Overview Of Crowd Funding In India

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	Abstract Crowd funding is the process of raising essential amounts of funds from a large number of people to launch a new business initiative. It is typically accomplished by connecting investors and entrepreneurs through social media and crowd funding platforms, with the potential to boost entrepreneurship by broadening the pool of investors outside the conventional circle of owners, relatives, and venture capitalists. Although the crowd financing market is only a few years old, it has quickly become one of the most popular ways to raise funds. This enables entrepreneurs to avoid the traditional banking system. Banks have been more reluctant to lend to small firms, particularly in the aftermath of the financial crisis. This has made it difficult for many entrepreneurs to secure the funds they require to establish or grow their firms. Crowd funding not only gives prospective entrepreneurs with the capital they need, but it also validates their ideas and helps them develop a network of early adopters and supporters. Collective contributions have enabled inventive entrepreneurs to bring their ideas to life. This research study presents an outline of crowd funding's current position and prospects as a source of financing for Indian enterprises.
	Keywords: Crowd Funding, Entrepreneurs, Financial Crises, Supporters, Collective Contributions, Etc.

1. Introduction

Entrepreneurs, artists, and individuals are now crowdfunding their initiatives and ideas. Crowd funding sites assist Indians in obtaining financing. These websites make it easy for people to raise funds by connecting with a huge number of people and collecting small quantities. Crowd funding has transformed India's financial landscape, from social causes to start-ups.

Crowd fundraising in India is on the rise. Crowd funding was not particularly popular in previous years. There are several crowd fundraising websites in India where you can raise funds for your project. Technology and the internet have made it simple for anyone to select crowd funding solutions online.

2. Objectives

- To know about crowd funding and its nature
- To understand the types of crowd funding platforms
- To understand the legal aspects of crowd funding
- To know about crowd funding challenges in India

3. What is Crowd Funding?

Crowd funding is a means of obtaining funds for a business or project by soliciting donations from a large number of investors. Contributions might be little or large, depending on the person's ability and willingness to donate. Furthermore, crowd sourcing is often used to pay medical treatments, in which case the donations are more like a charity than an investment.

4. Purposes of Crowd Funding

• Crowd funding is done for business ventures, specifically start-ups.
• By individuals and non-governmental organizations (NGOs) in the event of a natural disaster, high medical costs, or personal tragedy.
• By creative individuals such as artists, writers, filmmakers, and musicians to raise funding to support their talents.

5. Crowd funding Platforms in India

i. **Fundable**
   This website provides finance, particularly for small firms, as well as campaigns in a variety of business sectors.
ii. **Kick starter**
   This portal, which was India's first crowd funding platform, is well-known for its support of creative ventures like as novels and movies.
iii. **Indiegogo**
   This is a marketplace and funding platform, with fundraising as the first step. After the completion of successful fundraising campaign, it can take to the next level by generating additional rupees.
iv. **Wishberry-** This website is solely for creative ideas and also provides consultation services such as technical help and marketing. This is also a reward-based website where funders and contributors can receive incentives for the projects they finance.
v. **Ketto**
   This website provides funding for people' health care. This website contains various areas for tax relief, urgent funds, and so on. The goal of this website is to promote social change and raise awareness.
vi. **Catapoolt**
   This website focuses on music, startups, technology, and films; you can use this platform to raise funds for both personal and business objectives. This website provides a network of incubators, accelerators, marketing, and other diverse communities to assist with the business.
vii. **The Hot Start**
   The Hot Start, a well-known crowd funding platform, has helped countless Indian enterprises with a variety of projects, including food and beverage, medical care, education, and more.

6. Types of Crowd Funding

There are broadly four kinds of crowd funding.
• **Debt based fund:** Debt-based fundings are often peer-to-peer lending in which the money invested takes the form of a loan and must be repaid with interest by a predetermined due date.

