

CROWDFUNDING- A new fundraising platform

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Abstract – Since the covid attack period major of the things have gone offline Crowdfunding is a platform helps startup business entrepreneurs. The most obvious advantage of crowdfunding for The ability of a start-up company or individual to provide access to a bigger and more varied group of investors/supporters. With the ubiquity of social media, crowdfunding platforms are an incredible way for businesses and individuals to both expand their audience and acquire investment

Crowdfunding also becomes a platform for short term or long-term investors to invest in small scale companies on basis of different transactional options that maybe equity based, debt-based, donation-based, etc. u Crowdfunding (CF) has experienced noteworthy development in later a long time with the improvement of web and data innovations that expanded the support of the “crowd” to finance entrepreneurial ventures. Youthful business visionaries, particularly well-qualified understudies, have as of late started to play a unused part within the economy by propelling unused wanders in specialty markets. The point of the present paper is to supply a more profound understanding of Crowdfunding among Portuguese youthful potential business people as an elective subsidizing component, by talking about its primary characteristics and the seen benefits obstructions that might drive youthful business visionaries to post a extend on a Crowdfunding stage or dishearten its utilize. Through a web study, we inquiry well-qualified understudies around the information they have around crowdfunding and benefits and obstructions that can increment or diminish the plausibility of financing to dispatch a modern wander. The comes about appear that potential youthful business people have direct information approximately Crowdfunding. Thus, they are not able to investigate all the commerce models accessible, particularly the models related to speculation (loaning and value). The respondents see a few benefits of the utilize of Crowdfunding that go past the budgetary points of interest, such as the communication of the venture to a more extensive group of onlookers and the extra input from potential clients. The seen obstructions that might prevent the utilize of Crowdfunding are related to the usage of the Crowdfunding campaign, in spite of the fact that relevant imperatives have been said.

Date of Submission: 19-04-2023

Date of acceptance: 03-05-2023

I. Introduction

Crowd sourced funding is a method of raising money for a business venture, a charitable or public-interest cause, such as a community-based social or cooperative initiative, or a creative project by soliciting small financial contributions from individuals who may number in the hundreds or thousands. These donations are requested via an online crowd-funding website, and the offer may also be advertised on 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.

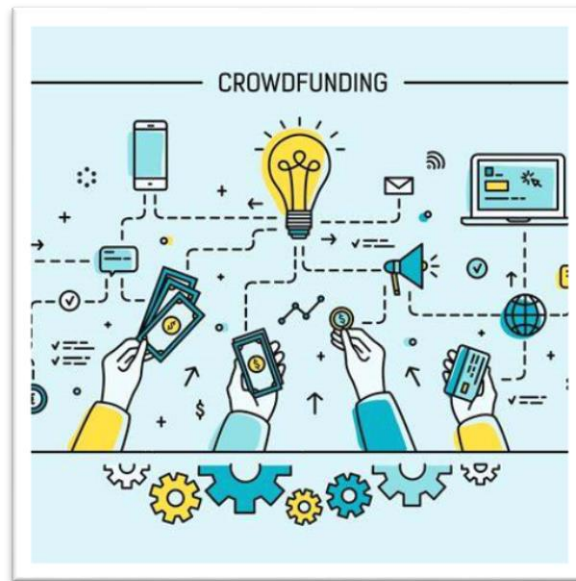


Figure1.1 Introduction to Crowdfunding

It provides a fundraising platform for newly build startups and a funding platform for small scale investors who want to invest in companies but have low capital.

II. Problems Crowdfunding Solves

Crowdfunding Solves a no. of problems for both project creators and investors. Here are some of the key problems that crowdfunding can solve:-

Access to capital: For project creators, one of the biggest challenges is securing funding to bring their idea to life. Crowdfunding allows creators to reach a wider audience of potential investors, which can increase their chances of securing the funding they need.

Market validation: Crowdfunding can help project creators validate their idea in the market by gauging demand and interest from potential investors. If a project is well received by backers, it can provide valuable validation and help creators refine their product or service.

Lower costs: Crowdfunding can be a cost-effective way to raise capital, as it eliminates the need to pay high fees to traditional financial intermediaries such as banks and investment firms.

