International Journal of Research Publication and Reviews

Crowdfunding as an Emerging Funding Tool: A Study of Delhi-NCR

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ABSTRACT

Crowdfunding has rapidly evolved into a disruptive financing tool particularly in digitally-rich urban areas. This research investigated the potential, awareness, and challenges of crowdfunding in Delhi-NCR, which is known for its entrepreneurial ecosystem and digital literacy. In spite of the growth in crowdsourcing tools and practices worldwide, the use of crowdfunding in India has been limited, due to ambiguity in regulatory guidance, a lack public awareness, and fears about trustworthiness. A mixed-methods approach was employed to gather primary data from 50, both students and working professionals in Delhi-NCR to explore participation trends, platform familiarity, perceived benefits, and barriers and challenges to participation. Analysis revealed donation-based crowdfunding dominates the public consciousness, primarily for medical or charitable fundraising. Nevertheless, participation as campaign creators is limited, and awareness of equity- and debt-based crowdfunding is negligible. Respondents indicated the most important perceived benefits were assistance in easy access to finance, broad dissemination of campaigns. In terms of barriers and challenges, the most commonly mentioned were lack of awareness of crowdfunding, and the risk of fraud.

1. INTRODUCTION

Background of the Study

Crowdfunding has emerged as a significant financial innovation in recent years and has changed the way people and organizations gain access to capital. As described by Belleflamme, Lambert, & Schwienbacher, 2014, it is a way to "pool money from the masses", generally through online platforms, crowdfunded money usually serves as an alternative source of financing such as a traditional bank loan or venture capitalist. Crowdfunding is a funding model that has particularly catered to the needs of entrepreneurs, small businesses, artists, entertainers and even causes, simply because of its flexible nature, inclusion of all types of funders, and often solely online transactions. Crowdfunding platforms such as Kickstarter, Indiegogo, and Milaap enable fundraisers to collectively showcase their ideas to the public and gather money from contributors across the world. Crowdfunding is unique in that it exists as a distributed and collaborative model of finance, which offers the potential to democratize access to funds to advance innovation in any area of the economy.

The crowdfunding segment has grown virally around the world. According to a report by Massolution (2015) the growth of the worldwide crowdfunding industry exploded to over $34 billion in 2015, up from $880 million in 2010. This is an increase from the 38.6 billion in 2015, and is indicative of how more and more people are looking at crowdfunding as being a normal way to get funding for their company in countries such as the US, UK and China. Mollick (2014) opined that this trend has been largely enhanced by flow of internet access, social media use and mobile technologies. Yet in India, although the potential for crowdfunding is huge, it is still nascent. The regulatory framework is not yet fully developed and public awareness of this technology is still rather low. Still, urban areas including Delhi-NCR are beginning to reflect some positivity in the signs of adoption.

However, even as it seems to be having its rewards, the culture of financing through crowdfunding in India, and in Delhi-NCR in particular, is a treacherous bear-garden still.

2. LITERATURE REVIEW

Crowdfunding is a group-based process to engage people and raise money for someone else's project or venture, usually through internet-based channels (Belleflamme, Lambert, & Schwienbacher, 2014). Crowdfunding is now a popular option for funding, and is being perceived as an alternative to traditional financing, as it allows startups and organizations to receive small amounts of money, collectively from a large number of funders, as opposed to few large institutions or investors (Mollick, 2014).

In the past few years, donation-based crowdfunding has considerably grown, presenting a new kind of online micro-financing (Massolution, 2015). According to Massolution (2012), crowdfunding is based on a donation model where supporters fund projects with no anticipated financial returns, and these donations are purely altruistic. In most cases where no monetary return is expected, and dominated by purely philanthropic or social, environmental causes, individual supporters are contributing but without expecting no monetary returns.

Moreover, an entrepreneur's social network size has a major impact on the funding outcomes, Saxton & Wang, 2014. The size of the project may also make the funding available or possible (Burtch et al., 2013), and funders are often subject to social pressure when involved in donation-based crowdfunding (Smith, 2015). Crowdfunding platforms make it easy to share the projects with a wider range of potential donors, as well as provide opportunities for forming relationships with the crowds (Liang and Turban 2011).

