



# International Journal of Research Publication and Reviews

Journal homepage: [www.ijrpr.com](http://www.ijrpr.com) ISSN 2582-7421

---

## CROWD FUNDING

*Ilavarapu Anitha<sup>1</sup>, Dr. S.Venkata Ramana<sup>2</sup>*

2301510343

<sup>2</sup> Under the Guidance Professor in MBA Department  
Department of Business Management-MBA

---

### Background of crowd funding:

Crowdfunding is a method of raising money by asking a large number of people for small contributions, typically through online platforms like Kickstarter, GoFundMe, and Indiegogo. It allows individuals, startups, and organizations to fund projects, products, or causes without relying on traditional sources of funding, such as banks or investors. In return, backers may receive rewards, early access to products, or even a share in the business, depending on the crowdfunding model.

Over the years, crowdfunding has become a popular way to bring new ideas to life and connect with people who believe in those ideas. It has helped entrepreneurs launch products, artists fund creative projects, and individuals cover personal expenses. However, while crowdfunding offers many opportunities, it also comes with challenges, such as the risk of scams and the difficulty in reaching funding goals. Despite these challenges, crowdfunding continues to grow and reshape how people think about financing and innovation.

---

### Meaning and definition of crowdfunding:

**Crowdfunding** is a method of raising money for a project, business, or cause by collecting small contributions from a large number of people, typically through online platforms. It allows individuals, entrepreneurs, or organizations to reach out to the public for financial support, often in exchange for rewards, early access to products, or equity in the case of investment-based crowdfunding. This approach provides an alternative to traditional funding sources, such as banks or investors, and enables a broader range of people to get involved in supporting new ideas or causes.

---

### Reasons to select “CROWDFUNDING” as a research topic

- **Growing Popularity:** Crowdfunding has become a widely used method for raising money, especially with the rise of online platforms. Studying it can provide insights into a modern financial trend.
- **Impact on Entrepreneurs:** Crowdfunding has helped many startups and individuals fund their projects without relying on traditional investors or banks. It's interesting to explore how it has changed the way businesses are launched.
- **Diverse Applications:** Crowdfunding is used for a wide range of purposes—from creative projects to medical expenses and charity work. This variety makes it a versatile topic to explore.
- **Emerging Trends:** As crowdfunding continues to evolve, it offers an opportunity to study new trends, such as equity crowdfunding or the role of social media in campaign success.
- **Social and Economic Impact:** Crowdfunding has made it easier for people to support causes they believe in. Researching it allows us to understand its broader social and economic effects.
- **Challenges and Risks:** Crowdfunding is not without its challenges, such as fraud or the difficulty in reaching funding goals. Exploring these issues can highlight areas for improvement in the system.

### Key variables of crowdfunding

1. **Campaign Type** – This refers to the kind of crowdfunding being used, such as reward-based (where backers get something in return) or donation-based (where people simply donate to a cause).
2. **Fundraising Goal** – The total amount of money the campaign aims to raise. The goal can affect how the campaign is structured and its overall success.
3. **Campaign Duration** – This is the length of time the crowdfunding campaign runs. Shorter campaigns may create a sense of urgency, while longer ones allow more time for people to contribute.
4. **Social Media Engagement** – The level of interaction the campaign receives on social media. More shares, likes, and comments can help attract more backers.
5. **Backer Motivation** – The reasons why people decide to contribute, like supporting a good cause, receiving rewards, or getting involved in a business venture.

6. **Rewards/Offerings** – The incentives given to backers, such as exclusive products or services, which can encourage more people to donate.
7. **Campaign Presentation** – How well the campaign is presented, including the quality of videos, images, and the overall story. A well-presented campaign can attract more backers.
8. **Trust and Reputation** – The trustworthiness of the campaign creator and the crowdfunding platform. If people trust the campaign, they're more likely to back it.
9. **Geographic Reach** – Where the backers are located. Some campaigns focus on local support, while others may reach a global audience.
10. **Platform Used** – The crowdfunding platform chosen (like Kickstarter, GoFundMe, or Indiegogo). Each platform has its own features and user base, which can affect the success of a campaign.

---

### Research Gap:

Although crowdfunding has become a popular method of raising funds, there are still several areas that need more research. Many studies focus on the general success of crowdfunding campaigns, but there is limited research on the specific factors that influence why some campaigns succeed while others fail. For example, how do social media strategies or the type of rewards offered affect the outcome of a campaign?

