

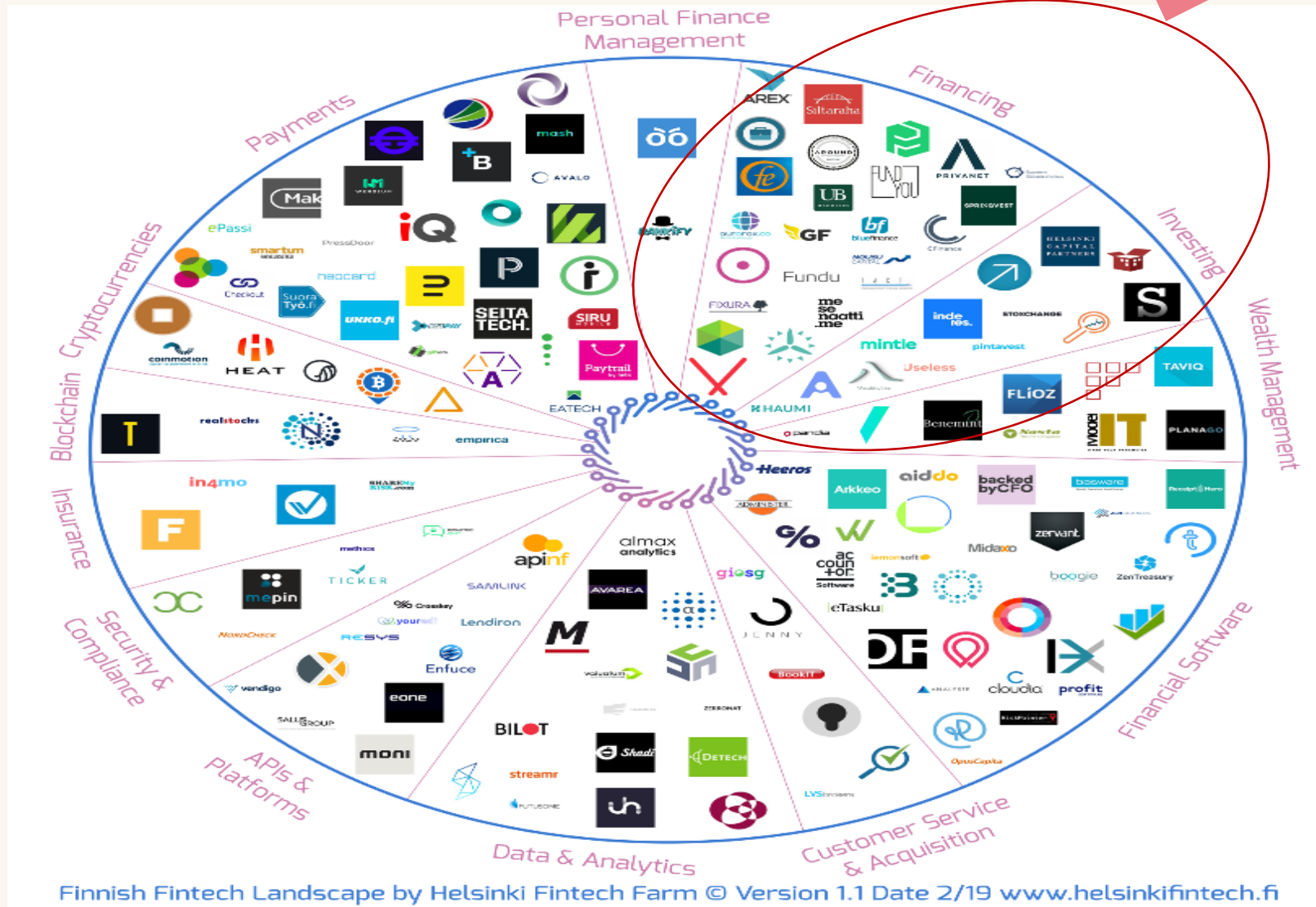
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## Setting up new peer-to-peer and crowdfunding statistics - a case study by the Bank of Finland

IFC-BNM Satellite Seminar on Fintech, Bank Negara  
Malaysia, 17.8.2019



# Fintech landscape in Finland



Crowdfunding and peer-to-peer lending

Finnish Fintech Landscape by Helsinki Fintech Farm © Version 1.1 Date 2/19 www.helsinkifintech.fi

