



LEVEL OF AWARENESS ON CROWDFUNDING IN COIMBATORE CITY

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ABSTRACT

Crowdfunding is the concept of funding a venture, project or a startup by way of raising money from a large number of people generally through an online platform. So the Entrepreneurs today establish the startups based on their own value chain using digital technology. Digital Marketing helps startups to focus attention of crowd through innovation and new marketing techniques. Though the Indian market size is very small in comparison to the total size globally, the pace of growth in these markets suggests that crowdfunding in particular has become a more widely accessed investment option for the wider public. It is necessary to study the level of awareness on crowdfunding in technology oriented economy. The study concludes that, maximum numbers of respondents were aware about various types of funds, crowdfunding websites and the respondents have a power to analysis the benefits and the risk associated with crowdfunding. Government should take necessary steps to regulate the market for the benefit of stakeholders.

KEYWORDS

Crowdfunding, Awareness level, Investment option, Crowdfunding risks, Crowdfunding benefits

Introduction

Crowdfunding platforms offered themselves to fill up the vacuum created by the banks in the funding space. Small businesses, looking for funds, could now pitch their business idea to everyone connected with the internet, around the globe. Moreover, it could be done with practically no paperwork and much less effort as compared to a bank loan or listing on a stock exchange. Crowdfunding is the concept of funding a venture, project or a startup by way of raising money from a large number of people generally through an online platform. so the Entrepreneurs today establish the startups based on their own value chain using digital technology. Digital Marketing helps startups to focus attention of crowd through innovation and new marketing techniques. Crowdfunding platforms can be used to raise equity, debt, donations or for providing rewards in return for funding.

Need of the study every

Crowdfunding has definitely offered itself as a credible and exciting alternative to traditional means of financing. The advancement in technology poses challenges for the policymakers. From internet to mobile telephony, policies have been drafted and re-drafted to accommodate the breakthroughs of technology. It remains to be seen how the stakeholders work together to create a win-win situation for startups, investors and the economy. Though the Indian market size is very small in comparison to the total size globally, the pace of growth in these markets suggests that crowdfunding in particular has become a more widely accessed investment option for the wider public. It is necessary to study the level of awareness on crowdfunding in technology oriented economy.

Objective of the study

The study mainly focused on the level of awareness of crowdfunding in Coimbatore city.

Review of Literature

Mollick (2014) analysed data from the platform Kickstarter and found that the probability of a successful crowdfunding transaction decreases as the funding amount and duration increases. The size of the capital seeker's social network, the presence of a product video and geographical proximity to capital providers increase the likelihood of successful funding (Frydrych et al., 2014; Giudici et al., 2013; Hekman & Brussee, 2013; Mollick, 2014; Saxton & Wang, 2013). In line with these results, Mollick and Kuppusswamy (2014) found that successful capital seekers had many Facebook friends (as a proxy for the social network), outside endorsements and appropriate backgrounds.

The desire to interact in social networks has been identified as a key motive for capital providers to participate in crowdfunding transactions. Several studies examine the effect of social networks on the decision behaviour of capital providers. It has been shown that social networks reduce information asymmetries and thus, increase funding probability (Everett, 2010; Freedman & Jin, 2008, 2014; Lin et al., 2009, 2013)

Methodology

The study was conducted in Coimbatore city, from September 2016 to November 2016. The sampling unit for the study was fifty purposively select individual in Coimbatore city. The study was based on both primary and secondary data. Primary data were collected by using questionnaire. Secondary data were collected from various books, journals and websites. Percentage analysis and scaling techniques test were used to analyse the data.

Results and Discussion

The study focused on the awareness level on crowdfunding in Coimbatore city with the social profile, awareness on type of funds and crowdfunding websites. It also analysed the opinion of respondents with regards to benefits and risk.

Source <http://samvegias.blogspot.in/2015/07/crowdfunding.html>

Table 1 Social Profile of the Respondents

	Social Profile	Number of Respondents	Percentage
Gender	Male	34	68.0
	Female	16	32.0
Age	Below 20	8	16.0
	20-30	15	30.0
	30-40	22	44.0
	above 40	5	10.0

Marital Status	Married	43	86.0
	Unmarried	7	14.0
Educational Qualification	Under Graduate	28	56.0
	Post Graduate	13	26.0
	Professional Degree	5	10.0
	Diploma	4	8.0
Occupation	Student	4	8.0
	Employed	24	48.0
	Professional	13	26.0
	Homemaker	2	4.0
Awareness on Crowdfunding	Yes	46	92.0
	No	4	8.0

Source: Computed Data

Table 1 explains about the social profile of the respondents in the study area. It is clear that majority of the respondents were male and 44 per cent of the respondents belongs to the age group of 31-40 years. Majority of the respondents were married and 56 per cent of the respondents have undergraduate level of education. 48 per cent of the respondents were employed. 92 per cent of the respondents have awareness on new emerging fund raising i.e. crowdfunding.

