

## A Study on Awareness of Crowd Funding Concept among the People with Special Reference to Trichirappalli City

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### Abstract

Crowd funding is a rapidly growing phenomenon where entrepreneurs seek funding for their business activities from a potentially large group of interested individuals. Crowd funding has exploded in popularity over the last decade and now accounts for tens of billions of dollars annually. In spite of the growth of crowd funding, the scholarly knowledge about the topic is very less in India. Crowd funding is a collective effort by people who network and contribute collectively for a cause or a business idea. This is similar to the traditional concept of donations or social cooperation but in crowd funding, the funding is done with an objective of earning some return either financial or intangible. The use of social media in fund raising is a modern means of crowd funding. In India crowd funding is still in its nascent stage. This paper studies the awareness of crowdfunding concept among the people with special reference to Trichirappalli city.

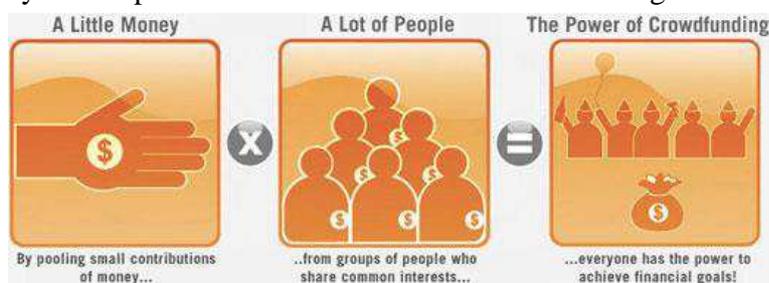
**KEYWORDS:** Crowd funding, Online Platforms, awareness.

### Introduction

According to Oxford Dictionaries, crowdfunding can be defined as the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.

The idea of crowdfunding has also been mentioned by Schwienbacher & Larralde (2010) that alternative approach of funding is based on financial help of general public (the crowd) instead of specialized investors such as banks or venture capital funds. Unlike traditional fundraising methods, crowdfunding allows creators, people who request resources, to appeal for funds directly from supporters, people who give resources, through online platforms. Many entrepreneurial ventures remain unfunded, partly because of a lack of sufficient value that can be pledged to financial investors and partly because of unsuccessful attempts to convince investors. It is particularly curious that the majority of companies that decide to utilize crowdfunding fail dramatically for numerous

reasons, which vary from insufficient preparation time to poor supporting marketing.



Sources: Fund St. Louis

### **Defining crowdfunding**

In order to fully understand the concept of crowdfunding one should first find out about its origins. Crowdfunding can be seen as a component of a more extensive concept. Idea of crowdsourcing existed long time before the first definition was introduced. First time this concept was examined by Howe (2006): ‘Simply defined, crowdsourcing represents the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call.’ It can occur as peer-production if the task is completed collaboratively, however can also be performed by individuals. Goodrich (2013) describes crowdsourcing as distribution of problem solving, because crowd can provide a company with wide variety of ideas, content, funds and even important feedback.

### **Online Platform Supplier**

Crowdfunding is empowered by technology; site suppliers play an urgent and a focal part of the Crowdfunding phenomenon. They give the technological support that permits founder to launch project to a substantial amount of prospective backers. Service providers facilitate communication between the founder and the backer. There is open access to comment, project update and email communication. Platforms act as an intermediary between founder and backer. Social networking sites are good promoters of Crowdfunding. Online platform suppliers have incorporated third party payment processing ability that provides confidentiality and secured payment.

### **Classifications**

#### **Donation-Based Crowd funding**

Broadly speaking, you can think of any crowd funding campaign in which there is no financial return to the investors or contributors as donation-based crowd funding. Common donation-based crowd funding initiatives include fundraising for disaster relief, charities, nonprofits, and medical bills.

#### **Rewards-Based Crowd funding**

Rewards-based crowd funding involves individuals contributing to your business in exchange for a “reward,” typically a form of the product or service your company offers. Even though this method offers backers a reward, it’s still generally considered a subset of donation-based crowd funding since there is no financial or equity return. This approach is a popular option here on Fundable, as well other popular crowd funding platforms like Kick-starter and Indiegogo, because it lets business-owners incentivize their contributor without incurring much extra expense or selling ownership stake.

#### **Equity-Based Crowd funding**

Unlike the donation-based and rewards-based methods, equity- based crowd funding allows contributors to become part-owners of your company by trading capital for equity shares. As equity owners, your contributors receive a financial return on their investment and ultimately receive a share of the profits in the form of a dividend or distribution.

