GFJMR
January-June 2015
July-December 2015
Vol. 10 & 11 (1/2) pp. 14-26

Crowdfunding: Your e-piggiebank

Mitali Baruah
Ganpat University, Mehsana, Gujarat.
mitali_baruah@rediffmail.com

Kreena Patel
Ganpat University, Mehsana.
kreena25@gmail.com

Abstract

This study addresses a new way to pool financial resources through an open call on the internet – crowdfunding. Since the innovation of general web-based crowdfunding began in 2008, crowdfunding platforms have expanded from the small-scale to truly massive enterprises that have seen incredible growth. This has paralleled the crowdfunding platforms shift from a niche idea to a mainstream funding solution. Currently, as this new industry continues to grow and develop, it is important to evaluate its current status and recent developments to try to find clues about the future. Crowd funding is still a nascent concept in a country like India where every year many entrepreneurs come up with their ideas in various fields ranging from social cause to entertainment. Hence, objective of this study is to explore the novel phenomenon of crowd funding and develop deeper understanding of this topic as it has not received adequate coverage in literature. Here an attempt was made to explain the process of Crowdfunding and explore crowdfunding as an alternative method of fund risingvis-a vis traditional methods. Hence project creators and platformproviders were interviewed. Semi structured interview questionnaires were used for this purpose. This study will be helpful to aspiring entrepreneurs, researchers, teachers and students.

Key words :

Crowdfunding, Entrepreneurs, Social Media, Investment

Introduction

Mozart and Beethoven financed concerts and publications of new music manuscripts via advance subscriptions from interested parties. The Statue of Liberty in New York was funded by small donations from the American and the French people. In 1997, the British rock band Marillion collected US $ 60,000 from their fans via an Internet call to finance their US concert tour. An American journalist is currently writing a book about the actions of US investigative authorities against environmentalists and is trying to finance its printing by appealing for sponsors on the Internet. The designer Scott Wilson designed a collection of simple silicone rubber wrist straps for the new Apple iPod Nano to enable people to wear it like a wrist watch and received nearly US $ 1 million from over 13,000 fans from the Internet community to finance their production and distribution. Many independent film productions have been financed through the donations of backers from the Internet.There was even a web-based appeal for funds to fans of the Swedish car Saab in order to rescue the carmaker who was in trouble. The British software company Trampoline Systems raised over £ 260,000 of equity via an Internet call to finance a specific software project A human rights organization is currently trying to raise US $ 150,000 in donations from the Internet community in order to buy a communications satellite to provide Internet access to people in peripheral and rural areas of third world countries. And, finally, President Barack Obama's election campaign in 2008 raised much of its cash via small donations over the Web, with about 50% coming in payments of less than US $ 200. Closer at home BahubaliShete from India raised $1,35,485 for developing a smart device named “gecko”, These are just a small selection of older and more recent examples of the thousands available which mark a specific form of microfinancing of projects or ventures by a large number of funders which has – for its Internet-based variant – come to be known as *crowdfunding.*

The term “crowdfunding” is introduced by Michael Sullivan in 2006. Crowdfunding can be termed as a crossbreed of charity, micro-financeand crowdsourcing, which makes it a new member of existing financing landscape with its own unique style facilitated by number of internet site/portals and social media. The process of crowdfunding can be defined as “anopen call, essentially through the internet, for the provision of financial resources either in form of donation or in exchange for some form of reward.”Crowdfunding has been used more by creative industries comprising independent film-makers, independent writers, journalists, publishers, musicians, creator of performing and visual arts, games, theatres etc.However, BahubaliShete from India raised $1,35,485 for developing a smart device named “gecko” through the International crowdfunding platform indiegogo.

Crowdfunding is a process where project creator collect relatively small contributions from a large number of individuals using internet/social media. A lot of people including family, friends , acquaintances and complete strangers , who feel connected to project creator's dream emotionally , intellectually as well as artistically contribute some amount of money in exchange of some non-monitory rewards like copy of a book signed by the author, product or game itself once it is developed, original DVD signed by the musician or chance to perform with the band, on screen credit or sometimes just name of the contributor can be used as a name of protagonist in a film.

For the purpose of this study semi structured interview questionnaire was used. The interview questionnaire had been sent via an e-mail, some of the project creators have suggested that they would be more comfortable with telephonic interview so for them recorded telephonic interview was conducted (The list of interviewees is attached as appendix). During telephonic interview as and when required interviewer probed to get better interpretation of interviewee's answer, In case of e-mail interview, a mail has been sent for clarification issues.

