

# The Future of Start-ups: Indian Crowdfunder

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**Abstract** – As an impact of globalization, use of internet is increased radically. So, transactions through Internet are established as new trend which is efficient and effective. This project will provide an online platform through which a large number of individuals across the globe can fund a new business venture or projects in small amounts. This project will be beneficial for both investors and ventures, investors can fund a variety of new ventures and ventures can present their project to a vast number of investors. This project will also support social media that will bring investors and entrepreneurs together on a single platform, with the potential to increase entrepreneurship by expanding the circle of investors apart from existing traditional ways like loans, lenders and venture capitalists.

**Keywords** – investors, ventures, platform, entrepreneurship, traditional circle.

## I. INTRODUCTION

In the budding culture of start-ups in India, many big industrialists and businessmen are investing into start-ups. Crowdfunding platforms offer such investors and venture capitalists/ developers to connect on a single platform.

Crowd funding is the use of small amounts of capital from a larger crowd of interested individuals to finance a new business venture or projects. Crowd funding is a novel method for funding a variety of new ventures, allowing individual founders of for-profit, cultural, or non-profit means including social projects to request funding from many individuals, often in acknowledgement to future products or equity. Crowdfunding sites are sometimes referred to as platforms because they provide a venue for all aspects of a campaign, such as creation of the public interface, campaign and project tracking, a payment mechanism and disbursement of funds.[1]

The aim is to make a crowdfunding platform for easy accessibility of vast networks of people through social media and crowdfunding websites to bring investors and entrepreneurs together, with the potential to increase entrepreneurship by expanding the pool of investors beyond the traditional circle of owners, relatives and venture capitalists.

The main objective of the project is to provide a platform for individuals to access to wider network through an online platform for small amounts of money. Also, through this project the cost of raising funds through crowdfunding platform can be reduced than conventional mode. To provide investors with pre-vetted and curated appeals and pitches on crowdfunding platforms and reduce the risk to investors as the funds are spread over many investors.

## II. LITERATURE REVIEW

According to the paper titled Crowdfunding At India: A Study Of Indian Online Crowdfunding Platforms by Dr. Hetal Jhaveri and Prof. Anjali Choksi mentioned about Crowdfunding drawing inspiration from concepts like micro-finance and crowdsourcing, but represents its own unique category of fundraising, facilitated by a growing number of internet sites devoted to the topic. Crowdfunding is based on the principle of crowdsourcing. It is an application of crowd sourcing.

Wikipedia is one of the best-known examples of a crowdsourcing model. It is an online encyclopaedia that is completely written by users, containing over 3 million articles in English. A large number of people, each one of whom putting a little effort in reaching a big goal together.[2]



Fig. 1. Growth in number of CFP by category.

Reward-based is the largest category in terms of number of CFPs. Reward-based is the largest category; while equity-based is the fastest growing category and Equity based is developing. Also, it represents that the awareness and global funding value has increased from 2009 to 2012 in terms of million dollars.

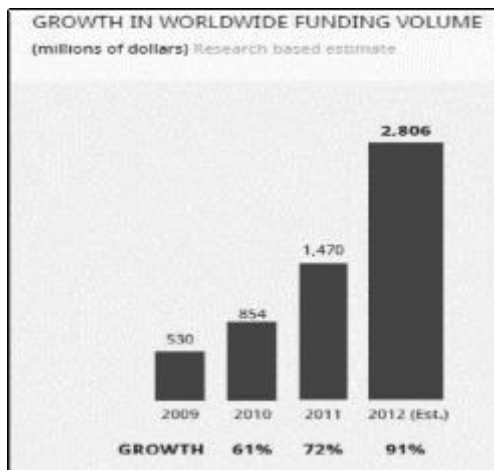


Fig. 2. Growth in worldwide funding volume.

Crowdfunding 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.[2]

In the paper titled as A Study on Crowd Funding and its Implications in India the author represents that SEBI's role in crowd funding, To promote the start-up ecosystem in India, the Securities and Exchange Board of India ("SEBI") has rolled out a 'Consultation Paper on Crowd funding in India' ("Consultation Paper") proposing a framework in the form of Crowd funding to allow start-ups and SMEs to raise early stage capital in relatively small sums from a broad investor base.

