties.
- **Cybersecurity concerns**: Cybersecurity is essential for banking financiers, which must be handled very strictly. There is a great fear of cyberattacks and data leaks, especially with regard to the topic of information sharing. In all eight interviews, it is about 'strict' and 'careful' handling of data and sharing. To ensure security during data transfer and storage, robust cybersecurity

measures are needed, which can be expensive and complex to implement. These concerns can lead to banks being reluctant to collaborate in any way.

Data standardization issues:

- **Lack of common standards**: At the beginning of all eight interviews, some specific information about the financing process of the banks is requested. Looking at the type of financing and which criteria they look at when applying for financing. It is noticeable that this differs between the two sectors. Nowadays, banks mainly look at the maturity of the organization, the financial stability and the risk in a credit assessment. With non-bank financiers, you see them active in every phase of a company and they often find the person or the story behind the idea more decisive. These inconsistent data formats and standards make it more difficult to share information accurately with each other. This means that a more general data aggregation must be collected in order to provide all sectors with the correct data about information sharing.
- **Quality of data**: For banks, the quality of the company data is very important to arrive at an accurate and complete analysis. For starters and small businesses this is difficult (forecasts, what do you base them on?) and for other companies it can be disadvantageous (negative figures, little future). It is essential that this data is carefully monitored to prevent incorrect judgements and decisions. The relevance (quality) of the data also decreases over time. The assessments must therefore be processed quickly in order to arrive at a good decision about referral or financing. Banks do not and may not take any risks in this, which often leads to a negative credit assessment in recent years. In five interviews it is said that they must actively help (e.g.): "If we are not funding something, we are obliged to explain to that customer why we are not funding".

Confidentiality concerns:

- **Privacy regulation (GDPR/AVG):** When sharing business data, the General Data Protection Regulation (GDPR) quickly came to the fore, as was also reflected in the regulations. GDPR is the new European privacy law and provides more rights for consumers, whereby organizations must handle your (digital) personal data more responsibly and carefully and also inform you properly about this. According to all eight interviews, this restriction leads to a very cautious approach for banks to sharing information, because violating this regulation can lead to high fines. Effective mutual cooperation is hampered when referring or sharing data.
- **Customer consent:** In four out of eight interviews it is stated that sharing data lies with the customer, which gives them additional rights. They can use access, correction, deletion, restriction, portability and objection according to the GDPR. Therefore, explicit consent from the customer is required to share information (collaboration/increasing trust). This can be a nice way out for banks, but this process is also time-consuming and can be cumbersome. It also creates an additional administrative burden to manage the correct consent and transfer of data every time.

There are **strict requirements** for banks to pass on information or refer. There are technological limitations due to *no national system* and *dangers of cyber-attacks*. *Various data is requested* by parties or there is *too little data available from SMEs*. In addition, there is the *GDPR* and the *importance of customer consent*. Finally, trust (TE) is limited because information cannot be treated openly and transparently, which leads to lower intimacy.

5.3: Non-banking sector

Seven interviews were held with the non-banking parties. This concerns parties that provide financing or advice to entrepreneurs who do not have a banking license. Interviews were held with Collin Crowdfund, Qredits (2x), Qeld, Credion, the SME Finance Foundation (the umbrella branch for non-banking institutions) and the 'Ministerie van Economische Zaken en Klimaat' (Ministry of Economic Affairs and Climate). An overview of the interviews is provided in Table 8. Four overarching themes emerged from the transcription and coding with a variety of different categories. The results of the coding can be found in 'Appendix 4: Coding interviews with bank and non-banking'.

Table 8: Overview of interviews with non-banks

Abbreviation (Abb.)	Duration of interview	Gender	Company	Function
IP1	40m 56s (recording)	Men	Collin Crowdfund	Sales Manager
IP2	32m 28s (recording)	Women	Qredits	Business Advisor
IP3	37m 9s (recording)	Men	Qredits	Commercial Director
IP4	30M 56s (recording)	Men	Qeld	Countrymanager NL
IP5	55m 26s (recording)	Men	Stichting MKB Financiering	Chairman
IP6	33m 30s (recording)	Men	Credion	Directeur Franchise NL
IP7	27m 3s (recording)	Men	MinEZK	Policy Advisor SME

5.3.1: Current State of Collaboration

Non-bank financiers have been an indispensable part of the financing world for entrepreneurs since their emergence. In order to create a good financing climate for SME companies in the Netherlands, cooperation with banks (traditional financing) is of great importance. Table 9 provides an overview of the answers regarding the current state of cooperation between both sectors:

Table 9: Answers to questions about the current state of collaboration (non-banks)

Questions about the 'Current state of collaboration'	
Abb.:	**Answers:**
IP1	"So, there have been a lot of efforts in that. Over the past 10 years, with all the major banks in the Netherlands at all sorts of levels within those banks. Yes, to come to the table afterwards to set up partnerships to talk about joint financing."
IP2	"We have very close cooperation with a bank, which is also newly launched and that's basically it. The bank wanted to do more business financing, but they can't do everything themselves. So, they do a lot of referrals to our really warm leads."
IP3	"We do many collaborations with banks and were created complementary to and with the support of the major banks. The banks are actually happy with it too, because then they can refer that small stuff and at least we have an alternative. That cooperation is actually still there. They still refer many customers to us, both online and in advisory meetings."
IP4	"No, the collaboration is actually not there. The only collaboration we have done is for that brand. We did collaborate with SME Foundation, but nothing else."
IP5	"Collaboration is very limited, regardless of the party emerging from banks. There is limited trust and cooperation, and limited capacity internally within banks to invest in it."
IP6	"I think there is little cooperation between banks and non-banks. In fact, If I sit with the banks and I mention some non-bank parties, they have never heard of them. Well, they are becoming more and more accepted. They used to be called alternative parties that has been taken away now too."
IP7	"There is cooperation in itself, but they have opposite interests. They can also complement each other with stack financing or things like that, but basically, I think traditional banking parties just want to extend credit. And if they can't do that with a non-banking party, they will do it themselves. They do sit around the table with each other, there are now incentives to refer. There are codes of conduct, the funding market works together. So, they really do have points where they work together and do their best."

Five of the seven interviews show that the collaboration is not at the desired level as the non-banking financiers would like. The other 2 interviews, both with Qredits, describe it as a good, close collaboration with many referrals. This shows that this varies greatly per organization or financier and that there is therefore no clear collaboration, but more at a personal level (e.g., previous working relationships). There is no structured hub to carry out the collaboration, there are many rules attached to it and it is mainly collaboration based on intentions (reliability on the TE formula) which does not work nationwide in practice. Banks make agreements, but cannot keep them because they often remain regional, according to the non-bank interviewees. Non-banking parties believe that they do make attempts to collaborate, but that there are many conflicting interests with the banking sector. However, all seven interviews show that there is mutual discussion and that initiatives have been and are being set up. The challenges, in short, that emerge in the non-banking sector are issues with trust, regulation barriers and information sharing and referrals, which will be discussed in the following sub-chapters.

5.3.2: Factors Influencing Trust

Non-bank financiers do not (yet) have the right level of trust (credibility, reliability, integrity and self-orientation) in the collaboration. There is a demand for more synergy between both sectors in order to be able to offer more financing to the entrepreneur. This section examines the factors that influence this trust. An overview of the answers can be found in Table 10:

Table 10: Answers to questions about the factors that influencing trust (non-banks)

Questions about the 'Factors influencing trust'	
Abb.:	**Answers in summary:**
IP1	"I think there is enough trust from us, but from the banks a little less and more fear in cooperation. Official cooperation agreements have been signed with several banks, but basically, it's all about intentions. So good intentions of cooperation, but in the end, when all is said and done, you see that from compliance and laws and regulations and a bit of prudence that ultimately little of that comes in practice."
IP2	"Our biggest concern is actually those crooks in the market at our non-banking sector. We are tapped as a non-banking institution with SME Finance Foundation. We have a seal of approval and even some we have the European code of good conduct. We want ethical financing in that, so we really have a code for that which we are tested every year to see if we are allowed to pass that. So that makes us just want to finance honestly and ethically. Compared to other parties who just lend money to earn a lot of money back."
IP3	"You increasingly see a shift from banking to non-banking financing. If you fall under one banking license, we have to meet those requirements that go very far. That sometimes makes banks anxious about who they do business with. They are financiers who are simply bad for the customer, because they provide financing with the aim of making a return. They present it nicely, it is fast and slick, but in the end, there is an investor behind it who wants to see money and the customer notices that. The problem is that many customers have no idea. They think: 'Oh, that is nice and fast, within 24 or 48 hours I have money.' But they read the contracts poorly and are stuck with a loan with a term of six months or a year with an interest rate of 40-50% if you add everything up. And they simply have no idea."
IP4	"The biggest challenge, which can influence trust, in the Netherlands is the public information that is available. In Sweden or Finland, a lot of public information is available, such as tax returns of sole proprietorships. Here we have to request that information from the entrepreneur, which takes a lot of time. We would like to see a technical solution from the government, such as a public credit register that is accessible to certain institutions."
IP5	"Our role has always been to build trust in the ecosystem by bringing parties together, for example through meetings or dinners with CEOs of different parties. The covenant is a neutral agreement. The challenge now is to ensure that these elements are actually implemented and thus increase mutual trust."
IP6	"I dare not say whether banks really distrust non-banking parties. They do look at the financiers in a certain way, especially the parties that really ask for interest. They have an opinion about that, but I do not think there are many crazy things in it. I think that something is gaining insight into each other's activities. And it is also just seeking each other out, right. So not avoiding each other, but also just being open to the unknown."
IP7	"Often former bank employees are involved with non-bank financiers, which increases trust. If a party can attract a million in funding, that does create trust."

Non-bank financiers are increasingly becoming crucial players in the SME financing landscape, offering flexible and innovative solutions. However, building trust with the banks remains a major challenge, because there is little cooperation between the two parties. Due to this growth in the financing landscape by non-bank financiers, it also takes a lot of time to get used to this change and development. In all seven interviews with non-bank financiers there are several factors that influence their ability to gain trust from traditional banking institutions and improve mutual trust:

- **New financing options:** The theoretical framework looked at alternative solutions for SMEs outside the traditional bank method. The following financing options emerged: Angel Investors, Crowdfunding, Factoring, Leasing and Credits & Loans. Four of the non-bank financiers saying at the specific information of the interviews that these are 'additional' options to solve the gaps in SME financing. They can offer tailor-made and flexible financing solutions that banks are currently unable to provide. They indicate that their agility and innovative mentality are crucial strengths. For example, non-bank financiers often provide short-term loans or niche financial products that target specific sectors or business models, demonstrate their adaptability and responsiveness.
- **Reaction to the banks:** Four of the seven interviews show that banks still believe that non-bank financiers are unprofessional or not mature enough (also in Table 8), according to the non-bank employees. Non-bank interviewees think this is unjustified, as they certainly believe that they have the professionalism and market knowledge (credibility), can play a part in filling the gap in financing and are therefore trustworthy. There is a great demand from a specific sector (mainly start-ups) from the SME world about what gap they can fill. For example, non-bank financiers often offer faster turnaround times and more flexible terms than traditional banks, meeting specific SME needs that banks may overlook. Many employees have a history with the bank and left because of its limited customer focus and national action. This is what non-bank financiers hope to bring back to the market. An innovative and customer-oriented approach is often mentioned in the interviews. They believe that banks should recognize this, which can ultimately benefit them. They can keep their accounts with the bank, the non-bank financiers take the risk (in the first phase) and later they can still return to the bank. So much more recognition is needed to grow trust and ultimately work better together.
- **Efforts to build trust:** Each individual non-bank financier would like to be in direct contact with the bank and receive a referral for financing. That proves difficult, there are many organizations, and it depends on intentions and personal relationships. However, it is clear in five interviews that they advocate creating a structured cooperation framework that includes clear guidelines and appointments (reliability), mutual respect and a focus on the best interests of SMEs. This refers to the financing hub or independent advisors. Other non-bank parties, who are more characterized by their focus on the profit feature, are less involved (no contact for research) and rely on their own business model. They score lower for trustworthiness because of their high self-orientation.

