"A COMPARTIVE STUDY ON ONLINE CROWDFUNDING PLATFORMS IN INDIA"

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ABSTRACT

Crowd funding is a collective effort by people who network and contribute collectively for a cause or a business idea. This seems very similar to the tradition method of charity but in the modern day funding is done with an objective of earning some return either in monetary or intangible. The modern day crowdfunding is associated with internet and the use of social media for fund raising. In India crowd funding is still in developing or raising stage even though the potential is incredibly high. The paper studies the selected Indian online crowd funding platforms, their area of focus, fund raising, strategies and their revenue models. Crowd funding supports both business activities and social causes. For example: 'KETTO' supports NGO, creative and social causes.

KEY WORDS: Crowd funding, online platforms, Campaigns.

Introduction

Crowdfunding is a practice of funding a project or a venture by raising small amounts of money from large number of people, typically via the internet. It allows large groups of people to replace banks and other institutions as a source of funds. The concept of collective funding of a project by a group of people is as old as time. The modern day crowd funding is the modified, internet module of the same old concept. The web as made the entire process of floating an idea and raising funds for the same much easier and faster. Apart from getting access to funds the major advantage is to getting validation of the idea or concept. Originally, the concept gained prominence with the financing of artists or creative projects and then spread across more sectors. There are four types of crowdfunding that is Reward based, Equity based, Debt based and Donation based crowdfunding. But Equity based is not legal in India. Lot of people confuse crowdfunding with crowdsourcing while they are similar in nature that they both allow people to primarily leverage mass community collaboration, they relate to two different things differently. Crowdfunding is a process of sourcing of money or funds from a group or a groups of people, where crowdsourcing is the process of obtaining needed services, ideas, or content by soliciting contribution from large group of people, and especially from an online community rather than from traditional employees or suppliers. Wikipedia is one the best known example for crowdsourcing model.

Crucial factor for success of the concept is the digitalization of society with growing presence of the internet. The number of internet users increased up to 570 % between 2000 and 2012 (Internet World Stats, 2013). Today, markets are growingly saturated with digital equipment's and accounts. People are able to communicate, access and provide information constantly. As a recent development, people are willing to also contribute and give, fostering the rapid development of crowdfunding since about five years.

Indian experience of crowdfunding

Crowdfunding is relatively a new concept in India and the usage of Internet for raising funds is even less. According to a World Bank report (2016), India has only 15 CFPs as against 344 in the US and 87 in the UK.

Few well known CFPs in India -

- Catapooolt - http://www.crowdfundinsider.com/
- Bitgiving – http://www.bitgiving.com/
- Impact Guru – http://www.impactguru.com/
- Ketto - http://ketto.org
- Wishberry - https://www.wishberry.in/

A study by Catapooolt summarises the key demographics of the investors/crowdfunders in India.

- Average contribution per project: Rs 2,800/-
- Average number of contributors per project: 24
- Most contributors are from cities Mumbai and Delhi. Almost 60% of current funders are coming from non-metros and international destinations.
- Most crowdfunders are currently males aged between 25-40 years
- Transaction value in the Crowdfunding segment amounts to US$1.7m in 2019.
- Transaction value is expected to show an annual growth rate (CAGR 2019-2023) of 0.6% resulting in the total amount of US$1.8m by 2023.
- The average funding per campaign in the Crowdfunding segment amounts to US$145 in 2019.
- From a global comparison perspective it is shown that the highest transaction value is reached in China (US$5,572m in 2019).

The crowdfunding operations

STEP 1: Identification of a project/cause by the initiater

STEP 2: Selection of the crowdfunding platforms that fits well with the project/ cause or starting own platforms

STEP 3: Introduction of the project/ cause to the crowd (propective fund providers) and convencing the crowd why should the fund providers invest/donate

STEP 4: Narrating a story which is understandable and should be able to make connection with the listeners

STEP 5: Updating the progress of the project or cause on CFP

STEP 6: Receiving contribution made by the crowd through CFP

STEP 7: Start the project

STEP 8: Earn returns

STEP 9: Reward the crowd through CFP

Literature Review

"Crowdfunding in India, Issues and Challenges" Abhrajit Sarkar, March 2016, Crowd funding makes an infant industry grow fast. It provides new investment avenues and provides a new product for portfolio diversification of investors. Crowd funding is a new paradigm for the young individuals to start up a business.

New venture require resources to succeed, and one of the most critical of this is financing "The Geography of Crowdfunding" Gompers and Lerner, 2004. Over past years crowd funding has emerged as novel way for entrepreneurial ventures to secure funds without having to look for capital or other traditional sources of venture investments.

"Crowdfunding for Small Entrepreneurial venture", Schwienbacher and larralde, (2010) define crowdfunding as an open call, essentially through the internet, for the provision financial resources either in form of donation or in exchange for some form of reward in order to support initiatives for specific purpose. Thus, the crowdfunding generates financial support for already proposed initiatives.