Crowd funding comes with many advantages compared to existing avenues available to start ups and SMEs. Capital raise under the Crowd Funding Platform not being a public offer and thus not triggering public offer related pre-conditions, and the related costs and compliances therein, is a good starting point for this platform available for such new generation companies. [3]

In the paper titled as A Comparative Analysis of Online Crowdfunding Platforms in USA, Europe and Asia. We already know that the nature of social capital that characterizes entrepreneurial networks is both structural for bonding and relational for interaction processes that shape it. This means that if entrepreneurs are able to use their social ties and capital effectively they can improve their commercial success and grow.[4]

The paper titled Crowdfunding for start-ups in India Crowdfunding is a new concept for Indian investors. Usage of internet for raising capital requirements is very low compare to western countries. When traditional financial system failed to support start-ups this alternative cropped up. Online marketing & online payment options made Indian investors accessible to crowdfunding ways. India is the second largest in operating the internet market. Now with the start-ups initiative and how to get

funds made crowdfunding familiar. As per World Bank report 2012, India has only 10 crowdfunding platforms compared to 344 in the US and 87 in the UK. Business report estimates nearly to 200 companies have raised INR 35,057,840- INR 45,074,366 on these platforms over the past 18 months [5].

### III. PROBLEM STATEMENT

Funding a start-up business or raising capital for an existing business has shifted from bank loans and ventures capital to crowdfunding. People resort to crowdfunding because it is an easier and faster way of gaining capital for a business. Kickstarter is a popular crowdfunding website that is only used for creative projects. Nowadays, hopeful entrepreneurs turn to Crowdfunding platform in order to gain funds for their project.

### IV. METHODOLOGY

Crowdfunding is an exciting new opportunity that allows non-profits and entrepreneurs to raise funds for their creative projects and it's also allowing them to broaden their captive audience and engagers.

NGOs require funds for various projects aiding health and education, crowdfunding will be accepted as an effective source in future. Efficient crowdfunding system can really play the role of catalyst in bringing the start-up ideas into reality.

Crowdfunding will adapt with the digital and socio-economic revolution.

#### 1. Donation based crowdfunding:

In donation-based crowdfunding, campaign funds are raised for charitable projects, disaster relief and non-profits organizations. Donations are accepted from a large number of people in small proportions. People can avail an opportunity to share money towards a social cause. In the platform there are no financial return for the investors and there is no chance of loss of investment for example Indiegogo.[6]

#### 2. Reward based crowdfunding:

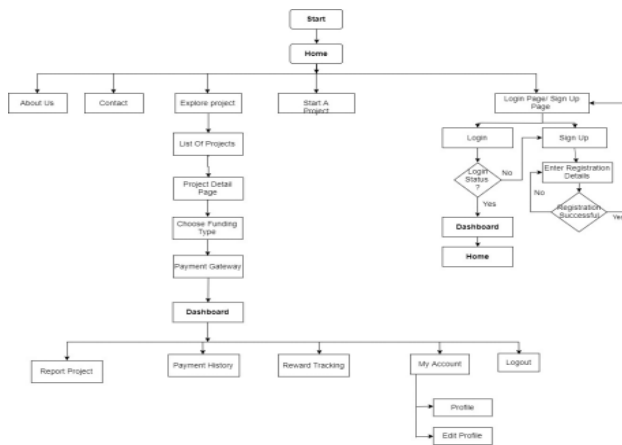
In reward-based crowdfunding, investors receive rewards in return for their investment. This can be product or service the company offers as token gift. In order to impress investors companies, attract with different types of rewards as incentives. In Reward based crowdfunding the investors are not availing financial return for example Kick-starter.[7]

#### 3. Equity based crowd funding:

In Equity based crowd funding, investors receive equity shares of the company in proportion to the money invested. Investors in return receive financial return on their investment. They receive a Share of the profit as dividend. In this form, investors are prone to more risk as they are treated as investing in an unlisted company. Every country has its own set regulations regarding the investments through these crowdfunding platforms.

Examples of equity crowdfunding platforms are Equity net, Syndicate Room, Crowd cube and Seeders.