# Motivation

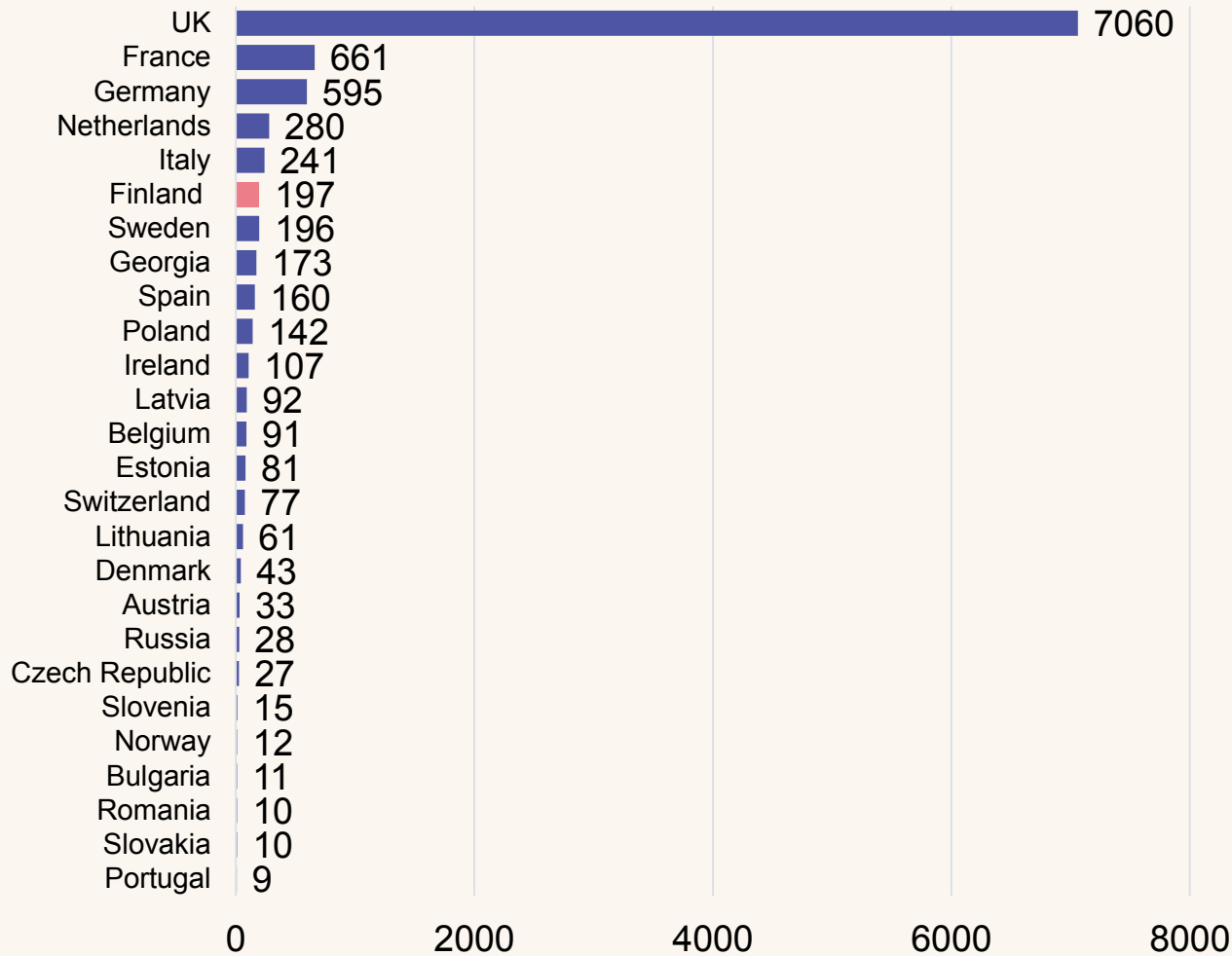
- Growth of alternative finance channels is changing the market
- New digital business models challenge existing structures
- New types of risks for investors
- Risk of increased indebtedness for households
- New models make stability analysis more complicated