Additionally, while crowdfunding is growing globally, there is little research comparing how it works in different countries or regions. The challenges and opportunities faced by campaigns in developed countries may be different from those in developing countries. Also, the impact of new crowdfunding models, like equity crowdfunding, has not been fully explored. There is a need for more studies on how these models affect both investors and entrepreneurs.

### Objectives:

1. **Raising Funds** – The primary goal of crowdfunding is to gather money from a large group of people to fund a project, business, or cause. It helps individuals and organizations secure financial support without relying on traditional sources like banks or investors.
2. **Testing Market Demand** – Crowdfunding allows creators to test if there is interest in their product or idea before fully launching it. If the campaign succeeds, it shows that people are willing to support it.
3. **Building a Community** – Crowdfunding helps connect creators with a community of backers who believe in their idea. It creates a sense of involvement, as backers are often motivated by the chance to be part of something new and exciting.
4. **Gaining Exposure** – Crowdfunding campaigns often get attention from the media and social networks, which can help raise awareness and attract more backers. This exposure can be valuable for future growth and success.
5. **Attracting Investors** – In some cases, crowdfunding, especially equity-based crowdfunding, can help businesses attract investors who are interested in becoming stakeholders in the company.

---

### Statement of the problem :

Although crowdfunding has become a popular way to raise money, many campaigns still struggle to reach their funding goals. The reasons for the success or failure of a campaign are not always well understood. While factors like campaign type, rewards, and social media presence are often discussed, there is a lack of clear research on how these factors actually affect the outcome. Additionally, there is limited knowledge about the differences in crowdfunding success across regions or the effectiveness of different crowdfunding models, such as reward-based or equity-based crowdfunding. This creates a gap in understanding how to make crowdfunding more successful and how it can better meet the needs of both creators and backers.

### Hypothesis:

Crowdfunding campaigns with higher levels of social media engagement, such as more shares, likes, and comments, are more likely to reach their funding goals. Additionally, campaigns that have well-designed presentations, including professional videos and clear descriptions, tend to attract more backers and achieve greater success. Offering attractive rewards or incentives also plays a significant role in increasing contributions. Finally, reward-based crowdfunding campaigns are expected to perform better than equity-based campaigns, as backers are typically more motivated by receiving tangible rewards than by the opportunity to invest in a business.

---

### Literature review:

Crowdfunding has emerged as a popular way to raise funds, offering an alternative to traditional financing methods. Many studies have focused on understanding the factors that contribute to the success or failure of crowdfunding campaigns. For example, Belleflamme et al. (2014) argue that the quality of a project's presentation, including a well-crafted video and detailed description, significantly influences its success. The authors suggest that a strong presentation builds trust and credibility, which are crucial for attracting backers.

Similarly, Mollick (2014) examined the role of social media in crowdfunding campaigns, finding that campaigns with greater social media engagement, such as shares and likes, are more likely to meet their funding goals. This highlights the importance of building an online community and using digital platforms to spread the word about a campaign.

Other research by Agrawal et al. (2015) has shown that offering rewards, such as products or experiences, can motivate people to contribute. The study found that reward-based crowdfunding campaigns tend to perform better than donation-based ones, as backers are more likely to contribute when they

receive something in return.

In contrast, research on equity-based crowdfunding, such as the work by Vismara (2016), indicates that while it attracts investors interested in owning a share of the business, it has lower success rates than reward-based crowdfunding. The study suggests that equity-based campaigns may face challenges in gaining the same level of public enthusiasm as reward-based ones.

Finally, studies have also explored the geographic and cultural differences in crowdfunding success. For instance, studies by Kuppuswamy and Bayus (2017) have shown that crowdfunding campaigns tend to perform better in developed countries compared to developing ones, possibly due to differences in access to technology and financial systems.

These studies provide valuable insights into the factors that influence crowdfunding success, but there is still much to explore, especially when it comes to comparing different crowdfunding models and understanding the challenges faced by creators in different regions.