To achieve better understanding of issues underlying crowdfunding process in India ,participants are divided into two categories i) Project creator ii) Platform Owner. Project creator is a person/team proposing an idea through reward based crowdfunding website to receive funding. In most of the cases project was created by a team and one member of a team was interviewed.

Platform owners are those who offer a crowdfunding website as a platform to the project creators for showcasing their idea and generating fund. From a team of platform owners any one co-founder of a team was interviewed for the purpose of this study.

Process of Crowdfunding

Platforms

Crowdfunding merges web technologies with project based fund raising where funding websites such as, Wishberry.com, catapoolt.com, igniteintent.com, pik a venture,indiegogo, start51 provide a platform. Each platform has its own personality and temperament. Let's find them out from the creators of these platforms.

Priyanka Agrawal, Chief Energy Officer (also Co-founder & CEO) and Anshulika Dubey ,Chief Stalking Officer (also Co-founder& COO) of wishberry.com claimed,*"The challenge is that entrepreneurs don't know how to build trust among the crowd and show them that they will be able to deliver what's being promised. What's needed is for them to show they have a team in place, a business plan in the ready and a prototype in the wings. To build this solid foundation of trust, we have a strong proprietary evaluation methodology in place. Itensures that only those entrepreneurs that have these criteria met are allowed to campaign at Wishberry"*

Fear of unknown and anxiety regarding end results are the main reasons to procrastinate the process of fund raising for any novice project creator and wishberry helps them to overcome these obstacles.

As there are many project categories for which funds have been raised through crowdfunding, there are many platforms which try to cater to the need of some specific segments, one such platform is catapooolt.Let's see what catapooolt has to offer, in the words of Satish Kataria, Managing Director, *"We at Catapooolt - besides having domain expertise and having international experts on board both from the fields of Film indusry as well as crowdfunding (Dan Marom - an international thought leader on crowdfunding, being an advisor to us) - are also bringing on board several new features - as well as offline reach - to enable this concept in India."*

Not only the platforms are catering to the need of the project creators but also constantly evolving themselves to overcome the hurdles faced due to inaccessibility of technology and lack of incubator support.

In India there are many young ignited minds bustling with ideas to add new meaning to our life, who haven't even stepped out of their college yet, for such ignited minds there is one spark called 'igniteintent' which adds fuel to their burning desires and help them to realize their dreams.That's what makes igniteintent the most happeaning thing among the student community. Rinkesh shah and Jubin Joshi, The founder and Managing director of Igniteintent, elaborate it *"We are the first to touch base the potential of students and young entrepreneurs in India into crowdfunding. Never before Students were shown the way of crowdfunding before igniteintent."*

Still there are many deprived of the privilege of easy access to technology and hub of entrepreneurial activities because they hail from smaller cities yet with scintillating ideas and a desire to prove themselves. For them there is a ray of hope called Pik a venture, India's first crowd-funding platform with incubator support by DrRuchi Dana, who is a Stanford MBA and the team consists of really diverse set of individuals, who are motivated to make a difference in changing the world. She says, *"Entrepreneurship comes with fair degree of risk and struggle with respect to financial security. In uptown centers like metros or IT hubs like Bangalore/Hyderabad, entrepreneurship is flourishing but the mid-tier or low-tier cities where the youth still doesn't have that insight in entrepreneurship and people consider it way too risky to attempt. With PikAVenture, India's crowdfunding portal, we are trying to address this issue and bring entrepreneurship as a viable career option. We would love to encourage student entrepreneurs, especially the talents in these mid to low tier cities to come up front and build their talent into a big success story."*

The latest addition to the platforms in India is Start51, the first all or nothing platform in India, the founder AteelBajal is trying to make Crowdfunding more viable options in India for the new ventures by introducing cash pick up across India at cheap rates, increasing the reach of non - urban Indians on social media and educating everyone what Crowdfunding is.

As in this world nothing comes for free, crowdfunding platform charges percentage of amount to project creators. Some of the platforms are 'keep all' platforms which allow project creator to keep whatever money they have generated even though they are failed to reach target amount , others are 'all or nothing' platform , where project creator gets money only if s/he reached the target amount or more within given time limit.

Crowdfunding vis-à-vis Traditional Financing Methods

Many people believe crowdfunding may soon become substitute to traditional financing sources for new ventures who find it difficult to raise capital from sources like bank loans, angel capital, VC, government subsidies or other similar sources because they may be too innovative to be understood, too crazy to be valued financially or just too risky to be funded by one individual or a single organization.

