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## **A Study on Capital Accretion through Crowdfunding**

***Shruthi P. R<sup>a</sup>, Prakashraj K<sup>b</sup>***

*<sup>a</sup> Assistant Professor, Sri Krishna Adithya College of Arts and Science, Coimbatore-641042, India*

*<sup>b</sup> Student, Sri Krishna Adithya College of Arts and Science, Coimbatore-641042, India*

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### **ABSTRACT**

Crowdfunding is a technique of capital accretion widely used all around the world. The main objective of the study is to prove that crowdfunding is a better way to capital accretion than the Initial public offerings in India. The study uses linear predictor equation to prove the efficiency of crowdfunding. The variables are tested whether it has the ability to comply with the assumptions of linear regression. The study concludes that per day crowdfunding of foreign countries is 7.07 times greater than the per day funds raised through Initial public offerings in India

Keywords: Crowdfunding, Initial public offerings, Crowdfunding Platforms.

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### **1. Introduction**

Crowdfunding is a technique of capital accretion widely used by startups for their initial capital requirements. This research paper will give an idea on the topic of crowdfunding by explaining its different sources and its benefits. The main purpose of this study is to show that the crowdfunding is the easiest and effective technique of capital accretion than other traditional practice of capital accretion i.e., Initial public offerings in India.

#### ***1.1 Objectives of the study***

- The objective of this study is to show that the crowdfunding is the better way to capital accretion.
- To establish that crowdfunding is beneficial than Initial public offerings in India.
- To present the real potential of crowdfunding in India.
- To compare the capital accretion between foreign companies and Indian companies.

#### ***1.2 Statement of problem***

Crowdfunding is a growing phenomenon and it is well known in other countries. Lack of awareness of the crowdfunding in India is the major problem in this study. Being one of the most populated countries in the world, India is an easy place for the implementation of crowdfunding but the scams in the name of crowdfunding tuned the people to be more cautious. Such fraudulent practices result in the higher requirement of trust gaining activities by the startups before starting its crowdfunding campaign.

#### ***1.3 Scope of the Study***

- This study analyses the crowdfunding techniques of selected successfully crowdfunded companies operating at foreign countries in comparison with the Indian companies which have shares (IPO) as their capital accretion method.
- The least availability of crowdfunded companies in India extends the scope of this study to different geographical locations outside India.
- Different countries have different business environments which is distinct from the Indian business scenario based on the logical predictions, so various assumptions are applied to this study.
- Various other successful crowdfunding campaigns in India not relating to the business context are used in this study in order to relate the crowdfunding potentials of India.

#### 1.4 Mechanism of Crowdfunding

- The entrepreneur who wants to raise funds through crowdfunding and the small investors interested in funding new businesses and business ideas must register at the official crowdfunding websites. These websites are the medium between investors and entrepreneurs.
- The entrepreneur has to put the concept and projections of the business through the crowdfunding website so potential investors can decide whether to invest.
- Along with the idea and forecasts, the entrepreneur has to quote the minimum amount the investor can invest.
- The potential investor needs to show interest in investing, the minimum amount it can sponsor, and the procedure and details of the [investments](#).
- If overapplications are received, they will repay the excess money to the investors.
- Once the funds are raised and received, the entrepreneur pays fees to the crowdfunding websites. The cost is based on the percentage of fundraising.
- The profit generated from the business needs to be shared with the investors by [return on investment](#).

#### 1.5 Limitations of the study

- The results of this study are based on the analysis and interpretation of secondary data.
- Crowdfunding is an emerging technique not so prevailing in all parts of India, based on global perspective the predictions are applied to this study.
- Data from well-emerged crowdfunded companies are not used in this study as crowdfunding is mostly adapted by the startups for their initial capital requirements.
- This study compares the companies operating at different geographical locations having different business environments.

