

CROWD FUNDING FOR INNOVATION AND SUSTAINABILITY

¹Urmila Deshmukh

¹Assistant Professor

¹Department of Management

¹Aurora's Degree & PG College

¹Chikkadpally, Hyderabad

Abstract : Entrepreneurs have started relying on crowdfunding to fund their investments. Crowd funding has the ability to tap new sources of capital to firms. Crowd funding offers a way for the crowd to participate in the innovation process by providing feedback to the entrepreneur. Crowd funding is the practice of funding a project or venture by raising small amounts of money from a large number of people through the Internet. These funding sources include banks, angel investors, and venture capital firms. Crowd funding is changing how entrepreneurs bring new products to market. It has allowed thousands of innovating entrepreneurs to raise money, build brand awareness. A characteristic of crowd funding is that the entrepreneur needs to put a large amount of information in the Internet to convince backers to contribute. The US was the first country to propose regulations for equity crowd funding. Additional benefits of crowdfunding can come from the ability to develop relationships with other stakeholders. Knowledge and power also turns out to be pretty useful when it comes to launching new creative and technology ventures. Where sites like Kickstart ask the crowd to judge the value of startup business and creative visions, entrepreneurs and artists and put their faith for both funder and fundee. This paper is an attempt to study the types of Crowd funding and its significance for innovation and sustainability.

Key Words: Crowdfunding, Crowdsourcing, Customer, debt based, entrepreneur, Equity, Internet, Investors

I. INTRODUCTION

Entrepreneurs have started relying on crowdfunding to fund their investments. Crowd funding has the ability to tap new sources of capital to firms. Crowd funding offers a way for the crowd to participate in the innovation process by providing feedback to the entrepreneur.

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This paper is an attempt to study the types of Crowd funding, crowd funding in India and its significance for innovation and sustainability.

2. Literature Review

Crowdfunding connects people who have money and people who need it. Apart from getting funds through online, another advantage of getting is acceptable of idea or concept. The first crowdfunding was done by British rock group Marillion in 1997 using internet which could raise \$60,000 from fans for North American tour and the first website was Artist Share an US based company in 2001.

Wikipedia is one examples of a crowdsourcing model. It is an online encyclopaedia that is completely written by users, containing over 3 million articles in English.

Types of Crowd funding

There are different crowd funding method which depends on the type of product or service and goals. The primary types are donation-based, rewards-based, and equity crowd funding.

Donation-Based Crowd funding

In Donation based crowd funding there is no financial return to the investor. Examples include disaster relief, charities, and medical treatment.

Rewards-based crowdfunding

In reward-based crowdfunding, the donors donate to the cause and given a small reward in exchange what they have contributed. This type of crowd funding can even be a for music album, or a film. Reward-based crowdfunding campaigns are run by individual artists, musicians, and film producers. Indiegogo and Kick-starter are two examples of reward-based crowdfunding. People who could not raise capital through traditional ways like taking a loan from the bank will generally go for this type of crowdfunding.

Innovative start-ups can use reward crowdfunding when they want exposure for their brand and the product. Popular smartphone companies like Nextbit has launched their devices using reward crowdfunding.

Debt crowdfunding

Debt crowdfunding, sometimes known as peer-to-peer lending or loan-based lending, is an alternative way for businesses to borrow money. The finance is raised via a crowdfunding or P2P lending website, With this type of crowdfunding, individuals lend money to businesses or other individuals with the expectation that it will be repaid together with interest added

Equity-Based Crowdfunding

Equity-based crowdfunding allows contributors to become part-owners of your company by trading capital for equity shares. As equity owners, your contributors receive a financial return on their investment and ultimately receive a share of the profits in the form of a dividend or distribution. The following are the different types of equity crowd funding:

Kick-starter funds the creative projects category and funded over 129,000 projects and raised over \$3 billion.

Bonfire allows individuals and organizations to raise money for their causes and projects with merchandise sales

Crowd funder helps start-ups get funding through venture capitalists and angel investors.