The same view was expressed by national award winner independent film maker Onir*" For me partly 'My Brother Nikhil', majorly I mean 'I am' and now partly 'Chauranga' is crowdfunded and why I opted for crowdfunding is ,there are films (which) are not perceived as a project, If you see the way traditional financer finance; they are not driven by content but by stars and what they need is business proposition…for me I am not here to make business proposition I am here to make a film , I think for a film it is important to leave amark, and one more thing is to join people who believe in your project through crowdfunding."*

SwathiSethumadhavan, A final year media student studying audio Visual production at symbiosis,pune and a core member of dfuse.in who wanted to tell the story of parallel film making community could not agree more, *"Crowdfunding, I feel is a viable option for independent filmmakers without having to force the burden of securing finances from 1 -2 producers. Since an independent film would ultimately be watched by your niche audience it makes more sense to crowd-fund thereby ensuring the audience is a part of the project. Unlike other funding models, crowdfunding seems the most democratic."*

Where as many projects would not like to go for traditional funding methods like angel capitalist or venture capitalists because a project is not left on its own. Usually venture capitalists have a major sayand canaffect its decisions. Many chose Crowdfunding because they feel this is the best way to reach out to the people they want to target,like Sridhar Ragayan, Festival Director , Kashish,Indias biggest LGBT film fest feels, *"Crowdfunding is a great way to involve your target population or stakeholders. It is also a surefire way of getting a lot of online mileage if your crowdfunding campaign goes viral. We have been successfully crowdfunding for KASHISH Mumbai International Queer Film festival over the past two years. It has proved to be a very good way of involving the LGBT community and building a community spirit."*

Crowdfunding campaign comes with an opportunity to get connected with many people and Jubanashwa Mishra, 28 years old doing 28 jobs of one week each through 28 states of India to spread the messege of "Discover Your Passion" by writing a book and making a filmhas already grabbed it.how? Let's his own words express it.*"Traditional funding method like sponsorship we thought of in the beginning of project, but once it gets featured in few entrepreneurship networks like pluggedin, yourstory , people started connecting with the idea and we thought let's go for crowdfunding as our cause is like job satisfaction, it is very common cause also .people usually say I wanted to be something but ended up doing something else, so that's the reason only we though if we go for crowdfunding then we will get enough fund but somehow it didn't work out "*

Many projects don't get funding by traditional methods if the project is seen as a taboo in society or if the funders feel that the idea is not going to be accepted by the people. Similar dilemma was faced by Aditi Gupta, Co funder of Menstupedia, a comic book about menstruation which will guide young girls about their changing bodies and especially about menstruation using stories adopted from real life situations. Contemporary start-ups (minority of hard assets, basing on information) and risks inherent in them influence banks' resistance to provide financing. Funds may be given only to a level where the debt is secured with hard assets.

Banking environment is still loyal to a system where collateral is a base for loan financing. Thus, it is particularly not an option for a project like menstupedia. She asserts, *“Menstruation has always been a taboo in our society. So when we came up with the idea about a comic book for spreading awareness about menstruation and were looking for investors they were constantly turning us down saying that you can't make profit by selling a comic book. Most of them thought this is not a topic even to needs to be addressed.”*

She had successfully crowdfunded for her comic book. And collected a whopping Rs 5,16,230 from 175 funders. Same sentiments are echoed by Maneeshverma, co founder, Actors cult,*“We started this campaign with butterflies in our stomach but by the end of it we were overwhelmed by the whole experience.”*

Many people especially those in the creative field turn to Crowdfunding to feel connected to the fans and also they feel that they can raise fund without compromising on the creativefreedom. As quoted by Vasuda Sharma, a musician who did Crowdfunding for her solo project “Attuned spirits” successfully, *“ I had heard about kick starter in the US and I thought it was a great way of raising funds without get a label involved where are lot of things are not in the artist's control.Another reason for reaching out is to involve more and more people who are music fans and possibly build on the fan base.”*

However, there aremany who term fund raised through crowdfunding as a 'Stupid Money' as it does not get advantage of professional managerial advice required in situation of high strategic uncertainty when chances of success are skewed.But the Crowdfunding platform providers strongly oppose the term 'stupid money', Anshulika Dubey, The CEO of Wishberry says, “*crowdfunding will get you the money you need to make your prototype, the first version of your product, and to launch and test it on the crowd. VC money, however, is mainly used to help aproven businessmodel grow. So if you observe the mechanics, since crowdfunding results in ready backers who validate a business model , it actually serves as the ideal method to lower the risks of VC/ Angelinvestment, hence increasing the chances of an entrepreneur being funded. So it certainly can't be termed 'dumb money'. Smart money is more like it*”