---

### Limitations of Crowdfunding:

- **Uncertainty of Success:** Not all crowdfunding campaigns are successful. Many campaigns fail to meet their funding goals, even with a good idea, due to factors like poor marketing, lack of engagement, or an unclear value proposition.
- **Platform Fees:** Crowdfunding platforms often charge fees, which can reduce the total amount raised. These fees can range from 5% to 10%, which might be a significant amount for smaller campaigns.
- **Competition:** Crowdfunding platforms are crowded with many campaigns at once. This makes it harder for new projects to stand out and attract backers, especially if the campaign lacks strong marketing or social media presence.
- **Lack of Control:** Campaign creators often rely heavily on the platform for visibility and support. If the platform has technical issues or fails to promote the campaign effectively, it can impact the success of the project.
- **Legal and Regulatory Issues:** Especially with equity-based crowdfunding, there are legal and regulatory challenges, such as the need to comply with securities laws. This can make it more difficult for creators to navigate the crowdfunding process.
- **Scams and Fraud:** Although crowdfunding can be a great way to fund a project, it can also attract scammers who take advantage of people's goodwill. Backers may feel unsure about where their money is going, especially in the case of campaigns with no tangible rewards.
- **Limited Funding:** Crowdfunding may not always raise enough money for larger or more ambitious projects. It often works better for smaller-scale projects that can be funded by a wide group of people.
- **Pressure to Deliver:** For campaign creators, there is often a lot of pressure to meet expectations, especially when offering rewards. Failing to deliver on promises or delaying delivery can harm the campaign's reputation and future funding opportunities.

---

### Methodology :

For this research, I will focus on understanding the factors that make crowdfunding campaigns successful or unsuccessful. Here's how I will do it:

1. **Data Collection:**
  - I will collect data from popular crowdfunding websites like Kickstarter and GoFundMe. This data will include details about different campaigns, such as how much money they aimed to raise, how much they actually raised, how long the campaign lasted, and what rewards were offered.
2. **Selecting Campaigns:**
  - I will choose about 50-100 crowdfunding campaigns. These campaigns will be both successful (met their goal) and unsuccessful (did not meet their goal) to compare the reasons behind their outcomes.
3. **Key Factors:**
  - I will focus on key factors such as **social media activity**, **campaign presentation**, **type of crowdfunding** (reward-based or equity-based), and **rewards offered** to backers. I will analyze how these factors affect the success of the campaign.
4. **Data Analysis:**
  - I will look at the data using simple methods like calculating averages and percentages to see patterns. I may also check how factors like social media engagement are linked to campaign success.

---

### Tool of Analysis :

- **Descriptive Statistics:** To summarize data like average funds raised and campaign duration.
- **Correlation Analysis:** To find relationships between factors like social media engagement and campaign success.
- **Comparative Analysis:** To compare successful and unsuccessful campaigns based on strategies used.
- **Qualitative Analysis:** If surveys or interviews are used, I will look for common themes in the responses from campaign creators.

### Period of the study :

The study will be conducted over a period of starting from **June 2024 to November 2024**. This timeline will allow for comprehensive data collection, analysis, and the drafting of the final report. During this period, the researcher will focus on examining crowdfunding projects that have been active for at least one year to assess their long-term sustainability and success."

### *Scope of the study*

This study will focus on analyzing crowdfunding campaigns across various platforms like Kickstarter, GoFundMe, and Indiegogo. The research will primarily examine campaigns in different categories such as technology, creative projects, and social causes. The scope will cover both successful and unsuccessful campaigns to identify key factors influencing their outcomes. The study will focus on variables like social media engagement, campaign presentation, rewards offered, and the type of crowdfunding model used (reward-based or equity-based).

The study will not include crowdfunding platforms that focus on very specific industries or regional campaigns that have limited data. Additionally, it will not explore the financial or legal regulations of crowdfunding in depth but will focus more on campaign strategies and success factors.

### REFERENCE :

1. **Belleflamme, P., Omrani, N., & Peitz, M. (2014).** *The Economics of Crowdfunding*. In *Handbook of the Economics of Innovation*, 2, 439-468. Elsevier.
2. A comprehensive analysis of the economics behind crowdfunding and its effects on innovation and market dynamics.
3. **Mollick, E. (2014).** *The Dynamics of Crowdfunding: An Exploratory Study*. *Journal of Business Venturing*, 29(1), 1-16. <https://doi.org/10.1016/j.jbusvent.2013.06.005>
4. A well-known study examining what makes crowdfunding campaigns succeed or fail, focusing on factors like presentation quality and social media engagement.
5. **Agrawal, A., Catalini, C., & Goldfarb, A. (2015).** *Crowdfunding: Geography, Social Networks, and the Timing of Investment*. *Journal of Economics & Management Strategy*, 24(2), 253-274. <https://doi.org/10.1111/jems.12093>