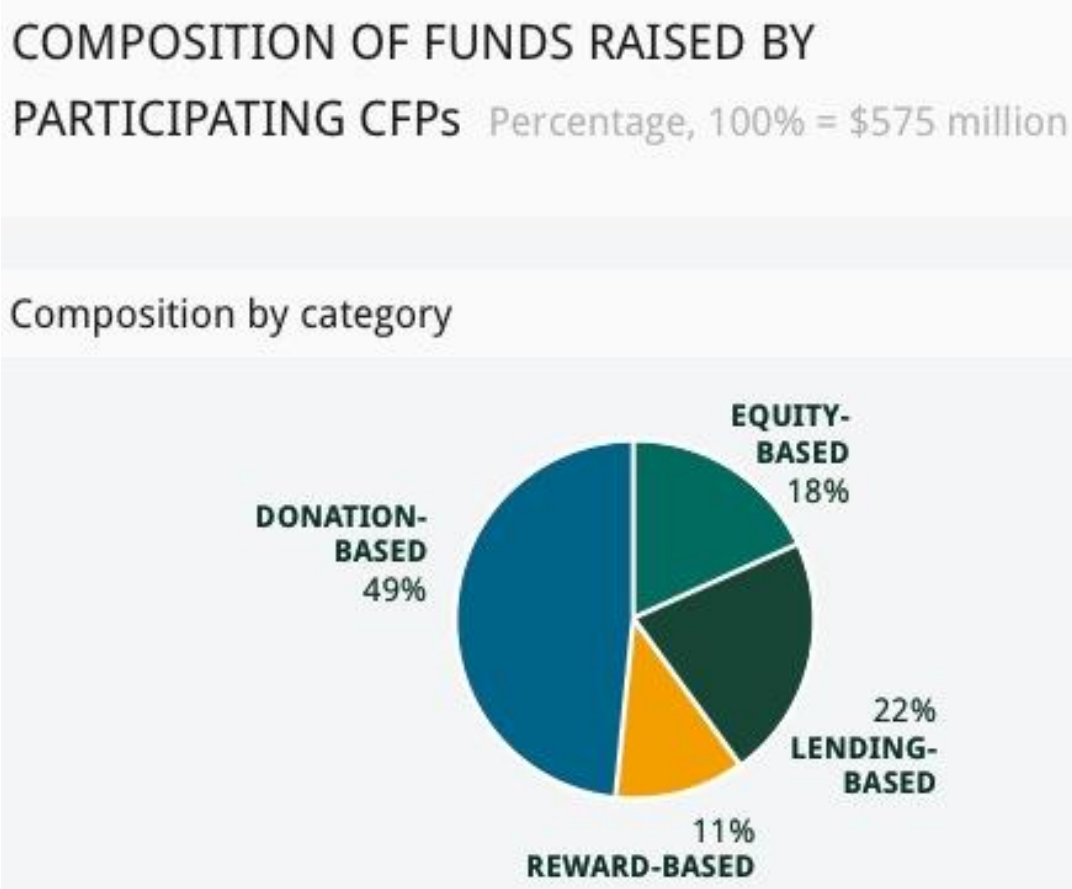
Lending Club helps individuals to secure personal loans up to \$40,000. They also offer small business loans and auto refinancing.

Fundraise allows individual investors access real estate world

GiveSendGo provides a platform for Christian fundraisers to raise money for their religious and Christian-inspired projects.

Edco specializes their crowdfunding campaign for school organizations and teams.

Fundly is best suitable for individuals because it is user friendly, cost effective, and helps individuals raise money for a number of causes.



Benefits of Crowdfunding

Crowd funding gives a number of advantages as compared to traditional ways of raising capital

Presentation – By raising capital through crowdfunding campaign, you can see your business from different level .You can start campaigning your business by stating its background, objectives, products, business values and showing your business in sophisticated way

Marketing –With the help of crowdfunding, you can promote your campaign through social media, email newsletters, and other online marketing methods reaching a large number of people.