# Background

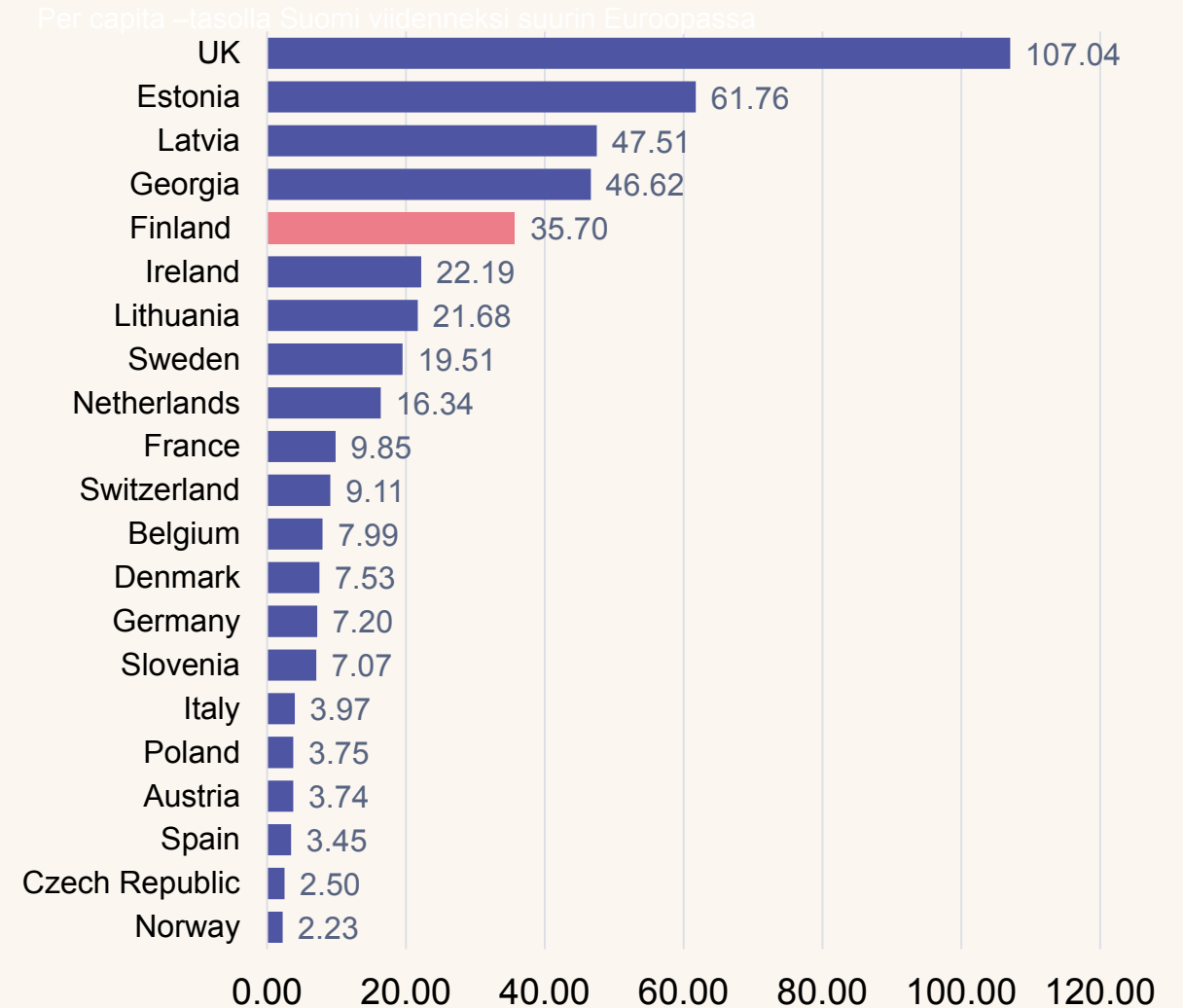
- Ministry of Finance collected data for 2014-2016 to support preparation of national legislation
- Further demand from national users for stability analysis
- Bank of Finland launched crowdfunding and peer-to-peer lending statistics in 2018.
- Experience from two compilation rounds so far