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## 2. Review of Literature

1. (Jaslin Joseph, 2019) "Awareness towards crowdfunding among young, budding and prospective entrepreneurs in Bangalore" aimed at understanding the awareness level and adoption of crowdfunding as a source of finance by the young, budding and prospective entrepreneurs in Bangalore. It also covered the regulatory approach of crowdfunding in Indian scenario. The study included both primary and secondary data. The primary data was collected using convenience sampling via an online survey while the secondary data through various websites and news articles. The study primarily focused on primary data by issuing a questionnaire to the respondents, and the secondary data was acquired by means of news articles and websites. The research study was made in Bangalore and the period of the study was from June 2018 to September 2018. The study concluded that the survey results affirm that the young, budding and prospective entrepreneurs do have little knowledge or idea about crowdfunding. Out of 150, respondent 90 were students, 39 were employed for wages and 21 were self-employed. Among these respondents, a majority of 44 of students had an idea about crowdfunding as well as 41 of students had no idea about crowdfunding. It is very clear from the research that crowdfunding is growing at a fast pace and looked upon as a serious method of raising funds for start-ups and new business.

2. (Akalya, 2019) "A study on crowdfunding in India" clearly explained the crowdfunding and its scope & types. Further it gives an overview of crowdfunding in India and its regulation. The article concluded that if the internet becomes a more secure area to perform activities of trade, then crowdfunding is a concept that would be capable of reaching its capability to complete and might feature as a channel in figuring out goals of various entrepreneurs.

3. (Santos, 2020) The aim of "Crowdfunding: an exploratory study on knowledge benefits and barriers perceived by young potential entrepreneurs" is to provide a deeper understanding of CF among Portuguese young potential entrepreneurs as an alternative funding mechanism, by discussing its main characteristics and the perceived benefits and barriers that might drive young entrepreneurs to post a project on a CF platform or discourage its use. The objective of the paper is twofold: (i) to evaluate the knowledge of young potential entrepreneurs about the characteristics of CF as an alternative mechanism of funding and the level of adequacy of the different models of CF (donation, reward, lending, equity) for specific ventures; (ii) the perceived benefits of adopting the new funding tool and the barriers that could deter its use. The study had used online survey to raise query among the well-qualified students about the knowledge they have about crowdfunding and benefits and barriers that can increase or reduce the possibility of funding to launch a new venture. Based on existing literature and the research aims, the authors had developed a questionnaire that was used to collect data through an online survey. A five-point Likert scale was used to measure the level of agreement/disagreement the students had with different definitions of CF. The online survey was made available online between February and March of 2020 on a Lime Survey platform and 4714 students of the Institute of Accounting and Administration of Porto (ISCAP) were participated. The findings of the study suggested that CF allows not only the collection of money, but also another kind of assets that could be very helpful for young potential entrepreneurs. The result of the study revealed that young potential

entrepreneurs had moderate knowledge about CF, although they demonstrate general knowledge about the characteristics of CF, such as the use of online platforms to attract funds for a project and the high number of supporters that contribute with small amounts of funds.

4. (Krishnamurthy Suresh, 2020) “Crowdfunding prospects in new emerging markets: the cases of India and Bangladesh described the history, prevailing models and platforms, regulations and future prospects of crowdfunding in India and Bangladesh. It concluded that both India and Bangladesh represented interesting crowdfunding markets due to the compatibility between the principles of crowdfunding and their cultures of giving, combined with their large and relatively poor populations.

5. )Aluisius Hery Prato, 2020) “Crowdfunding in digital humanities: some evidence from Indonesian social enterprises” intended to understand how social enterprises adopt crowdfunding in digital humanities by investigating the mission drifting, risk sharing and human resource practices. The study used a qualitative method by observing five different social ventures in Indonesia. The case study involves observation of social enterprises that concerned the digital humanities projects and interviews with those who manage the crowdfunding for financing the projects as the key respondents. The analysis used an interpretative approach by involving the respondents to explain the phenomena. The result of the study extends the concept of crowdfunding in digital humanities by adapting the principles of social enterprises, including social purposes, risk in a commercial project and governance. The study also provides some principles in crowdfunding that explained the boundary conditions and how crowdfunding can be fruitfully used to support the social enterprise that works at digital humanities projects.