Acceptance– Through crowdfunding you are able to promote your product to large masses which can give feedback of your campaign and make your product or service to be acceptable for fundee and fill all those gaps which are missing in your concept or idea or product or services.

Efficiency –One can improve the efficiency of the business by raising the capital on a single online platform instead of looking each sources individually. Lot of time will be saved and paper work can also be minimised.

Unparalleled publicity: When you use Crowd-funding to finance your start-up or existing business, this precisely means that your business would be exposed to millions of users and investors all over India. This is the perfect way to attain mind-blowing publicity of your business even before starting it.

Crowdfunding is the opposite of the traditional way of raising capital. In traditional way if you want to raise capital for a start-up business or launch a new product or new service in an market you need have a very good business plan, have to do intensive market research, and promote your idea or product around banks or wealthy investors or angel investors or venture capitalist. Crowdfunding provides to you promote your idea or concept or product by promoting your product and raising capital through a large number of investors using internet.

Crowd funding in India

Internet has not only been a way to promote your business but it also a innovative to promote new entrepreneurs to raise capital. Entrepreneurs pay a very important role in the development of the country. They provide the people the products, ideas and services in a innovative way. With the help of crowd funding, only those people invest in your campaign, who trust your idea and who believe your product or service is going to innovative product in the world market. Crowd funding is very much possible now in India. Crowd funding is a collective effort by people who build a network and providing funding for a cause. Crowd Funding seems to be much similar to the term charity but the difference is that crowd funding offers a return on the investment which is contributed by the fundee.

Crowd funding is a new term in India which is still in its early stage.

Crowdfunding Rules In India

- Crowdfunding rules in India is regulated SEBI(Securities and Exchange Board of India).
- When it comes to retail investors, the maximum amount of contribution you can get is Rs. 60,000/-.
- The Start-ups which are aged more than 2 years are not allowed to participate in any crowdfunding activities.
- The Crowdfunding platform in which a start-up is going to raise their funds must follow to certain regulatory checks.
- In many cases only accredited Investors may invest.
- The start-up must disclose their plans such as their business plans, their intent of using the funds and the financial statements which are properly audited.

According to SEBI,/crowdfunding is nothing but “collection of small funds amount from multiple investors through a web-based platform or social networking site for a specific project, business venture or social cause.”

The Securities and Exchange Board of India (SEBI) claims the Indian public lacks adequate investment knowledge or experience and requires strict protection. Equity crowdfunding in India remains on hold.

Top Crowd funding Platforms in India:

Following are India’s top crowdfunding platforms in India. Crowdfunding in India has helped fund medical patients, NGOs and even social enterprises

1) **Milaap**

Milaap is the number one Crowdfunding website in India. This platform helps to raise funds online for yourself, your loved ones, charities, and more. Monthly. Setting up a campaign in Milaap is extremely easy and absolutely free for assistance they have campaign manager who will help in running the campaign. They charge a fee of 5% on the total funds raised.

2) Ketto

Ketto is a crowdfunding platform which raises funds for various categories like NGOs, non-profits and is also used to support creative as well as personal causes. It was founded in 2012, and it is based in Mumbai. The fee is 6% while the upfront fee for setting up a campaign is over Rs. 2000.

3) Wishberry

Wishberry is a crowdfunding platform for creative artist which is inspired by Kickstarter . It began in 2012.It is a reward-based crowdfunding site, where the people who contribute will get return related to the project. Starting a crowdfunding campaign on this platform will cost Rs.3999

4) **Fuel A Dream**Fuel A Dream is a crowdfunding website for people who aim to raise funds for creative ideas, causes, charities, events, and community-led activities. They've successfully raised funds for innovative projects like the smartest ELECTRIC BICYCLE and much more. Rs. 3000 is the fee to start a campaign

5) Bit Giving

Bit Giving is another platform of crowdfunding which raises funds for various causes from like financing the farmers. It allows you to Post stories about your experience with crowdfunding and shares other's experiences in this as well. It is completely free to start a campaign here. The platform fee varies between 6-10%.