Behl and colleagues (2022) pointed out that when it comes to donation-based crowdfunding platforms, sharing information and communication happens openly. In India, platforms like Ketto and Milaap use this approach to raise funds for urgent medical needs and disaster relief (Sundar and Das, 2019). Charitable crowdfunding is becoming a popular way to give online, driven by the desire to help and achieve specific goals (Lee and Park, 2020).

3. RESEARCH METHODOLOGY

The research design is a descriptive and exploratory research study that examines the awareness, perception, and adoption of crowdfunding among students, and working professionals in the Delhi-NCR region. As there was little empirical data on regional crowdfunding practices in India, it is easier to explore the way users behave and take into account the mediating contextual challenges associated with crowdfunding adoption.

To capture meaningful insights, the study was designed to cover two main respondent categories Students and Working Professionals. This study is conducted on a sample size of 50 through non-probability convenience sampling. A questionnaire was adapted with Google Form to collect data in digital format through the channels email, WhatsApp, and social media.The survey format was a mix of multiple choice questions, yes no style questions and some short answer fields to capture both qualitative and quantitative responses.

Research Objectives

1. To explore the demographic characteristics of the target population in Delhi-NCR that are aware of and/or participated in using crowdfunding platforms.

2. To identify the level of awareness of crowdfunding among residents living in Delhi-NCR.

3. To explore individuals' participation history and experience with crowdfunding, either as contributors or as campaign creators.

4. To explore individuals' perceived advantages and disadvantages to crowdfunding, as potential users.

5. To investigate public perceptions on whether crowdfunding will become a mainstream financial mechanism in India.

4. DATA ANALYSIS AND INTERPRETATION

Objective 1: To explore the demographic characteristics of the target population in Delhi-NCR that are aware of and/or participated in using crowdfunding platforms

Measure	Criteria	Percentage
Age group	18-25	70%
	26-35	20%
	36-45	4%
	Above 45	6%
Gender	Male	56%
	Female	44%
Occupation	Students	66%
	Working professionals	24%
Location	Delhi	16%
	Noida	44%
	Gurugram	2%

	Faridabad	4%
	Ghaziabad	34%

Interpretation:-

The respondents are mostly (70%) comprised of persons aged 18-25, showing where crowdfunding awareness and participation is most prevalent, among young people – namely college students and early career persons. The 26-35 age group (20%) appears to have fairly good engagement, most likely as young professionals. The older age groups (36 and up) account for only 10% of the respondents, indicating that older adults have very limited exposure or interest in crowdfunding.

In terms of gender, the sample is reasonably close with 56% male respondents and 44% female respondents, and therefore, gender is part of the diverse participation.

Looking at the professional background, there were a significant number of the respondents (66%) who identified themselves as students, consistent with our 18-25 age group who are most prevalent within the sample. The working professionals' group (24%) appear as a more successful and experienced group and may be in a better position to contribute to or fund their own crowdfunding campaigns, likely entrepreneurially or charitably. The remaining respondents contribute to other categories not explicitly named in our data.

As for location, Noida (44%) and Ghaziabad (34%) contain the higher proportions of respondents, suggesting they are more digitally savvy or have greater knowledge of crowdfunding. Delhi is 16% while Faridabad (4%) and Gurugram (2%) have low proportions of representation.

Objective 2:- To assess the level of awareness about crowdfunding among residents of Delhi

Crowdfunding models	No. of respondents	Percentage
Donation based	37	74%
Reward based	11	22%
Equity based	12	24%
Debt based	6	12%
Not aware of any	8	16%

Interpretation :-

The research shows that Donation-based crowdfunding is the most recognized model with 74% of participants being aware of it. This is probably due to the nature of crowdfunding for medical emergencies, social issues, and community support through platforms like Milaap and Ketto which receive a strong presence on social medial and other digital avenues.

Equity-based crowdfunding is known to 24% of the participants. Equity-based crowdfunding involves the idea of shares for investments, which explains its complexity.

Reward-based crowdfunding is known to 22% of participants. Contributors get non-financial rewards or products based on their contribution--so this model is not recognized as much as donation- and equity-based crowdfunding.

Debt-based crowdfunding is also known as peer-to-peer (P2P) lending and represents the lowest level of awareness at 12% which can be attributed to the regulatory nature and limited visibility with limited mainstream media visibility. This is a type of crowdfunding that is finance-based and less familiar to users in general.