6. (Khan J. K., 2020) “Crowdfunding in India and its regulation: a critical analysis of SEBI’s consultation paper on crowdfunding” intended to comprehensively understand what crowdfunding is and how it is regulated in India. The paper focused on the nature of securities-based crowdfunding to answer if it could be regulated within the existing regulatory regime i.e. under Companies law, securities laws and other regulations for angel investors. It also discussed SEBI’s apprehension and doubts regarding allowing securities crowdfunding without proper regulation. The paper further analysed the proposals of SEBI on regulating crowdfunding in India through its consultation paper. It had furnished a critical review of SEBI’s proposal to regulate crowdfunding and deals with the question of SEBI’s jurisdiction in dealing with crowdfunding regulation. In addition to that analysis of cross-border crowdfunding that is absent in the SEBI’s consultation paper on crowdfunding is made in the study. The author concluded with the remark that SEBI’s proposal on regulation of securities-based crowdfunding suffers from major loopholes which shall be addressed for its effective implementation and that crowdfunding should be regulated by a separate legislation which takes into account the very different nature of crowdfunding.

7. (Bansibhai, 2022) The objective of “An exploratory study of awareness of crowdfunding” is to identify whether the people of Gujarat are aware of Crowdfunding and to identify major source of Information for Crowdfunding. The study is an Explorative survey and descriptive in nature. Data had been collected by primary source by adopting Convenience sampling technique. Sampling size used for survey is of 65. In primary data collection data is collected with the help of Questionnaire and some of the famous/ well known platforms websites had been taken for secondary data tool. The collected data was processed by editing, coding, tabulation, and classification. To analyze the same data statistical tool was used. It could be represented by statistical techniques like percentages, chart, Chart, Graphs. Hypothesis testing is done through relevant statistical tools like Chi square method. In the survey, the respondents are not aware about the concept and there is no doubt regarding people’s willingness to acquire further new knowledge about concept which prompt or support fund raising for new ventures or startups. It concluded that by amendment in Law people will get knowledge as appropriate source of capital as crowdfunding.

8. )Zribi, 2022) By analyzing a comprehensive dataset of 467 crowdfunding campaigns from the Spanish platform Goteo over the period 2019–2020, “Effects of social influence on crowdfunding performance: implications of the covid-19 pandemic” empirically examined the impact of COVID-19 outbreak on the crowdfunding projects performance. The variables used in the study had been categorized as Dependent variables (The number of investors, Fundraising success, funding rate), Explanatory variables )number of followers, the dynamism of the founder on social networks, the number of comments), Control variables (size, updates, covid and social). The research concluded that the redefinition of family priorities imposed by the COVID-19 pandemic had changed the behavior of investors, in the financial markets in general and more specifically in the crowdfunding sector.

9. (K H, 2022) The intention of “Crowdfunding regulations in India” is to know crowdfunding is taxable, legal, and its regulations in India. For the study data was collected from secondary source like journals, newspapers and other search engines. By considering the success stories from kickstarter,2014 the research demonstrated that Crowdfunding is increasingly recognized as a feasible vehicle to promote by entrepreneurs. The paper finally concluded that the Crowdfunding is an evolving phenomenon and currently characterized by high dynamics as the research showed.

10. )Louise Bech Junge, 2022) “Choosing crowdfunding: why do entrepreneurs choose to engage in crowdfunding” intended to qualitatively exploring why entrepreneurs choose to engage in crowdfunding. In order to gain a better understanding of entrepreneurs' motivations for engaging in crowdfunding, the study purposively sampled cases of start-ups that the start-up had previously performed either rewards-based crowdfunding and/or lending-based model. The research concluded that a lack of resources or other alternatives is the primary motive for choosing crowdfunding.

### 3. Research Methodology

Research methodology is a way of explaining how a researcher intends to carry out their research. It's a logical, systematic plan to resolve a research problem. A methodology details a researcher's approach to the research to ensure reliable, valid results that address their aims and objectives. It encompasses what data they're going to collect and where from, as well as how it's being collected and analyzed.

### 3.1. Data Collection

**Secondary data:** Secondary data is the already available data collected for similar researches or available on the internet. Secondary data is employed to prove the objectives of this study. Data relating to the crowdfunded companies are collected from the Kickstarter.com and the IPO details of the selected Indian companies are taken from the Chittorgarh.Com.

### 3.2. Period of Study

The study extends to a period in between the years 2012 and 2022.

### 3.3. Tools and Techniques

#### 1) Pearson Correlation Coefficient:

Pearson correlation is a type of correlation representing the relationship between two variables. It measures the strength of association between the variables. The role of Pearson correlation coefficient in this study is in order to prove the linear relationship between the variables used in the Regression predictor equation.