Satish kataria, The managing director of Catapooolt also feels in the same line. In his own word, “*Those who comment crowdfunding as 'Stupid Money' can't be more naïve. Indeed, as proven by its global success, crowdfunding is the best way not only to get funds and resources for your dream project – it's the best form of customer gratification for the project/product that you are developing. Indeed, as per some international studies, USD 1 raised through crowdfunding is equivalent to USD 10 – considering the audience engagement it entails and hence the marketing, user trust and awareness you end up creating in the process*.”

Some take middle road ,for them absence of traditional financing method means more creative freedom to project creator or crowdfunding can also complement the other forms of finance as it is not just about money but it provides concept testing, marketing/communication , sometimes crowd sourcing in making or for distribution purpose and also pre selling of products.As on the last day “Gecko” – A smart device from connovate technology had raised order worth $135,485 on the crowdfunding platform indiegogo and now several big VC and industry names are keen to fund them , but the founders are more interested in strategic partnership rather than money.

That is why when Onir, national award winner independent film maker who have crowdfunded three films till now and won the national award for the crowdfunded film 'I Am' uploaded a short note on the *Abhimanyu* part of *I Am* on Facebook, 400 people came forward and contributed anything upwards of Rs 1,000 for the film. *"I also had 12 assistant directors, costume designers and others who wanted to be part* *of the film, working for free. This helped me save costs and gave these newcomers a platform to project their talent,"*Onir says.

Akshai Abraham, founder, Khel, a platform of sport to equip the under privileged children, has been very successfully fund raising for this project from last two years said,*"It is not just a means to raise funds but also for outreach and spreading the cause or work of the project, garnering support, etc."*

Swathi Sethumadhavan, director of the Documentary 'the other way' mentions while pointing out the pros of Crowdfunding that it builds an audience for the project before the major work begins.

Pitch / Online Campaign

Traditional sources of finance have a mechanism through which they can judge the quality of new ventures. While in case of crowdfunding amateur funders apply different approaches to judge the quality of project. Here, project creators provide quality single through online video pitch or brief description of project as well as individuals involved in it.Hence, a pitch can make or break the project. Realizing this all Crowdfunding platforms are extending help to the project creators to make an appropriate pitch. Anshulika Dubey of wishberry.com says "Campaigners are not able to pitch (or sell) their ideas efficiently. In India, we are not taught PR at school or college unless we are mass communication majors and unfortunately, crowdfunding requires the skill to sell. To combat this, Wishberry has created a proprietary database of student filmmakers who we train to create quality videos that would then help the campaigner pitch his project to the crowd very well."

Further one cannot undermine the importance of Campaign/pitch as it is the only way of quality signaling to contributors.BahubaliShete, CEO &MD,Connovate Technology confers up on this idea by saying, *"If we are not good at presenting our idea/product, no matter how good is the product, it gets thrashed and failures on crowd funding platforms are highly visible and can be disaster for the creators."*

As Jubanashwa Mishra, one week job experienced the same as he said,*"Reach is good and visibility is good but according to fund and all we didn't get what we were expecting financially, if you ask me in India it is very skeptical about crowdfunding, it is like 'friends funding' , may be if we would have good campaign, we would have got a better response"*

Further he said that albeit, there are many campaigns which are successful in crowdfunding. Well, from this it is clear that pitch matters a lot to outline one's work before it actually started but it is just tip of iceberg as Marketing and PR are the major part of crowdfunding. The crowdfunding project which demonstrates third-party endorsement starts gaining increasing amount of funds, there is a bandwagon effect which creates buzz about the project which is helpful in attracting more funds further.

As Apple co-founder Steve Wozniak backed the product'Gecko' from Connovate Technology through his tweet *"I contributed to this – useful as well as prankful"* and then provided a link to Gecko's page. Wozniak put $100 and funders started spurting in. the target amount was $ 50,000 andthe project ended up with $1,20,022. When BahubaliShete, CEO and MD of Connovate Technology has been asked that whether recommendation of Steve Wozniak was just a coincidence or you put any special efforts for that so your work get noticed byhim.The answer given is a proof of how important marketing and PR is, as he answered, "*It is bit of both. I am not really sure which one worked for us"* Further he said , *"We rely heavily on social media marketing and targeted online magazines press releases"*