# Online alternative finance by country in Europe in 2017

## Volume in € millions

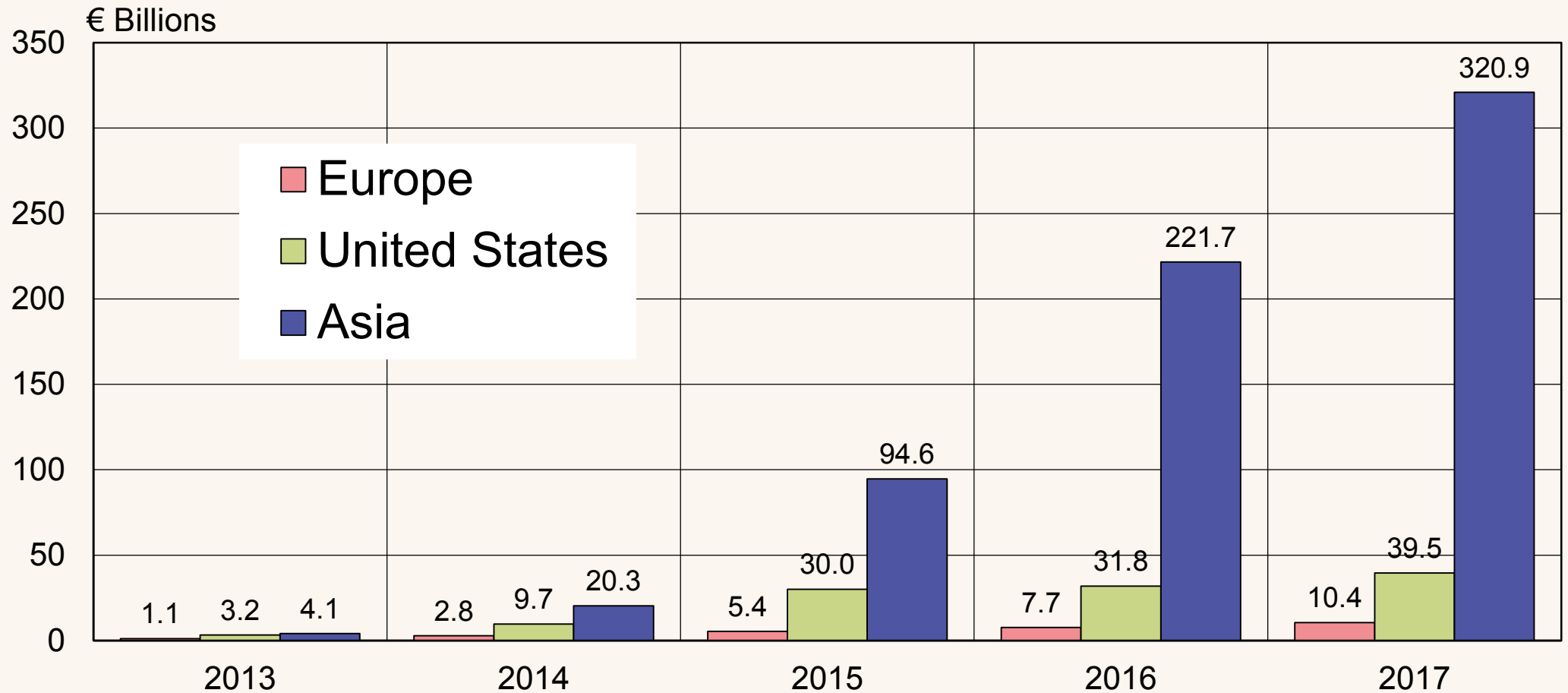


## Volume per capita (€)



Source: Cambridge Center for Alternative Finance

# ... but compared to US and Asia, Europe is lagging behind



Source: Cambridge Center for Alternative Finance

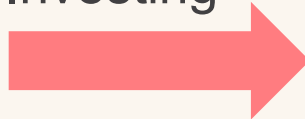
# A wide variety of business models under crowdfunding

Lending



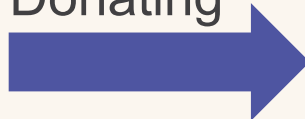
Alternative Finance Model	Definition
P2P Consumer Lending	Individuals or institutional funders provide a loan to a consumer borrower.
P2P Business Lending	Individuals or institutional funders provide a loan to a business borrower.
Invoice Trading	Individuals or institutional funders purchase invoices or receivable notes from a business at a discount.
P2P Property Lending	Individuals or institutional funders provide a loan secured against a property to a consumer or business borrower.
Balance Sheet Business Lending	The platform entity provides a loan directly to a business borrower.
Balance Sheet Property Lending	The platform entity provides a loan secured against a property directly to a consumer or business borrower.
Balance Sheet Consumer Lending	The platform entity provides a loan directly to a consumer borrower.

Investing



Equity-based Crowdfunding	Individuals or institutional funders purchase equity issued by a company.
Profit Sharing Crowdfunding	Individuals or institutions purchase securities from a company, such as shares or bonds, and share in the profits or royalties of the business.
Real Estate Crowdfunding	Individuals or institutional funders provide equity or subordinated-debt financing for real estate.
Debt-based Securities	Individuals or institutional funders purchase debt-based securities, typically a bond or debenture at a fixed interest rate.
Mini-bonds	Individuals or institutions purchase securities from companies in the form of an unsecured retail bonds.