For non-bank financiers it is a **big challenge to gain trust** from banks. With so many *different, new financing solutions* it is difficult to gain trust together, because the banks often still react with the idea of *unprofessional and not mature*. While they think they have the <u>credibility</u> (market knowledge) to solve a gap in financing. Attempts to gain trust are difficult and are often only on *intentions* where agreements (<u>intimacy</u>) are made that cannot be executed by the banks. The differences between non-bank financiers are large. The financiers who go purely for profit are less reliable due to a high <u>self-orientation</u>.

5.3.3: Regulatory Environment

Non-banking financiers were established without the strict requirements and regulations that banks are created by. In this topic, non-banking institutions are asked which regulations they are bound to and what the difference is with the bank. The answers, in summary, are shown in Table 11:

Table 11: Answers to questions about the regulatory environment (non-banks)

Questions about the 'Regulatory environment'	
Abb.:	**Answers in summary:**
IP1	"Look, every crowdfunding party we have to deal with the crowdfunding license from the AFM, European Crowdfunding Service Providers Regulation (ECSP). The bank then has to deal with the banking license."
IP2	"We are not a bank, so we do not fall under the banking license. But we are a foundation that originated from a bank, so we are also bound by rules, but not so strict. We can actually do our own thing, so actually, just like any other company, we must simply comply with the declaration, which is normal for everyone."
IP3	"In any case, the protection of the consumer's privacy must be ensured. You will have to do this carefully by having customers give permission and drawing up good privacy statements. But I don't find organizing that so exciting. As long as the customer has demonstrably given permission for his file to be transferred to another party, I don't see any problems there. Of course, you do have to deal with data security. If you create an online street in which you move data back and forth, it simply has to be well secured. Not every non-bank financier can organize that, for smaller parties these are significant investments. We have to deal with the Wwft (Prevention of Money Laundering and Terrorist Financing Act). Banks have to put a lot of effort and money into ensuring that they do business with the right customers. Every customer must be checked for suspicious transactions, cash transactions, black money and incorrect money flows. We have the European Code of Good Conduct. This is a four-yearly recognition in which research is conducted into the process management in your organization. This concerns separation of duties, data handling and all facets in a company like ours. We need this to be able to use European guarantees and funding. That is a heavy requirement, and it also includes ethical behavior. For example, it says how you deal with customers. This comes more from the necessity to use European guarantees. For every loan, if it goes wrong, we can fall back on a claim with Europe, and then you have to comply with those rules."
IP4	Privacy legislation does get in our way. I understand that not everyone wants to share their data, but a certain code of conduct that gives you access to important company data would be useful. Sometimes you discover that a company had large debts, especially with the Tax Authorities. With the NOW scheme during covid, such things often come to the surface."
IP5	"Stichting MKB Financiering has a similar code of conduct for the non-banking sector. We have introduced self-regulation, which is similar to banks."
IP6	"Our advisors are also certified with an EFM quality mark (Certified SME Financing Advisor), which is supported by the SME Financing Foundation. We are the largest club with certified advisors. Technically, we are not allowed to just send emails from a GDPR perspective, and we need the customer's permission to do so, but I think that is logical, so in itself that does not benefit us and not in the collaboration."
IP7	"Access to data, mainly. For a BMKB you need all kinds of permits that banks have, but non-banking parties don't. So, they are not allowed to use certain instruments."

Regulations have a major impact on the actions of a bank with strict supervision and the safeguarding of financial stability. This is different for non-banking institutions, despite the fact that there are many differences between parties. On the one hand, there are financiers that have emerged to 'independently' select the best financing solution for a company (think of a Credion or Qredits), on the other hand, there are financiers that have emerged with a clear profit motive (short loans without few requirements with high interest rates). However, all financiers have more freedom to act as they wish, just like a normal organization. They are not subject to strict supervision or regulations from national or European authorities. Of course, they must be financially healthy, just like all other companies. The interviews show that non-banking financiers must pay attention to:

<u>Regulations:</u>

- **Milder regulations:** When comparing the fifteen interviews between banks and non-bank parties, you hear everywhere that non-bank financiers can trade more easily under less strict regulatory frameworks. This makes them more flexible in customer engagement and offering financing solutions. On the TE formula they are less attached to rules, which makes it easier for them to make agreements and have a high level of reliability. In five of the seven interviews you hear that they are monitored by the AFM, European and national regulation, for example the

WWFT (which banks also have to deal with). But there is indeed less accountability and rules associated with this financing method, which allows non-bank financiers to easily innovate and adapt to the needs of entrepreneurs in the market, which is also reflected in the interviews.

- **Regulatory challenges:** The challenge that emerges from the seven interviews is that there is no standardized regulatory framework and supervision for non-banking institutions. As a result, there are many differences in financing practices, leading to inconsistent implementation and operational standards, which can hinder cooperation with banks, but also with each other. This is often reflected in the behavior of banks. There is too much difference between non-banking institutions, which is why this is often seen as a risk. This complicates trust and cooperation. SME Finance Foundation, which tries to act as an umbrella organization for non-banking financiers, says it is working on a 'code of conduct', which can be a first step.

Compliance:

- **General compliance:** Due to the many different non-banking institutions, there is little standardized compliance for the entire sector. For example, the five interviews with real non-banking financiers show that there is supervision by a 'European Code of Good Conduct' (a quality mark that examines the process management in your organization every four years) and a national code. In the Netherlands, for example, a code of conduct has been drawn up by the SME Finance Foundation (which IP5 also explains) for the non-banking sector with self-regulation for all companies to increase trust and professional standards within the non-banking sector. Furthermore, there are regulations/frameworks that are monitored, but are not comparable to the strictness of supervision at banks.
- **Specific compliance:** An example from an interview with a crowdfunding organization is the European Crowdfunding Service Providers Regulation (ECSP), a regulatory framework specific to all crowdfunding platforms. This is also available for venture capital with the European Venture Capital Funds (EUVECA). The ultimate goal is to provide investors with more protection and transparency. These are examples for a specific sector but can be a step (per sector) towards increasing the credibility of non-bank financiers and promoting cooperation.

Non-bank financiers are subject to **milder regulations and supervision**. This allows them to gain trust by scoring high on <u>reliability</u> and making agreements more easily. They are subject to the *AFM, European and national guidelines* (depending on the sector). SME Finance Foundation is working on a *'Code of Conduct'* to increase confidence in the financial world.

5.3.4: Information Sharing

The exchange of information and referrals is crucial for non-bank financiers, because entrepreneurs often approach the bank first. In this topic, the cooperation/trust between them is examined and what the possibilities are within the frameworks. Table 12 shows the results of the interviews:

Table 12: Answers to questions about information sharing (non-banks)

Questions about the 'Information sharing'	
Abb.:	**Answers in summary:**
IP1	"A referral has to go through 40 different levels at the bank through Compliance. Because is that technically okay and is the bank allowed to share the entrepreneur's data with is? No, that is not allowed. Okay, how are you going to make that transfer happen? Yes, an entrepreneur has to do that on his own. I think it is the case, for example, in England, where they are a few years ahead of us. I think it is stated in the law that if banks cannot finance, they are obliged to refer."
IP2	"When sharing information, the GDPR comes into play. Of course, I can't share everything, and neither can they. So, then you have to have permission from the customers, so I always do that. Think back and forth with the bank, but that is very sensitive information. So that also means that we can't and may not share everything with each other."
IP3	"As long as the client has demonstrably given permission for his file to be transferred to a subsequent party, I see no problems there. Of course, you do have to deal with data security."
IP4	"The biggest challenge in the Netherlands is the public information that is available. We would like to see a technical solution from the government, such as a public credit register that is accessible to certain institutions."

IP5	"The bank still refers many customers to us, both online and in advisory meetings. In the Netherlands, we do not have a credit register, which means there is little clarity about outstanding credits and payment morality. We would like to see a technical solution from the government. The same applies to referral agreements within the covenant. If you delve deeper into that, you can make agreements about joint financing and create templates for that that are useful for all parties."
IP6	"We have our own CRM and therefore our own workflow tool, which contains information for each financier. How they want to be financed and how they want to finance. So, all the modalities are with us in the systems that are known to our advisors, so we know exactly which parties should go for what. And financiers can also simply adjust and update that information online with us. Now we are still adjusting the request in the system ourselves, but we will soon have a product engine that is simply open to all financiers to correctly display their own information in it. Of course, it is only accessible to our advisors and to us the moment they have their application. But we are very open in that sense in discussions with our financiers. Yes, that is always with the permission of the customer."
IP7	"What I get from the non-banking parties is that referring is still exciting, because you have a duty of care as a bank. If a bank thinks that a non-banking party is not completely in order, then they may not do that in the context of that duty of care. But I think they have agreed that they will refer, so that is only positive."

All seven interviews show that sharing information and referring causes problems and challenges. This reduces intimacy and trustworthiness (TE formula), as open and transformational information cannot always be shared. The differences between non-banking financiers also result in very different starting points regarding sharing data. The current barriers are as follows:

Technological limitations

- **Lack of integrated system**: In five of the seven interviews, the lack of an integrated system is immediately discussed. A referral must go through all kinds of levels, the GDPR plays an important role, there is no register and there are own systems (which must be updated and adjusted all the time) are among the things you hear in the interviews. There is currently no system in the Netherlands to collect and process all data from SMEs for the best financing solution. Where you do hear that everyone is curious about the financing hub that is now located at the Chamber of Commerce. This is also one of the 4 important topics in the agreement, the financing hub in the Netherlands: "Via this hub, entrepreneurs can find a central overview of recognized financiers and advisors and of all forms of financing. In order to increase the chance of financing for entrepreneurs, financiers and advisors agree on a procedure for mutual referrals (of course always with the permission of the customer). This may involve referral to another financier, a financing advisor or the hub. [26]" In an interview (IP1), the example is given of the 'British Business Bank' which is trying to improve the financing market for SMEs (which interviewees also want in the Netherlands). It is not an official bank, but their goal is: "We create the opportunity for smaller businesses to invest and grow, which creates additional jobs and economic activity[27]".

Data standardization issues:

- **Lack of common standards**: When asking for the specific information, you notice a lot of difference in the credit assessment. The financiers have different approaches regarding criteria, providing documents and support. Some of the parties accept most applications with high interest rates and fast repayment, other parties clearly look at the entrepreneur and try to grow together and there are parties that look more strictly at the company and figures to assess financing. In four interviews, it is also about the differences in data, no public information and the long process. These inconsistent data formats and standards make it more difficult to share information accurately with each other. This means that a more general data aggregation must be collected to provide all sectors with the correct information about sharing information.
- **Speed of data distribution**: Compared to banks, non-bank financiers look much less at the figures. Just as banks make an accurate and complete analysis, you notice from three interviews

[26] https://www.rijksoverheid.nl/documenten/publicaties/2023/11/16/nationaal-convenant-mkb-financiering
[27] https://www.trendsinmkbfinanciering.nl/financieringshub-is-eerste-stap-voor-transformatie-mkb-financieringslandschap/#:~:text=In%20het%20VK%20is%20gestart,keuze%20is%20gekomen%20voor%20ondernemers.

with non-banking parties that there is more benefit from speed and that data is also passed on quickly. So instead of looking at the quality of the data, they benefit more from a quick referral.

