

Evolution and Impact of Crowd funding in India

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INTRODUCTION

Crowd funding is a digital financing model through which individuals, entrepreneurs, or businesses secure funds from a large number of contributors, typically via the Internet. This method leverages online platforms to gather small financial contributions from a broad audience, collectively referred to as "the crowd," rather than soliciting substantial amounts from a limited number of traditional investors such as banks or venture capitalists. Crowd funding has gained significant traction across various sectors, including the arts, entrepreneurship, and scientific research, owing to its accessibility and community-oriented nature. One of the primary advantages of crowd funding is its capacity to democratize financial access. It offers opportunities for a diverse range of participants, including novice creators and small-scale entrepreneurs, to present their ideas and obtain support without substantial capital or recognition. Crowd funding manifests in various forms, each tailored to distinct needs. Reward-based crowd funding involves supporters receiving non-financial incentives for their contributions, which may include items such as thank-you notes or product prototypes. Equity crowd funding allows backers to acquire shares in a company, thereby securing financial interest in its success. Donation-based crowd funding relies on voluntary contributions, often employed for charitable purposes, without the expectation of monetary return. Finally, peer-to-peer lending facilitates loans between individuals and small businesses, offering lenders potential returns through interest. Crowd funding has transformed the financial support landscape for projects by offering an inclusive, accessible, and adaptable model that promotes innovation and community involvement. Despite challenges, such as the dissemination of crowd funding, variations in success rates, and potential biases, the model continues to develop and expand, providing new opportunities for artists, innovators, and change-makers.¹

Crowd funding represents one dimension of the phenomenon of crowd sourcing besides crowd voting and crowd creation. The term crowd sourcing is composed of "crowd" and "outsourcing", pointing to the meaning to outsource specific functions to a group of external persons. The concept is based on the idea of "wisdom of a crowd". The act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large of people in the form of an open call. Besides crowd sourcing, crowd funding is closely connected to micro lending. Micro lending refers to the idea of funding of individuals, who do not have access to conventional financing from credit institutions.

REVIEW OF LITERATURE

Numerous studies have been conducted on crowd funding in India in recent years by various academics and researchers examining different facets of the subject. This review presents some of the most pertinent studies.

Usha et al. (2022) studied crowd funding in India, defined as raising small funds from multiple investors through online platforms for projects, ventures, or causes. This study examines the evolution, types, platforms, and framework of crowd funding in India to suggest improvements. This study discusses crowd funding types and benefits, such as faster fund raising and reduced costs, while noting the risks of fraud and low awareness. This study finds the growing popularity of reward- and donation-based crowd funding in India, emphasizing the need to balance investor protection with economic development through equity markets.²

Maheswari and Kathirvel (2024) studied how well people in Coimbatore City, India, understand crowd funding and conscious marketing. They found that many young adults were involved, with 67.2% aged 18-24, and 57.4%

male. Most (54.1%) lived in cities, indicating that city residents know more about crowd funding. A large number (95.1%) thought crowd funding could help new projects, and 39.96% found campaigns through social media. However, trust issues stopped 37.74% from joining. The study shows that 93.4% believe that crowd funding raises marketing awareness, especially for socially responsible projects. They used surveys and interviews with 60 people and analysed the data using percentage analysis, a Likert scale, and rank correlation. While city youth are very involved in crowd funding, trust issues are still a problem. The study suggests teaching technology, being open to getting more people involved, and promoting socially responsible campaigns to make a bigger impact.³

Mujumale (2024) looks at crowd funding in India. This is a way to raise money by obtaining small amounts from many people online. This study reviews laws that control crowd funding, such as the Companies Act 2013, SEBI rules, and RBI guidelines. Important platforms include Fundable, Kickstarter, Indiegogo, Wishberry, Ketto, Catapoolt, and The Hot Start. This study predicts growth through campaigns, special platforms, company partnerships, transparency, block-chain use, global funding, and reward based crowd funding. Challenges include low awareness, infrastructure problems, following rules, investor protection, competition, low returns, and execution issues. Crowd funding has potential in India, but is not fully used and needs better rule-following.⁴

Agrawal and Jethy (2024) investigated crowd funding as a sustainable financing mechanism for Micro, Small, and Medium Enterprises (MSMEs) in Odisha's Khurda district. This study assessed MSMEs' awareness of crowd funding, examined adoption factors, and proposed recommendations to enhance adoption. Data were collected using structured questionnaires and analysed using regression models through a survey of 385 MSMEs, selected via purposive sampling. The findings show moderate crowd funding awareness among MSMEs, with adoption influenced by traditional financing, regulations, trust, risk perception, and perceived benefits. The study emphasizes the need for initiatives to increase crowd funding adoption and recommends strategies to enhance awareness of this financing model.⁵

