

## **PROBLEM AND PROSPECTS OF CROWD FUNDING**

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### **ABSTRACT**

Our aims to provide a overview of crowd funding evolution, significance, objective, scope and its benefits with the prevalent models governing the fund raising for start up and standup. The fund arrangement and implementing for ushering the Startup ...are issue to discuss in it.

The **Crowd funding** is a solicitation a petty amounts of funds from multiple contributions. It may be hundreds or thousands – lac by benevolently. Through social networking site - *Face book or LinkedIn or Twitter* funding in creative project – community development, serving purposely to social causes. Growing fast the crowd funding recently, is an infant Industry but useful and thus, it sub- divided into -

- Social donation crowd funding.
- Community reward crowd funding.
- Peer-to-peer lending.
- Equity crowd funding and
- Financial crowd return funding.

*Crowd funding* denotes a solicitation of funds for social purpose not for exchange anything value of tangible. Globally the promoters are funding by their own principal and interest. Recently, a membership rewards scheme has introduced that become a popular. Our government is thinking on it to explore in the best methods. Crowd funding – angle funding prevalent models in India are new initiatives - *Social Entrepreneurship theme?*

**KEYNOTES** - return funding, crowd funding, multiple investors, web based platform funding, benevolent causes, SME, MSME, MUDRA, social networking, angle investing.

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### **INTRODUCTION**

This concept has imported from the *US Jobs Act in 2014* by its merits and demerits. Since then it has arguably across the world. Now a day, it recognized in many countries in their own interest and terms. Crowd funding is a venture by raising a petty amounts of money from a large number of people via social media for the social project. This idea is process step by step. A Nonstop capital crisis – meltdown economy, global recession wave particularly a small businesses were struggling more than ever to stay afloat. But such funding support to them not to face great oddity. The Crowd funding offers a chance at success to individual or groups.

Soon thereafter, a numerous social networking site are rewarding this facility country wise containing a prestige & images purposely to protect the CSR corporate Social responsibility or ICR Indian Social

responsibility for national building interest contributing the amounts. In another word, it a new theme of capital accumulation emerged in the wake of the 2008. During the financial crisis, largely the difficulties faced by various artisans - small entrepreneurs in early-stage for arranging the funds. Erstwhile, the traditional bankers were less willing to lend, so small entrepreneurs started to look elsewhere the capital. Crowd funding began as an online extension and invention is a traditional financing *term secured capital* - by friends or family: pooling small money from community's members to co-exist ideology or CSR /ICR.

Less than a decade, it has gained traction in a many countries, Australia, U. K., Netherlands, Italy and the United States besides, India. This is exciting phenomenon which now spreading across the globe. Now it is attracting a considerable interest by its own merits. Crowd funding is the process of one party funding upon requesting and receiving small contribution from multiple wellbeing's- parties to exchange in valuable ideas through viability in the project wise. Through its, the receivers connects the multiple donors in social causes via online portal.

Interestingly, today's 64% having *Young India human capital potential to grow* and we, are a popular destination at global spectrum. It has identified by the many nations that we have abundance opportunity to invest here. Legitimately, the crowd funding is restricted, it is a nation-reward funding category not to be treated as micro financing category or otherwise however, within certain parameters this concept is acknowledgeable by all.

## MEANING AND SIGNIFICANCE

The Global Giving concept is offering tips for training with assistance by serving the nation building in rightful manners & improving the community level of standard to closing the gap in society. Online fundraising strategies to help out to the project in need base to start. Crowded funding offers a secure and trusted platform to receive donations from the well minded people - corporate donor around the world for social purpose than other.

A benevolent people of the society - celebrities are harvesting a hope through its Campaign - *collecting loving kindness, cultivating happiness amongst the society, Financial literacy awareness, to fight against the Corruption, stopped bribe, to help us, Help People, Help Town, Help City, Help District, Help Division, Help Province, help Country, Help the World, Help Child Education, to give bicycle, graphic tablet, microphone, school uniform, books, caring old people, hopeless people, aids virus awareness etc....*are really, a thankful approach. Crowded funding concept to make a harmony and give social life, *let's collect loving kindness for cultivating happiness in the universe.*