Confidentiality concerns:

- **Privacy and faster data sharing:** In five interviews, the consent of customers is immediately mentioned when distributing information. The General Data Protection Regulation (GDPR), the European privacy law, is also discussed in interviews for this purpose. This is also explained at the banks and is considered an obstacle to faster and easier cooperation. Four non-bank financiers indicate in the interviews that they would like to see additional steps taken to disseminate information more quickly, of course with the consent of the customer. Banks are actually similar in this respect, which means that trust between both parties can grow with a suitable technical solution (currently being worked on).

Non-banking institutions have **many problems** with the current way of referring and sharing information. They advocate an *integrated system* throughout the Netherlands (as a financing hub), there is *no standardized data*, *distributing data* takes a lot of time and *privacy regulations* offer many problems for non-banking financiers. Trust is reduced by intimacy in open and transparent dealings.

5.4: Bank vs Non-Bank Analysis

The current level of cooperation between banking and non-banking institutions for the financing of SMEs in the Netherlands can be described as **very limited and inconsistent**, according to eleven out of fifteen interviews. All fifteen interviews with both parties admit that there are several problems and discussions to the cooperation between both sections. The limited cooperation is mainly due to *mutual trust*, *regulations* and the *sharing of customer information*.

All fifteen interviews indicate that there are significant challenges in the cooperation and trust between banks and non-bank financiers in the Dutch SME sector. These factors that underlie trust are mainly due **to differences in financing options, mutual recognition, professionalism, market knowledge and public statements**. In eleven out of the fifteen interviews the different financing options for SMEs causes problems, because everyone has their own interests, wants their share and gets in the way of others. Also, all eight interviews with banks say that the mutual difference between non-bank institutions gives challenges. Banks emphasize their strict risk assessment and professionalism to ensure financial stability, which can clash with the approach of non-bank financiers. Six of the eight interviews with banks see non-bank institutions as immature and risky, which does not promote cooperation. In two interviews banks feel treated negatively in the media by the non-banking sector, which further damages cooperation. The non-banking sector provides an important part of the SME financing that was in high demand by entrepreneurs with the flexibility and customer focus that they can create, especially for start-ups. Four of the seven non-bank interviews say they can offer innovative and flexible financing solutions. However, there is a clear difference in the interests of non-banking parties, some with a very clear profit motive, other parties also for the best financing environment for SMEs. For the latter group, there is a clear need for structured collaboration with clear guidelines and mutual respect. Mutual recognition, respect and cooperation are essential to bridge the gap between banks and non-bank financiers and to better serve the Dutch SME sector.

All fifteen interviews agree that regulatory policies and frameworks have a **major effect** on the cooperation between banking and non-bank financiers, mainly due to **the different licensing, regulations and compliance for both institutions**. Banks must operate under stricter regulations, including obtaining and trading with a banking license through the European Central Bank, the protection of customer data (GDPR), compliance with Basel III, the guidelines of the European Banking Authority and considering Dutch laws (such as the Dutch Competition Act and the Financial Supervision Act) according to seven out of eight interviews. For banks, this ensures financial stability and customer protection, but it also imposes operational restrictions on trading. This makes it difficult to think along with SMEs to apply innovative and flexible financing solutions. It is also difficult, for example, to enter stack financing with non-bank financiers, because sharing risks is difficult. In contrast, the seven interviews with non-bank institutions says that financiers operate under many softer regulatory frameworks, giving them greater flexibility in dealing with customers and developing financing solutions. The needs of the business can be quickly responded to, and personal coaching and support can be offered. The challenges mainly lie in the mutual differences between companies (profit, type of sector, independence) and the standardized regulatory frameworks. This makes collaboration between both sectors difficult and often results in personal relationships and mistrust. Initiatives have been launched in the non-banking sector. This includes the European Code of Good Conduct (quality mark), the Dutch code of conduct and specific regulatory frameworks for sectors (for example for crowdfunding). The aim is to standardize business operations and thus increase confidence towards (for example) banks.

Barriers related to information sharing **significantly impede** collaboration between banks and non-bank financiers in the Dutch SME sector, comes from all fifteen interviews. The interview revealed that **technological limitations** with no integrated system and concerns about cybersecurity (comes back in thirteen interviews), **data standardization issues** whereby no fixed standards and appropriate data quality (comes back in eight interviews) and **confidentiality concerns** like the GDPR and customer consent (comes back in nine interviews) are major barriers that need to be addressed. These barriers have a major impact on collaboration, because there is little mutual communication about company data, and it is therefore more difficult to make referrals. This means that no direct collaboration is created, and it is up to the entrepreneur to re-establish contact with a financier. In order to effectively transfer information, there is often talk of a transparent financing hub where the appropriate financing solution can be found for SMEs.

In order to apply the 'Trust Equation' formula, we look at how <u>trustworthiness</u> is applied in the collaboration between the banking and non-banking sectors. <u>Credibility</u> is about expertise and knowledge, which banks sometimes have doubts about (unprofessional/not mature), which reduces trust. Non-banking financiers think that they do have this knowledge and are therefore confidential. <u>Realibility</u> is about fulfilling agreements. Banks find it more difficult to enter into agreements due to strict regulations, while non-banking financiers can act and enter into agreements much more flexibly. These differences prevent trust from being built up further, because agreements often remain intentions. <u>Intimacy</u> comes to the fore when referring and sharing information, because this does not always allow you to communicate openly and transparently. This is a limitation in trust for both sectors. <u>Self-orientation</u> is reduced by mutual competition, such as banks that find the rise of non-banking financiers difficult and non-banking financiers to gain their market share. In addition, there is a great deal of difference in non-bank financiers. Organizations that are out for a lot of profit are very self-oriented in the cooperation to make better financing possible, while more independent financiers are much less self-oriented and therefore more reliable according to the formula.

The results from the interviews with banking and non-banking institutions can be verified with the SMEs. This is carried out in ‘5.5: Verifying challenges and obstacles’.

5.5: Verifying challenges and obstacles

To answer the sub-question, the challenges and obstacles surrounding cooperation between the banking and non-banking sectors had to be translated. The challenges/obstacles that emerged from the literature and was included during the interviews are:

- **Limited collaboration**: Mutual cooperation between banking and non-banking institutions for SME financing is limited and inconsistent. Entrepreneurs may notice this due to limited referral and perhaps not all knowledge/confidence in the other party.
- **Issues with trust**: There is little mutual trust and entrepreneurs can see this during negotiations with both sectors. Banks often find non-bank financiers risky or immature, while non-bank institutions feel undervalued and believe they can fill an important gap in SME financing.
- **Regulatory barriers**: Banks operate under stricter supervision and rules compared to non-bank financiers. Entrepreneurs can see this in the behavior of both parties in the form of flexibility, risk, stability and financing options.
- **Information exchange**: Very little information is allowed and is exchanged between the banking and non-banking sectors, mainly due to no integrated system with all the correct data and privacy rules in the Netherlands and Europe. The question for entrepreneurs is how banks and non-bank parties deal with this, for example if they cannot provide any or part of the financing.

Based on the interviews with the banking and non-banking sector and the analysis thereof, there was a view how SME entrepreneurs examine this. There was a look at organizations that have recently (last three years) had contact with both banking and non-banking financiers for information about financing or advice for their organization. It is about a first, exploratory, practical impression on the entrepreneurs. Due to the rise of non-bank financiers, a lot is also changing for the entrepreneurs, which makes it interesting to perform a first verification for this. An overview of the interviews can be found in Table 13.

Table 13: Overview of interviews with SMEs

Abbreviation (Abb.)	Duration of interview	Gender	Company	Function
IP1	13m 21s	Men	Eventlocks	Owner
IP2	12m 43s	Men	VG Motocycles	Owner
IP3	12m 08s	Men	Etos	Manager

From these interviews three dimensions were emerged with multiple categories to summarize. The results of these interviews can be found in 'Appendix 6: Coding interviews with SMEs' and the most important codes are used below the table. Questions were mainly asked about the entrepreneur and his organization, what financing they have done (in the past and now), what experiences they have had with both sectors and a broad overview of the financing challenges for SMEs. Table 14 shows the answers from the interview.

Table 14: Answers to questions about verifying challenges and obstacles.

Questions about to 'Verify challenges and obstacles'	
Abb.:	**Answers in summary:**
IP1	"Banks often want an extreme amount of certainty or a certain collateral to finance. The banks actually refuse to look at our plan (as starters) immediately, because according to them there is too much risk involved and they want to remain financially stable. Even if the risk is small, they still say no. Even our parents who would stand surety, could not help. We both have an income, but they still say no immediately. Rabobank was polite and referred us to try other financiers such as Qredits. For example at Qredits, we were able to show our plan and they thought along with us, that was great. We also looked at Bridgefund, but the interest rates are higher there. Qredits is a foundation, which gives confidence because they do not necessarily want to make a profit. Bridgefund is really out to make money, but if you need financing quickly, you can go there. First, we have to pay off this loan. We hope to borrow from a bank then.

	Maybe an idea for a special fund for starting entrepreneurs so that they get a chance.”
IP2	“So much has changed in the last 35 years. I once took out a loan from the bank. And I had to deal with the bank manager himself. And I told my story there and presented a business plan. And you say I like this; we're just going to finance it. Done. Nowadays they just keep needing figures and collateral. Because, at the moment, in my experience, you can better go to the bank and say I need 20 or 50 million, then say I need a loan of 50,000 euros. And they also benefit greatly from collateral, a machine or business premises for example. As long as they have collateral, they even asked for my own house. The bank eventually referred me to different non-bank financiers and directly to Qredits because of a personal relationship. They talk in a completely different way than a bank, in my experience. They listen to the story. They look at which entrepreneur is behind it. Look, it's a small loan and the interest rate is certainly not low. It's 9.5 percent, so I think that's quite reasonable. But yeah, I'm like, so be it.”
IP3	“When it became more concrete in the middle of last year in the discussions with the banks, it was clear that they would actually only finance if you had your own property. For example, Rabobank said: "We would be happy to finance, but then you have to come to us with everything. I didn't want that, because I have good conditions with SNS, also on my house and other property." Then the local franchise said that I should try it at other financiers because there are so many nowadays. To Qredits there was a cold referral from the local franchise. The contact was easy and fast, actually only praise for that. There they said: income tax, turnover forecast, a business plan. Initially I just submitted the annual figures, income tax, WOZ values of the properties. The local SNS bank, also a franchise, said no problem based on these figures. Bridgefund for example. You just send your current account details there and the next day you have an agreement for your financing, but then it has to be returned within two years.”