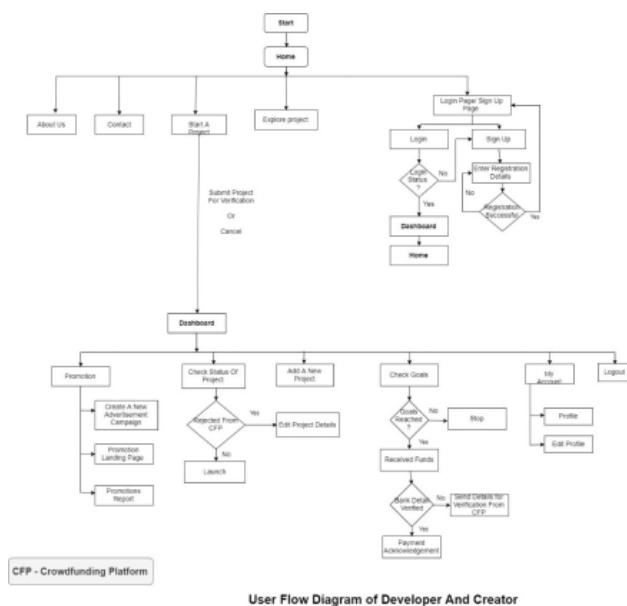
### V. SYSTEM ARCHITECTURE



User Flow Diagram of Investor

Fig. 3. User flow diagram for Investor.

The above image represents the architecture for flow of user as investor. The investor would first home page. The investor would login into his/ her account and will be redirected to home page. The investor can explore the projects on clicking the option Explore projects. A list of projects would be displayed. An interested project is selected and details regarding the same are displayed. Here investor chooses the type of funding that is donation based or reward based. After the selection investor is navigated to payment gateway. Payment is accomplished. On his/her private dashboard the investor can check the status of the project. Investor can also track the reward and history of payment.



User Flow Diagram of Developer And Creator

Fig. 4. User flow for developer and creator,

The above image represents the architecture for flow of user as developer. The developer would first home page. The developer would login into his/ her account and will be redirected to home page. The developer can start the project on clicking the option Start a project. The developer is directed to his/ her private dashboard. Here the developer can go through several options like checking status of previous projects. Checking of goals and amount funded into completed projects. To start a new project developer clicks on add a new project. The developer needs to add the details of projects like name of project, aim of project, image/video, the parameters for investing. A short description of the project needs to be created. Also, the amount goal needs to be specified along with time. The project is submitted to CFP. If the project is approved it can be proceeded to promotion and thereafter release. Else changes need to be made to make project better and resubmitted to CFP.

### VI. ADVANTAGES OF PROPOSED SYSTEM

Provide an alternative source of funding in India. On contrast to traditional funding methods like venture capitalists and loans, this platform provides a better option of funding.

Easier to pitch and promote the project ideas by using our platform. Pitching and working on the platform would be a better experience rather than going from company to company in search of investors. The pitch be given the value it is worth of.

Easier communication between project creators and investors. Also, they are able to use feedbacks to make improvement in project and provide quality of service.

Also the platform can be utilized to improve customer relationships which is one of the important interpersonal skills. Platform can be used as a marketing validation to see if the project is interesting enough for public.

### VII. RESULTS

The concept of crowdfunding is given practical light through a web-based application. This idea is inspired from some of the popular crowdfunding websites like Kickstarter. [7] The main motivation behind this project was to make it reachable to every creator or developer who is facing difficult times due to lack of proper platform to showcase the talent and to gain investment.

### VIII. CONCLUSION

Start-up are growing in the world day by day. Every developer can get investment and support in initiation of a genuine project through Crowdfunding platform. Start-ups can raise funds through crowdfunding platform smoothly. In India equity-based crowdfunding is going through lot of scrutinization. Security Exchange Board of

India (SEBI) wants to protect these investors as they are unaware about the limitations. Equity and debt based Crowdfunding platforms are subject to laws of region.

Many universities in India are setting up start up programmes including Entrepreneurship cell called e-cell which encourage student start-ups. This is first step towards creating awareness about start-ups as well as online investment like crowdfunding. Because of this the investment pattern of investors is going through changes. India as a developing country has many potential entrepreneurs and investors.

## IX. ACKNOWLEDGEMENT

We would like to express our sincere gratitude towards our guide Mrs. Surekha Janrao and Project Convener Prof. V. B Gaikwad, for the help, guidance and encouragement, they provided during the Progress seminar. This work would have not been possible without their valuable time, patience and motivation. We thank them for making my stint thoroughly pleasant and enriching. It was great learning and an honour being their student.

We are deeply thankful to Dr. Archana Mire (H.O.D Computer Department), and entire team in the Computer Department. They supported us with scientific guidance, advice and encouragement, they were always helpful and enthusiastic and this inspired us in our work.

We take the privilege to express our sincere thanks to Dr. L. K. Ragma our Principal for providing the encouragement and much support throughout our work.

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