- **Equity based fund:** In equity-based crowd funding, the commercial enterprise distributes a piece of its equity in exchange for cash collected. This is the only crowd funding model in which the investment becomes a co-owner.
- **Donation based fund:** Donation-based crowd funding allows an individual, association, or campaign to raise funds for free. People give money to support a cause or charity, not for any commercial reasons.
- **Rewards based:** In this type of sponsorship, donors typically receive something in exchange for their contributions, such as a gratis book, product, or service that is either free or discounted.

7. Legal Aspects of Crowd Funding

Crowd fundraising activities in India are subject to a variety of laws and regulations. The following are the important acts and legislation governing crowd fundraising in India:

a. **Companies Act, 2013:** The enterprises Act of 2013 is the fundamental piece of legislation that governs Indian enterprises. It includes provisions for fundraising, investment, and securities. This act covers equity-based crowd funding, including Sections 42 and 62, which regulate private placements and preferential allotments.

b. **Securities and Exchange Board of India (SEBI):** SEBI is the regulatory authority in charge of regulating India's securities market. SEBI has issued guidelines and regulations governing crowd funding operations, specifically equity-based crowd funding. These rules include the SEBI (Issue of Capital and Disclosure Requirements) Regulations of 2018 and the SEBI (Alternative Investment Funds) Regulations of 2012.

c. **3. Reserve Bank of India (RBI):** The RBI is India's central banking institution. While it does not actively control crowd funding, it does monitor foreign exchange management and cross-border transactions. Platforms that facilitate crowd funding activities must follow RBI criteria for foreign currencies and transfers.

d. **Securities Contracts (Regulation) Act, 1956:** This Act governs the trading of securities in India. Crowd funding platforms must follow the terms of this legislation, especially if they facilitate the trading or transfer of securities.

e. **Information Technology Act, 2000:** The Information Technology Act of 2000 established legal status for electronic transactions and digital records. Crowd funding platforms must follow the standards of this legislation governing data protection, privacy, and electronic signatures.

f. **Foreign Exchange Management Act, 1999:** The Foreign Exchange Management Act (FEMA) governs foreign exchange transactions in India. Crowd funding platforms must follow FEMA requirements when dealing with cross-border transactions, foreign investments, and remittances.

8. Future of Crowd Funding in India

Looking ahead, crowd funding in India is expected to experience significant development and innovation. As the ecosystem evolves, here are some projections for the future:

a. **Continued Expansion**
The number of crowd funding campaigns and platforms will continue to grow, catering to a variety of causes and projects. As more people and groups understand the potential of crowd funding, the ecosystem will grow and diversify, providing a wealth of opportunities for both those seeking support and those ready to contribute.

b. **Specialized Platforms**
We should expect additional specialized crowd funding platforms to arise, concentrating on certain sectors such as education, healthcare, the environment, technology, and so on. These platforms will offer specific features and resources to meet the distinct demands of each sector, thereby increasing their efficacy and impact.

c. **Collaboration with Corporates**
Corporates and established companies will recognize crowd funding's potential for community participation and corporate social responsibility. We foresee greater collaborations between corporations and crowd funding platforms to support social impact projects, promote innovation, and strengthen the link between enterprises and their stakeholders.

d. **Enhanced Transparency and Accountability**
As crowd funding expands, there will be a greater emphasis on openness and responsibility. Platforms will establish stringent verification mechanisms to ensure campaign authenticity, and funders will receive full

updates on how funds are being used. This increased openness and accountability will encourage confidence among donors and a culture of honesty in the crowd funding ecosystem.

e. Integration of Blockchain Technology

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f. Global Outreach and Cross-Border Funding

With increased connectivity and globalization, crowd funding in India will expand beyond national borders. Indian campaigns will receive attention and support from contributors all around the world, and Indian individuals and organizations will actively promote international issues. This global outreach will promote cultural interchange, collaboration, and mutual empowerment.

g. Rise of Reward-based Crowd funding for Innovative Products

As India's startup culture grows, we foresee an increase in reward-based crowd funding campaigns for creative products. Entrepreneurs and inventors will use crowd funding platforms to exhibit their innovative ideas and gain early support from eager customers. This trend will give financial support for product development while also validating market demand and gathering valuable input. Reward-based crowd funding will become an effective tool for transforming visionary ideas into concrete consumer products, hence stimulating innovation and entrepreneurship in India.