#### **Debt-based (peer to peer)**

Debt-based crowd funding (also known as “peer to peer”, “P2P”, “marketplace lending”, or “crowd lending”) arose with the founding of Zopa in the UK in 2005 and in the US in 2006, with the launches of Lending Club and Prosper.com .Borrowers apply online, generally for free, and their application is reviewed and verified by an automated system, which also determines the borrower’s credit risk and interest rate. Investors buy securities in a fund which makes the loans to individual borrowers or bundles of borrowers.

Investors make money from interest on the unsecured loans; the system operators make money by taking a percentage of the loan and a loan servicing fee.

### **Crowdfunding in India**

There has been attempts to gear up Crowdfunding Concept in the Country through the Campaigns like **Teach for India, save our Tigers**, to the latest initiatives by the Prime Minister like the “**Namaami Gange Fund**”, “**Swachh Bhaarth Fund**”, and the (LPG) “**#Give it Up**” Campaign, and also pioneer initiative by the Chief Minister of Andhra Pradesh Mr. Chandrababu Naidu in the form of “**My Brick – My Amaravathi**” campaign through which he is collecting resources from the public through exclusive website for the construction of the New capital city of Bifurcated Andhra Pradesh. It is noteworthy that Crowdfunding is slowly becoming an alternative funding channel for the film industry. Film Director Mr. Pawan Kumar from Karnataka recently raised Rs 51 lakh using Facebook and other platforms for his movie titled “**Lucia**” and following the success of the initiative he is trying another similar project

### **SEBI’s role in crowd funding**

To promote the startup 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 startups and SMEs to raise early stage capital in relatively small sums from a broad investor base. Crowd funding, if introduced and regulated, will allow startups in raising capital in addition to the recently introduced Institutional Trading Platform (“ITP”). which is proposed to provide a cost effective and efficient method of fund raising, will mainly be limited to:

- Recognition of the Crowd funding Portals
- Oversight and regulation of the Crowd funding market in India
- playing no role in vetting of the Private Placement Offer letter of the issuing companies
- issuance of guidelines/circular regarding information required to be disclosed in Private Placement Offer Letter or on an ongoing basis or requirements of due diligence and screening or any other matter
- conduct of periodic inspections or audits of Crowd funding Platforms and enforcement of Crowd funding Regulations

### **Review of literature**

**Rekha Bhuvanendran, Pravitha N R(2018)**, It is reviving to see an overview of this nature be escorted to a bigger base. The creator additionally recommends leading a yearly examination to track awareness of Crowdfunding in Kerala. Individuals in Kerala is not sufficiently aware of Crowdfunding so it is advised to conduct campaigns in public and schools to make individuals aware of Crowdfunding, its possibilities, and drawbacks. It will help in securing cash for new businesses and their innovative idea. Crowd funding concept ought to be presented as a part of curriculum for Commerce and Management studies. Crowdfunding concept and such activities ought to turn into a web.

**Mithun Kumar. S(2018)**, there is due awareness among the Commerce and Management students about the concept, yet the relevance of Crowdfunding as a source of finance for Business opportunities is not in tune with other Developed Economies of the world. It would be collective and judicious Responsibility of various stake holders of the Business sector and Economy as a whole to provide a spotlight on improvising upon Crowdfunding initiatives and reduce the hurdles of receiving financial assistance from

traditional Institutions, and therefore encouraging number of start-ups and budding entrepreneurs.

### **Statement of the problem**

The new making entrepreneurs find it difficult to raise funds from the traditional sources such as Banks and financial institutions. The reasons could be high cost of raising funds and procedural formalities. Crowdfunding is cost effective and does not involve much procedural formalities, thus the justification of “Awareness level of crowdfunding concept among people of Trichirappalli city.”

### **Objectives of the study**

To study the Awareness of Crowdfunding amongst the people of Trichirappalli city.

To suggest the strategies to enhance awareness level of crowdfunding.

To analysis position of crowdfunding in India.

### **HYPOTHESES**

H<sub>1</sub>: There is a significant association between gender of the respondents and their opinion towards awareness of crowdfunding concept.

H<sub>0</sub>: There is no association difference between gender of the respondents and their opinion towards awareness of crowdfunding concept.

### **Materials and methods**

The research has been conducted to find the Awareness of Crowdfunding among the people of Trichirappalli city. It also helps to give the awareness of crowdfunding among the people of Trichirappalli city. Data has been collected via primary source taking a sample of people from various areas of Trichirappalli city. Total questionnaire was distributed 500 and receiving the filled up questionnaire was 225. Hence, this study sample size was 225. Since it is difficult to contact the entire population, sampling technique was adopted. The respondents were interviewed using convenience sampling techniques. The research tools used to collect the primary data in this paper are Questionnaire. The collected data were analyzed by using spss. The questionnaire consists of two parts one is focused on Personal Information related to demographical background of the respondents. And second parts of the questionnaire consist of ten factors.

### **Data Collection**

Two types of data were collected viz. Primary data and secondary data. The procedures and sources are given below.

