Blockchain technology can give small businesses and entrepreneurs new avenues for funding their ventures and create opportunities for growth, according to a report from Rice University's Baker Institute for Public Policy.

Blockchain, essentially a digital ledger, is giving rise to a new global
financial system, writes Alexander Hernández Romanowski, research analyst at the Baker Institute's McNair Center for Entrepreneurship and Economic Growth. Its promise stems from its security and public accessibility—and Hernández Romanowski argues its applications for entrepreneurs are seemingly endless.

Blockchain technology could improve access to capital for businesses that generally don't meet traditional lending criteria, which typically relies on credit scores, banking history and collateral, the author says. It could also streamline the U.S. Small Business Administration's assessment of creditworthiness during the application and loan process, Hernández Romanowski argues.

Loyalty programs, cryptocurrency exchanges, decentralized cloud storage and the non-fungible token industry could all benefit as well, he said. Other opportunities for blockchain use include fully automated legal agreements through "smart contracts," more efficient fundraising, and increased transparency and accountability in shipping logistics.

However, government regulation could hinder the transparency and democratization that the technology offers, he said.

"Public policy should carefully balance any public benefits of regulation against the burden on innovation and entrepreneurship that government regulations often present," Hernández Romanowski wrote.


Provided by Rice University