Awareness of crowdfunding platforms

Platform	Percentage
Kickstarter	38%
Indiegogo	8%
Milaap	28%
Ketto	16%
Wishberry	8%
None	4%

Interpretation:-

According to the data, Kickstarter is the most familiar among crowdfunding platforms – 38% of respondents have heard of it before. This means that the platform enjoys not only a global presence but also has considerable recognition in the Indian market. Milaap, with 28% of references, also has a large outreach in India, being its local platform. Its popularity can easily be explained by the demand for social and medical campaigns. Ketto is known to 16% of participants, which also means that the level of awareness is average. Indiegogo and Wishberry rank next with 8%, which is also quite an accomplishment since this could be influenced by the target audience's interest in specific campaigns or limited presence in the marketing. Interestingly, 4% of respondents have not heard of any platform, showing a small but perhaps noticeable gap that needs addressing. Overall, this situation suggests that Indian platforms need a better presentation.

Objective 3:- To explore individuals' participation history and experience with crowdfunding, either as contributors or as campaign creators

Contribution to crowdfunding

Response	No of respondents	Percentage
Yes	25	50%
No	25	50%

Interpretation:
The data shows an even split of respondents on their contributions to crowdfunding campaigns with 50% having contributed and 50% not contributed. This indicates there is a balanced level of participation and is likely a good indicator that while half of the audience has contributed to crowdfunding efforts—there is ongoing potential for increasing contributions—given there is still half of the audience that has not contributed.

5. CONCLUSION

Overall, the study concludes that crowdfunding is becoming a feasible and relevant financing tool for digitally savvy youth and working professionals in the Delhi-NCR area. While awareness levels generally, and specific of donation-based crowdfunding are relatively high, actual participation levels—especially as campaign creators—are fairly low. The general conclusion draws on an awareness-action gap, stating that crowdfunding is still viewed more as a peripheral tool than a primary funding source. Moving forward, bridging this gap requires investment into capacity-building, mentorship, and accessibility to the platforms.

A more nuanced analysis illustrates that most users view crowdfunding as a donation-based channel of social impact, not as a way of coming up with innovative business models or launching a enterprise. Users see crowdfunding primarily as a way to fund medical emergencies, disasters, or charitable missions. While this shows a willingness to aid others, it also shows a limited understanding of the role crowdfunding can play as a way to tap funding into innovative business models, create projects and ventures in the early stages of reality.

A key finding of the research was how platform visibility and branding were significant predictors of usage. Globalized platforms like Kickstarter and local platforms like Milaap enjoy a fair degree of visibility, suggesting that platform success is likely to be about not only the platform function and design, but also about the site's branding, marketing tactics and user experience; as well as variables associated with trust, making sure to communicate, for example, how funds are allocated, campaign updates and successes. This places a premium on developing a trustworthy platform and on designing trust-based ecosystem awareness situated within a user-friendly, mobile-friendly platform that offers predatory marketing strategies, possible franchise models, tools for campaign planning and outreach, and robust analytics as a way to monitor campaigns.

SUGGESTIONS

Focused educational efforts through social media, college workshops, webinars, and influencer campaigns can raise public awareness of crowdfunding, particularly of smaller-known types such as equity or debt crowdfunding.

Policy makers, such as SEBI, need to lay down explicit and transparent regulations to safeguard contributors, ensure the prevention of fraud and also promote responsible platform practices, thus increasing confidence in the ecosystem.

Crowdfunding platforms need to focus on building user-friendly, secure and accessible platforms with multilingual support, an easy onboarding process and strong customer support to attract and keep users.

Collaborations between crowdfunding platforms and universities, government organizations, and incubators could offer additional support.

LIMITATIONS

The study draws upon a small study sample of 50 people, so the results cannot be generalised to all of Delhi-NCR or to India.

A convenience sampling method may has lead to bias, because the sample was chosen because of access and willingness and may have missed groups that are less digitally connected or less interested.

This research was limited to only students and working professionals, excluding some other possible stakeholders such as full-time entrepreneurs, NGos, artists or older people.

Though the study included multiple cities from Delhi-NCR, Faridabad and Gurugram were underrepresented, restricting generalizability to the larger region.

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