Research methodology

Scope of study

In India, where NGOs require funds for various projects aiding health and education, crowdfunding is been accepted as an effective source. It is growing rapidly as a platform for funding and reaching the masses. Crowfunding is an exciting new opportunity that allows non-profit and entrepreneurs to raise funds for their projects whilst also allowing them to broaden their captive audience and engagers. Crowdfunding has taken the entire economic world by storm and India is no exception. Especially in the field of social causes.

Objectives of the study

1. To understand the awareness of crowdfundisng scenario in India.

2. To study the various functioning of Indian online Crowdfunding platforms.

3. To analyse the preferential parameters of Indian crowdfunding platforms and make a comparative study of crowdfunding platforms in India.

Methodology of the study

The study conducted is descriptive in nature. It has used secondary sources of data collection and a sample of 5 Crowdfunding Platform websites has been considered for the study using non probability judgmental sampling. No primary data is collected for the study.

The study is restricted to Indian online Crowdfunding platforms such as Wishberry, Ketto, Milaap, Impact guru, Bitgiving. The study is conducted by referring data from research papers, books related to crowd funding, websites etc.

Data analysis

From the study of this 5 websites, the important observations are summarized in the form of Qualitative Analysis and Quantitative Analysis

Qualitative Analysis

1. Websites

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
www.wishberry. in	www.bitgiving.com	www.impactguru. com	www.ketto. com	www.milaap.org

2. Founders

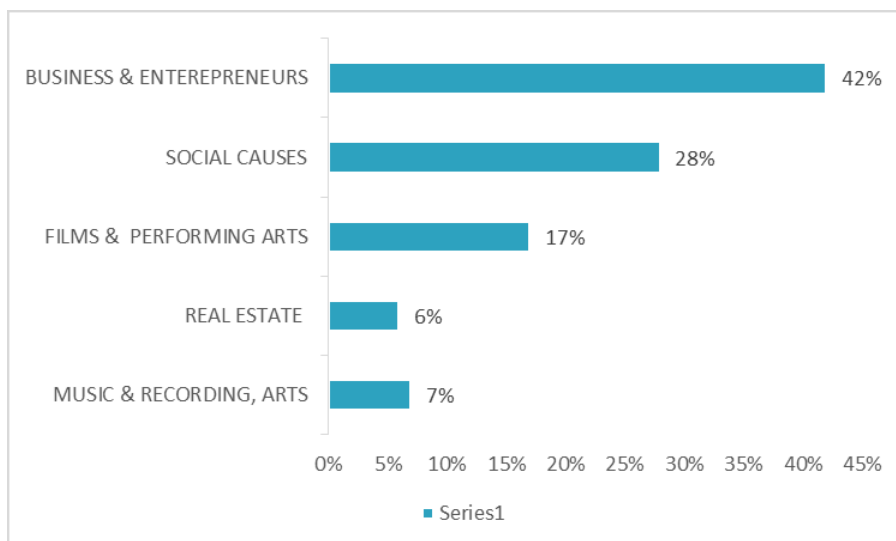| WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
Priyanka Agarwal, Anshulika Dubey	Ishitha Anand, Fahad Moti Khan	Piyush Jain	Varun Sheth, Kunal Kapoor	Aarthi Ganesh, Aathira Ayyappan, Ajith Sudarshana

3. Business model

WISHBERRY	BITGIVING	IMPACT GURU	KETTO		MILAAP
Reward based model, consult for pitch video scripts and rewards	Reward based model which also provides social funding	Reward Based	Donation based model, connects directly donors at project level		Reward based and Donation based

4. Type of projects

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
Film, Theatre, Art, Design, Comic, Photography and Publishing	Entrepreneurial, Social, and Creative projects.	Startups, social enterprises, non-profit organsation.	Severs only social causes, Floated by NGO.	Creative ideas, Medical emergency.

Overall Projects Covered by these organizations

5. REGION OF OPERATION

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
Both domestic and international	Only domestic	Both domestic and international	Only domestic	Only domestic

6. Future Plans

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
Investing with dramatic returns	To create connection with the audience and make campaign interesting.	To increase the awareness of crowdfunding.	Supporting Charities in increasing funds by giving knowledge about CFP to young generations.	Encouraging projects full of ambition and innovation.

7. Marketing Tool

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
Effective pitch video, Backed by efficient team looking after the projects to make it success	It focuses on building a more connected community and enhancing campaign engagement	Experienced marketing advisors and outsourcing partners	Backed by Bollywood celebrities Soha Ali khan and Nargis Fakhri	It raises a funds for Rural projects and micro entrepreneurs

II Quantitative Analysis

1. Number of projects completed till date

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
500	650	100	10,000	50,000

2. Funds raised till date

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
13 crores	30 crores	35 crores	32 crores	82 crores

3. Number of backers

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
22,000	4 (Harmider Sahni, Krishna Mehra, Sanjay Bakshi)	25000	1,00,000	80,000

4. Commission/Fees Charged

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
Minimum of 2500/- or 10% of raised funds	6% to 10% of raised funds	5% of raised funds	Free of charge	5% to 8% of raised funds

5. Minimum contribution CFPs accept

| WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
Rs50	Rs100	Rs100	Rs1	Rs50

