



RESEARCH ARTICLE

AN EXPLORATORY STUDY ON CROWDFUNDING PLATFORMS IN INDIA

¹Lakshita, V., ²Piyush Vaswani, ³Kiran Kaur and ^{4,*}Prof. Mithun Kumar, S.

^{1,2,3} Final Year BBA, Center for Management Studies Jain, Deemed-to-be University, Bangalore

⁴Assistant Professor, Center for Management Studies Jain, Deemed-to-be University

ARTICLE INFO

Article History:

Received 11th October, 2018
Received in revised form
28th November, 2018
Accepted 24th December, 2018
Published online 31st January, 2019

Key Words:

Crowdfunding platforms (CFPs),
Campaigns, Focus area.

ABSTRACT

Crowdfunding is a united effort by people who connect and fund collectively for a personal, societal cause or a business idea. Though it sounds very similar to the traditional concept of charity or social support, funding here is done with an objective of earning some return either monetary or intangible. The present day crowdfunding is connected with internet and the use of social media for fundraising. In India crowdfunding is still in its embryonic stage even though the potential is incredibly high. The paper studies the select Indian online crowdfunding platforms, their functioning and focus area, CFPs not only support business activities but also social causes. E.g. Milaap (www.milaap.org) supports personal and social causes through the platform. The CFPs were selected to represent a diverse set of crowdfunding areas and the availability of data.

Copyright © 2019 Lakshita et al. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

Citation: Lakshita, V., Piyush Vaswani, Kiran Kaur and Prof. Mithun Kumar, S. 2019. "An exploratory study on crowdfunding platforms in India", International Journal of Current Research, 11, (01), 970-972.

INTRODUCTION

Crowd funding, in the most authentic sense is the accumulating funds from the crowd. An inherent problem that most entrepreneurs confront at the preliminary stages of their career is to engross external capital, considering the lack of indemnity and cash flows. Though there exists a series of traditional sources of funding for larger businesses, Startups normally expect a relatively lesser capital. This makes them normally rely on their peers for the financial support. In the recent years, most entrepreneurs have started counting on online platforms for funds from the general public, as an alternative of knocking the doors of customary sources such as business guardians, banks or venture capital funds. This technique, called crowdfunding, has made possible to seek capital for project-specific investments as well as for starting up new ventures. Over the recent years, Crowdfunding has become very prevailing, by allowing a large number of individuals to collectively fund a new business venture or start up through a technology platform, the modern crowdfunding business consists of three types of players- the project originator, the interested investor and a portal- that brings the parties together. Eventually, more number of entrepreneurs are taking up crowdfunding to get their innovative idea on the way.

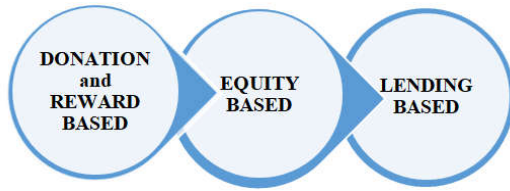
Literature Review: Brabham, (2008) said that crowdfunding is the mere composition of funds from the crowd.

***Corresponding author: Prof. Mithun Kumar, S.,**
Assistant Professor, Center for Management Studies Jain, Deemed-to-

Emerging businesses require the funds, the crowd has it, and the whole crowdfunding phenomenon is to raise money through relatively small contributions from the crowds or a large number of people. Pavlo D. Antonenko, Brenda R. Lee and A.J. Kleinheksel (May 2013) present an analysis of active crowdfunding campaigns posted on crowdfunding platforms in to provide a glimpse of the recent trends in the crowdfunding of educational technology startups. Describing the most successful crowdfunding campaigns in educational technology and identify the most popular crowdfunding platforms. Dr. Hetal Jhaveri and Prof. Anjali Choski, (December, 2014) define Crowdfunding as a collective effort by people who network and contribute collectively for a cause or a business idea.

This seems very similar to the traditional concept of charity or social cooperation but unlike funding, here it is done with an objective of earning some return either monetary or intangible. Matteo Rossi, (January, 2014) has explicated it as the practice of funding a project or venture by raising a lot of small quantities of money from a huge number of people. His finding exposes purposes, characteristics, roles, tasks and investment size of crowdfunding activity. As Henry Sauermann, Chiara Franzoni and Kourosh Shafi (March 2018) have collectively said that crowdfunding may provide much needed financial resources, yet there is little systematic evidence on the potential of crowdfunding for scientific research, discussing the acquaintances with other evolving mechanisms to involve the public in scientific research.

Types of Crowdfunding



Purpose of the Study: Capital accumulation has been an immense challenge for new startups. Conversely businessmen are finding new avenues to raise money through small contributions, from a large number of people. The role played by a crowdfunding platform in this context is significant, which links the fund seeker and the fund contributor. This study, thus focuses on the major crowdfunding platforms in India- their performance and focus areas.

