

## A Study on the Scope of Crowd Funding as a Funding Strategy for New Generation Business Entities in India

**Dr. R. Sethu Ravi<sup>1</sup>, Jerry Thomas<sup>2</sup>**

*<sup>1</sup>Head & Associate Professor in Commerce*

*Government College, Ambalapuzha, Alapuzha, Kerala*

*<sup>2</sup>Guest faculty, Government College, Ambalapuzha, Alapuzha, Kerala*

*Email: sethualleppey@gmail.com*

### ABSTRACT

Crowd funding is an act of raising funds from people scattered over globe typically with the help of internet. The crowd may receive some sort of reward (financial or intangible) for their contribution. In a developing country like India, fundraising is one of the major problems faced by entrepreneurs. The concept of crowd funding can bridge this gap. In this study, the researcher makes an attempt to understand the concept of crowd funding and also tries to analyze its scope in new generation business entities.

**Keywords:** Crowd funding, internet, entrepreneurs

---

### I. INTRODUCTION

Crowd funding is the practice of raising money from a large number of individuals for the purposes of financing a project, venture, business or cause. Traditionally, crowd funding has been carried out via subscriptions, benefit events and door-to-door fundraising. However, today the term is typically associated with raising money through website platforms, which allows crowd funding to reach a larger pool of potential funders.

Crowd funding usually takes place on a light-touch online platform rather than through banks, charities or stock exchanges. The business or individual seeking finance will typically produce a pitch for their business, project or venture, which is then uploaded to the online platform with the aim of attracting as many loans, contributions and investments as possible. Websites such as Kickstarter, Seedrs and Crowdcube are examples of the available online platforms, which enable project initiators to reach a pool of thousands, if not millions, of potential funders.

### II. OBJECTIVES

- To understand the concept of crowd funding.
- To analyze the scope of crowd funding strategy for new generation business entities in India.

### Statement of the Problem

In India, crowd funding is still in its initial stage even though its potential is incredibly high. According to World Bank Report (2012) India has only 10 Crowd Funding Platform as against 344 in US and 87 in UK .A country like India can take advantage of crowd funding strategy as it keeps the cost of capital to the minimum. The unemployed youths of India can explore the opportunities associated with crowd funding which obviously is the reason for initiating this study.

### III. RESEARCH METHODOLOGY

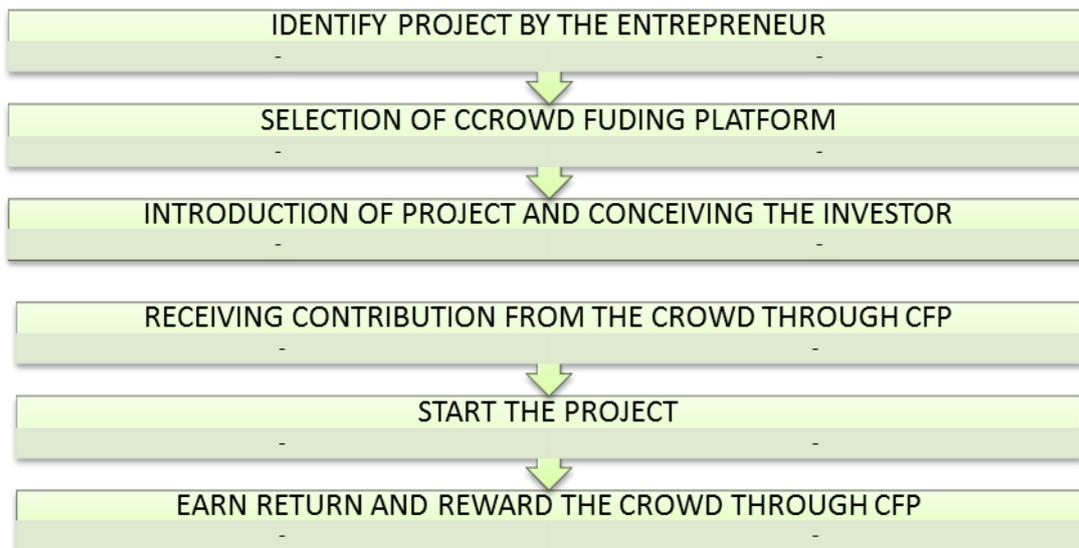
The present study is mainly based on data collected from secondary sources. Secondary data collected from books on Crowd funding, different journals, articles and papers presented on crowd funding, internet and various academic data bases.