Donating



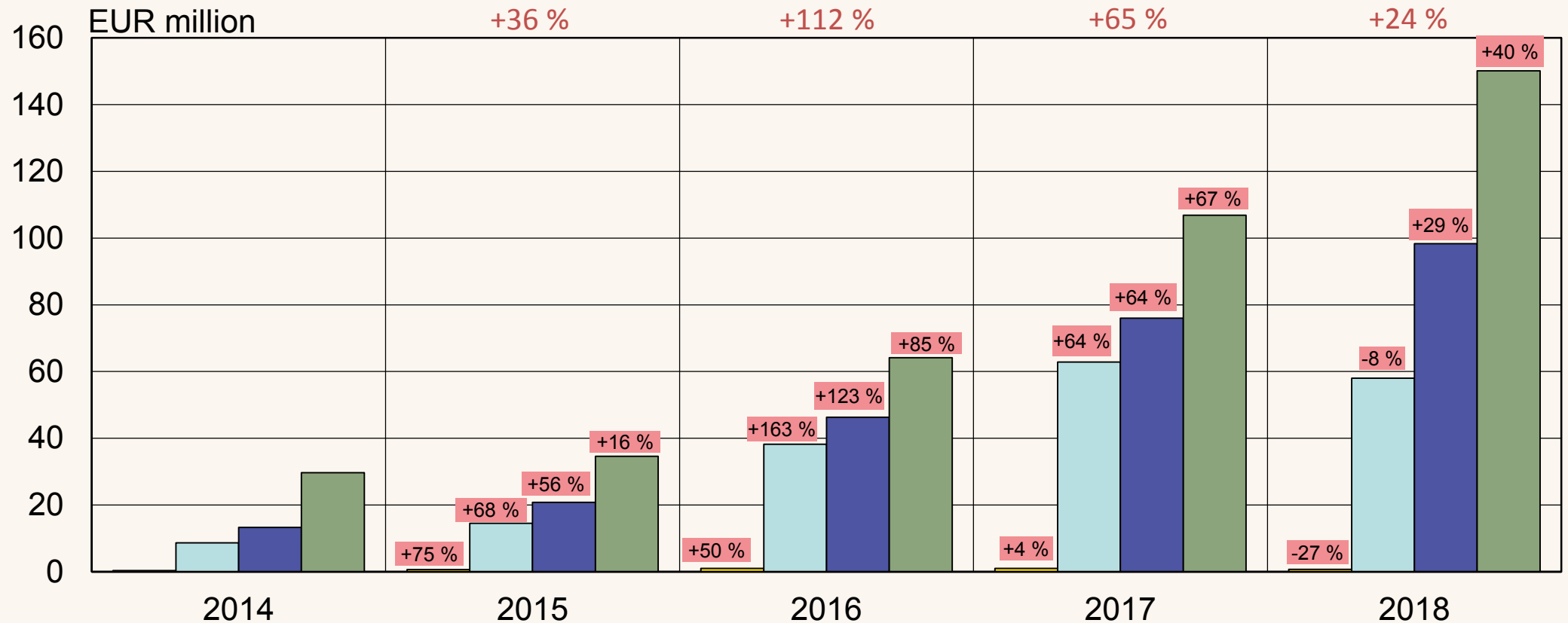
Donation-based Crowdfunding	Donors provide funding to individuals, projects or companies based on philanthropic or civic motivations with no expectation of monetary or material return.
Reward-based Crowdfunding	Backers provide finance to individuals, projects or companies in exchange for non-monetary rewards or products.

# Bank of Finland's data collection and statistics

- Annual frequency, 15 platforms:
  - € Volumes in four crowdfunding categories
  - Flows and stocks
  - Number of projects
  - Number and type of investors (household/other)
  - Interest rates and maturities for loan based funding
- Active cooperation and discussion with reporting agents
- Legal basis: Act on Bank of Finland
- Still "experimental" statistics
- Data published annually in March

# Funding volumes mediated in Finland through different forms of crowdfunding

- Growth %
- Reward-based crowdfunding = “Funding against eg. a product or service to be delivered in the future”
- Investment-based crowdfunding = “Funding against equity or debt securities or other instruments”
- Loan-based crowdfunding = “Large group of investors lending to a company”
- Peer-to-peer lending to consumers = “Large group of investors lending to an individual”