6) Impact Guru

Impact Guru is a venture which was incubated in Harvard's Innovation Lab's Venture Initiation Program in the USA. It started in 2014, and it is used to fund various causes ranging from donation-based to reward-based, personal or a cause, they have it all covered. All you have to pay is the platform fee of 5%.

7) Dream Wallets

Dream Wallets is a Jaipur based crowdfunding start-up which has many campaigns ranging in many categories such as Music, photography, food, fashion, environment and much more. They began their operations in July 2015. Start your campaign for free and just pay a platform fee of 5-9% after raising funds.

8) Catapoolt

Catapoolt is a crowd engagement platform mainly to support Music, Arts, Movies and other technologically backed projects. It is an organization based in Mumbai. It began in 2012. This platform charges Rs. 1499 as an upfront fee and additional 10% of total funds raised.

9) Start51

Start51 is for those special people who want to transform their ideas into reality. They keep their agenda simple, to get funds to people who want to bring their ideas to reality. List your idea for free and just pay the platform 5% of the funds raised.

10) TheHotStart

The last on this list of top crowdfunding platforms is TheHotStart. Launched in 2014, this platform has raised up to 50lakh in funding for their projects. It mainly targets the people present in the creative industry. You can start your project for free here and pay 10% of funds raised.to

11) Rang De

Founded in Bengaluru in 2008, RangDe.org offer low-cost loans to rural entrepreneurs across India with the help of funders. 93% of borrowers have been women and helped disburse 50,008 loans for a section of Indian population who are usually overlooked by banks and financial institution. Borrowers pay interest rates ranging between 4.5% and 10% p.a. for collateral free loans. Rang De gets a nominal cut of 2% on all the loans repaid by borrowers.

Rang De is a recipient of several social change-related awards including South Asian International Fund Raising Group's Fund raising Campaign of the year Award and 2013 Millennium Alliance Award.

CROWDFUNDING –Global scenario

There are 500 crowdfunding platforms worldwide. They collectively raised \$2.7 billion in 2012, across more than 1 million individual campaigns globally. The same is estimated to be \$5.1 billion for 2013.

The below are the top three crowdfunding platforms

www.kickstarter.com

www.indiegogo.com

www.rockethub.com

Kickstarter is an American crowd funding platform situated in Brooklyn, New York that focuses on creativity. The company's stated mission is to "help bring creative projects to life". Every artist, filmmaker, designer, developer, and creator on Kickstarter has complete creative control over their work and the opportunity to share it with a vibrant community of backers. Kickstarter helps artists, musicians, filmmakers, designers, and other creators find the resources and support they need to make their ideas a reality

Indiegogo is an international crowdfunding website founded in 2008 by Danae Ringelmann, Slava Rubin, and Eric Schell. Its headquarters are in San Francisco, California. The site is one of the first sites to offer crowd funding. Indiegogo allows people to raise funds for an idea, charity, or start-up business. Starter helps artists, musicians, filmmakers, designers, and other creators find the resources and support they need to make their ideas a reality.

Rocket Hub: Rocket Hub is an onlinecrowdfunding platform launched in 2010. Based in New York City, includes musicians, entrepreneurs, scientists, game developers, philanthropists, filmmakers, photographers, theatre producers/directors, writers, and fashion designers. Operating in over 190 different countries.

Crowdfunding Platforms for Startups

1. *Crowd Street*

If you are starting a real estate business then you have the option to raise funds through crowd funding opportunities on Crowd Street. The site gives you an offer to invest in real estate projects that may be for residential

2. *Crowd Supply*

Crowd Supply focuses on funding computer hardware start-ups. The average amount raised here is \$66,000 -- and Crowd Supply's 70 per cent success rate has Kickstarter beat.