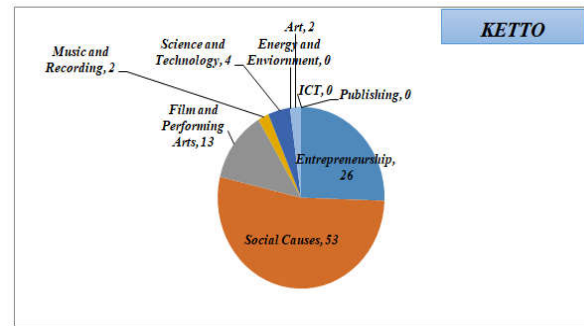
Research objectives

- To understand the concept and types of crowdfunding.
- To understand the performance of crowdfunding platforms in India.
- To understand the focal areas of crowdfunding platforms in India.

MATERIALS AND METHODS

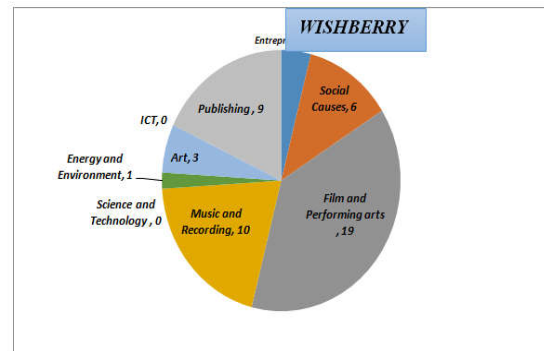
In order to run into the captioned objectives, data was collected from published articles in magazines, journals, official working papers. The major source of secondary data was extracted from the major (Four) crowdfunding portals, and to study the focal areas of the crowdfunding platforms arbitrarily 50 projects (campaigns) from each portal was selected, analysed and interpreted.

Analysis and interpretation: Going by the pre-set objectives of the study, the top crowdfunding platforms were analyzed with a set of parameters including the scope, marketing tools, their USP, business model, the fee charged, fund raising limitations, durations and the total number of projects and amount raised. The above table conveys a clear picture of focal areas of campaigns by the crowdfunding platforms. However, a detailed percentage-wise campaign pattern is discussed in charts 1, 2, 3 and 4. It is also evident that 3 out of 4 crowdfunding platforms have their scope limited. As the concept is in its nascent stage, promoting becomes very crucial and the crowdfunding platforms have their unique way of promoting. Promotion of campaigns in KETTO by Bollywood celebrities becomes note-worthy here. The business model adopted by CFP’s are also of due importance. It is seen that most of the CFP’s have ‘Keep it all’ model and WISHBERRY has adopted ‘All or nothing’ model. As far as the fees and commission charged by CFP’s, they adopt flexible rates from a minimal 5% to maximum of 13.5% and additional GST. It is also note-worthy that the CFP’s have supported a huge number of projects ranging from 500+ to 1, 00,000+ and have also been able to raise capital worth 13+crores to 400+ crores. The above presented charts of 4 crowdfunding platforms depicts the focal areas among every 50 projects. It is very evident that the crowdfunding platform have a plethora of sectors to focus on, but the majority of campaigns revolves around entrepreneurship, social causes, science and technology, ICT,



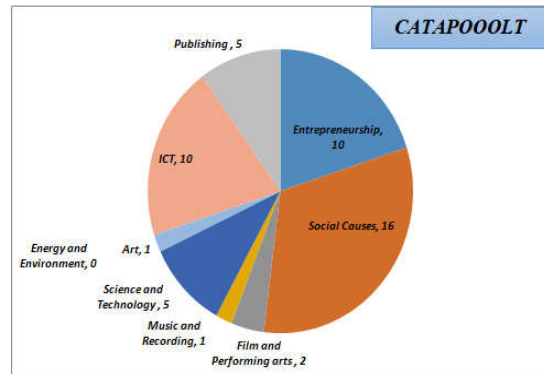
Source: <https://www.ketto.org/>

Chart 1. Representing the top focus campaign areas of Ketto



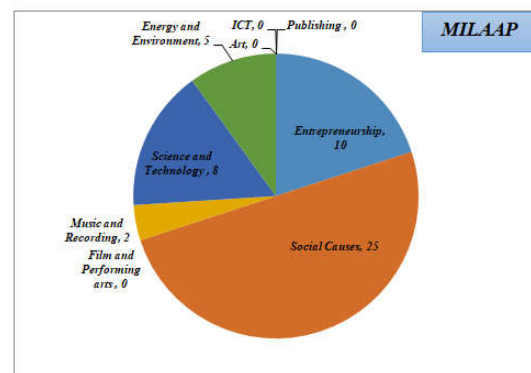
Source: <https://www.wishberry.in/#/home>