#### **Primary Data Collection**

- ❖ The primary data were collected through questionnaire. A well-structured questionnaire was used as the instrument to collect the primary data collected from people among the Trichirappalli city.
- ❖ The questionnaire consists of two parts. The first section is discussed about the demographical background of the respondents.
- ❖ And the second part of the questionnaire consists of Variables Measuring the Awareness level of Crowdfunding concept among the people of Trichirappalli city.

#### ❖ **Secondary data**

Secondary data were collected through previous research papers, Journals, Magazines, Text Books, websites and records of associations and government institutions.

**Results and Discussion****Table No. 1. Demographical profile**

Personal Details	Description	No of Respondents n=225	Percentage	Mean
Age	18 Yrs to 25Yrs	18	8.0	2.955556
	26 Yrs to 35Yrs	71	31.6	
	36Yrs to 45Yrs	74	32.9	
	46 Yrs to 55Yrs	27	12.0	
	Above 55Yrs	35	15.6	
Gender	Male	142	63.1	1.3689
	Female	83	36.9	
Marital status	Single	155	68.9	1.311111
	Married	70	31.1	
Educational Qualification	Up to HSC	74	32.9	2.262222
	UG	65	28.9	
	PG	39	17.3	
	Illiterate	47	20.9	
Job	Business	83	36.9	1.968889
	Working	66	29.3	
	Not working	76	33.8	
Income	Bellow 10,000	48	21.3	3.404444
	11,000 – 15,000	21	9.3	
	16,001 – 20,000	27	12.0	
	21,001 – 25,000	50	22.2	
	Above 25,001	79	35.1	

**Source: Primary Data**

The above table showing that highest 32.9% respondents age group of 36 years to 45 years middle age group of respondents. The lowest 8% of respondents are have been 18years to 25 years , 12% respondents age group of 46years to 55 years, 15.6% of respondents have been above 55 years. 31.6% of respondents have been the age group of

26 years to 35 years and finally 32.9% respondents the age group of 36 years to 45 years. As a result of mean score are 2.955556.

142 respondents are a man which constitutes 63.1%, whereas, 83 respondents are women constituting 36.9%.It is observed that men are found to be awareness of crowdfunding concept in women. As a result of mean score is 1.3689

Of all, 68.9% of the respondents are unmarried and 31.1% of the respondents are married. As a result of mean score is 1.311111.

32.9% of the respondents are upto HSC, 28.9% of the respondents are under graduate degree holders living in Trichirappalli city. 17.3%respondents are studied post graduate degree holders and illiterate passenger's percentage of 20.9%. As a result of mean score are 2.262222.

36.9% of respondents have doing the business, 33.8% respondents are not working and 29.3% respondents are salaried people. As a result of mean score is 1.968889

The 79 respondents are income earned above 25001, 50 respondents are income was 21,001- 25, 000, 27 respondents are income was 16,001 – 20,000. 21 respondents are income was 11,001-15,000. And finally 48 respondents are income has bellow 10,000. As a result of mean score are 3.404444.

**Table No.2**  
**Descriptive Statistics**  
**Variables Measuring the Awareness level of Crowdfunding concept among the people of Trichirappalli city**

Factors	SD	D	NA/D	A	SA	Mean	Std. Deviation	Variance
Ideas	19 (8.4%)	12 (5.3%)	20 (8.9%)	144 (64%)	30 (13.3%)	3.6844	1.04922	1.101
Funded	18 (8%)	29 (12.9%)	67 (29.8%)	102 (45.3%)	9 (4%)	3.2444	1.00347	1.007
Raising the capital	22 (9.8%)	33 (14.7%)	50 (22.2%)	62 (27.6%)	58 (25.8%)	3.4489	1.28463	1.650
Risk	16 (7.1%)	77 (34.2%)	30 (13.3%)	71 (31.6%)	31 (13.8%)	3.1067	1.22007	1.489
Developing the nation	9 (4%)	26 (11.6%)	80 (35.6%)	73 (32.4%)	37 (16.4%)	3.4578	1.02611	1.053
struggle from other Financial Institutions	9 (4%)	32 (14.2%)	47 (20.9%)	111 (49.3%)	26 (11.6%)	3.5022	1.00501	1.010

organizational structure	15 (6.7%)	16 (7.1%)	29 (12.9%)	110 (48.9%)	55 (24.4%)	3.7733	1.10081	1.212
chance would you like to fund in a Crowdfunding activity	13 (5.8%)	14 (6.2%)	50 (22.2%)	110 (48.9%)	38 (16.9%)	3.6489	1.02047	1.041
introduced for Graduates as a part of curriculum	23 (10.2%)	55 (24.4%)	49 (21.8%)	59 (26.2%)	39 (17.3%)	3.1600	1.26109	1.590
create job opportunities	17 (7.6%)	59 (26.2%)	74 (32.9%)	42 (18.7%)	33 (14.7%)	3.0667	1.15728	1.339

**Minimum =1, Maximum =5, N=225.**

The above table describes respondents' opinion towards awareness of the crowdfunding concept among the people of trichirappalli city.