To verify the challenges and obstacles by examining the experiences of SME entrepreneurs, interviews were conducted with entrepreneurs who have recently (within the past three years) turned to both bank and non-bank financiers for financing. However, this does mean that this mainly concerns starting or smaller entrepreneurs, as large entrepreneurs (with securities/collateral) often turn to the bank because that is where the cheapest money is available. The results that emerged from this are:

Challenges at banks:

- **Strict requirements and collateral:** During the interviews it emerged that financing from banks is almost impossible when you want to start. Banks will then reject you very quickly, even if you have been in the profession for a longer period of time but have no collateral. In the interviews it was sometimes said: "At the moment, my experience is that it is better to go to the bank for 20 or 50 million than for a loan of 50,000 euros." Another example was a starter who wanted to borrow an amount with his own capital and a guarantee from the parents to have enough financing for the project, but this also offered too little security for banks. Under the new rules, banks are now making high demands on loans to maintain collateral and guarantees. Starting entrepreneurs will experience the problems of this due to no extensive financial history or assets while mature companies can much more often be helped by the banks.
- **Impersonal approach:** The interviews show that banks reject very quickly and clearly, even if you have a good story or had very good contacts and agreements with the bank in the past. There have been clear changes in the structure, which have also made the approach much less personal. The entrepreneurs also notice this in their conversations with non-bank financiers who simply see their opportunity in the personal approach and help with investments. This is what entrepreneurs really miss at the bank and want help with their specific situations and ambitions. Now it is very bureaucratic and there is a strong emphasis on numbers and not so much on the entrepreneur himself.

Different approach at non-bank financiers:

- **Accessibility and flexibility**: As discussed in the previous results, non-bank financiers are much freer to act and responsive to the market, which makes them much more accessible and flexible in terms of financing. Entrepreneurs often try the bank first (borrowing at the lowest interest rate) before turning to non-bank financiers. What they then find, according to the interviews, is that specific needs can be easily met, and they are more willing to talk face-to-face. This is often about the business model and forecasts, but also about what kind of entrepreneur they are and how non-bank institutions can best support them to make the most of it.
- **Faster processes and actions**: While banks are often still stuck with figures and formulas, it is often less bureaucratic and faster for non-bank financiers. Entrepreneurs like this because they

don't turn to a bank for nothing. They either feel like getting started or have a temporary problem that needs to be financed quickly. The process for non-bank financiers is more efficient and easier to obtain the necessary financier. At that moment they accept the higher interest rates, because they expect that they can easily pay them back later. On the other hand, it is also about finding the right party. Entrepreneurs also noticed that with some financier's short loans and quick actions led to enormous interest rates, which was too much for them.

<u>Collaboration and referral:</u>

- The interviews show that banks are quick to reject, but often take the time to provide brief advice. This is often a verbal referral to another financing solution and often based on a personal relationship with someone known from the financial world. There are therefore limitations in direct collaboration between banks and non-bank financiers, but this form of referral shows some degree of cooperation and recognition of non-bank financiers. Banks often require entrepreneurs to keep both business and private accounts, so they have an interest in correct referral. Entrepreneurs also looked for financing solutions themselves, but often found this difficult due to the many options and choices available to them. Online you cannot always see where you can get the right help and whether there are any complications with financing. According to entrepreneurs, an opportunity to show your story and financial figures would be a nice solution to support SMEs. In the long term, more collaborations may also take place, for example by first borrowing from non-bank financiers and later perhaps looking for a combination with a bank.

The current challenges and obstacles faced by banks and non-bank financiers correspond to some extent with the experiences and perceptions of SMEs seeking financing. Many points from the research are also **recognized by entrepreneurs**. However, entrepreneurs who have had contact with both sectors have been interviewed, so you often talk about start-up or smaller companies compared to mature companies that can often easily borrow from the bank (with collateral).
The challenges/obstacles lay in the limited cooperation, the issues with trust, the barriers regarding regulations and the information exchange. These questions were asked to the entrepreneurs, which revealed that there are challenges at the bank in obtaining financing, a different approach is used by non-bank financiers and that there is some degree of cooperation/referral. The challenges at banks are due to the strict supervision, rules and collateral, which means that entrepreneurs are quickly rejected with their story. In addition, they now find the approach very impersonal and mainly focused on figures. Non-bank financiers' approach this differently and have less strict supervision, so that entrepreneurs can be helped very quickly with different financing solutions that meet their needs. However, they did notice that there is a lot of difference between the different parties regarding loans. Finally, entrepreneurs noticed that banks still have an interest in maintaining private and business accounts, so they look at what options there are for entrepreneurs to obtain financing. So, no direct collaboration, but helpful in alternatives.

6: Discussion and conclusion

After discussing the results of the sub-questions from the research, this chapter examines the key findings, the answer to the main question, the practical implications, the limitations to the research and future research.

6.1: Key Findings:

The main conclusions from the interviews arise from the various sub-questions:

- *Current State of Collaboration:* Current collaboration is limited and inconsistent. Discussions are ongoing, but currently it remains stuck on intentions and personal contacts. The covenant is a first step towards recognising potential benefits, but there are more implementations needed.
- *Factors Influencing Trust:* There is still a lack of trust and mutual blame. This is mainly due to the 'relatively new' emergence of non-bank financiers, competition in financing solutions, different regulations and perceived risks associated with information sharing.
- *Regulatory Environment:* Cooperation and mutual trust are also largely hampered by the regulatory frameworks and in particular the difference for both parties. Banks (with a banking license) are subject to stricter regulations, among other things, to remain financially stable and to act risk averse. Furthermore, there are European and national regulations and supervisions that keep an eye on banks. Non-bank financiers can act faster and more flexibly, which limits the cooperation efforts. However, rules and supervision, such as a 'Code of Good Conduct' are being developed to prevent non-bank financiers from being completely free (and financing with risk).
- *Information Sharing:* The sharing of information or referral of SMEs between banks and non-bank financiers is limited by privacy regulations, such as data protection and the need for customer consent. These restrictions result in ineffective collaboration, which does not increase trust between both parties.
- *Challenges and Obstacles for SMEs*: SME entrepreneurs often find the financing process too cumbersome and fragmented, which reflects the gap between the challenges identified by financial institutions and the actual experiences of SMEs. Banks are very strict in their assessments and often turn entrepreneurs away, often still offering a 'cold referral' to the customer. Non-bank financiers often agree to the financing and offer flexible solutions.

6.2: Answer main question:

At the end of the theoretical framework, the main question was formulated. It emerged that cooperation between banking and non-banking financiers is essential for the financial challenge of Dutch SMEs. Whereby trust between both sectors is a significant barrier at the moment to create synergy. Trust is a critical factor that has a considerable impact on cooperation. A lack of trust leads to limited and cautious interaction between banks and non-banking institutions, which limits the potential benefits of joint efforts. We describe trust with the 'Trust Equation' formula.
During the results, the current state of cooperation, the factors that influence trust, the regulations, the sharing of information and the verification of the challenges at SMEs were examined. After investigating all these questions, and making a comparison between banks and non-banking financiers, the main question can now be answered:

"To what extent does a lack of trust affect collaboration between banks and non-bank financiers in the Dutch SME sector, and how do regulations and information sharing influence trust and collaboration in this context?"

The cooperation between banks and non-banking financiers in the Dutch SME sector is influenced by a lack of trust. The interviews reveal several important conditions that have a major impact on trust.

A factor, mentioned in 13 out of 15 interviews, is the limited information exchange and referral between the two financial sectors. The lack of an integrated system for data exchange significantly hampers cooperation. Privacy legislation, mainly the GDPR, forms an additional barrier, because the exchange of customer information is strictly regulated. Consent lies with the customers or customers must contact them themselves for financial resources. These limitations ensure that there is little effective communication and cooperation, which is necessary to build mutual trust. In the case of SMEs, the three interviews showed that referrals did take place, but that this always happened with strict permission from the customer. Intimacy comes to the fore when referring and sharing information, as there is not always open and transparent communication. **Trustworthiness** decreases due to lower intimacy for both sectors.

The differences between both sectors (and mutual) is also a determining factor that strongly contributes to the lack of trust. First of all, there is a big difference between non-bank financiers, with parties that are self-oriented (profit-oriented) and organizations that want to help entrepreneurs (independent). **Trustworthiness** therefore decreases for self-oriented organizations and is higher for financiers who think along with them. With competition, the factor self-oriented also increases and trustworthiness decreases. In addition, there are many differences in regulations. In seven of the eight interviews with banks, the extremely strict regulations and supervision due to the banking license are mentioned. Furthermore, compliance with Basel III, the General Data Protection Regulation (GDPR) and national legislation such as the Competition Act and the Financial Supervision Act applies. For banks, these regulations are necessary to guarantee financial stability (necessary for the banking license), but they limit the flexibility of banks to cooperate with non-banking institutions at an earlier stage of the 'Lifecycle Stage' in a SME. In contrast, 5 of the 7 interviewed non-banking financiers indicate that they operate under much milder regulatory frameworks, which gives them more freedom to respond quickly and flexibly to the needs of customers. These regulatory differences contribute to the distrust of banks, which often perceive non-bank financiers as riskier. In the three conversations with the entrepreneurs, it emerges that banks are very quick to reject these days and only want to provide financing in financially stable situations. This causes frustration the entrepreneurs but is in line with the interviews with banks and non-bank financiers. Compliance with agreements is more difficult for banks than for non-bank financiers due to stricter regulations and supervision. In practice, it remains intentions, which is less strong for reliability, which reduces **trustworthiness**.

Another factor (according to the interviewees) is the differences in professionalism and market knowledge that play a major role. This assumption in limited credibility, through knowledge and expertise, causes a lower **trustworthiness** from banks. Non-bank financiers think therefore that they are reliable with their flexible financing solutions. In six of the eight interviews with the banking sector, it is emphasized that banks, which must focus on safeguarding financial stability and strict risk assessment, often find that the approach of non-banking financiers clashes with this. On the other hand, four of the seven non-banking financiers indicate that they offer flexible and innovative solutions. Also, especially for start-ups and specific niches within the SME sector that banks do not currently fill. According to them, this is not always recognized or appreciated by banks. This mutual tension, also partly due to the still 'new' emergence of non-banking solutions, does not always ensure optimal trust at the moment. The SME companies also indicate in all three conversations that they have very pleasant experiences with the flexible financing solutions of non-bank financiers. This costs some extra money but was very easy with the right support. Later they would possibly go back to banks, when this was possible again.

Finally, eleven of the fifteen interviews show that a lack of mutual respect and recognition is a crucial point that hinders cooperation and trust. A mutual recognition and structured cooperation framework with clear, enforceable guidelines could help to bridge the gap between banks and non-bank financiers. For entrepreneurs, this would also be an easier way to get a clear overview of where financing is easiest to obtain in their phase. For example, all three interviews with entrepreneurs show that it is not always clear when and where financing is always available.

At the moment, **trust does have an impact on the cooperation** between banks and non-bank financiers in the Dutch SME sector. As is evident from all eighteen interviews, too many accusations are still being made and they have not progressed far enough to say that there is optimal trust and good cooperation. It must be said, however, that you can sense that there is more talking and looking at each other. The most important conditions now are, in short*, limited information transfer and referral, different regulations per sector, professionalism and market knowledge and, lastly, too little respect and recognition for each other*.