A small amounts fund raising by self help group will extending the launching pad in the social services by a large group members stimulating peace- harmony- prosperity in neglected society under the meaningful manners. It is a reallocating the small funding to satisfying the society needs through assistance of broad minded people of the society and to reconnect to co- exist? Under this process, it may be define as- **venture capital funds - Angele funding.**

With support by governments and benevolent organizations, crowd funding procedures are a resourceful financial tool in the developing world. Generally, Crowd funding based on *not-for-profit activities* or venture however; few of them funding for-profit ventures with equity stake in potential payoff if the business succeeds. It is an emerging opportunity to increase funding prospects and pay off base to much needed new mode of funding increases flows in the real term. It gives the funds adequacy, lubricating the projects to the beneficiary's in initially while bankers have increasingly constrained to lend money as may have the high risk element.

The scope and objectives, raising funds without undergoing the rigorous procedures to smoothly run the community development services to all. It provides a new avenue and a new portfolio diversification platform by the donors to donate. If it substituted with retail funding as risk tolerance level and may be very low on the part of donor or even investors and the aspect is dangerous considering the fact & high risk. Anticipating a growing fast global world the donors solicited such funding on offer documents and sometimes without collateral or some times by their own motives and interest they given.

## MODELS OF CROWD FUNDING

**Donation model** – Individual donation in to civics project, new park; play ground and to bind the communities without expectations. It is denoted a solicitation of funds socially on social networking.

**Lending model** – Donors motive to lending money with their own stake and expectation in the viability of the project of being repaid under the prescribed norms. It refers to solicitation of funds wherein donors receive some existing in future tangible reward in term of membership called as *equity stake*, funding in project offering equity stake. This model serves as an intermediary – called syndicate room, Crowded Cube type – Angle funding or financial institutions funded under equity stake.

**Peer to peer funding** - Peer-to-Peer lending is unsecured loans by pooling the funds from other platforms and then lent to small and medium-sized i.e. - *Lending Club, Prosper & funding circle* etc lender and borrower agreement. This is fee based scheme to push donors to donate and to lend larger amount suit a project or person profile. But it is, but it is restricted it did not appear to involve in securities, participatory notes, contracts or in stock trading.

**Debt crowd funding** - The crowd sourced money is lent to the weaker sections sometimes referred to as 'microfinance' scheme. Donors- or lender receive their return back – lending to-save. This is debt crowding funding, for the lending of monetary assistance by passing the traditional banks. Returns are financial, but donors or investors have the benefit of having contributed to the success of an idea as they extended in and working on it.

**Equity crowd funding** – People donating is an opportunity in exchange for equity. Money is exchanged for a share in the project or venture and funding more. But it is risky and tricky type and restricted.

## CROWD FUNDING DRIVERS

India is one of the biggest Non Government Organizations (NGOs) countries wherein crowd funding stands a big chance. “*Lot of new platforms is going to come in the next few days*”. Many educational and religious institutions or even self declared saints are in series in it pulling the disciples through its. Under companies’ act - 1993, mandates that companies to spend 2% to 10% to their profits or net assets and help the Indian Social Responsibility/ Corporate Social Responsibility (ISR/ CSR) promoting national interest attracting a Tax Holidays or Exemption. Crowd funding is in developing stage but, concept is exciting prospect to gives many good opportunities like never before. Concept may be confusing, but theme presentation is appreciable. This concept usually made through online to coordinate and administer the fundraising helping the community-based projects not to return – (a fuzzy, warm feeling inside). It is a sophisticate portfolio-picking not for monetary gain. Many projects- opt for something new for new generation - sustainable green energy, environmental protection, gender empowerment etc are needful but it seem beyond the boundary.

### **CROWD FUNDING REQUIRED CHECK AND BALANCE**

The established Industry regulation depending on the type of products that offers, rather than the risk profile where investing or offering in. the Green Energy, Environmental types projects etc and mini-bonds have all been lumped together causing quite a bit of controversy. Donation or rewards-based crowd funding is not included under this, nor are community share issues. Crowded funding covers two types - *debt-based (or lend-to-save)* and *investment-based*. The *investment-based crowd funding deals in 'non-readily realized securities'* – quite a mouthful, so presently, not required. Similarly, mini-bonds and debentures or equity investments may be under the same umbrella but all they are in longish-term investments in startup that can't be easily sold off. The loan based or investment based crowded funding marketing concept need fair than any misleading facts – risk shall be highlighted and system must be in place to separate the purpose to use than any other contents of complexities.