6. Maximum contribution CFPs accept

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
Rs50000	Rs100000	No limit	No limit	Rs50000

7. Duration taken to raise funds

WISHBERRY	BITGIVING	IMPACT GURU	KETTO	MILAAP
60 days	Maximum of 51 days	62 days	Depends upon the projects	55 days

8. Overall success rate of CFP's
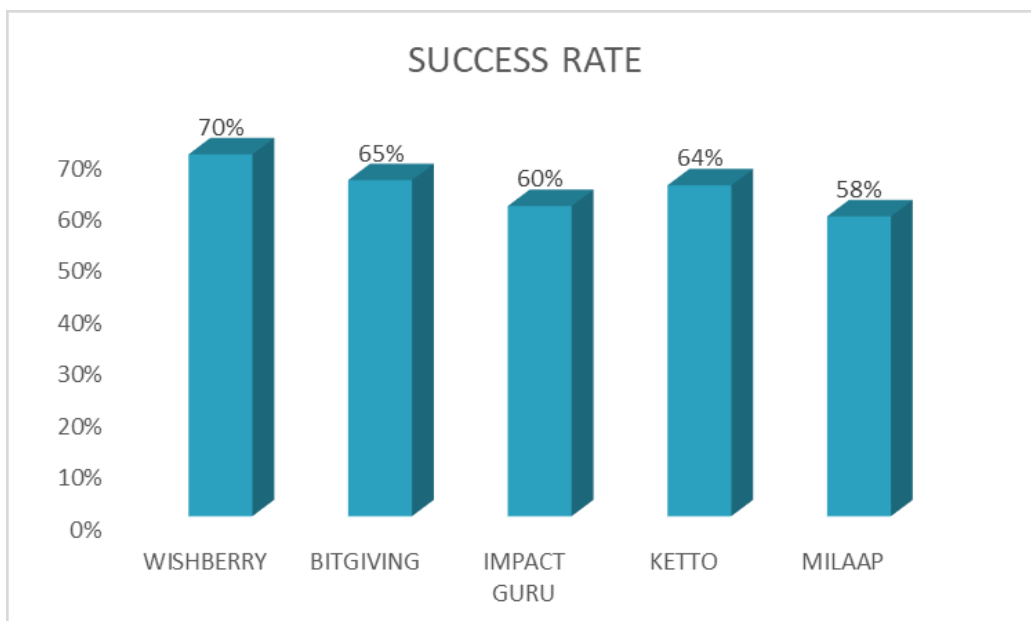
Findings

☐ Ketto is the only platform that has received foreign grant.

☐ When most CFPs have domestic focus, Bitgiving and Impact guru has domestic as well as global orientation.

☐ Ketto is the only platform which is dedicated to social causes.

☐ Milaap keep aside 25% of fund raising only for medical emergencies.

☐ Wishberry has floated the highest number of campaigns so far and it has a 70% success rate.

☐ Bitgiving and Milaap assist not only in fund raising but also offer advice to the initiators.

☐ Ketto is the only platform which completely concentrate on social cause where others CFPs indulged initiating on other multiple areas.

☐ Ketto has adopted donation based model where as other CFPs have adopted reward based model.

It is further observed that each CFP as well as each project is unique by itself. With the built-in focus group and purpose, the CFP offers support to the initiator in terms of promotion of the idea, approaching the crowd as well as providing advisory services. Whereas each project within the ambits of the CFP, defines its purpose, fund target, duration and rewards but the ultimate onus lies on the initiator.

Suggestions

Crowdfunding in India has grown over the decade because more people have access to the internet, with the digital connectivity enabling them to make payment easily online. And the health care sector has witnessed the maximum impact. Online platforms should create a trust among the contributors in funding through online means. In India these online platforms should create the investors friendly environment in order to increase the crowdfunding industry. In order to achieve the investor friendly environment the crowdfunding platforms should make a financial promises to the contributors that they are theoretically safe to operate. Crowdfunding platforms have to work at building and offline base to finally induce mass awareness and encouraging participation as E-commerce in India only got boost.

Conclusion

The study concludes that the primary focus of the platforms under study is fundraising for either social-cause based or creative based projects. This supports the operations and strategies adopted by them.

☐ The business model in all CFPs is either reward based or donation based

☐ The investor can contribute as low as Rs.50 for each project.

☐ The minimum amount permitted to start a project for fundraising is as low as Rs.1,000

☐ CFPs either do not charge anything or charge a nominal amount from the initiator.

Crowd funding is in nascent stage in India. It will take time to increase the awareness and change the mindset of people. In a way it is not a new concept in India. For ages, donations have been taken to build temples, cash covers are taken at marriages, and religious festivals are celebrated through contributions. But fund raising through contributions from public through internet based platforms is relatively an innovative concept.

Crowd funding is not a fundraising method that replaces all the traditional funding techniques but it is best to think it as simply a new method of obtaining funding and should be evaluated in light of other alternatives that are available to the initiator. While looking forward, crowd funding has a bright future as internet penetration and e-commerce success will pave the way for crowd funding. This will help CFPs to float equity based and lending based campaigns.

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