6.3: Practical Implications:

To enhance collaboration between banks and non-bank financiers within the Dutch SME sector, organizations should consider implementing the following actionable strategies:

- *Implement the National Covenant on SME Financing*: Initially, there is a lot of focus on realising the covenant. The covenant was drawn up with the aim of: "towards the best SME financing climate in Europe". It was drawn up in consultation with **MKB-Nederland, the Dutch Banking Association, SME Finance Foundation, Qredits, Invest NL and Invest International**. The Netherlands wants to digitise and become more sustainable, for which the help of entrepreneurs is required, whereby SMEs are crucial for employment and the economy. The financing market must therefore be well organised, and the diverse financing landscape can still improve in this respect. With this covenant, the various parties want to work together with a financing ecosystem to realise improved access for SMEs. This is done, in short, by the following points: 'More varied financing offer up to €1 million in SMEs', 'Transparency and findability via financing hub', 'Professionalization of financing advice with quality mark' and 'Uniform data set and improved access to financial data for financiers'. During all interviews, the covenant was discussed, which both sectors consider a positive development, but it remains relatively theoretical. The implementation must now be completed by the **banks, non-banking institutions and the Chamber of Commerce** under the supervision of the signatories.
- *Develop Trust-Building Initiatives*: Currently, the **Dutch Banking Association, the SME Financing Foundation and other stakeholders** meet several times a month. Try to make this known within the banking and non-banking sector, so that all people with a financial background know what is going on. Setting up a consistent, open communication channel and participating in joint training can promote mutual understanding and trust. Try to understand each other's financing practices, such as the different regulations and supervisions that both sectors have. By emphasizing this, the hope is that trust will grow and more collaboration will be possible in the long term.
- *Invest in Secure Information Sharing Technologies*: During the topic of 'Information sharing' during the interview, there was a lot of talk about the GDPR privacy legislation that limited referrals or information sharing. To increase collaboration, a practical solution is needed, such as implementing a secure, GDPR-compliant system for data exchange and possible referrals, which is a task for the **government** to put into action. This of course needs to be done with the consent of the entrepreneur, but a general system would speed up this process. Setting up a central financial hub, which they are currently working on under the **Chamber of Commerce** (CoC), can provide a comprehensive overview of accredited financiers and advisors, making information more accessible to SMEs.
- *Align Strategic Goals*: What emerges from the three interviews with entrepreneurs is that banks are not currently providing finance to start-ups or SMEs without collateral. In order to provide SMEs with good support and clarity, a practical solution would be to clearly offer at what stage financing is possible with a financier. This, in turn, can take the form of a central finance hub **(CoC)** where entrepreneurs can share their story and figures with independent advisors. **Banks and non-bank financiers** need to ensure that their strategic objectives provide an overview of SME support. This can be achieved through clear communication, joint referral mechanisms for clients and joint workshops that highlight the benefits of working together to finance SMEs.
- *Promote Ethical Conduct*: In the interviews with non-bank financiers, it emerges that there are few rules and supervision. The chairman of the SME Financing Foundation and financiers who 'really' want to help the entrepreneur often talk about the ethical code of good conduct. Such a national or European code can increase the confidence of non-bank financiers in banks, in combination with the rules and supervision that banks already have. Joint advisory committees, compliance with quality labels and codes of conduct will help standardize business practices, improve professional standards and in the long run increase the confidence to work together more. Let the **government** in the Netherlands set up a code in collaboration with the **SME Financing Foundation** and then take action later for a European code.

6.4: Limitations:

This study also contains some limitations that may affect the results of the study, mainly in the breadth and depth of the results.
The first important limitation is the collection of data. The results of this study largely consist of interviews as the main source of data. Interviews provide very valuable insights, while semi-structured interviews allow you to really go into depth with specialized people. However, they do not provide a complete representation of all parties involved within the banking and non-banking sector. For example, the three largest banks were chosen (where there are seven banks in the Netherlands) and a small part of the non-banking financiers (where there are many choices in financing solutions nowadays). In addition, the relatively small sample size that is characteristic of interview-based research may limit the generalizability of the findings to the broader population of stakeholders in the SME financing ecosystem.
Also, opinions or subjective questions/experiences may have been shared during interviews, for example through information read or previous interviews, which may lead to biases in the questioning or leading questions. This may lead to different answers in the answers of interviewees, compared to a neutrally asked question.
Another limitation arises from the theoretical framework that was set up in the research. Specific literature sources were searched for that, although they were certified and offered a structured approach, may have limited the exploration of other relevant factors. These specific theories focused on certain aspects, possibly overlooking other important theories/information within the literature, and limiting the flexibility of the analysis.
This research has provided valuable insights into the collaboration (and mutual trust) between banking and non-banking financiers, but due to these limitations there is still room for further research.

6.5: Future Research:

In view of the limitations identified in this study, regarding data collection, question formulation and theory and the hope for further cooperation dynamics between banks and non-bank financiers in the Dutch SME sector, further future research could provide various new insights.
A first, important insight for future research is a further expansion of the data collection. At the moment, only limited qualitative data has been collected, where there is still a lot of room. Conduct more interviews with all banks and other non-bank financiers to also gain additional insights from smaller banks and other types of financiers. In this study, only limited interviews were conducted with SME entrepreneurs for verification, but this does provide interesting practical examples. So also interview more entrepreneurs to share their experiences. Furthermore, no quantitative research has been conducted. With a good questionnaire, a future study could provide a more extensive picture of the sector. A mixed methods approach, where both qualitative and quantitative data are sought, would allow a researcher to validate the findings and potentially discover patterns or trends that may not be apparent from limited interviews.
A second idea for future research is to explore alternative theories. As indicated in the limitations, a specific search was conducted, but due to the enormous growth of non-bank financiers, more and more new studies are becoming available. Applying different or complementary frameworks in future research could provide a more nuanced picture of the factors that influence the collaboration between banks and non-bank financiers. For example, a framework that emphasizes innovation, organizational behavior, or economic insights could provide new insights into how the collaboration can be optimized to better serve SMEs in the Netherlands. By taking an alternative approach to theory, future studies can capture a broader range of dynamics and potentially identify new strategies to improve collaboration in the sector.

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Appendix

Appendix 1: Financing monitor 2020 and 2023

Financing monitor 2020:

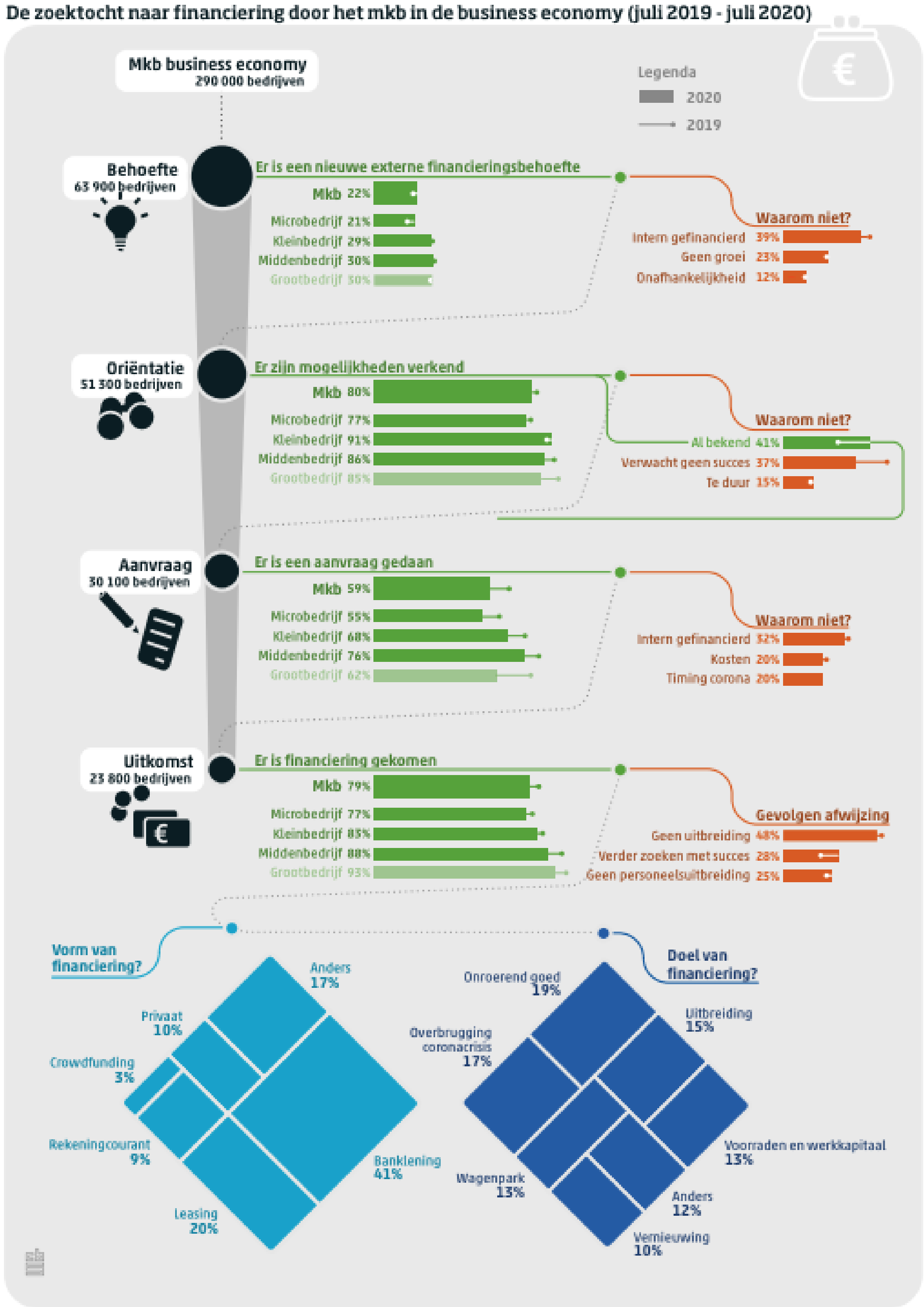

Figure 13: Financing monitor 2020

Financing monitor 2023:

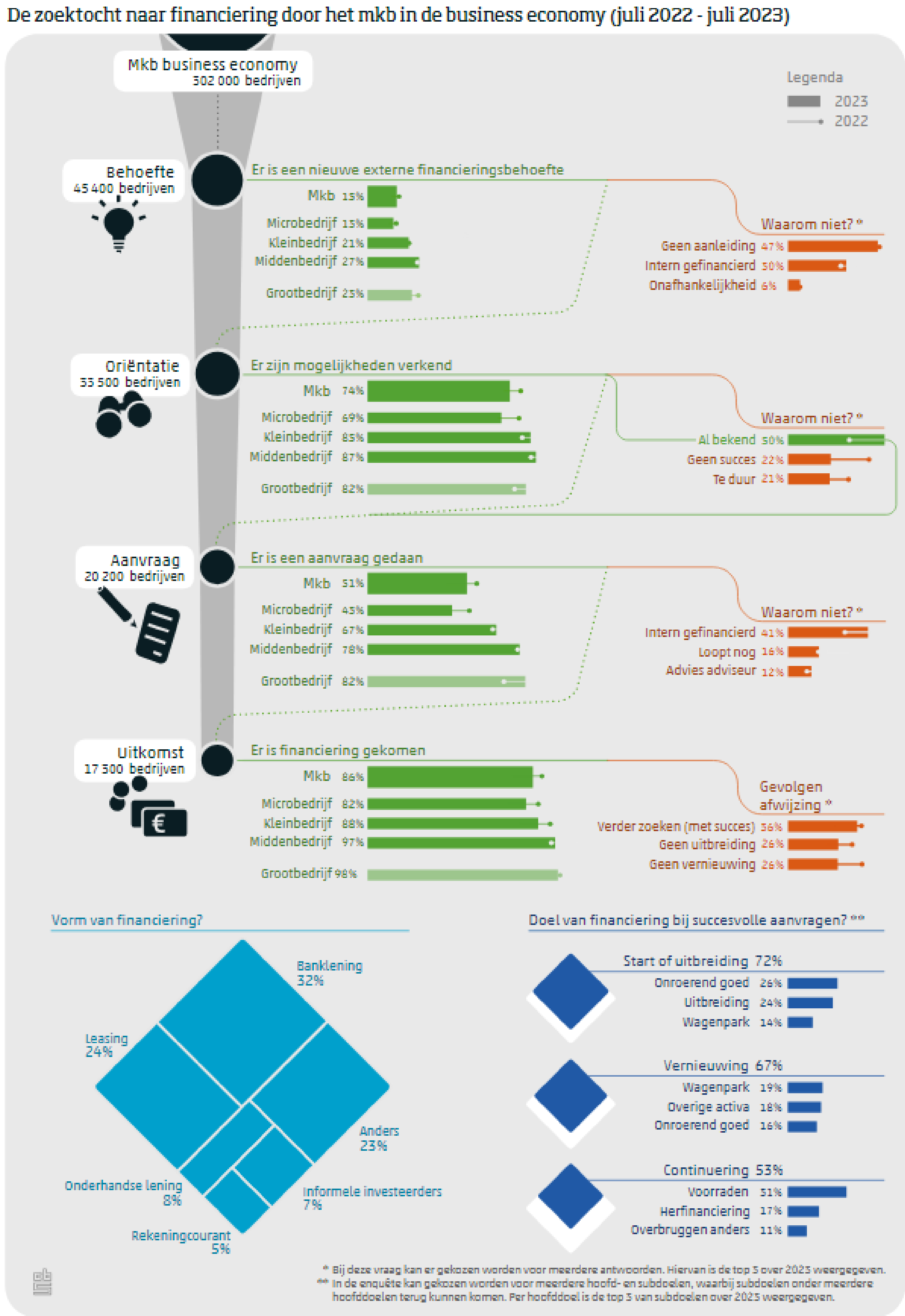

Figure 14: Financing monitor 2023

Appendix 2: Search Query Literature

The literature was found via the University of Twente library, Google Scholar, Google, or Scopus. Search terms were used and then filtered by relevant journals/books, publication date and relevance to the research.

Table 15: Search Query Table

Topic	**Source(s)**	**Search Query**
Types of financing	Library UTwente Google Scholar Google	"Types of financing" "Financing types" "How to finance a company" "Financing methods" "Types financiering"
Types of financiers	Library UTwente Google Scholar Google	"Types of financiers" "Financier types" "Who helps to finance a company" "Wat zijn financierders" "Welke financierders zijn er"
Trends and Developments	Google Scholar Google	"Trends and developments financing" "Nieuwe trends in financiering" "New trends financing 2024" "Financing 2024" "Developments in financing"
Theories	Library UTwente Google Scholar Scopus	"Theoretical frameworks for financing" "Theories financing" "Different theories in finance"
Characteristics	Google Scholar Google Scopus	"Characteristics SMEs" "Characteristics Dutch SMEs" "Dutch SMEs" "Nederlandse MKB" "MKB eigenschappen"
Financing SMEs	Google Scholar Google Scopus	"Financing SMEs" "Financiering MKB" "Financiering als starter" "Mogelijkheden financiering MKB"
Challenges of SMEs	Google Scholar Google Scopus	"Challenges Dutch SMEs" "Huidige problemen MKB" "Financieringsproblemen MKB" "Problems SMEs" "Challenges SMEs"
Mismatch traditional financing	Library UTwente Google Scholar Google Scopus	"Banks and SMEs" "Financiering banken en SME" "MKB financiering problemen" "Financing problemens SME"
Alternative solutions	Library UTwente Google Scholar Google Scopus	"Alternative financing" "Alternative financing SMEs" "Oplossingen financiering MKB"

		"non-bancaire instituties MKB" Solutions financing SME"
Embedment of alternatives	Library UTwente Google Scholar Scopus	"Policies SME financing" "Embedment alternatives financing" "Alternatieve oplossingen financiering MKB"
Relationship	Library UTwente Google Scholar Google Scopus	"Relationship between banks and alternative financiers" "Relatie banken en non-bancaire instituties" "Communicatie banken en non-bancaire instituties" "FinTech" "Uitdagingen financiering MKB"
What builds relationship?	Google Scholar Google	"Collaboration banks and non-bank financiers" "Samenwerkingen tussen banken en non-bancaire instituties" "Collaboration financing"

Appendix 3: Finance theories

In the world of finance, different concepts are used to understand and analyze different aspects of corporate finance and structure. The following theories were compared: Pecking Order, Growth Cycle, Trade Off and Agency theory.

Pecking Order-theory:

The Pecking Order theory is a crucial theory in the context of SME financing, proposing a hierarchy in the preferences of businesses/entrepreneurs regarding financing sources. It suggests a preference for utilizing internal resources first, followed by short-term and long-term loans, and finally, equity capital. The underlying logic is straightforward: using internal funds is the cheapest (incurring only opportunity costs), loans involve paying interest, and equity is even more expensive as it entails a perpetual share of future profits and loss of control (Rauwerda, de Graaf, van Teeffelen, & Abid, 2021).

A refinement to the Pecking Order theory introduces friends, family, and fans as initial providers of risk capital during the startup phase of a business (Rauwerda, de Graaf, van Teeffelen, & Abid, 2021). Empirical literature tests the Pecking Order theory using databases with information from corporate annual reports or publicly traded mid-sized companies, where public business data is available. The outcomes based on the analysis of this data support the Pecking Order theory. However, its application to small businesses is limited. The Pecking Order theory focuses on three main categories – internal funds, loans, equity capital – while the financing landscape has evolved to encompass around 40 distinct sub-forms (Rauwerda, de Graaf, van Teeffelen, & Abid, 2021).
In the context collaboration between banks and non-bank financiers in the Dutch SME sector, understanding the Pecking Order theory provides a foundational understanding of how SMEs typically approach and prioritize different financing sources. It sets the stage for exploring how these preferences and choices may influence the dynamics of collaboration between banks and non-bank financiers.

Growth Cycle-theory

The interaction between different forms of financing, particularly when a business undergoes changes in its development, remains unclear in both practice and theory. The Growth Cycle theory, alongside the Pecking Order theory, offers insights into this dynamic. According to the Growth Cycle theory, a financial 'growth cycle' exists, where financial needs and options change as the business grows. It attributes these changes to the increased availability of more transparent information as the company expands. Younger businesses tend to rely more on insider finance, supplier credit, and/or business angel funding. Subsequently, access to venture capital and medium-term loans becomes easier, followed by publicly listed stocks and long-term debts (Rauwerda, de Graaf, van Teeffelen, & Abid, 2021).

It's important to note that the role of banks in Europe, as opposed to the Anglo-Saxon research context, is more significant, dominated by bank loans and credits. Empirical research has supported key aspects of the Growth Cycle theory in medium and large businesses (Rauwerda, de Graaf, van Teeffelen, & Abid, 2021).

The Growth Cycle theory becomes relevant to the research question by providing insights into how different financing forms interact, especially during changing phases of business development. It offers a lens through which the financial dynamics of SMEs can be understood. In the context of collaboration between banks and non-bank financiers in the Dutch SME sector, considering the Growth Cycle theory adds depth to the exploration of how financial needs and sources evolve, potentially influencing trust dynamics during the growth stages of SMEs.

Trade Off-theory

The Trade-Off theory of capital structure posits that firms strive to strike a balance between the benefits and costs associated with debt financing. In ideal, frictionless markets, where capital is perfectly available and without any tax implications or bankruptcy costs, the Modigliani-Miller theorem asserts that the capital structure is irrelevant to firm value. However, real-world markets are imperfect, marked by corporate taxes and bankruptcy penalties, which significantly impact a firm's financing decisions (Kumar, Sureka, & Colombage, 2020).

Corporate taxes introduce a tax advantage to debt financing, as interest payments are tax-deductible, leading to a reduction in the firm's corporate income tax liability. On the other hand, bankruptcy penalties pose a risk to excessive debt financing, as failure to meet debt obligations can force a firm into bankruptcy, incurring associated penalties (Kumar, Sureka, & Colombage, 2020). Robichek and Myers highlight the optimization dilemma in capital structure, emphasizing the trade-off between the tax benefits of leverage and the costs associated with increased financial risk. This trade-off necessitates a careful consideration of the optimal debt-equity mix for the firm, balancing the advantages of debt financing against the potential risks of financial distress (Kumar, Sureka, & Colombage, 2020).

Within this framework, the Trade-Off theory provides a lens through which to analyze how firms navigate the complexities of capital structure decisions. By weighing the tax advantages against the risks of bankruptcy, firms seek to optimize their financing mix to maximize shareholder value in imperfect market conditions (Kumar, Sureka, & Colombage, 2020).

Agency theory:

The Agency theory stands as a cornerstone in the exploration of firm ownership structures, amalgamating elements from agency theory, property rights theory, and financial theory. At its core lies the examination of the intricate relationship between principals and agents within organizational frameworks, offering insights into pivotal issues such as the separation of ownership and control, and the efficient allocation of resources (Kumar, Sureka, & Colombage, 2020).

Central to the Agency theory are the concept and implications of agency costs, which emerge from the inherent conflict of interest between principals and agents. These costs encompass monitoring expenditures by principals, bonding expenditures by agents, and the residual loss resulting from deviations between the agent's decisions and those optimizing the principal's welfare. While mechanisms such as monitoring and bonding can mitigate agency costs to some extent, their complete elimination remains elusive, underscoring the complexities inherent in aligning the interests of principals and agents (Kumar, Sureka, & Colombage, 2020).

Furthermore, the Agency theory transcends traditional perceptions of the firm, encompassing a spectrum of organizational forms where contractual relationships govern interactions among individuals. By recognizing the contractual nature of organizations, the theory emphasizes the significance of comprehending the intricate web of relationships between the legal entity of the firm and its stakeholders. This perspective offers valuable insights into organizational behavior and decision-making processes, shedding light on the multifaceted dynamics that shape firm operations (Kumar, Sureka, & Colombage, 2020).

Through its comprehensive analysis of agency costs and contractual arrangements, the Agency theory provides a nuanced understanding of firm ownership structures, elucidating the challenges and opportunities associated with managing principal-agent relationships (Kumar, Sureka, & Colombage, 2020).

Appendix 3: Interview Guide bank/non-bank financiers (Nederlands / English)

1: Nederlands

Dit is een semi-gestructureerde interview guide. Tijdens het interview kan afgeweken worden van het schema, omdat er andere vragen zijn vereist of dit al reeds besproken is.

1. Algemene informatie:

- Naam geïnterviewde:
- Functiebeschrijving:
- Naam van uw organisatie:
- Type organisatie (bank / non-bancaire institutie):
- Hoelang bent u al actief bij de organisatie?

2. Specifieke informatie (voorbeeld, kan verschillen per organisatie):

- Wat is de missie van … met betrekking tot het MKB?
- Wat zijn de belangrijkste doelstellingen van … voor het MKB in de komende jaren?
- Wat zijn de belangrijkste financieringsoplossingen die … biedt voor het MKB?
- Hoe ondersteunt … startende ondernemingen in het MKB-segment? Zijn er specifieke programma's of diensten beschikbaar?
- Wat zijn de criteria die … hanteert bij het beoordelen van kredietaanvragen van MKB-bedrijven?
- Welke trends en veranderingen ziet … in de vraag naar MKB-financiering de afgelopen jaren?
- Wat zijn de grootste uitdagingen die … ziet voor het MKB op het gebied van financiering, en hoe helpt de bank deze aan te pakken?