Rewards

Apart from pitch the reward also matters as it gives sense of belongingness/association to funder and it is also one of the factors that motivates funder to contribute more money provided rewards are designed in a creative way. According to Aditi Gupta, Co funder of Menstupedia ,a lot of deliberation has to go into designing the right rewards. She feels that the reason people contribute to a project like Menstrupedia is they feel a sense of belongingness to it and the efforts should be made that the rewards reflect that. Since crowdfunding is very new in India she looked up to kickstarters and indigego as bench mark and scanned the projects thoroughly to understand the right rewards. One can design something unique like she came up with the idea of giving a thank you postcard along with the PDF format of the comic as in her words only " who receives a post card now a days?" the same reason was voiced by Akshai Abraham, Who very successfully crowd funded the khel project, "So we decided to give thank you notes in pictures from beneficiaries, tshirts, etc. which would help the donors connect with the project" One has to be empathic with the contributors to understand what would appeal to them says Vasuda Sharma of Attuned spirit.

She also says,*"My target were people who were fans and followers of my music, well-wishers etc.Keeping that in mind I kept rewards that they would be interested in particular.Also my target audience being youth,I wanted to also be able to reach out to people who had not heard me before and if they were to go through rewards should find something interesting and worth the contribution"* However, extrinsic motivation may act as complementary to intrinsic motivation.Further, to get better understanding of contribution behavior many researchers have analyzed contribution pattern over time. This revealed that in some of the cases until certain point project creator's get funding from inner circle that is family and friends and after that the fund from crowd/strangers start pouring in.

The same view is confirmed by onir*"when you talk about finance initially it came from friends but majority of finance comes from strangers, I think these people are followers and fans, who believe in you and I am fortunate to have them"*

Contributors

Although, funding by family and friends may render useful information given the knowledge they have about creators. However, the variation in amount raised from friends and family is an expression of creator's social networks rather than just the underlying quality of their projects. As web 2.0 has given people a unique opportunity to connect with each other, crowdfunding has no respect for geographical boundaries and project gets funding from world over due to online transactions .This is how BahubaliShete, CEO & MD, Connovate Technology Private Limited has raised $ 1, 20,022 from more than 3000 contributors for his smart gesture control device 'GECKO' asserted, "*In our case initial backers were our contacts. Later it is mostly others from all over the world. We have received funding from 50+ countries."*

Onir managed to get Rs. 1 crore for his film 'I am' and what he mentioned about contributors is *"Yes, got fund from all over the world right from Pakistan to U.S ...Everywhere You know, It is becoming global phenomenon right from the time of financing , It is like catering to a global box office"*

Social Media

Hence, factors that influence the geography of traditional form of financing may have less significance in crowdfunding. Well, Today's generation may not understand the meaning of social networks beyond web 2.0 as they look for time lines and not the calendar. Here, crowdfunding scores a point as all crowdfunding platforms have content in form of project description, site users , and funders are allowed to make comment and connect directly with project creator through his/her social media account and project creator can post updates regarding the project which helps in maintaining the investor's trust in project creator's ability.BahubaliShete puts it like, *"Social media is definitely playing a major role in marketing our campaign. For example, one tweet from Steve Woz made all the difference to our campaign. Social media is best way to create awareness and make people visit our campaign page"*.

Again, through social media project creator can easily share the link of the project webpage which is otherwise impossible to spread through other media channels as links provided are complex and lengthy. As same has been experienced by Jubanashwa Mishra, one week joband he divulged, *"I experienced one thing , social media is the only way , because if you are telling about your campaign through radio or print or television, you cannot have URL http://platformname/project?qewrthsyithgflemn/22085 as you can't give it on radio, print or TV and ask people to copy it online, I asked the platform provider to give URL like http://platformname/oneweekjob but they said they can't provide it"*

Pros and Cons of Crowdfunding

In process of crowdfunding contributors not provide finance only but they become an active promoter of the product or one can say a project can have equal number of PR persons, who have contributed to it.However, this is not possible without real time feedback and transparency from project creator's side and eventually it turned out to be a full time job to keep in touch with contributors, posting project related updates, sending thank you note as well as acknowledging contributors by responding to their comments or queries and one who fails to do so may actually hurt the project and hinder its chances to succeed. If you ask any project creator about his/her relation with contributors the answer you will get is 'It's Complicated'.

The contributors can be philanthropist, investor, customer or may be all of them and if project cannot be completed in time limit and rewards are delayed then eager contributors may feel ignored and betrayed due to it project creator's reputation is always at stake as project is backed by many contributors and thanks to social media it gets viral very fast.