Increased transparency: Crowdfunding platforms typically provide greater transparency than traditional fundraising methods, allowing backers to see how their investment is being used and providing regular updates on the progress of the project.

Democratization of investment: Crowdfunding allows investors of all sizes to participate in early-stage investment opportunities that were previously only available to institutional investors or high net worth individuals. This can help to level the playing field and create more opportunities for a wider range of investors.

Boosting the Economy: Crowdfunding has the potential to boost economic growth by enabling the development of new businesses and the creation of jobs. It can also help to bridge the gap between demand and supply of capital, which can fuel economic growth.

Overall, crowdfunding can help to solve a number of challenges faced by project creators and investors, including access to capital, market validation, cost-effectiveness, transparency, and democratization of investment opportunities.

III. Technologies used

For building Crowdfunding four of this technologies were used, they are:-

Blockchain

Blockchain technology has the potential to transform many industries including, crowdfunding. The decentralized and transparent nature of blockchain can offer benefits such as increased security, lower costs, and greater transparency in crowdfunding campaigns.

Blockchain in this platform is used to allow transactions wherein each transaction will belong to a specific Crowdfunding campaign and the data will be stored on Blockchain. It also helps in creating Smart Contract and the Payments are stored in meta mask.

Overall, Blockchain technology has the potential to revolutionize the crowdfunding industry by offering greater security, transparency, and efficiency. However, there are also challenges and regulatory difficulties that must be resolved to ensure the safe and sustainable use of blockchain in crowdfunding.

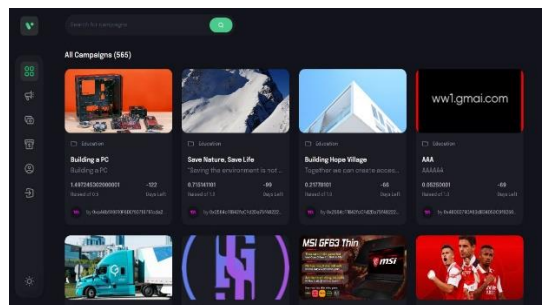
React.js

React is a popular JavaScript library for building user interfaces, and it can certainly be used in the context of crowdfunding platforms. React can be used to create dynamic, interactive interfaces for crowdfunding campaigns, as well as for managing user accounts, displaying project updates, and handling payments.

Here are a few example of how react can be used in crowdfunding:-

Creating dynamic campaign pages: React can be used to create dynamic and interactive pages for crowdfunding campaigns. For example, users can see real-time updates on how much money has been raised, view photos, and interact with the campaign creator.

Building user dashboards: React can be used to create user dashboards where backers can manage their contributions, view their rewards, and receive updates on the campaign's progress.



Handling payments: React can be used to create payment forms and handle transactions in a secure and efficient manner. This can help to streamline the donation process for backers and ensure that their contributions are processed securely.

Overall, React can be a powerful tool for creating engaging and interactive crowdfunding platforms. It can help to create a seamless user experience for backers, and enable campaign creators to effectively manage their campaigns and communicate with their supporters.

Solidity

We will be using Solidity programming language to write smart contract on Ethereum network. Smart contracts are **code written into a blockchain that executes the terms of an agreement or contract from outside the chain**. It automates the actions that would otherwise be completed by the parties in the agreement, which removes the need for both parties to trust each other.

Tailwind CSS

Tailwind CSS helps in creating an interactive UI and UX. It is a highly customizable, low-level CSS framework that gives you all of the building blocks you need to build bespoke designs without any annoying opinionated styles you have to fight to override. It makes the website responsive and minimizes the line of codes for CSS.

IV. Statistics Output:-

Here are some recent statistics on crowdfunding:

In 2021, the global crowdfunding market was valued at \$13.9 billion and is expected to reach \$28.8 billion by 2027, growing at a CAGR of 12.3% during the forecast period (source: Fortune Business Insights).

As of 2021, Kickstarter has helped fund over 200,000 creative projects, with more than 20 million backers pledging over \$6.7 billion in total (source: Kickstarter).

In 2020, crowdfunding platforms helped fund more than 1.47 million projects globally, with a total value of \$17.2 billion (source: Statista).