3. Huidige staat van samenwerking

Inleiding:

Het doel van dit interview is om inzicht te krijgen in de huidige staat van samenwerking tussen banken en non-bank financiers in de Nederlandse SME-sector.

- Hoe zou u de huidige mate van samenwerking tussen banken en non-bank financiers in de Nederlandse SME-sector beschrijven?
- Kunt u kort beschrijven op welke gebieden er momenteel samenwerking plaatsvindt tussen banken en non-bank financiers in de Nederlandse SME-sector? (bijvoorbeeld: kredietverstrekking, advisering, risicodeling)
- Ziet u al een verandering in de samenwerking tussen banken en non-bank financiers, wat betreft MKB-financiering, ten opzichte van bijvoorbeeld 5-10 jaar geleden?
- Wat zijn naar uw mening de belangrijkste obstakels voor verdere samenwerking tussen banken en non-bank financiers in de Nederlandse SME-sector?
- Ziet u kansen voor nieuwe samenwerkingsvormen of initiatieven tussen banken en non-bank financiers in de Nederlandse SME-sector? Waarin ziet u meer kansen?
- Welke aanbevelingen zou u doen om de samenwerking tussen banken en non-bank financiers in de Nederlandse SME-sector te verbeteren?

4. Factoren die vertrouwen beïnvloeden

Inleiding:

Het doel van dit interview is om inzicht te krijgen in de factoren die het vertrouwen beïnvloeden tussen banken en non-bank financiers in de Nederlandse SME-sector.

- Hoe zou u het huidige niveau van vertrouwen tussen banken en non-bank financiers in de Nederlandse SME-sector beschrijven?
- In hoeverre vertrouwt u als bank/non-bank financier de andere partij (bank/non-bank financier) bij samenwerkingsinitiatieven in de Nederlandse MKB-sector?
- Kunt u kort beschrijven welke factoren uw vertrouwen in de samenwerking met banken/non-bank financiers in de Nederlandse SME-sector beïnvloeden?
- Wat zijn naar uw mening de belangrijkste factoren die het vertrouwen tussen banken en non-bank financiers beïnvloeden in samenwerkingsinitiatieven?
- Kunt u specifieke voorbeelden geven van situaties waarin het vertrouwen tussen banken en non-bank financiers werd versterkt of verzwakt? Wat waren de redenen achter deze veranderingen in vertrouwen?
- Kunt u voorbeelden geven van succesvolle samenwerkingsinitiatieven tussen banken en non-bank financiers in de Nederlandse SME-sector? Wat waren volgens u de sleutelfactoren voor het succes van deze samenwerkingen?
- Zijn er situaties geweest waarin samenwerkingsinitiatieven tussen banken en non-bank financiers niet succesvol waren? Zo ja, wat waren volgens u de belangrijkste redenen voor het falen van deze samenwerkingen?
- Welke stappen zou u aanbevelen om het vertrouwen tussen banken en non-bank financiers in de Nederlandse SME-sector te versterken?
- Ziet u kansen voor nieuwe samenwerkingsvormen of initiatieven tussen banken en non-bank financiers in de Nederlandse SME-sector? Zo ja, kunt u hier kort op ingaan?

5. Regelgevende omgeving

Inleiding:

Het doel van dit interview is om inzicht te krijgen in hoe regelgeving de samenwerking tussen banken en non-bank financiers in de Nederlandse SME-sector beïnvloedt.

- Kunt u beschrijven welke regelgeving momenteel van toepassing is op samenwerkingsinitiatieven tussen banken en non-bank financiers in de Nederlandse SME-sector?
- Hoe zou u de huidige regelgeving beoordelen in termen van de ondersteuning van samenwerking tussen banken en non-bank financiers?
- Welke specifieke regelgevingsaspecten hebben volgens u de grootste invloed op de samenwerking tussen banken en non-bank financiers in de Nederlandse SME-sector?
- Zijn er bepaalde regelgevingen die als belemmerend worden ervaren voor samenwerkingsinitiatieven tussen banken en non-bank financiers? Zo ja, kunt u deze specifiek noemen en hun impact beschrijven?
- Hoe zorgt uw organisatie ervoor dat zij voldoen aan de relevante regelgeving met betrekking tot samenwerking met banken/non-bank financiers in de Nederlandse SME-sector?
- Ervaart uw organisatie uitdagingen bij het naleven van regelgeving met betrekking tot samenwerking met banken/non-bank financiers? Zo ja, wat zijn deze uitdagingen?
- Welke veranderingen zou u graag zien in de regelgeving om de samenwerking tussen banken en non-bank financiers in de Nederlandse SME-sector te verbeteren?
- Ziet u kansen voor nieuwe regelgevingsinitiatieven die de samenwerking tussen banken en non-bank financiers kunnen ondersteunen? Zo ja, welke?

6. Informatie delen

Inleiding:

Het doel van dit interview is om een dieper inzicht te krijgen in de problemen met informatie-uitwisseling die de samenwerking tussen banken en non-bank financiers in de Nederlandse SME-sector kunnen beïnvloeden.

- Kunt u voorbeelden delen van situaties waarin informatie-uitwisseling tussen banken en non-bank financiers soepel verliep? Wat waren de factoren die bijdroegen aan het succes van deze uitwisseling?
- Zijn er specifieke uitdagingen of obstakels die u heeft ervaren bij het delen van informatie tussen banken en non-bank financiers in de context van de Nederlandse SME-sector? Zo ja, kunt u deze beschrijven?
- Wat zijn volgens u de belangrijkste factoren die het delen van informatie tussen banken en non-bank financiers in de Nederlandse SME-sector beïnvloeden?
- Zijn er culturele, technologische of organisatorische aspecten die van invloed zijn op het delen van informatie tussen banken en non-bank financiers? Zo ja, welke?
- Welke verbeteringen zouden volgens u kunnen bijdragen aan een effectievere informatie-uitwisseling tussen banken en non-bank financiers in de Nederlandse SME-sector?
- Ziet u mogelijkheden voor technologische oplossingen of innovaties die het delen van informatie tussen banken en non-bank financiers kunnen vergemakkelijken? Zo ja, welke?

2: English:

This is a semi-structured interview guide. The schedule may be deviated from during the interview because other questions are required, or this has already been discussed.

1. General information:

- Name of interviewee:
- Job description:
- Name of your organization:
- Type of organization (bank / non-bank institution):
- How long have you been active with the organization?

2. Specific information (example, may differ per organization):

- What is the mission of ... with regard to SMEs?
- What are the main objectives of ... for SMEs in the coming years?
- What are the main financing solutions that… offers for SMEs?
- How does… support start-ups in the SME segment? Are there specific programs or services available?
- What are the criteria that ... uses when assessing credit applications from SMEs?
- What trends and changes does ... see in the demand for SME financing in recent years?
- What are the biggest challenges that ... sees for SMEs in terms of financing, and how is the bank helping to address them?

3. Current state of cooperation

Introduction:

The purpose of this interview is to gain insight into the current state of cooperation between banks and non-bank financiers in the Dutch SME sector.

- How would you describe the current level of cooperation between banks and non-bank financiers in the Dutch SME sector?
- Can you briefly describe in which areas there is currently cooperation between banks and non-bank financiers in the Dutch SME sector? (for example: lending, advice, risk sharing)
- Do you already see a change in the cooperation between banks and non-bank financiers, with regard to SME financing, compared to, for example, 5-10 years ago?
- What, in your opinion, are the main obstacles to further cooperation between banks and non-bank financiers in the Dutch SME sector?
- Do you see opportunities for new forms of collaboration or initiatives between banks and non-bank financiers in the Dutch SME sector? Where do you see more opportunities?
- What recommendations would you make to improve cooperation between banks and non-bank financiers in the Dutch SME sector?

4. Factors that influence trust

Introduction:

The purpose of this interview is to gain insight into the factors that influence trust between banks and non-bank financiers in the Dutch SME sector.

- How would you describe the current level of trust between banks and non-bank financiers in the Dutch SME sector?
- To what extent do you, as a bank/non-bank financier, trust the other party (bank/non-bank financier) in collaborative initiatives in the Dutch SME sector?
- Can you briefly describe which factors influence your confidence in cooperation with banks/non-bank financiers in the Dutch SME sector?
- In your opinion, what are the most important factors influencing trust between banks and non-bank financiers in collaborative initiatives?
- Can you give specific examples of situations where trust between banks and non-bank financiers has been strengthened or weakened? What were the reasons behind these changes in trust?
- Can you give examples of successful collaboration initiatives between banks and non-bank financiers in the Dutch SME sector? What do you think were the key factors for the success of these collaborations?
- Have there been situations where collaborative initiatives between banks and non-bank financiers have not been successful? If so, what do you think were the main reasons for the failure of these collaborations?
- What steps would you recommend strengthening trust between banks and non-bank financiers in the Dutch SME sector?
- Do you see opportunities for new forms of collaboration or initiatives between banks and non-bank financiers in the Dutch SME sector? If so, can you briefly elaborate on this?

5. Regulatory environment

Introduction:

The purpose of this interview is to gain insight into how regulations influence the cooperation between banks and non-bank financiers in the Dutch SME sector.

- Can you describe which regulations currently apply to cooperation initiatives between banks and non-bank financiers in the Dutch SME sector?
- How would you assess the current regulations in terms of supporting cooperation between banks and non-bank financiers?
- Which specific regulatory aspects do you think have the greatest influence on the cooperation between banks and non-bank financiers in the Dutch SME sector?
- Are there certain regulations that are perceived as hindering collaborative initiatives between banks and non-bank financiers? If so, can you name them specifically and describe their impact?
- How does your organization ensure that it complies with the relevant regulations regarding collaboration with banks/non-bank financiers in the Dutch SME sector?
- Does your organization experience challenge in complying with regulations regarding collaboration with banks/non-bank financiers? If so, what are these challenges?
- What changes would you like to see in regulations to improve cooperation between banks and non-bank financiers in the Dutch SME sector?
- Do you see opportunities for new regulatory initiatives that can support collaboration between banks and non-bank financiers? If yes which one?

6. Sharing information

Introduction:

The aim of this interview is to gain a deeper understanding of the information exchange issues that can affect cooperation between banks and non-bank financiers in the Dutch SME sector.

- Can you share examples of situations where information exchange between banks and non-bank financiers went smoothly? What were the factors that contributed to the success of this exchange?
- Are there any specific challenges or obstacles you have experienced in sharing information between banks and non-bank financiers in the context of the Dutch SME sector? If so, can you describe it?
- What do you think are the most important factors influencing information sharing between banks and non-bank financiers in the Dutch SME sector?
- Are there cultural, technological, or organizational aspects that influence information sharing between banks and non-bank financiers? If yes which one?
- What improvements do you think could contribute to a more effective information exchange between banks and non-bank financiers in the Dutch SME sector?
- Do you see opportunities for technological solutions or innovations that can facilitate information sharing between banks and non-bank financiers? If yes, which one?

Appendix 4: Coding interviews with bank and non-banking

The coding was done on the basis of the interview transcripts, divided into the banking and non-banking sectors.