**Formula:**

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

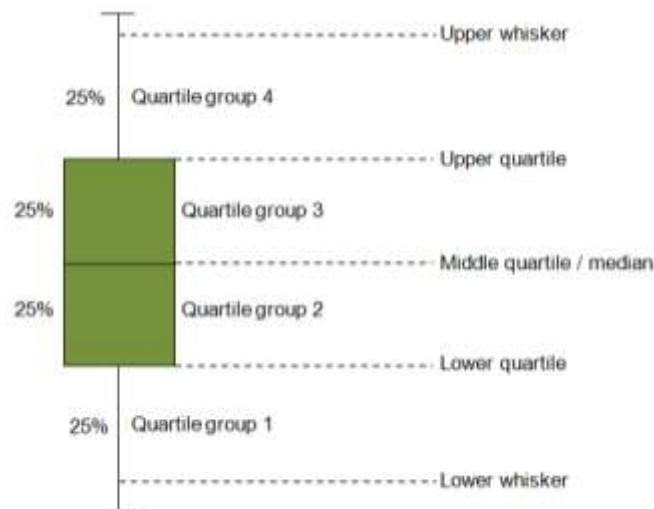
r = Pearson Correlation coefficient.

x = Samples of X variable.

y = Samples of Y variable.

#### 2) Box plot:

Box plot is a method used to summarize a set of data that is measured using an interval scale. It is primarily used to indicate the skewness of distribution and the presence of potential unusual distributions generally known to be outliers. The role of boxplot in this research is to prove that there are no outliers present in the set of variables.



If any of the variables plotted beyond the upper whisker and the lower whisker is considered to be outliers.

#### 3) Gaussian distribution curve:

The Gaussian distribution curve is also known as a normal distribution curve or probability bell curve. It is symmetric about the mean. A normal distribution is a type of continuous probability distribution in which most data points cluster towards the middle of the range, the rest taper off symmetrically toward either extreme. The data set is said to be normally distributed when all the values fell within the 3 standard deviations from the mean.

**Formula:**

$f(x)$  = Probability density function,

$$f(x) = \frac{1}{\sigma \sqrt{2\pi}} e^{-\frac{1}{2} \left(\frac{x-\mu}{\sigma}\right)^2}$$

$\mu$  = Mean  
 $\sigma$  = Standard deviation

**4) Linear Regression:**

Regression analysis is a statistical tool which helps to find out a relationship between two or more variables. Linear regression is a data analysis technique that predicts the value of unknown data by using another related and known data value. The role of the linear regression in this study is to predict the value of per day funds raised through crowdfunding with the help of the known data value that is per day funds raised through IPO.

**Formula:**

$$\text{Linear Regression Predictor Equation (Y on X)} = Y = a + bX$$

$$\text{Regression Coefficient: } b = \frac{n(\sum XY) - (\sum X \times \sum Y)}{n(\sum X^2) - (\sum X)^2}$$

**4. Analysis and Interpretation****4.1. Introduction**

Analysis and Interpretation of data is the key factor in the research. All the findings and suggestions of this study are fully based on this chapter. Secondary data collected from different sources are analyzed and interpreted for the purpose of fulfilling the objectives of this study.

**4.1.1. Regression Analysis**

Regression analysis is a statistical tool which helps to find out a relationship between two or more variables. Regression analysis uses two different types of variables as follows:

- Dependent variables
- Independent variables

Dependent variables:

The Dependent variables are the variables that changes as a result of the manipulation of the independent variables. Its value depends on changes in the independent variables. It is also called as outcome variables which represents the outcome to be measured.

Independent variables:

An Independent variable is the variable which can be manipulated in an experimental study to explore its effects. It is called independent because it is not influenced by any other variable in the study. It is also called as Predictor Variables. It can be used to predict the value of a Dependent variables.

**Linear Regression:**

Linear regression is a data analysis technique that predicts the value of unknown data by using another related and known data value. It mathematically models the unknown or dependent variable and the known or independent variable as a linear equation.

**Assumptions of Linear Regression analysis:**

- **Linearity** – There should be a Linear relationship between the Dependent & Independent variables.
- **Homoscedasticity** – The variables should be of Equal variances.
- **No outliers** – There should be no outliers between two or more variables.
- **Normality** – There should a Normal Distribution among the variables.