Well, it becomes bit difficult for one individual to handle it if s/he is traveling or performing other job along with the crowdfunded project.that is what Jubanashwa Mishra, one week job conveys in his own words,*"The problem is like the person who is heading the campaign , he would responsible about campaign's success or failure, if you are traveling and you are the face of the crowdfunding campaign then you should outsource the whole campaign to some dedicated digital agency kind of thing, so they can work out, if you see there are many who are successful like menstrupedia in Gujarat, but I can admit my failure in crowdfunding campaign, because the first reason is I was traveling and hardly I got time on weekend only"*

Further, Indian people's attitude toward money and art is different from those of western people, in India people do not like to offer money for new ventures if there is no return. Asoniraffirmed, "Unfortunatelyin India filmsare not considered as an art and people are generally not charitable....not give money for good cause unless some 'baba-vaba' is there."

Many feel that crowdfunding is a good option for one time funding or creative projects the added advantage is copyright always remains with owner ,but when it comes to entrepreneurial ventures we don't have many successful incidents of crowdfunding in India. However, Entrepreneur has to make a strategic choice from available financing options to raise capital considering various costs like transaction cost, search cost, monetary cost, time cost, negotiation cost etc. This can be termed as the dilemma of choosing fast money through crowdfunding/Equity crowdfunding versus smart money through Angel Capitalist or Venture Capitalist.

This paradox is addressed in case of Connovate technology in following way where the CEO & MD says, *"Crowd funding offers very different opportunity and challenges. If you succeed in crowd funding, you are getting the customer validation done right there. If you fail in crowd funding, it just meant, you do not have a product that is solving any pain points. Secondly, crowd funding solves some key issues associated with new product introductions for a small startup like ours – customer acquisition, distribution channel etc. Thirdly, crowd funding offers a great platform for visibility and access to world market. Traditional methods are good if you are a big brand and established market and distribution channel. Last but not the* *least, crowd funding offers great way to give best to both us and customers. What I mean is we are benefitted by the funding which is not debt or equity based. And customers are benefitted by the low cost as there are no middle men apart from Indiegogo."*

Crowdfunding comes with its share of risk as Onir said, *"The risk is sometimes you know what happens is , it is just like any other business, in every business there are ups and down and you know all films cannot be (part of) 100crore club ,people always thinking that every film is that; it is very important when you identify people, investor, partner or contributor , you know… it is very important to tell them it is a different kind of film, there are risk involved and they should only invest if they have some spare money ; they may or may not know, but you should be honest and clear.You know… so that nobody feels disappointed asit does not show immediate results "*

Future of Crowdfunding in India

In future crowdfunding can take many forms like equity crowdfunding, debt model, profit / revenue sharing model for entrepreneurs or startups, which required legalization through some regulations and its pros and cons should be considered for platform owners, entreprenuers/start ups as well as investors. Equity crowdfunding is prevalent in many countries like UK, Netherlands, Belguim,France, Germany , Australia and the US government passed the JOBS(Jump-star our Business Startups) Act in 2012. This act legalizes debt and equity based crowdfunding. Under this act one can raise upto $1 million from investors and upto $2 million if they provided audited financial statements. Under JOBS act Investors with annual income of less than $100,000 may invest upto the greater of $2000 or 5% of their annual income, for income above $100,000 per year, and investment is permitted up to 10% of total salary but should not exceed $100,000.Similar steps should be taken in India is still a question as on one hand equity crowdfunding provide growth opportunity.

On the other hand rules and regulations may make crowdfunding lose it charm. The same view was expressed by Ruchi Dana, Pik a Venture, *"I think equity crowdfunding would be really transformative for startups and it would have the power to disrupt the current world of financing for startups. However, there would be some high risks involved for naïve investors. Hence, the concept of accredited investors would be helpful and again a cap on the amount of investments an individual can make per year (as proportion of his annual income) would be beneficial and in line with protecting the interests of the investors and also the startups."*

As in equity crowdfunding large number of investors will invest a small amount, the cost of regulation would be higher and too many investors would be difficult to manage.

