

Improving Access to Credit in Property Markets using Blockchain

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SUMMARY

The 2007 Nobel Peace Prize winner, Muhammad Yunus, emphasised that credit is one of the key pillars for relieving poverty. A large part of the world lives in poverty, lacking access to credit. Improving access to credit has been on high agenda of several international organisations and policy makers since many years.

At the 2015 World Bank Group-IMF Spring Meetings, the World Bank Group and public and private sector partners issued numeric commitments to help promote financial inclusion and achieve Universal Financial Access by 2020 (UFA 2020). The proposal for an UFA 2020 may have significance towards improving the access to credit also in Property markets.

Over the last decades micro finance has helped bring many of the poor into the financial system through the use of support groups, pooled savings and micro loans. Credit allows households to borrow against future income and firms to invest, for instance, in land and other infrastructural activities. Country's institutions and access to technology directly affect the availability of credit and the ability to use property as collateral for credit. Without the ability to use property as collateral for loans, the titles in owners' hands still represent "dead capital" – assets that cannot be collateralised or sold.

Access to credit needs to be available on a scale that corresponds to the development of the market. Although Financial inclusion and personal identity initiatives take place primarily at national or regional levels the problem of financial inclusion is more global and requires a technological solution that is global enough and can be handled with immutability, trust and transparency. Over the years, technology has eliminated middlemen and increased efficiencies in a plethora of different industries and it has the potential to do likewise in the real estate industry.

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The scope of this work is based on how strongly does the access to credit correlate with the different fin-tech frameworks like blockchain and crowdfunding in which lenders and borrowers operate? To explore the extent to which crypto-currency as a currency system could interact in the future with blockchain 2.0 smart-contract technology to create sustainable financial schemes independent of normal financial institutional funding method for better real estate management. Will added risk management mechanisms like crowdfunding insurance to safeguard the investor's interest lead to sustainable financing in real estate?

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