Hoque (2024) examined crowd funding as a way to support new ideas. Crowd funding helps entrepreneurs who struggle to obtain traditional funding use online platforms to reach investors. This study examined different types of crowd funding: reward-based, donation-based, loan-based, and equity crowd funding. Crowd funding helps innovation by providing access to money, letting entrepreneurs test ideas, and building a community of supporters. This study also examines how crowd funding works with venture capital and angel investments, showing that it can work well together. Challenges include fraud risk, lack of information, and different campaign results. The regulations are discussed as possible solutions. The study suggests further research on the sustainability, impact on innovation, and success factors of crowd funded projects. While crowd funding is promising for funding innovation, its potential and challenges need further study to help innovation and economic growth.⁶

Narendra (2024) examined crowd funding as a way for startups to earn money. Crowd funding gathers small amounts of money online from many people. This study discusses four types: reward-based (products/services), equity-based (company shares), debt-based (loans with interest), and donation-based (no returns). Popular sites include GoFundMe, Kickstarter, Indiegogo, and Fundable. Benefits include reaching more investors, testing the market, and maintaining control. Drawbacks include risks to reputation and platform fees. This study suggests thinking about business type, funding needs, market testing, ownership, and legal rules when choosing crowd funding. It also mentions other options such as bank loans and venture capital. It ends by stressing the need to pick the right funding for start-ups.⁷

Significance of the study

Studying crowd funding in India is important because it affects business, money, and society. Crowd funding helps entrepreneurs who cannot obtain money from banks. This makes finance more accessible, which can lead to new ideas and more people participating in the economy.

Crowd funding can impact social inequality in India. Social media plays a significant role in raising money by promoting campaigns and engaging networks. Crowd funding also boosts interest in products that are good for society and shows changes in what people want to buy.

Objective of the study

The objective of the study is to provide an analytical overview of crowd funding in India during the last ten years i.e. 2016 to 2025.

RESEARCH METHODOLOGY

This study is theoretical and descriptive and based on secondary data. The data have been collected from various academic journals, research based publications and online resources.

Advantages of crowd funding in India

Crowd funding in India has numerous advantages, serving as a significant alternative funding mechanism, capable of addressing diverse needs across various industries. The principal benefits associated with crowd funding in the Indian context are as follows:

Easy access to collect capital: Crowd funding platforms enable entrepreneurs, particularly those operating small businesses and startups, to secure financial resources by aggregating modest contributions from a large pool of investors. This approach democratizes the fundraising process, which has traditionally depended on banks and financial institutions.

Market validation: Crowd funding campaigns enhance the visibility of a project or business among prospective users and investors. This process functions as a form of market validation, offering entrepreneurs valuable insights into potential customer interests and market alignment.

Non-financial advantages: Crowd funding offers intangible advantages such as networking opportunities, advisory support and the establishment of a customer base before the product launch. These benefits encompass both internal advantages from investors, such as expertise and experience, and external advantages, such as enhanced public exposure.

Flexibility, creativity and innovation: Crowd funding platforms offer considerable flexibility in the types of projects eligible for funding, encompassing creative endeavours, social initiatives, and technological innovations. This flexibility cultivates an environment that is conducive to creativity and innovation.

Transparency and trust: Block-chain-based platforms enhance transparency by enabling contributors to monitor fund allocation and maintain control over their investments through the use of smart contracts. This mechanism fosters trust among investors and encourages increased contributions.

Support social causes: Crowd funding has been effectively utilized to support social and medical causes, providing a mechanism for individuals and groups to secure funding for healthcare and community initiatives. Nevertheless, this practice often mirrors existing social inequalities, as marginalized groups may receive less support compared to their more privileged counterparts.

Empowerment of entrepreneurs and investors: Crowd funding facilitates empowerment for both entrepreneurs and investors by enabling direct communication and engagement. Investors frequently experience personal growth and satisfaction through their contributions to projects with a social impact, which subsequently promotes community building and the development of social capital.

Limitations of crowd funding in India

In India, crowd funding encounters several constraints that are shaped by regulatory, cultural, and economic factors. The following are the major limitations of crowd funding in India:

Lack of Regulating Authority: The absence of a comprehensive regulatory framework poses a significant challenge to crowd funding in India. The lack of explicit legal guidelines leads to uncertainty and hinders sector

growth. In contrast to other countries, where crowd funding is governed by a structured set of regulations, the Indian market continues to grapple with ambiguous legal pathways.

Lack of Trust: The absence of trust among potential investors is a considerable barrier. Crowd funding relies heavily on the credibility of project creators and the transparency of their campaigns. In many instances, potential backers in India may express uncertainty regarding the legitimacy of campaigns, partly because of previous occurrences of fraud and fund misuse across various sectors.

Lack of Advance Platform: Numerous Indian crowd funding platforms lack the advanced functionalities necessary to attract significant investor engagement. By contrast, international platforms offer sophisticated tools and analytics to campaign creators and backers. Indian platforms frequently do not meet these standards, thereby limiting their effectiveness and reach.

Cultural barriers: Cultural factors play a significant role in constraining crowd funding in India. Traditionally, Indian society has predominantly depended on formal banking systems and personal networks for financial mobilization. The concept of gathering small financial contributions from a large number of individual's remains relatively new and not yet widely understood by the general population.