Chart 2. Representing the top focus campaign areas of Wishberry



Source: <https://www.catapoolt.com/>

Chart 3. Representing the top focus campaign areas of Catapoolt



Source: <https://milaap.org/>

Table 1. Top Crowdfunding Platforms in India- Facts and Performance

Criteria	Ketto	Wishberry	Catapoolt	Milaap
Website	www.ketto.org	www.wishberry.in	www.catapoolt.com	www.milaap.org
Launched	2012	2011	2012	2010
Sectors	NGO's, Corporates, Individuals.	Social, creative, technology, food and theatre.	Media and Entertainment, movies, books and startups.	Healthcare, Education, Sports, Disaster Relief and Personal causes.
Punch line	<i>What makes us do, we do.</i>	<i>Go fund Yourself!</i>	<i>Catalyzing creativity by pooling people.</i>	<i>Raise funds online for yourself, loved ones, charities and more!</i>
Scope	Limited	Limited	Wide	Limited
Marketing tool	Promotion by Bollywood celebrities	Reward based Crowdfunding	Packaging Rewards	Cause based campaigns.
USP	Campaigning for NGO's	Exclusive Rewards	Focusing on Theatricals	Focusing on disaster relief.
Business Model	Raise funds for social, creative and personal causes	Personalized Consultation, "All or nothing model".	Startups, social and Technology.	Respond to a Personal and Societal cause.
Region of operation	Domestic and International	Domestic and International	Global with special focus on Asia	Domestic
Fees and commission	6%+ GST	100% + CC- 3500/- SMM & PR- 10000/-*	10%+18% of 10%+GST	5%, 8% and 13.5%**
Min. fund raising	Rs.1000	100% of target amount, else refunded.	80% of requirements.	No min goal, campaigner receives; whatever raised.
Duration to raise funds	Depends on the Project	Max 100 days	Max 90 days.	Flexible Time limit
Special Remarks	Higher CSR	Exclusive Rewards	Advisory role, to promote Crowdfunding	Societal concern in funding.
No. of Projects	80,000+	500+	N/A***	1,00,000+
Amount Raised	300 crore+	Rs.13 crores	N/A***	Rs.413.81 Crores

Source: Crowdfunding platforms.

*CC- Campaign Consultation, SMM & PR- Social Media Marketing & Public Relations

** 5% - for Individuals, groups and small NGOs, 8%- for CSR Campaigns and tax-exempt NGOs and 13.5%- for select campaigns.

*** During the research period, the portal was acquired by Desiredwings.com and the portal was under reconstruction

The charts further communicate that entrepreneurship and social causes are given higher importance which is a good sign for the overall development of an economy.

Limitations

As the study period and scope was limited to that of a research paper, the Crowdfunding portals were selected on a random basis and the campaigns were also limited for the study.

Scope for further research

The concept of crowdfunding is certainly posing an idealistic potential if implemented and accepted by the masses. This particular research was conducted to understand the potential functioning of the crowdfunding platforms in India, with a limited number of parameters and Campaigns. Further the scope is widely open for researches to be conducted analysing; International CFPs, with higher number of parameters and campaigns.

Conclusion

Crowdfunding is also termed as 'democratic finance', as it does not involve traditional banking intermediaries. Undoubtedly Crowdfunding, which poses a prodigious potential, is in its nascent stage. Therefore it is the need of the hour for the law makers to look upon the regulations and give this potential market, a strong support system. Crowdfunding plays a vital role in capital accumulation for the Small and Medium scale business entities, which otherwise experiences a huge problem with traditional forms like Banks and Financial Institutions etc. Crowdfunding Platforms are a great support system for the Fund seekers and Fund Providers, and they have to improve their Competency to be in the mainstream funding in the future.

REFERENCES

- Agrawal, A., Catalini, C. and Goldfarb, A. 2010. The Geography of crowdfunding. *Social Science Research Network*. Retrieved May 3, 2013
- Belleflamme, P., Lambert, T. and Schwienbacher, A. (2012). Crowdfunding: Tapping the right crowd. *Social Science Research Network*. Retrieved May 3, 2013
- Bergemann, Dirk and Ulrich Hege. 1998. "Venture Capital Financing, Moral Hazard, and Learning." *Journal of Banking & Finance* 22, 703-735.
- Berger, Allen N., and Gregory F. Udell. 1998. "The Economics of Small Business Finance The Roles of Private Equity and Debt Markets in the Financial Growth Cycle." *Journal of Banking and Finance* 22:6-8, 613-673.
- Branch, R.M. and Deissler, C.H. 2007. Processes. In A. Januszewski, & M. Molenda (Eds.), Educational technology: A definition with commentary (pp. 196-211).
- Gaggioli, A. 2013. CyberSightings. *Cyberpsychology, Behavior, and Social Networking*, 16(1), 77-78.
- Gelfond, S. H., & Foti, A. D. 2012. US \$500 and a click: Investing the "crowdfunding" way. *Journal of Investment Compliance*, 13(4), 9-13
- Lasrado L.A. 2013. "Crowdfunding in Finland – A new Alternative Disruptive Funding Instrument for Business/ <http://dspace.cc.tut.fi/dpub/bitstream/handle/123456789/21784/Lasrado.pdf?sequence=3> 5.
- Modigliani, Franco and Miller, Merton H. (1958), "The cost of capital, corporation finance and the theory of investment", *The American Economic Review*, Vol. 68, No. 3, pp. 261-297.
- Modigliani, Franco and Miller, Merton H. (1963), "Corporate income taxes and the cost of capital: a correction", *The American Economic Review*, Vol. 53, No. 2, pp. 433-443. 6.
