



Chapter 3

Lending Crowdfunding and Regional Development: An Empirical Study

Susana Bernardino

 <https://orcid.org/0000-0002-1639-3553>
CEOS, ISCAP, Polytechnic of Porto, Portugal

J. Freitas Santos

 <https://orcid.org/0000-0001-8233-5039>
CEOS, ISCAP, Polytechnic of Porto, Portugal

ABSTRACT

By analysing the operations of a lending crowdfunding platform in Portugal, the investigation aims to study the potential contribution of CF for entrepreneurship and regional development. The results reveal that small organisations are especially prone to use CF as a financing strategy, regardless of their seniority, as well as ventures that have a moderated risk profile. However, coastal regions have been more dynamic on CF use than interior located ventures, since most of the operations were realized on the littoral of the country. The results suggest that interior organisations that use CF could have more financing difficulties that led them to look for new fundraising solutions, since they typically have higher size than coastal located organisations, although the risk rating is quite similar. The CF loans period is also shorter. The average interest rate charged is quite similar between both type of locations, although a higher variability exists in the funding conditions of interior organisations. The average offer per investor is also higher in the interior case.

DOI: 10.4018/978-1-7998-3226-3.ch003

INTRODUCTION

The term crowdfunding (hereafter CF) derives from the concept of crowdsourcing and could be characterized as the collective cooperation of people who pool their money together to support efforts initiated by others. In the digital world, CF can be defined as an open call for raising funds, essentially through the internet, in the form of exchange for some sort of reward to support private initiatives.

CF has grown very quickly (Yu *et al.*, 2017). According to the World Internet Development Report 2017 “CF was started in 2001 and then began to grow explosively. Database of Forward Information Co., Ltd. shows that from 2010 to 2016, the CF saw the annual compound growth rate of over 80%. Its scale reached US\$198.96 billion in 2016, and it is anticipated to reach US\$300 billion by 2025, with US\$96 billion in developing countries” (Chinese Academy of Cyberspace Studies, 2019, p. 145).

Researchers have highlighted the importance of CF as an emerging topic from different perspectives (Butticè, Colombo, & Wright, 2017; Harrison, 2013; Hu, Li, & Shi, 2015; Kitch, 2013). However, the role of CF platforms on regional development has received little attention from scholars, regardless the increasing number of entrepreneurs that use these platforms to different purposes (Cho & Kim, 2017; Brown, Boon & Pitt, 2017).

The ability of digital technologies to provide almost instantaneous data gathering and feedback, computationally validate contributions and the ability to reach both broad and niche groups through loose networks have all been particularly important for entrepreneurship. This type of platforms has been growing rapidly and changing the dynamics of entrepreneurship as they attract attention and create opportunities for raising capital from individuals and investors across the world (Mollick, 2014).

The study of this type of financial instrument in the context of the regional development is important as investment and financing are two relevant topics for the initial stages of the new venture and the robustness of the less developed regions. To our best knowledge, the literature on CF suffers from a lack of contributions on the benefits of these new platforms for entrepreneurship that are at the core of the regional dynamism. The objective of the paper is to address this gap by examining the potential contributions of CF for the development of entrepreneurship and the dynamism of the regions.

The chapter is organized into six parts. First, we present the concepts of CF, the main types of CF and advantages that provide this innovative external financing mechanism. Specifically, we emphasize how CF might attract investors for different projects from different geographical origins inside and outside the country. After that, in line with the research inquiry, we cover two sets of literature. one focuses on the disparity of economic development among different regions; the other assesses the impact of entrepreneurship on regional development. The next section explains the

27 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/chapter/lending-crowdfunding-and-regional-development/272698

Related Content

The SEEMP Approach to Semantic Interoperability for E-Employment

E. Della Valle, D. Cerizza, I. Celino, M.G. Fugini, J. Estublier and G. Vega (2009). *Semantic Web for Business: Cases and Applications* (pp. 105-126).

www.irma-international.org/chapter/seemp-approach-semantic-interoperability-employment/28865

E-Business Planning and Analysis Framework

Ben Clegg and Boon Tan (2009). *Electronic Business: Concepts, Methodologies, Tools, and Applications* (pp. 314-324).

www.irma-international.org/chapter/business-planning-analysis-framework/9291

Toward a Conceptualization of Big Data Value Chain: From Business Problems to Value Creation

Rim Louati and Sonia Mekadmi (2019). *Business Transformations in the Era of Digitalization* (pp. 76-92).

www.irma-international.org/chapter/toward-a-conceptualization-of-big-data-value-chain/220651

Design Elements and Principles for Maintaining Visual Identity on Websites

Sunghyun R. Kang and Debra Satterfield (2010). *Encyclopedia of E-Business Development and Management in the Global Economy* (pp. 995-1001).

www.irma-international.org/chapter/design-elements-principles-maintaining-visual/41262

Attribute Perceptions as Factors Explaining Mobile Internet Acceptance of Cellular Customers in Germany: An Empirical Study Comparing Actual and Potential Adopters with Distinct Categories of Access Appliances

Torsten J. Gerpott (2011). *International Journal of E-Business Research* (pp. 1-22).

www.irma-international.org/article/attribute-perceptions-factors-explaining-mobile/50295