Again the lawmaking activity attract little attention in India since the political scenario in India is ever changing with different political parties coming to power every few years it is difficult to imagine equity crowdfunding being legalized in India in near future.Anshulika Dubey and Priyanka Agrawal, Wishberry also feel the same,*"The law currently prevents crowd-financing. An entrepreneur today cannot advertise a specific investment prospectus to more than 50 people publicly. If they hit the 51-person mark, they qualify as an IPO and have to register with SEBI, which is a costly and lengthy process that will stunt the business model. Also, unlike the US, India does not have a system of investor accreditation, so there is no way for the government to differentiate between seasoned and amateur investors. So there is no way of protecting the novices against fraud.It took the US 1.5 years of lobbying for the JOBS act and it's been a year since its passing and the law is still not in effect. With the Indian government changing next year, we don't see any movement in regulation for 2-3 years at least."*

Yet many of us are hopeful about the equity crowdfunding movement in India as it is going to revolutionize the way ventures in creative field and startups would be funded in India.

Similar view is expressed by Ateel Bajaj, Start51,*"When crowdfunding arrived in USA in the online format,no one expected it to become such a big hurricane, but by December 2011 about $350 million had exchanged hands on "Kick Starter" itself and thus the Government had to step in, to legalize crowdfunding which which resulted in Jobs Act being signed in April2012. As per my views, Jobs Act came in place so that crowdfunding and SEC do not cross paths. India is still to see the real birth of crowdfunding for common man. Once similar hurricane hits the creative liberation of India, we should define our own laws for it as amounts and figures in JOBS Act may conflict with SEBI rules and legislation"*

Still some people are treading this ground quite cautiously as some experts dubbed it as a 'boiler room act' as it may open the door to many small investors to be targeted by fraudsters so the phenomenon crowdfunding should be given some to take its own course.Similar sentiments regarding equity crowdfunding in India echoed by Rinkesh& Jubin, *"Equity crowdfunding is where proper laws will need to come in place and SEBI will have to play a role in India. Without that it's difficult to track things in India. Not yet. First crowdfunding as an industry should show growth in nonsocial space in a significant way. Only then learning will happen and certain laws can be passed. As for US it's a mature market now and thus very much required to protect crowd's money and platforms interest."*

Many feel that equity Crowdfunding will pave a new way for the new ventures in India yet many other feel that imposing rules and regulations on Crowdfunding is like using machine gun to kill mosquitoes as the amount of contribution is quite small by individual contributor.

References:

Agrawal, A. K., Catalini, C., & Goldfarb, A. (2013). *Some Simple Economics of Crowdfunding, working paper19133.* Retrieved from http://www.nber.org/papers/w19133

Abraham, A. (2013). Personal Communication.

Agrawal, A., C, C., & A, G. (2011). The Geography of Crowdfunding. *SSRN Electronic Journal*.

Agrawal, A., Catlini, C., & Goldfab, A. (2011). Friends,Family & the Flat World : The Geography of Crowd Funding.

Agrawal, P., & Dubey, A. (2013). Co-founder of crowdfunding platform wishberry.com. (M. Baruah, Interviewer)

Bajaj, A. (2013). Personal Communication.

Berglin, H., & Strandberg, C. (2013). Leveraging Customers as Investors - The driving force behind crowdfunding.

Burtch, G., A, G., & S, W. (2011). An Empirical Examination of the Antecedents and Consequences of Investment Patterns in Crowd-Funded Markets. Social Science Research Network.

Collins, L., & Pierrakis, Y. (2012). The Venture Crowd : Crowdfunding Equity Investment into Business. London: Nesta - Uk's Innovation Foundation.

Dabhi, P. A. (2014). Accenture gets contract for crowdfunding statue of unity. Indian Express.

Dana, R. (2013). Personal Communication.

Dubey, A., & Agrawal, P. (2013). Co-founder, wishberry.com.

Dubey, A., & Agrawal, P. (2013). Personal communication.

Dubey, A., & Agrawal, P. (2013). Personal Communication.

Evers , M. (2012). Main Drivers of Crowdfunding Success: A Conceptual Framework and Empirical Analysis. 1-52.

Gerber, E. M., Hui, J. S., & kuo, P.-Y. (n.d.).

Gobble, & Marry, A. M. (2012). Everyone is a Venture Capitalist: The New Age of Crowdfunding. *Research Technology Management, 55*(4), 4-7.

Gorshkov, E. (2011, August). Crowdfunding: A Concept Beyond Finance. Amsterdam.

Gorshkov, E. (2011). Crowdfunding: A Concept Beyond Finance. University of Amsterdam.

Gupta, A. (2013). Interview.

Gupta, A. (2013). Personal Communication - Interview.

H, R. S. (2003). Bosnian Immigrants' Perceptions of the United State Healthcare System: A Qualitative Interview Study. *Journal of Immigrant Health*, 87-93.