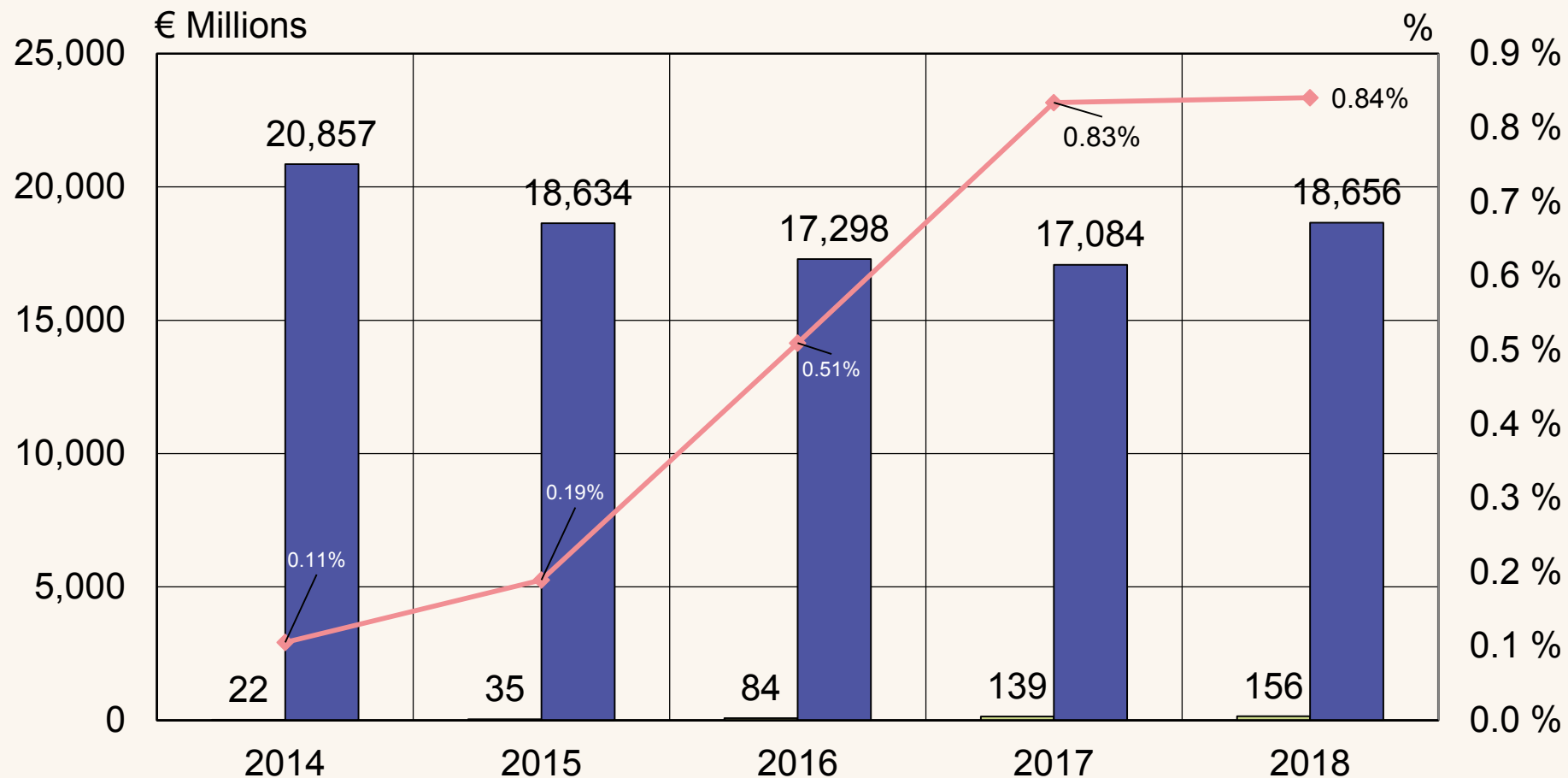
Sources: Bank of Finland (2016–2018)\* and Ministry of Finance (2014–2015).

\* The figures only include domestic parties seeking finance.