9. Challenges and Pitfalls of Crowd Funding in India

While crowd funding has grown in popularity and created opportunities for individuals and groups in India, it is not without its challenges. Understanding these challenges can help campaigns and contributors navigate the crowd funding landscape more efficiently. Here are some of the important issues related to crowd funding in India:

a. Lack of Awareness and Trust

Despite crowd funding's growing popularity in India, there is still a need for increased public knowledge. Many potential donors need to become more comfortable with the notion of online crowd sourcing, and some may be hesitant to give owing to worries about campaign validity and transparency. Building trust and educating people about the benefits and safety features of crowd funding is critical to overcoming this obstacle.

b. Inadequate Infrastructure and Connectivity

While India has made significant progress in digital infrastructure, there are still areas with poor internet connectivity and access to online platforms. Individuals living in rural places may find it difficult to participate in crowd funding projects due to a lack of connectivity. Bridging the digital divide and providing widespread access to online platforms is critical to the inclusive growth of crowd funding in India.

c. Regulatory Framework and Compliance

While official regulations have been developed to control crowd funding activities in India, the regulatory environment continues to evolve. Startups and campaign creators frequently encounter difficulties in complying with these requirements, particularly in areas such as equity crowd funding. Navigating the legal landscape and maintaining compliance can be difficult and time-consuming, discouraging some potential campaigners from using crowd funding as a fundraising platform.

d. Limited Investor Protection

While regulations exist to protect investors' rights in equity crowdfunding, there may still be limitations to achieving total investor protection. Investors may encounter difficulties in confirming the validity and trustworthiness of campaigns, and the possibility of fraudulent activity or mishandling of funds remains a concern. Stricter regulations and increased due diligence are required for strong investor protection in crowdfunding.

e. Competitive Environment

With the growing popularity of crowd funding in India, competition for cash has increased. To stand out from the mass of crowd funding initiatives competing for attention, campaigners must design interesting and unique campaigns. In today's extremely competitive crowd funding landscape, capturing the interest and support of potential donors demands a well-thought-out marketing approach, compelling content, and good narrative.

f. Limited Return on Investment

Unlike traditional investment opportunities, crowd funding initiatives frequently include non-monetary prizes or small gestures of appreciation rather than monetary returns. This can be difficult for investors wanting large financial profits. Investors must grasp the nature of crowd funding and set appropriate expectations, concentrating on social effect or support for a cause rather than just on financial gains.

g. Fulfilment and Execution Challenges

Campaign makers are responsible for keeping their promises and achieving the desired results of their projects. A successful crowd financing campaign demands efficient project management, smart fund allocation, and timely communication with supporters. However, logistical obstacles, unforeseen delays, or difficulties with project execution might cause contributor displeasure and tarnish the crowd funding platform's image.

Conclusion

After reviewing the present status it has been observed that the future of crowd funding in India looks positive and full of possibilities. Online crowd funding platforms have democratized fund raising, allowing individuals, companies, and organizations to realize their visions and positively benefit society. With the growing popularity of mobile crowd funding, the incorporation of social media, and favorable government rules, India's crowd funding scene is poised to develop further.

In the future, people, businesses, and organizations must embrace crowd fundings capacity to realize their ambitions, create social change, and foster innovation. We can create a more inclusive and sustainable future by tapping into the collective strength of a supportive community.

Crowd fundings potential has been underutilized in India. To realize its full potential, crowd funding in India requires effective regulatory compliance laws and procedures.

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