Reward-based crowdfunding campaigns have the highest success rate, with 35% of campaigns meeting their funding goals. Equity-based campaigns have a success rate of 22%, while donation-based campaigns have a success rate of 13% (source: Crowdfunding Insider).

The United States is the largest crowdfunding market, accounting for 47% of the total crowdfunding market in 2021, followed by Asia-Pacific and Europe (source: Fortune Business Insights).

In 2020, technology was the most popular crowdfunding category, accounting for 30% of all crowdfunding campaigns. Other popular categories include film and video, music, and art (source: Statista).

These statistics highlight the growing popularity of crowdfunding as a means of raising capital and supporting creative projects around the world.

V. Role Of Social Media in Crowdfunding

Social media plays a critical role in crowdfunding as it provides a platform for crowdfunding campaigns to reach a wider audience and attract potential supporters.

Through social media platforms like Facebook, Twitter, Instagram, and LinkedIn, crowdfunding campaigners can share their campaign details and updates, including their story, goals, progress, and perks or rewards, with their followers and other interested individuals. This can help to create buzz and excitement around the campaign and encourage more people to contribute.

Social media also enables campaigners to engage with their supporters and build relationships with them, which can help to foster loyalty and trust. This can result in repeat contributions and word-of-mouth referrals, which can further boost the campaign's visibility and success.

Moreover, social media allows campaigners to leverage the power of user-generated content, which can help to promote their campaign through shares, likes, comments, and reviews. This can create a snowball effect and lead to exponential growth in the campaign's reach and impact.

VI. Need Of the website

Crowdfunding has become increasingly important in India in recent years due to a number of factors. Here are some reasons why crowdfunding is needed in India:

Limited access to traditional funding sources: Many startups and small businesses in India struggle to access traditional funding sources such as bank loans or venture capital. Crowdfunding provides an alternative source of funding that is often more accessible to these businesses.

Huge population of young people: India has a large population of young people who are tech-savvy and interested in supporting innovative ideas. Crowdfunding allows these individuals to support projects and startups that align with their values and interests.

Support for social causes: India has a strong culture of philanthropy and supporting social causes. Crowdfunding provides a platform for individuals and organizations to raise funds for social causes and create positive change in their communities.

Opportunities for investors: Crowdfunding allows investors of all sizes to participate in early-stage investment opportunities, which can be particularly appealing for individuals who are interested in investing in innovative startups but do not have the resources to do so through traditional investment channels.

Growing startup ecosystem: India has a rapidly growing startup ecosystem, with a number of innovative companies and entrepreneurs working on cutting-edge technologies and products. Crowdfunding provides a means for these startups to access the capital they need to bring their ideas to life.

Overall, crowdfunding has the potential to play an important role in India's economic and social development by providing a means of funding for startups, small businesses, and social causes, and by creating opportunities for investors to participate in the country's growing economy.

VII. How crowdfunding works?

In most jurisdictions, restrictions apply to who can fund a new business and how much they are allowed to contribute. Similar to the restrictions on hedge fund investing, these regulations are supposed to protect unsophisticated or non-wealthy investors from putting too much of their savings at risk. Because so many new businesses fail, their investors face a high risk of losing their principal. Crowdfunding has created the opportunity for entrepreneurs to raise hundreds of thousands or millions of dollars from anyone with money to invest. Crowdfunding provides a forum to anyone with an idea to pitch it in front of waiting investors. They will be given 4 options for the transaction and contract which are:-

- *Equity based:* - In this mode of transactions, the investor get a certain amount of equity or shares of the company he is investing on in exchange of the funding he is giving. This is done so that when in future the company grows the investor being a shareholder gets a share in profit of the company. Equity Shares of the Company are issued in equity-based crowdfunding as payment for cash requested from investors. It refers to a company's efforts to raise money, particularly in the early stages, by selling investors online equity stakes in the company. Companies that use this kind of money raising often use a crowdfunding platform website to advertise online, acting as a go-between for investors and the start-up businesses. Startups are typically financed by private equity, angel investing, or loans from financial institutions. Only until a product or company is profitable on the open market can equity offerings be made. Yet in equity-based crowdfunding, the solicitation process begins earlier. Syndicate Room, Crowdcube, and Seedrs are a few instances of equity crowdfunding platforms. In many wards (like China), these stages are confined to offer this sort of capital raising to modern financial specialists or to a constrained number of person financial specialists. In China, a value raising offer made to less than 200 people does not have to be satisfy the open value raising prerequisites.