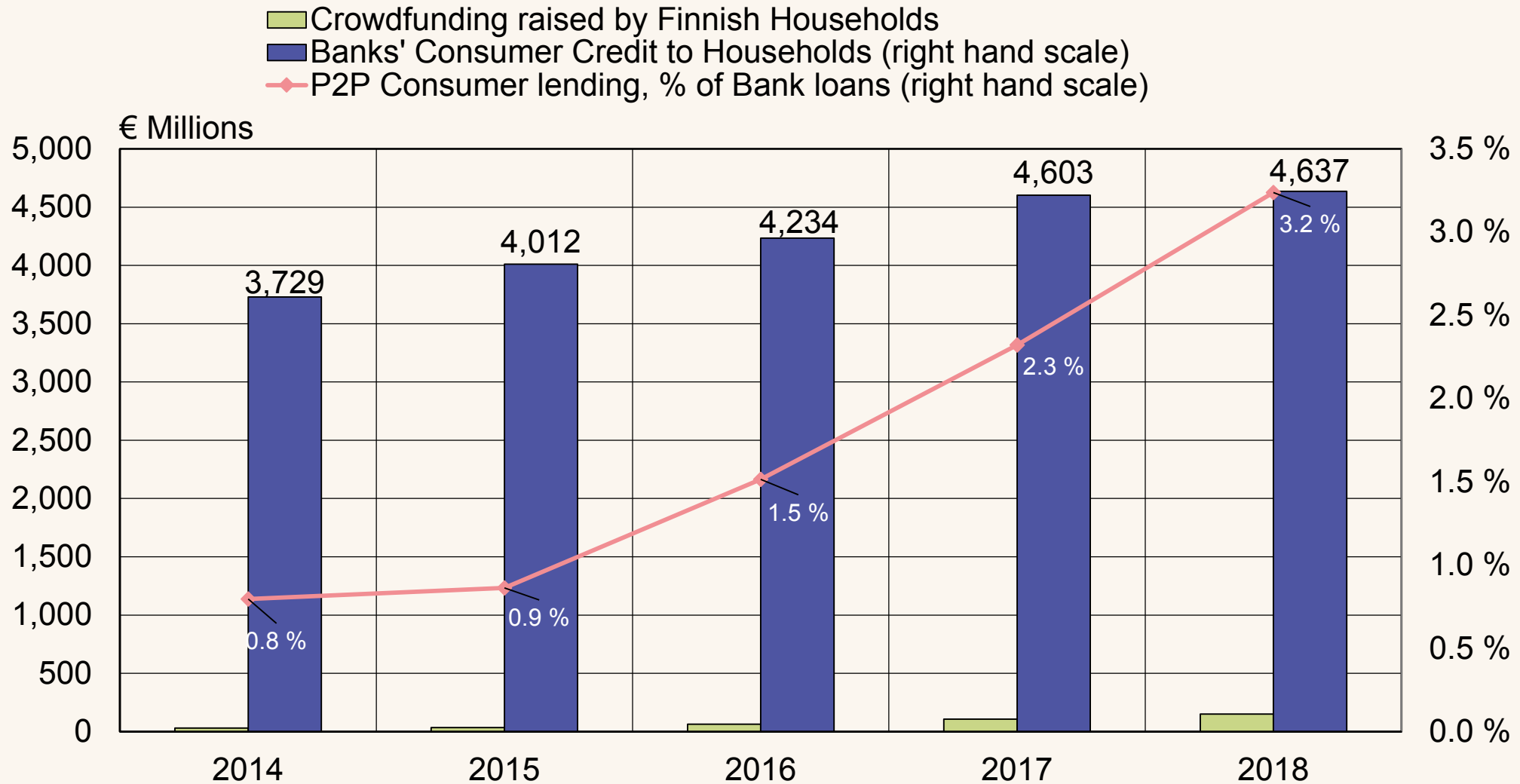
# Crowdfunding versus traditional bank loans for companies

- Crowdfunding raised by Finnish Companies
- Banks' Loans to Finnish Companies during the year
- ◇— Crowdfunding to Companies, % of Bank Loans (right hand scale)



Sources: Bank of Finland and Ministry of Finance

# Crowdfunding versus consumer credit from banks



Sources: Bank of Finland and Ministry of Finance

# Interest rates higher and maturities shorter than in traditional bank loans

## Average interest rates

Loan-based crowdfunding for companies	8 %
Traditional company loans from banks	1,60 %
Peer-to-peer funding to households	12 %
Traditional consumer credit from banks	4,80 %

## Average maturities

Loan-based crowdfunding for companies	21 months
Traditional company loans from banks	55 months
Peer-to-peer funding to households	32 months
Traditional consumer credit from banks	75 months

# Number of investors low, number of investments high...

<b>Number of Investors</b>	Loan-based	Investment-based	P2P
Households	8 052	6 676	7 785
Other	1 039	663	497