Banking sector:

Theme: Challenges in Bank and Non-Bank Collaboration

Categories:

- Lack of Trust
- Regulatory Constraints
- Operational Differences
- Professional Trust and Competition
- Flexibility in Non-Bank Financing
- Navigating Market Competition
- Collaboration Dynamics
- Perceived Barriers to Collaboration
- Market Segmentation and Risk Profiles
- Adapting to Fintech Competition
- Perception of Non-Bank Entities
- Transaction Costs and Legal Complexity
- Trust and Competition

Theme: Role of Regulatory and Industry Bodies

Categories:

- Influence of Dutch Association of Banks (NVB)
- European and National Regulations
- Comparison with Other Countries
- Regulatory Influence on Bank Practices
- Internal Compliance with Regulations
- Influence of External Bodies
- Regulatory Oversight and Constraints
- Compliance Challenges
- Ensuring Fair Practices
- Regulatory Impacts
- EBA
- Legislation and Supervision
- Industry Body Interactions

Theme: Evolving Financing Landscape

Categories:

- Digitalization Trends
- Emergence of Non-Bank Financial Institutions
- Customer Experience and Adaptation
- Traditional Financing Models and Their Evolution
- Role of Non-Bank Financial Institutions
- Sustainable Financing Initiatives

- Emerging Financial Models
- Changes in Financing Practices
- Emerging Financing Options
- Trends in Financing
- New Financing Solutions
- Fintech Integration
- Role of Fintech and Digitalization

Theme: Data and Information Sharing

Categories:

- Challenges in Data Sharing
- Potential Solutions
- Practical Constraints
- Privacy and Information Sensitivity
- Internal Data Access Controls
- Controlled Information Flow via Clients
- Data Sharing Protocols
- Enhancing Data Access
- Importance of Information Sharing
- Barriers to Effective Data Sharing
- SBR Nexus and Data Exchange
- Efficiency and Transparency

Non-banking sector:

Theme: Operational Dynamics

Categories:

- Operational Management
- Professional Experience and Background
- Service Provision and Client-Centric Approach
- Operational Challenges and Innovations
- Growth Challenges
- Funding and Financial Management
- Advising and Client Support
- Product and Service Offering
- Operational Ecosystem Building
- Short-Term Financial Products
- Franchise Management
- Client Acquisition and Support
- National Initiatives
- Policy Implementation
- Internal Coordination

Theme: Market Context and Collaboration

Categories:

- Market Context and Dynamics
- Collaboration and Information Sharing
- Inter-Organizational Collaboration
- Strategic Role and Positioning
- Market Trends and Demand
- Banking Sector and Non-Banking Sector Relations
- Sectoral Changes and Trends
- Market and Industry Trends
- Collaboration and Partnerships
- Client Relations
- Emerging Market Players
- Transparency in Client Relations
- Industry Relations
- Financial Solutions
- Political and Market Influences
- Market Challenges

Theme: Regulatory and Trust Issues

Categories:

- Regulatory and Compliance Challenges
- Trust and Relationship Management
- Regulatory Compliance and Challenges
- Trust and Information Sharing
- Ethical Financing Practices
- Compliance and Risk Management
- Ethical Financing and Transparency
- Behavioral Regulations
- Data and Privacy Management
- Funding Risks
- Regulatory Compliance
- Trust Building
- Compliance and Data Access
- Inter-Organizational Trust

Appendix 5: Interview Guide Dutch SMEs (Nederlands / English)

1: Nederlands

Dit is een semi-gestructureerde interview guide. Tijdens het interview kan afgeweken worden van het schema, omdat er andere vragen zijn vereist of dit al reeds besproken is.

1. Algemene informatie:

- Naam geïnterviewde:
- Functiebeschrijving:
- Naam van uw organisatie:
- Type organisatie:
- Van welke type financiering heeft uw bedrijf al gebruik gemaakt?
- Hoelang bent u al actief bij de organisatie?

2. Specifieke informatie (voorbeeld, kan verschillen per organisatie):

- Kunt u een kort overzicht geven van het ontstaan en het businessmodel van …?
- Welke vormen van financiering heeft … tot nu toe gebruikt (bijv. persoonlijke besparingen, bankleningen, durfkapitaal)?
- Wat zijn de belangrijkste uitdagingen die u heeft ervaren bij het verkrijgen van financiering van banken?
- Heeft u ook financiering gezocht bij niet-bancaire instellingen? Hoe verschilde dit proces van dat bij banken?
- Welke strategieën of praktijken hebben u geholpen bij het overwinnen van financieringsuitdagingen?
- Zijn er succesvolle financieringspraktijken uit andere sectoren die volgens u toepasbaar zijn voor …?
- Welke aanbevelingen heeft u voor het verbeteren van de financieringssituatie voor MKB-bedrijven zoals …?
- Ziet u nieuwe trends of ontwikkelingen die de financieringsmogelijkheden voor MKB-bedrijven in de toekomst zullen beïnvloeden?

<u>3. Verificatie van financieringsuitdagingen voor MKB-bedrijven</u>

Inleiding:

Het doel van dit interview is om de percepties en ervaringen van MKB-bedrijven te verifiëren met betrekking tot financieringsuitdagingen en obstakels in samenwerking met banken en non-bancaire financiers.

- <u>Ervaringen:</u>
  - Wat vond u juist goed gaan in de samenwerking tussen banken en non-bancaire financiers?
  - Kunt u voorbeelden geven van uitdagingen en obstakels die u heeft ervaren bij het verkrijgen van financiering van zowel banken als non-bancaire financiers voor uw bedrijf?
  - Welke specifieke aspecten van deze uitdagingen hebben de samenwerking met banken en non-bancaire financiers bemoeilijkt?
- <u>Overeenstemming met Eerdere Bevindingen:</u>

Uitdagingen Geïdentificeerd:

Regelgevende Belemmeringen:

Privacywetten (AVG)

Concurrentiewetgeving (Mededingingswet)

Strengere regelgeving voor banken

Vertrouwenskwesties:

Perceptie van niet-bancaire financiers als onvolwassen/onprofessioneel

Gebrek aan professionaliteit en marktkennis

  - In hoeverre komen uw ervaringen overeen met de uitdagingen en obstakels die door banken en non-bancaire instituties zijn geïdentificeerd in eerdere interviews?
  - Zijn er specifieke punten die u anders ervaart dan wat eerder is gemeld?
- <u>Initiatieven voor Samenwerking:</u>
  - Heeft u kennis van initiatieven waarbij externe partijen een rol hebben gespeeld in het vergemakkelijken van samenwerking tussen banken en non-bancaire financiers?
    - Zo ja, kunt u hierover vertellen en hoe heeft dit initiatief de samenwerking voor u beïnvloed?
- <u>Effectieve Praktijken en Strategieën:</u>
  - Welke praktijken of strategieën hebben volgens u geholpen bij het verbeteren van de financieringsmogelijkheden voor MKB-bedrijven in Nederland?
  - Zijn er specifieke aspecten van deze praktijken die u als bijzonder effectief beschouwt?
- <u>Aanbevelingen voor Ontwikkeling en Bevordering van Best Practices:</u>
  - Welke aanbevelingen zou u doen voor de verdere ontwikkeling en bevordering van best practices in de samenwerking tussen banken en non-bancaire financiers voor MKB-bedrijven?
  - Ziet u specifieke stappen die genomen moeten worden om de financieringssituatie voor MKB-bedrijven te verbeteren?
- <u>Toekomstige Trends en Ontwikkelingen:</u>
  - Ziet u nieuwe trends of ontwikkelingen die de toekomstige samenwerking tussen banken en non-bancaire financiers voor MKB-bedrijven zullen beïnvloeden?
  - Zo ja, welke trends of ontwikkelingen ziet u en hoe denkt u dat deze de financieringsmogelijkheden voor MKB-bedrijven zullen beïnvloeden?

2: English

This is a semi-structured interview guide. The schedule may be deviated from during the interview because other questions are required, or this has already been discussed.

1. General information:

- Name of interviewee:
- Job description:
- Name of your organization:
- Type of organization:
- What types of financing has your company used?
- How long have you been active with the organization?

2. Specific information (example, may differ per organization):

- Can you provide a brief overview of the origins and business model of ….?
- What forms of financing has … used so far (e.g., personal savings, bank loans, venture capital)?
- What are the main challenges you have experienced in obtaining financing from banks?
- Have you also sought financing from non-banking institutions? How did this process differ from that in banks?
- What strategies or practices have helped you overcome financing challenges?
- Are there successful financing practices from other sectors that you think are applicable to …?
- What recommendations do you have for improving the financing situation for SMEs like …?
- Do you see any new trends or developments that will influence financing options for SMEs in the future?

<u>3. Verification of financing challenges for SMEs</u>

Introduction:

The purpose of this interview is to verify SMEs' perceptions and experiences regarding financing challenges and obstacles in collaboration with banks and non-bank financiers.

<u>Experiences:</u>

- What did you think went well in the collaboration between banks and non-bank financiers?
- Can you give examples of challenges and obstacles you have experienced in obtaining financing from both banks and non-bank financiers for your business?
- What specific aspects of these challenges have made cooperation with banks and non-bank financiers difficult?

<u>Consistent with Previous Findings:</u>

- Challenges Identified:
    - Regulatory Barriers:
    - Privacy laws (GDPR)
    - Competition law (Competition Act)
    - Stricter regulations for banks
- Trust issues:
    - Perception of non-bank financiers as immature/unprofessional
    - Lack of professionalism and market knowledge
- To what extent do your experiences match the challenges and obstacles identified by banks and non-bank institutions in previous interviews?
- Are there specific points that you experience differently than what was previously reported?

<u>Collaboration initiatives:</u>

- Are you aware of initiatives in which external parties have played a role in facilitating cooperation between banks and non-bank financiers?
    - If so, can you tell us about this and how has this initiative affected the collaboration for you?

<u>Effective Practices and Strategies:</u>

- What practices or strategies do you think have helped improve financing options for SMEs in the Netherlands?
- Are there specific aspects of these practices that you consider particularly effective?

<u>Recommendations for Development and Promotion of Best Practices:</u>

- What recommendations would you make for the further development and promotion of best practices in cooperation between banks and non-bank financiers for SMEs?
- Do you see specific steps that need to be taken to improve the financing situation for SMEs?

<u>Future Trends and Developments:</u>

- Do you see new trends or developments that will influence future cooperation between banks and non-bank financiers for SMEs?
- If so, what trends or developments do you see and how do you think they will influence financing options for SMEs?

Appendix 6: Coding interviews with SMEs

The coding was done on the basis of the interview transcripts.

Theme: Challenges with Traditional Banking

Categories:

- High Requirements and Rejections
- Insufficient Collateral and Guarantees
- Mixed Experiences with Banks
- Requirements for Ownership
- Limited Financing Options
- Dependency on Bank Conditions
- Decline of Personal Banking
- Complex Loan Requirements
- Distrust in Small Loans

Theme: Alternative Financing Solutions

Categories:

- Experience with Qredits
- Process and Documentation
- Comparison with Other Lenders
- Referral to Alternative Lenders
- Positive Experience with Qredits
- Personalized Approach
- Efficient Process
- Acceptable Trade-offs

Theme: Future Financial Plans and Recommendations

Categories:

- Future Expansion Plans
- Improving Financial Stability
- Recommendations for Startups
- Franchise Support
- Long-term Financial Strategy
- Maintaining Personal Connections
- Adapting to Financial Constraints
- Navigating Personal and Business Challenges
- Seeking More Personalized Financial Solutions