Table 2 Awareness on Type of Funds in Crowdfunding

Type of funds		Number of Respondents	Percentage
Rewards-based crowdfunding	Yes	36	72
	No	14	28
Debt crowdfunding	Yes	33	66
	No	17	34
Equity crowdfunding	Yes	42	84
	No	8	16
Donation-based crowdfunding	Yes	36	72
	No	14	28

Source: Computed Data

From Table 2, it is clear that maximum number of respondents were aware about the various types of crowdfunding available in the market. Majority (84%) of the respondents were aware on Equity crowdfunding followed by Rewards-based crowdfunding and Donation-based crowdfunding. Only 66 per cent of respondents were aware about Debt crowdfunding.

Table 3 Awareness on Crowdfunding Websites

Websites		Number of Respondents	Percentage
Kickstarter	Yes	42	84.0
	No	8	16
Indiegogo	Yes	44	88
	No	6	12
Gofundme	Yes	21	42
	No	29	58
Crowdrise	Yes	16	32
	No	34	68

Source: Computed Data

Awareness on the hottest crowdfunding website (Table 3) depicts that majority of the respondents were aware about Kickstarter and Indiegogo website. Only minimum numbers of respondents were aware about Gofundme and Crowdrise websites. It is clear that the respondents in the study are aware about the crowdfunding websites.

Table 4 Potential Benefits of Crowdfunding

Statement	Total Score	Rank
Economy growth & jobs	189	III

Beneficial for new entrepreneurs	201	I
Encourages creativity & innovation	183	IV
Ease of fund raising	200	II

Source: Computed Data

Table 4 explains the expected potential benefits out of crowdfunding. by using five point scaling technique the respondents opinion about potential benefits of crowd funding was collected and the obtained score are presented in Table 4. The statement beneficial for new entrepreneurs was ranked first and followed by ease of fund raising.

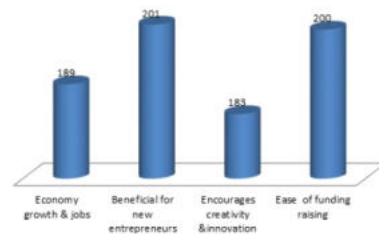


Fig 1: Potential Benefits of Crowdfunding

Table 5 Risk in Crowdfunding

Statements	Total Score	Rank
Investors overvalue the project	193	IV
Project fails and investors lose the capital they invested	205	I
Lack of exit options	186	V
Investment not profitable	200	II
Complexity	196	III

Table 5 portrays the respondent's opinion about the risk associated with crowdfunding. Majority of the respondents agreed with the statement Project fails and investors lose the capital they invested followed by "Investment not profitable" were ranked one and two respectively. Lack of exit options was at fifth position. Hence it implies that majority of the investors wants to safeguard their capital and other risks are considered as secondary in nature.

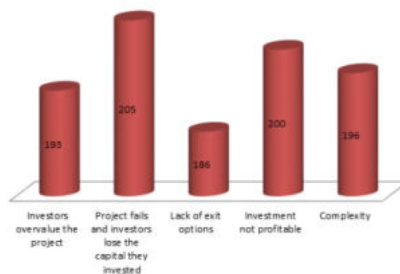


Fig 2: Risk in Crowdfunding

Conclusion

Crowdfunding encourages creativity and it is easier to collect funds for highly creative and fresh ideas for business. Hence industrialists should promote more crowdfunding platforms. A low trust level of doing things online is also a challenge. Upcoming crowdfunding platforms should proactively approach building an offline base to induce mass awareness and encourage larger participation and also build long-term credibility and transparency. Crowdfunding is a fast, efficient and effective way of raising funds for new ventures. Hence entrepreneurs need to look into this platform for their ventures. There is a need for more education and awareness about crowdfunding among middle and base-level investors and entrepreneurs.

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