Suggested the 30 days cooling off period and access to financial ombudsman also apply in case may be if detecting the faults. Aside the requirements, there are needs certain rules on who is actually allowed to invest their money in crowd funding more than 10% of to their net investible assets or through venture capital contact models or corporate finance contact, required restriction. Therefore, the onus is really on the part of donors or investor to ensure they fall into one of the above brackets, rather than the platform. Investors must to tick a box to confirm in respective categories enumerated the aware of risk appropriateness in rightful ways. The nodal agencies - banking regulator RBI, Finance Ministry, Corporate Affairs Ministry, and SEBI has stated that apart from setting up new rules under the purview of - *Collective Investment Schemes or Alternative Investment Funding, High Risk Investment Fund* without the details discussion, how it can be regulated and thus, no regulations till now. But sooner or later, regulations require and protected in the event the crowd funding otherwise is goes bust.

### **IN PERSPECTIVE TO INDIA**

The idea is not new in India, places of worship in overnight built big *temple- Dharmshala, Yagya, and collective Pooja- Pandals etc* by multiple funding donation in large numbers. This industry is new so people not much aware to follow this as funds friendly. A low trust level doing the things online is also a challenge. India's *e. commerce space* needs to mature before use such thing substantial this space. People need to be spending more and more online for them to back thinking even to start this online projects and its viability.

The crowd funding platforms are not making a financial promises or theoretically safe to operate. It requires building a credible base to grow and proactively approach to work and process to build a long-term credibility and transparency. *E. commerce shopping* in India got a boost and initiated well. Similarly, crowd funding will have to strong offline base to induce a mass awareness, encouraging larger participation by the social entrepreneurial program to success.

In India, so many crowd funding platforms are running past many decades and in a Worldwide; nearly a thousand such platforms will be launched. Recently, whatever the social site launched in the country, most of them are in the rewards and donation space around this model. There have been attempts at crowd funding for events like the *Goa Project and campaigns like Teach well for India and so forth*. Finally the Crowd funding is slowly becoming an alternative funding channel and will be useful and hope in near future government may be consider.

### **CONCLUSION**

Notwithstanding, crowd funding is rapidly being looked upon as a serious way raising the funds. By its merits and demerits, few of the agencies opined in implementing laws for this to function properly and are

serious concerns to make it mandatory to bring this idea promoting it effectively. India may soon bring the requisite concept to implement, to apply in a big way efficiently ideas into reality.

Concept is “*it’s not what you do, but why you do it,*” really hits in a home here. Behind the driving force, requires deep to understand the meaning, campaign, goal effective implementation seen impossible. Notably, crowd funding campaigns are funded by the generous minded people serving to the nation. Typically, most successful projects receive about 25-40% of their revenue from their first remain by degree of own connections could be friends, family, work acquaintances, or anyone. Once a project has seen some traction, unrelated consumers start coming out of the woodwork to campaigns which they believe in. There is a huge misconception that creating a successful crowd funding campaign is hitting to all, after submit will be waiting for to go viral. Generally, this has happened to many brands. Truthfully, the vast majority of projects will require a decent amount and sincere effort on the part of the project creator. Utilizing *social media*, *creating e. mail distribution lists* before the project launches, contacting local media all are necessary steps to take serious about goal. This is not a platform to ask for a handout expected people to join for their cause better to be prepared to prove the salt for the tasty.

Knowing these points - viability of project idea exciting and unique rewards on the eye-catching display even on the web site seeking a crowd funding by video editing cannot play a huge role that expecting. In Era of the Digital India, Region and Reign, many consumers will either stop reading to this campaign if they do not connect this or if they like may be project will be the gateway for acceptance.

Another common misconception is crowd funding is just a useful for small businesses? Extending avenues to creates a funding opportunity up to the marks to start which they not have received a funds in the traditional way. It is a great outlet by established companies to provide this opportunity. These businesses may be interested in expanding their product range, reversing the meaning of financial re - engineering the investment that could be a good idea. Crowd funding has proven itself as a great asset in sourcing potential customers and growing an audience in present era. It is useful and resources and re allocating in small contribution by the multiple donors through monetary support to start up to build a strong Nation floor level.

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