**4.2 Configuration of Variables**

Dependent Variable – Value of funds raised through crowdfunding in foreign countries.

Independent variable – Value of funds raised through Initial public offerings of shares in India.

**Table 4.2.1- IPO Allotment Details**

RETAIL INVESTORS	SUBSCRIPTIONS IN TIMES	LOT SIZE	APPROXIMATE ALLOTMENT	FACE VALUE
1250000	1.31	34	36764.70588	10
1901556	6.96	23	82676.34783	10
3071160	3.1	55	55839.27273	10
1071753	26.04	38	28204.02632	10
31250000	19.72	254	123031.4961	10

#### INTERPRETATION

The table 4.2.1 have the details of the IPO being issued by the selected corresponding Indian companies. The data relating to IPOs are collected from CHITTORGARH.COM. All the shares offered in the name of IPOs by the selected Indian companies are oversubscribed. The basic condition for allotment of shares in case of oversubscription of IPOs is that the retail investors will only be allotted up to the limit of the shares available to them divided by minimum lot size. Such condition is applied to the calculation of approximate allotment. Only the retail investors are considered for calculation as the analysis targets the individual investors.

**Table 4.2.2- Independent Variable (X)**

FUNDS RAISED ₹ (FACE VALUE)	FUNDING PERIOD (IN DAYS)	PER DAY FUNDS RAISED AT FACE VALUE (Y)
367647.0588	3	122549.0196
826763.4783	3	275587.8261
558392.7273	3	186130.9091
282040.2632	4	70510.06579
1230314.961	4	307578.7402

#### INTERPRETATION

The Table 4.2.2 provides the values of the independent variable(X). The values of funds raised by Indian companies through IPOs are arrived at face value. In order to ensure the homoscedasticity assumption of linear regression per day funds raised values are derived.

**Table 4.2.3 - Dependent Variable (Y)**

ACTUAL VALUE IN FOREIGN CURRENCY	AVERAGE CURRENCY VALUE FOR THE RESPECTIVE YEAR	FUNDS RAISED ₹	FUNDING PERIOD (IN DAYS)	PER DAY FUNDS RAISED
\$ 317424	\$ 53.44	16963138.56	35	484661.1017
\$ 119196	\$ 62.33	7429486.68	30	247649.556
\$ 1251380	\$ 67.79	84831050.2	35	2423744.291
€ 4468051	€ 84.65	378220517.2	30	12607350.57
\$ 8881095	\$ 81.35	722477078.3	45	16055046.18

#### INTERPRETATION

The Table 4.2.3 provides the value of dependent Variable (X). The values of funds raised by the selected crowdfunding companies are collected from the famous crowdfunding website KICKSTARTER. In order to ensure the uniformity of data, the currency values of funds raised are converted to Indian Rupees (INR ₹) by the average values of respective currencies on a particular year as it is available only in the foreign currency. Per day funds raised value is derived in order to ensure the homoscedasticity assumption of linear regression.

### 4.3 Authentication of Variables

The Variables must have to comply with the linear regression assumptions in order to ensure the results of linear regression analysis to be scientifically fair.

#### Linearity:

Correlation coefficients are the indicators of the strong linear relationships between the variables. A linear correlation coefficient that is greater than 1 indicates a positive relationship between the variables.

#### Formula:

**Pearson Correlation Coefficient,  $r = \frac{n \sum(xy) - (\sum x)(\sum y)}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}}$**

**Table 4.3.1 - Pearson correlation coefficient**

X	Y	XY	X <sup>2</sup>	Y <sup>2</sup>
122549	484661.1	59394733143.9	15018257401	234896381853.21
275587.8	247649.6	68249208434.88	75948635509	61330324380.16
186130.9	2423744	451133652089.6	34644711935	5874534977536
70510.07	12607351	888945201524.57	4971669971	158945299237201
307578.7	16055046	4938190177120.2	94604656694	257764502062116
<b>192471.3</b>	<b>6363690</b>	<b>6405912972313.15</b>	<b>225187931509.745</b>	<b>422880562983086</b>

#### CALCULATION

$$\begin{aligned}
 r &= \frac{n \sum(xy) - (\sum x)(\sum y)}{\sqrt{[n \sum x^2 - (\sum x)^2][n \sum y^2 - (\sum y)^2]}} \\
 &= \frac{(32029564861565.7) - (30620692858877.5)}{\sqrt{[(1125939657548.72) - (926129975350.861)][(2114402814915430) - (1012413868585230)]}} \\
 &= (1408872002688.25) \div (14838735160107) \\
 &= 0.094945559
 \end{aligned}$$

#### INTERPRETATION

By applying the above values of the table 4.3.1 in the Pearson correlation formula the value of correlation coefficient derived as **0.094945559**. The value of correlation is between 0 to +1 and demonstrates a positive linear relationship between the dependent and independent variables.