#### The Concept of Crowd Funding

The SEBI Consultancy paper on crowd funding defines Crowd funding as the “solicitation of funds, [in small amounts], from multiple investors through a web-based platform or site for a specific project, business venture or social cause”. Ketto is **India's** most trusted **crowdfunding** site. We help raise **funds** for medical causes.

With this new opportunity came the need to facilitate the transfer of funds from those who were looking to donate or invest to those in need of the capital. Crowd funding platforms are online intermediaries that facilitate this process, whose numbers have been growing rapidly in recent years.

#### Working of Crowd funding



#### Types of Crowd Funding

- **Donation-Based Crowd funding**  
It involves donations that the entrepreneur need not give back anything to the funder. The donors give their contributions just because they want to support the idea of the entrepreneur. This type of crowd funding usually used for charitable, social, community and medical cases.
- **Rewards-Based Crowd funding**  
In this type the funder may get different types of rewards in return. This rewards are usually in the form of souvenirs, product samples etc.. The rewards received generally proportional to the amount contributed by the funder.
- **Equity- Based Crowd funding**  
Unlike the donation-based and rewards-based methods, equity-based crowd funding allows contributors to become part-owners of the company. As equity owners, contributors receive a financial return on their investment and ultimately receive a share of the profits in the form of a dividend or distribution

- **Debt crowd funding**

Debt crowd funding provides investors to fund the project in exchange for **financial interest on their investment**.

### **Crowd Funding Stories of India**

Prajwala, an organization dedicated to rescuing women who were forced into sex-trafficking against their will and exploited for nefarious purposes, managed to raise a sum of \$260,000 from across 27 nations worldwide. The money raised was used to construct a shelter for the rescued girls while also acting as a rehabilitation center, providing them necessary livelihood training to attain employment.

Run by former banker Sanjay Nagar, the Kohka foundation campaigned to raise money to provide computers and other facilities to the underprivileged youth of his tiny village in Madhya Pradesh. An amount north of 5 lakhs was thus raised, all of which then went towards ensuring proper educational facilities for the youth.

Any list of successful crowd funding stories would be a miss without mentioning Exploride, a Kerala based project focusing on creating transparent heads-up displays for new age computers. The campaign raised almost \$500, nearly 5 times its original goal, in the process of becoming the most funded project in Asia.

### **10 Secrets of Highly Successful Crowdfunding Campaigns**

- Be ready with an idea.
- Customize our promotion through a social platform
- Make an impressive video of our project
- Create a good campaign through a press media
- Donot ask for money immediately.
- Build interest among the investors
- Frequent communication
- Introduce our team as whether an established company or a new startup
- Appeal to existing fans
- Appeal to everyone.

If all these tips are followed, success is not guaranteed, but will maximize our chances.

## **IV. CONCLUSION**

Crowd funding in India is still in its infancy. However, it does face its share of challenges. Being an extremely new concept, the Indian population still has not widely accepted online crowd funding. The initial hesitancy though, should be expected and would not prove to be a major obstacle given its due time. The Indian market industry still does not take kindly to online investments & fundraising, which raises a great concern for prospective entrepreneurs. Another reason that slows the growth of crowd funding in India, as compared to other nations, is that the government is yet to interfere on the concept of online fundraising. Despite the initial challenges, the future of crowd funding in India is undoubtedly bright. India's vast population means that India potentially has a huge donor base. As the Indian youth faces the constant threat of unemployment, many of them would undoubtedly look upon entrepreneurship as viable career option; as word of mouth spreads a sudden splurge in awareness and interest in crowd funding can be expected. Entrepreneurship through crowd funding poses to be a brilliant solution for some of India's more unorthodox economic challenges that cannot be tackled with conventional methods alone.

## V. REFERENCE

### JOURNALS

- Young, Thomas (2013).The everything guide to crowd funding. Western Economic Journal.8.
- Hetal , Anjali (2015). Crowd funding at India: A study of Indian online crowd funding platforms. Journal of Economics.12-14.
- Sofia John(2012). Demand Driven Securities Regulation: Evidence from crowd funding.journal of social science.8.15-24.
- Crowd funding blog by Nathan

### WEBSITES

- [www.igniteintent.in](http://www.igniteintent.in)
- [www.kickstarter.com](http://www.kickstarter.com)
- [www.crowdsourcing.org](http://www.crowdsourcing.org)
- [www.researchgate.com](http://www.researchgate.com)
- [www.ketto.com](http://www.ketto.com)