H., R. S. (2003, April). Bosnian Immigrants' perception of US healthcare system: A Qualitative Interview Study. *Journal of Immigrant Health, 5*(2), 87-93.

Joachim, H. (2011). A snapshot on crowdfunding,working papers firms and region, No.R2/2011.

John, S. (2013). Indian startup's device sees pre-order surge. *Times of India*.

Kataria, S. (2013). Personal Communication .

Larralde, B. (n.d.). Crowdfunding for small ventures: A study of an alternative way to finance small ventures. 1-39. Amsterderm.

Lorenzen, M., & Taeube, F. A. (n.d.). Break out from bollywwod: Internationalization of bollywood.

Mishra, J. (2013). Personal Communication - Interview.

Mitra, D. (2012). The Role of Crowdfunding in Entrepreneurial Finance. *Delhi Business Review, 13*(2).

Moisseyev, A. (2013). *Effect of Social Media on Crowdfunding Project Results.* Retrieved from http://digitalcommons.unl.edu/businessdiss/39

Mollick, E. (2013). The dynamics of crowdfunding: An exploratory study. *Journal of Business Venturing*, 1-16.

Mollick, E. (n.d.). Swept Away by the Crowd? Crowdfunding, Venture Capital , and the selection of Entrepreneurs. The Wharton School of the University of Pennsylvania.

Onir. (2011). (S. Paul, Interviewer) The Sunday Guardian. Onir. (2013). Personal Communication-Interview.

Ordanini, A., Miceli, L., Pizzetti, M., & Parasuraman, A. (2011). Crowdfunding : transforming customers into investors through innovative service platforms. *Journal of Service Management, 22*(4), 443-470.

Rangayan, S. (2013). Personal Communication.

schaedel, C. (2013). *Potential role of crowdfunding in start-up financing.* Fraunhofer Institute for Systems.

Schwienbacher, A., & Larralde, b. (2010). Crowdfunding of small entrepreneural ventures. *SRN Electronic Journal*.

Sethumadhavan, S. (2013). Personal Communication.

Shah, R., & Joshi, J. (2013). Personal Communication.

Sharma, V. (2013). Personal Communication.

Shete, B. (2013). Personal Communication.

Sommeregger, M. (n.d.). Online donation through social platform as a new instrument for corporate giving? an investigation based on example. (C. Schaedel, Trans.)

Stevenson, R. M., & Letwin, C. (n.d.). "Smart Money" versus "Fast Money" : A transaction cost approach to crowdfunding., (1-4).

Wash, R. (2013). The Value of Completing Crowdfunding Projects. *Association for the Advancement of Artificial Intelligence.*

Wash, R. (2013). The Value of Completing Crowdfunding Projects. *Association for the Advancement of Artificial Intelligence.*

Wortham, J. (2012). Success of Crowdfunding Puts Pressure on Entrepreneurs. *The New york Times*

Appendix is attached on next page.

Appendix

Following is a list of platform owners and project creators with whom Authors have communicated for the purpose of this study. All the interviews are included here with permission of interviewee.

Name of Interviewee	Designation of Interviewee	Method of Personal Communication	Date
Priyanka Agrawal &Anshulika Dubey	Co-founders of Platform 'wishberry'	E-mail	September 20,2013
Satish Kataria	MD of Platform 'catapooolt'	E-mail	September 20,2013
Rinkesh Shah & Jubin	Co-founders of Platform 'igniteintent'	E-mail	September 3,2013
Ruchi Dana	Co-founders of crowdfunding portal 'pik a venture'	E-mail	September 13,2013
Ateel Bajaj	Founder of Platform 'start51'	E-mail	October 5,2013
Onir	A 2012 national award winner Director, Independent Film maker through crowdfunding	Telephonic Interview	October 16,2013
BahubaliShete	Project creator of 'Gecko'	E-mail	
Aditi Gupta	Project creator of 'Menstrupedia'	Telephonic Interview	September 29,2013
Jubanashwa Mishra	Project creator of 'one week job'	Telephonic Interview	September 19,2013
ManeeshVerma	Project creator of 'Actor's Cult'	Telephonic Interview	September 15,2013
Vasuda Sharma	Project creator of 'Attuned Spirit'	Telephonic Interview	September 10, 2013
Akshai Abraham	Project creator of 'Khel'	E-mail	September 3, 2013
Shridhar Rangayan	Project creator of 'Kashish'	E-mail	September 17,2013
Swathy Sethadhavan	Project creator of 'The other way'	E-mail	September 28,2013