#### Homoscedasticity:

The homoscedasticity is an assumption of equal or similar variances between the variables being compared. To ensure the homogeneity of variances between the variables the fund raised by crowdfunding companies and funds raised by Indian companies through IPOs are converted to per day funds raised value.

#### No outliers:

In order to prove that there are no outliers Inter quartile range method is used.

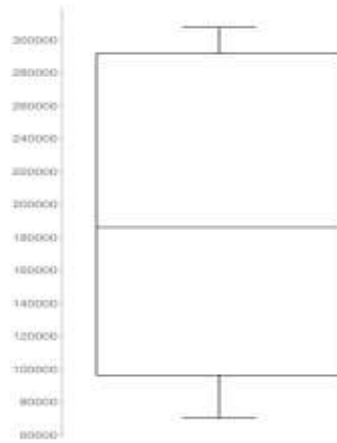
**Table 4.3.2 – Box plot method**

INDEPENDENT VARIABLE (X)	DEPENDENT VARIABLE (Y)
70510	247649.6
122549	484661.1
186131	2423744
275588	12607351
307579	16055046

#### INTERPRETATION

In Table 4.3.2 the variables are arranged according to the Box plot method. The arrangement of data is made as Minimum value of the data set, first quartile (Median of the lower half of the data set), Median of the data set, third quartile (Median of the upper half of the data set) after making the data in an ascending order. The Interquartile range is the difference between the third quartile and the first quartile. If a value is higher than the 1.5\*IQR above the upper quartile (Q3), the value will be considered as outlier. Similarly, if a value is lower than the 1.5\*IQR below the lower quartile (Q1), the value will be considered as outlier.

#### Chart 4.3.1 – BOXPLOT: Independent Variable (X)



**INTERPRETATION**

Sample size: 5

Median: 186131

Minimum: 70510

Maximum: 307579

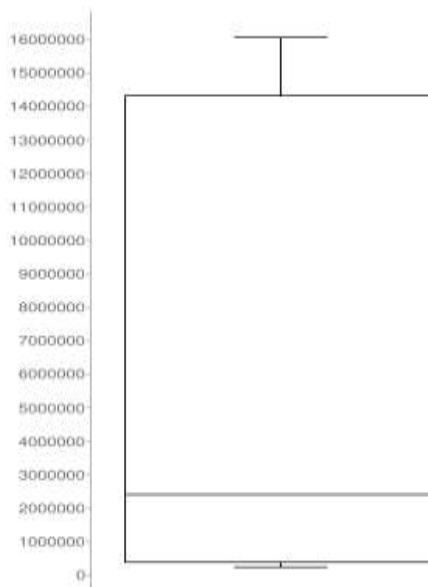
First quartile: 96529.5

Third quartile: 291583.5

Interquartile Range: 195054

**Outliers: none**

**Chart 4.3.2 – BOXPLOT: Dependent Variable (Y)**



**INTERPRETATION**

Sample size: 5

Median: 2423744

Minimum: 247649.6

Maximum: 16055046

First quartile: 366155.35



Third quartile: 14331198.5

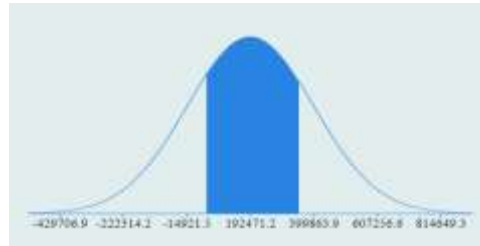
Interquartile Range: 13965043.15

**Outliers: none**

**Normality:**

The Normality assumption states that the variables should have a normal distribution. The normal distribution is a continuous probability distribution that is symmetrical around its mean, most of the observations cluster around the central peak, and the probabilities for values further away from the mean taper off equally in both directions.