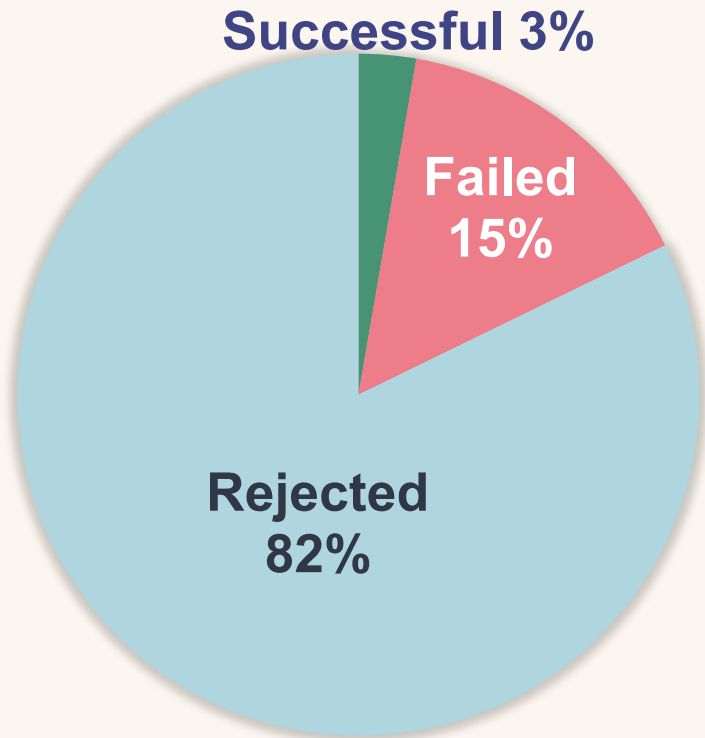
<b>Number of Investments</b>	Loan-based	Investment-based	P2P
Households	362 288	9 403	1 481 150
Other	75 705	931	417 875

<b>Average Number of Investments per Investor</b>	Loan-based	Investment-based	P2P
Households	45	1	190
Other	73	1	841

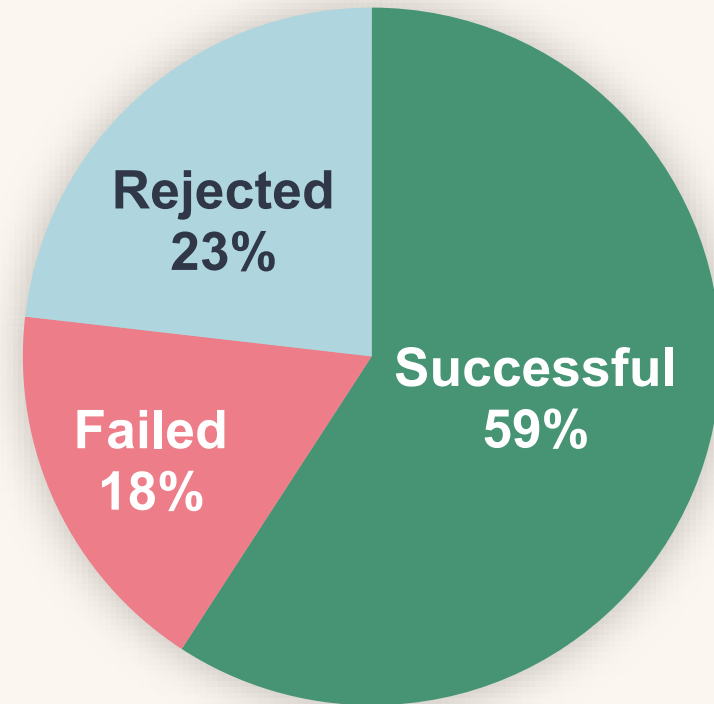
<b>Average €-amount of Investment per Investor</b>	Loan-based	Investment-based	P2P
Households	172	3 638	57
Other	476	19 429	156

⇒ **Investors typically have several investments and the average value of individual investment is low**

# Share of successful projects is very low in P2P, higher in loan based funding



**Peer-to-peer  
consumer funding**



**Loan-based funding  
for companies**

# Key messages

- There is keen **demand and interest** for new data even if the volumes are still relatively low.
- Market develops rapidly and new players emerge => **challenge to keep up with reporting population**
- Need to invest time in **reporting agent cooperation**.
- **Experimental statistics** can be set up in a **cost efficient** manner
- **Data profiles of new funding channels** are significantly different from traditional bank lending data

**Thank you for your attention!**

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