**1) Ideas:** Of all, 64% of the respondents agree that "ideas of crowdfunding concept" followed by 13.3% of the respondents who strongly agree with the statement. 8.4% of them disagree with the statement. 5.3% of the respondents are strongly dissatisfied.

**2) funded:** The highest percentage (45.3%) of the respondents agrees that "funded has satisfied", 13.3% of them strongly agree with the statement. 12.9% of the respondents disagree with the statement and 8% of the respondents strongly disagree with the statement.

**3) Raising the capital:** 27.6% of the respondents agree that better way to raising of the capital. 25.8% of the respondents strongly agree that the statement. 14.7% of the respondents disagree with the punctuality, followed by 9.8% of the respondents opinion towards the strongly disagree with the statement.

**4) Risk:** 34.2% of the respondent's opinion towards that riskier when compared to all other sources of financing, and followed by 31.6% disagree of the respondents have agreed the risk was satisfied, 13.8% respondents strongly agreed and 7.1% of the respondents disagree with the statement.

**5) Developing the nation:** 32.4% of the respondents agree that the crowdfunding concept has developing the nation. 16.4% of the respondents strongly agree with the statement, 11.6% of the respondents' opinion towards information were disagreeing with the statement. 9% of the respondents have strongly disagree with the statement.

**6) Struggle from other Financial Institutions:** The highest percentage (49.3%) of the respondents agrees that "struggle from other financial institutions". And 14.2% of the respondents disagree with the statement. 11.6% of the respondents are strongly agreed the bus was comfort. The lowest 4% of the respondents strongly disagree with the statement.

**7) Organizational structure:** There are 110 respondents who agree that there is "organizational structure of awareness of crowdfunding the statement", 24.4% of the respondents have strongly agreed, 7.1% of the respondents disagree with the statement and followed lowest 6.7% of the respondents who have strongly disagree with the statement.

**8) Crowdfunding activity:** The highest 48.9% of the respondent’s opinion towards agreed that given a chance would you like to fund in a Crowdfunding activity 16.9% of the respondents strongly agreed with the statement. 7.1% of the respondents have opinion disagreed the safe from accident. The lowest 5.8% of the respondents strongly disagree with the statement.

**9) Introduced for Graduates as a part of curriculum:** 59 respondents have opinion towards on introduced for graduates as a part of curriculum was Agree with the statement. 24.4% of the respondents disagree with the statement. The 10.2% of the respondents have strongly disagreed with the statement. 17.3% of the respondents have strongly agreed with the statement.

**10) Create job opportunities:** 74 respondents who have opinion say that neutral of them. 59 respondents have disagree with the statement, 42 respondents say bus stop condition was satisfaction of the statement. The 19 respondents have strongly disagreed with the statement.

**Table No.3**

**Respondent’s opinion towards gender of the respondents and opinion towards awareness of classification of crowdfunding concept. - F- Test**

Classification of crowdfunding		Sum of Squares	df	Mean Square	F	Significance
Donation-Based	Between Groups	85.947	4	21.487	23.069	0.000<0.05 S
	Within Groups	204.915	220	.931		
Rewards-Based	Between Groups	48.231	4	12.058	19.715	0.000<0.05 S
	Within Groups	134.551	220	.612		
Equity- Based	Between Groups	114.089	4	28.522	27.109	0.000<0.05 S
	Within Groups	231.467	220	1.052		
Debt-based	Between Groups	104.425	4	26.106	27.948	0.000<0.05 S
	Within Groups	205.504	220	.934		

**Source: Primary data computed from SPSS, S=Significant; N.S=Not Significant**  
 From the above table it is clear that for all the factors hypothesis is accepted as significance level is less than 0.05. The result states that there is a significant association between gender of the respondents and their opinion towards awareness of classification of crowdfunding concept The above research hypothesis is accepted.

**Conclusion**

The conclusions part together with the framework of crowdfunding process can be highly beneficial not only for the case company, but for any business that is facing a similar situation. To concentrating on the fact that, even though there is a nominal rate of awareness about Crowdfunding among the people of trichirappalli city, yet the importance of Crowdfunding as a source of fund for business is not been explored and exploited by trichirappalli city, when compared to other Developed countries like usa, Australia Canada, England across the world. It would be the responsibility of different stakeholders of business segment and economy as a whole to give focus on Crowdfunding activities to reduce difficulties in getting fund from conventional source of finance, and it encourages the creation of start-ups and budding entrepreneurs.

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