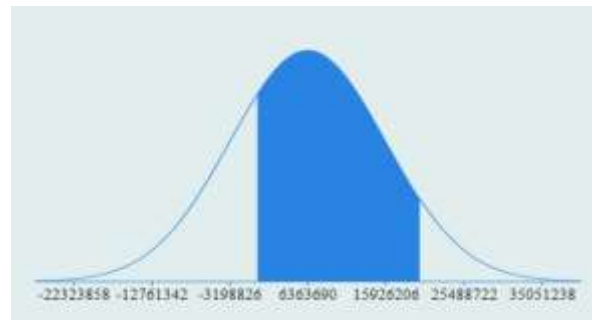
**Chart 4.3.3 – Gaussian distribution curve for Independent variable (X)**



**INTERPRETATION**

The above Chart 4.3.3 clearly depicts the normal distribution of the independent variable (X) as all the data falls within 3 standard deviations from the mean.

**Chart 4.3.4 – Gaussian distribution curve for Dependent variable (Y)**



**INTERPRETATION**

The above Chart 4.3.4 clearly depicts the normal distribution of the dependent variable (Y) as all the data falls within 3 standard deviations from the mean.

**4.4 Linear Regression**

Linear regression is a data analysis technique that predicts the value of unknown data by using another related and known data value.

**Formula:**

**Linear Regression Predictor Equation (Y on X) =  $Y = a + bX$**

**Regression coefficient (Y on X),  $b = \frac{\sum XY - n(\bar{X} \times \bar{Y})}{\sum X^2 - n(\bar{X}^2)}$**

**REGRESSION COEFFICIENT CALCULATION:**

**Table 4.4.1 – Regression Coefficient**

X (IND)	Y (DEP)	XY	X <sup>2</sup>	Y <sup>2</sup>
122549	484661.1	59394733144	15018257401	234896381853.21
275587.8	247649.6	68249208435	75948635509	61330324380
186130.9	2423744	451133652089.6	34644711935	5874534977536

70510.07	12607351	888945201524.57	4971669971	158945299237201
307578.7	16055046	4938190177120.2	94604656694	257764502062116
<b>962356.47</b>	<b>31818451.7</b>	<b>6405912972313.15</b>	<b>225187931509.745</b>	<b>422880562983086</b>

$$b = \frac{n(\sum XY) - (\sum X \times \sum Y)}{n(\sum X^2) - (\sum X)^2}$$

$$= \frac{5 \times (6405912972313.15) - (962356.47 \times 31818451.7)}{5 \times (225187931509.745) - (962356.47)^2}$$

$$= \frac{32029564861565.7 - (30620692858877.5)}{(1125939657548.72 - 926129975350.861)}$$

$$= \frac{1408872002688.25}{199809682197.864}$$

$$b = 7.051069734$$

#### INTERPRETATION

From the Table 4.4.1 by applying the regression coefficient formula the value of regression coefficient being calculated as **7.051069734**. Such value would be applied in the linear regression predictor equation formula.

#### REGRESSION PREDICTOR EQUATION:

Regression predictor equation:

$$Y = a + bX$$

Value of b is the value regression coefficient to be applied:

$$b=7.05$$

Value of a:

$$a = \bar{Y} - n \bar{X}$$

$$a = 6363690.34 - 5(192471.3)$$

$$a = 6363690.34 - 962356.5$$

$$a = 5401333.87$$

By applying the above derived values in the regression predictor equation, the equation arrived at is  $Y = 5401333.87 + 7.05 X$ .

#### PREDICTION:

Table 4.4.2 – Prediction of Crowdfunding in India

X	Y	Increase in Y (In times)
10,00,00,000	710401333.9	7.10
20,00,00,000	1415401334	7.08
30,00,00,000	2120401334	7.07
40,00,00,000	2825401334	7.06
50,00,00,000	3530401334	7.06
<b>AVEARGE VALUE OF INCREASE IN Y</b>		<b>7.07</b>

#### INTERPRETATION

With the help of the Regression predictor equation the table 4.4.2 is framed. By assuming the independent variable 'X' (Value of funds raised by Ipos per day) as 10 crores to 50 crores, the equation predicts the value of Dependent variable 'Y' (Value of funds raised through crowdfunding per day). It is evidently proven from the analysis that funds raised through crowdfunding per day is **7.07 times** greater than the capital being generated through Initial public offerings per day in India.

