Challenges and Opportunities of Crowdfunding in Ireland

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Digital connectivity is transforming all aspects of our lives. Today information, ideas and financial flows are exchanged rapidly online and worldwide. A case in point is Crowdfunding. Enabling investors and entrepreneurs to connect worldwide online, to access much needed finance, this new model has emerged as a powerful disruptive force, reshaping traditional funding models and undermining traditional market dynamics. Recent studies suggest that crowdfunding has surpassed all growth expectations. According to Market Watch (2019), the global market was valued at 10 billion (USD) in 2018 and is expected to reach 21 billion (USD) by 2024; a CAGR of 15% over the period.

Given the potential of crowdfunding, it is not surprising that academics, enterprise support agencies and policy makers have begun to explore the impact and state of this innovative funding model. Studies suggest that crowdfunding provides an alternative to traditional funding methods (Gedda et al, 2016; Roggan, 2015; Estrin et al, 2017), enabling entrepreneurs to raise much needed seed funding (Belleflamme et al, 2013; Rossi, 2014; Cumming et al, 2015; Lam and Law, 2016; Ingram and Teigland, 2013; Lehner, 2013; Schwienbacher), particularly at the crucial start-up stage (Sassoorn and Duggal, 2015, Belleflamme and Lambert, 2014). Moreover, research suggests that in addition providing a capital injection, non-financial benefits in the form of market validation and building business confidence are also part of the crowdfunding appeal.

While the evidence is overwhelmingly positive, there are challenges, both external and internal. A lack of knowledge on the part the entrepreneurs, combined with the sheer workload and digital skillset involved are particularly noteworthy. There is also the issue of intellectual property and copycat imitations leading some to call for greater regulation of the sector. Despite these concerns, there is clearly huge potential for crowdfunding to transform the financial ecosystem for entrepreneurs. A case in point is Ireland. As a small open economy, Ireland has a dynamic entrepreneurship ecosystem, however, there appears to be a lack of readiness among entrepreneurs to realise and capture the full benefits of this online funding tool. As a result, crowdfunding rates in Ireland are still in its infancy (European Crowdfunding Network (2018) and SME Credit Demand Survey (2019). Research conducted by the authors among 120 start-up entrepreneurs from a range of sectors, indicate that while 94% of entrepreneurs surveyed have heard of crowdfunding, only 15% have actually participated in a crowdfunding campaign. Reasons identified include a lack of digital agility and knowledge. Nearly two thirds (60%) identified challenges such as access to targeted training, advice and mentoring as key barriers in entrepreneurs adopting the crowdfunding model.1

While the authors recognise that this is a small study, there is clearly a need for fresh thinking in this area. Studies show that successful entrepreneurs using crowdfunding need to be digitally empowered. However, a recent EU report (2019) suggests that Ireland has a two-tiered system of digitalisation with traditional indigenous SMEs, who account for 99.8% of active businesses and 70% of workforce

1 Wang and Johnston, 2018
employment, significantly less digitally and technically empowered compared with large, often foreign owned companies. As a result, Ireland lags behind other EU countries in both technology adoption and crowdfunding levels (Department of Business, Enterprise and Innovation, 2019).

If Ireland is to realise the full potential of crowdfunding, support agencies, entrepreneurs and crowdfunding platforms need to rethink their approach to sharing resources, training and information. Exploring the underlying challenges facing entrepreneurs and how best support agencies should respond, will play a pivotal role in shaping the future success of this digital transformation tool within Ireland and worldwide.