- *Debt-based:* - By using this mode of transaction the investors granting a loan to the Company owners on a certain rate of interest decided among themselves and the Company is obliged to pay the amount even if the company incurs loss. This is used when the investor is unsure if this startup will work and so he invests with a sure return so that he himself incurs no loss even if the company does.
- *Donation based:* - Also called Charity-based, this kind of transactional method is used for the companies wherein the investor is genuinely interested in investing in the company without hoping for returns.
- *Reward based:* - This is transaction mode where the investor becomes a member in which he will get certain products from the company he is investing in. Also, he will receive the products about to be launched before the launch.

VIII. Features

This website will be a meeting platform between the startup entrepreneur and small-scale investors. This platform will have to different user interfaces, One from the investor side and the other from the entrepreneur side. The entrepreneur will see a his dashboard as soon as he logs in which will have the amount of investors that visited his profile. All the information he has given on his company. Also, there will be a feedback and question tab wherein it will consist of all the queries the investors have been having. Revenue models and current revenue taken as numerical input but displayed in graph. The investor will be taken to the home page as soon as he logs in, it will be consisting on trends i.e., the most viewed companies also 4 categories to filter out on basis on mode of transaction.

IX. Benefits of Crowdfunding

- i. Crowdfunding gives a much required unused mode of financing for start-ups and SME segment and increments streams of credit to SMEs and other clients within the genuine economy.
- ii. Budgetary emergency (2008) brought about in disappointment of number of Banks and, thus the Basel III Capital ampleness standards have been made pertinent to Banks. As a result, Banks have ended up progressively compelled in their capacity to loan cash to the wanders or start-ups which may have high risk component. Consequently, there's a require for financing for SME through elective sources.

- iii. SMEs are able to raise reserves at lower fetched of capital without experiencing through thorough strategies in this mode.
- iv. Crowdfunding gives modern venture road and gives a unused item for portfolio expansion of Financial specialists.
- v. It increments competition in a space customarily ruled by some suppliers (giving fund to Start-ups and SMEs).
- vi. The administrators of a crowdfunding stage may lock in in vetting or due constancy of ventures to be included on their site, to preserve the notoriety of the site.

X. Risks of Crowdfunding

Like any investment or fundraising method, crowdfunding carries some risks. Here are some of the risks associated with crowdfunding:

Project failure: There is always a risk that a crowdfunded project may not succeed, either due to a lack of market demand, production issues, or other factors. This can lead to a loss of investment for backers.

Fraud: Crowdfunding platforms are susceptible to fraud and scams, where a project creator may use false information or misrepresent their project to attract funding. This can lead to backers losing their investment and damage the reputation of crowdfunding platforms.

Lack of regulation: Crowdfunding is often not subject to the same level of regulatory oversight as traditional investments, which can increase the risk of fraud and mismanagement.

Lack of liquidity: Unlike publicly traded stocks or bonds, crowdfunded projects typically have limited liquidity, meaning it may be difficult for backers to sell their investment or receive a return on their investment in a timely manner.

Operational risks: Crowdfunding platforms themselves can be susceptible to operational risks, such as system outages, data breaches, or other technical issues, which can disrupt the fundraising process and lead to a loss of investment.

It is important for both project creators and backers to be aware of these risks and to conduct due diligence before engaging in crowdfunding. This includes researching the project and the creator, assessing the viability of the project, and understanding the terms of the investment. Additionally, regulatory bodies and crowdfunding platforms themselves have a role to play in mitigating the risks associated with crowdfunding through increased transparency, regulation, and oversight.

XI. Conclusion

Crowd funding has the potential to democratize access to capital, stimulate innovation and entrepreneurship, and provide opportunities for social and environmental causes. However, it also presents several challenges, such as information asymmetry, fraud, and market saturation. Further research is needed to assess the effectiveness of crowdfunding as a financing option, develop best practices, and implement regulatory frameworks that balance investor protection with innovation.