#### 4.5 Crowdfunding in India

In India crowdfunding is mainly used as a funding tool for the charity, novel and book publications. Most of the people in India wrongly interpreted that crowdfunding is source of charity. India also has a high potential of raising funds through crowdfunding because of its population.

#### Milaap:

Milaap is an online microlending platform designed to raise funds for personal and social causes. The company's crowdfunding platform helps community of donors and lenders come from various countries across the world, enabling users to take loans for education, basic amenities and capital for their micro and small businesses. The company funded by Jungle Ventures, Lionrock capital, Unitus ventures & other angels. Milaap is India's largest crowdfunding website. Milaap's community of donors come from over 130 countries across the world and have contributed **2000 crores on 652000 campaigns over the last 11 years.**

**Table 4.5.1 – Most funded Indian Crowdfunding Campaigns**

Name of the campaign	Nature of the campaign	Funds raised (₹)	Count of the Backers	Funding period in days
The Bystander Anthology	Book	43,34,144	1,601	40
Khusi baby	Charity	19,21,185	305	30
Motherhood: The Journey of Mata Sahib Kaur	3d animated movie	20,43,701	100	23
Light in Ladakh: A Documentary	Documentary	5,77,170	57	30
Hola Mohalla	Festival	19,85,876	43	30

## INTERPRETATION

Table 4.5.1 describes the successfully crowdfunded campaigns made in India. The data shown in the table are from Most funded category of Indian region on Kickstarter.

## 5. Findings, suggestions and Conclusion of the study

### 5.1 Findings - Variable Authentication

- ❖ From the Pearson correlation formula, the value of correlation coefficient demonstrated a positive linear relationship between dependent and independent variables.
- ❖ Per day funds raised for both the variables are arrived in order to have a similar variance under homoscedasticity assumption.
- ❖ With reference to the Boxplot Chart, both dependent and independent variables have no outliers.
- ❖ With reference to Gaussian distribution curve, both dependent and independent variables have a normal distribution.
- ❖ The variables collected for the study has satisfied the basic assumptions for linear regression.

#### 5.1.1 Findings of the Study

- ❖ From the research conducted for the collection of data relating to IPOs, the companies based on their popularity are getting oversubscriptions. Not all the investors are allotted with their wanted number of lots (Shares). IPOs having their premium price more than its face value making it as a luxury investment decision.
- ❖ With reference to the linear predictor equation, the value of per day capital accretion through crowdfunding in foreign countries is 7.07 times greater than the per day funds raised in India through IPO.
- ❖ With reference to Milaap's performance and Table 4.7, Crowdfunding campaigns of Indian territory is also performing well and succeeded with huge fundings for charity, entertainments and festivals.
- ❖ Crowdfunding is a web based capital accretion method where any investors can invest in any business operating in various geographical locations without any legal restrictions as like in IPOs.
- ❖ IPOs will generate capital only within Indian territory but crowdfunding will attract the capital from worldwide investors.

Hence it is clearly evident from the study that crowdfunding is a better way to capital accretion.

### 5.2 Suggestions

Crowdfunding is a best technique for capital accretion for startup businesses. It will bring effective start to business. Awareness on crowdfunding is lacking in India. Indian People should be given with enough information and adequate knowledge about the crowdfunding and its benefits. Most of the successful crowdfunding campaigns started in India are only towards charity and entertainment purposes. Young entrepreneurs should have to consider

crowdfunding as a capital accretion technique. Indian territory is full of invention of new business ideas many entrepreneurs are stagnant without enough funds, where crowdfunding will bring a new avenue of success.

### 5.3 Conclusion of the Study

It is concluded from the study that with reference to the linear predictor equation crowdfunding campaigns of foreign companies through Kickstarter has raised 7.07 times more funds than the funds raised through Initial Public offerings in a day. The study revealed that Indian crowdfunding campaigns are also successful in terms of charity, entertainment and festivals. The Indian business projects posted in the famous crowdfunding platform Kickstarter is very less compared to the other kind of projects posted. The world is now open to all through internet, Startup business ideas of India have to be posted in crowdfunding platforms for an initial Kickstart.

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