3. *Experiment*

Experiment is a platform for start-ups looking to fund research projects in different categories, from biology and computer science to political research. Most goals here are modest -- think \$1,000 to \$5,000 or so -- and many entrepreneurs are university-based. But, it adds up: Over \$8 million has been raised, and 845 projects funded.

An example of a recent win: Orca Network raised \$7,000 to study whether northwest marine mammals carry antibiotic-resistant bacteria.

4. *FundThatFlip*

If your business is remodelling and reselling homes, FundThatFlip offers a place to get quick cash to fix up and resell. Investors put in a minimum of \$5,000. FundThatFlip promises a five-minute application process and seven-day approvals.

5. *Patreon*

If your business puts out product monthly -- say, training videos or graphic novels -- Patreon is a site to explore. Unlike any other crowd funding platform on this list, Patreon lets you solicit recurring monthly support from "patrons." If your start up could thrive on a monthly membership model, you can earn big here.

6. *Pledge Music*

If your business involves making music, PledgeMusic is the platform for you. Over 50,000 artists connect directly with over 3 million fans to earn here, offering downloads, limited-edition releases, private concerts, signed vinyl, posters and other promo items.

7. *Seed & Spark*

This movie-and-TV focused platform works a bit like Patreon, except backers can subscribe to the platform itself, as well as backing individual creators' offerings. The Seed & Spark platform invests additional funds in shows, with an emphasis on gender parity.

Over \$12 million has been raised to fund over 900 shows and Seed & Spark boasts an 85 percent campaign success rate.

8. *Techmoola*

Techmoola offers tech projects taking projects in 3D printing clean tech, electronic, software, biotech and so on. This is a big-money crowd funding site, with the average campaign pulling in \$200,000 to \$400,000,

3. Objectives

- To study and understand the concept of crowd funding
- To understand the different types of crowdfunding
- To understand the scenario of crowd funding concept in India
- To study about various crowd funding platforms in India as wells outside India
- To understand the impact of crowdfundings on innovation

4. Methodology

There are various sources for obtaining primary data i.e., Mail survey, Case study, Field survey, panel research and observation approach etc.

The study to maximum extent depends on primary data, which is collected by way of systematic study. Data is collected by personal interaction with entrepreneurs working in various business enterprises.

Research is a systematic method of finding solutions to problems. For the purpose of study, both primary and secondary data is collected. The explorative and analytical method is used to collect the primary data. Interviews or personal interaction with entrepreneurs is done systematically. The necessary data is also collected from newspapers and other published sources. The collected data is analysed and interpreted.

4.1 Data Collection

4.1.1 Primary data and Secondary Data

Primary data is personally developed data and it gives latest information and offers much greater accuracy and reliability. Secondary data is the published data. It is already available for using and its saves time. The secondary sources are

- Websites
- Journals
- Reports

- Case Study
- Newspapers
- Articles
- Books

4.2 SAMPLING DESIGN

A sample design is a finite plan for obtaining a sample from a given population. Convenience sampling method is used for this study.

4.2.1 Sample Size

Number of the sampling units selected from the population is called the size of the sample. For this study, a total population of 20 respondents were interviewed with respect to Professors, Authors, and Investors & Entrepreneurs. The time period for collection of primary took about one month.

4.3 Research Findings

Considerable amount of time is spent to collect the findings of the research. The findings are stated. These findings is the basis of the recommendations that are made

5. Findings

Crowd funding in India is still in nascent stage

Crowd funding is popular in US.

As per SEBI guidelines, Equity crowd funding is Illegal in India.

In India, many investors and entrepreneurs are not aware of Crowdfunding concept.

Crowding funding play a very important role in Innovation.

In India, Milaap is the most popular crowdfunding platform.

6. Recommendations

- Crowd funding in India can be encouraged by giving proper education to investors
- Government has to take initiative to promote crowdfunding in India.
- Many crowd funding platform are available in India. But many entrepreneurs are not aware of it.
- Entrepreneurs in India should be given more knowledge about different types of crowd funding

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