Technical and awareness barriers: There notable lack of awareness and understanding regarding the effective use of crowd funding among prospective users. This includes the ability to create compelling campaign content and to identify the appropriate target audience. In addition, not all potential users feel comfortable with or have access to the necessary technology required for participation in online crowd funding.

Financial inclusion and internet access: Despite significant progress in financial inclusion and internet accessibility in India, a considerable portion of the population remains excluded from online payment systems and is not integrated into the digital economy. This limitation confines the reach of crowd funding initiatives to urban and technologically proficient individuals.

Analysis of Study

Crowd funding sector is also known as Crowd sourced Funding, Crowd financing or Collective Funding. This sector includes online platforms where people, organisations raise money from the masses, for various projects and causes.

The Crowd funding sector in India comprises 301 companies, including 47 funded companies having collectively raised \$102M in venture capital money and private equity.⁸

Top Crowd funding Companies in India:

There are more than 301 companies in Crowd funding in India. Property Share is the top Crowd funding company in India, ranked using Tracxn Score (Tracxn score' is a Proprietary score based on Company's standing against other companies. Tracxn score is composed of four metrics: Size Score, Execution Score, Growth Score, and Team Score). Here are 5 of the top Crowd funding companies in India:

Top 5 Crowd funding companies in India

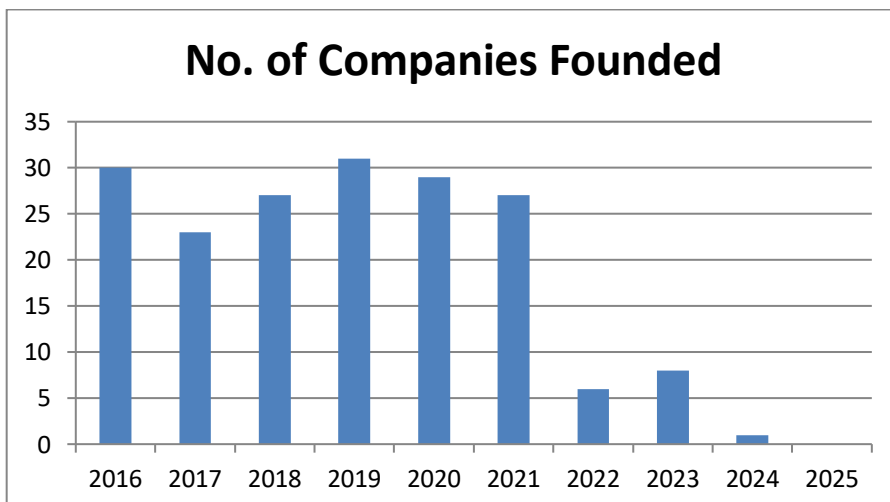
Sr. No.	Company Name	Description	Location	Founded	Private Funding Raised
1.	Property Share	Real estate investment trust platform	Bengaluru	2015	\$52M
2.	Sust Vest	Investment platform offering solar investments	Gurugram	2018	\$2.12M

3.	Nobero	Internet first brand offering apparel for women and men	Hyderabad	2014	\$300K
4.	CarePal Group	Provider of a healthcare-focused integrated financing solutions that combine crowd funding, lending, and health assurance marketplaces	Mumbai	2014	\$17.2M
5.	Impact Guru	Provider of an online donation based crowd funding platform for a variety of causes globally	Mumbai	2014	\$19.7M

Companies founded in the Crowd funding sector in India

Sr. No.	Year	No. of Companies Founded
1	2016	30
2	2017	23
3	2018	27
4	2019	31
5	2020	29
6	2021	27
7	2022	06
8	2023	08
9	2024	01
10	2025	00

(Source: tracxn.com)



In the last 10 years, the most number of crowd funding startups founded in 2019 was 31, while the lowest founded in the year 2025 i.e. zero. There is slight decrease in crowd funding startups from 2022 onwards. There was 30

start up companies set up in 2016, which were decreased in 2017 to 23 i.e. a decrease of 23% from 2016 to 2017. There was continuous increase from 2017 to 2019. In 2019, there was an increase of 35% as comparison of 2017. After 2019 to 2025, there was continuously decrease in set up of crowd funding companies. This decreasing trend may be due to the role of govt. regulation and India's broader digital ecosystem developments such as UPI expansion and fintech growth.

CONCLUSION

Crowd funding is growing rapidly in India and has great potential as a new way of raising money. Crowd funding in India offers many benefits. This makes it easier for people to obtain money, help projects obtain market approval, increase transparency with block-chain, and support social causes. However, there are significant challenges. These include unclear rules, trust issues, platform limits compared with other countries, and cultural barriers. The future of crowd funding in India appears to be positive. It can boost innovation, entrepreneurship, help startups and small businesses to earn money. Social media and technology can help campaigns to reach more people and succeed. However, to achieve this, clear rules, more public awareness, trust, and addressing social inequalities are needed. In conclusion, while crowd funding in India has great potential to support various projects and make financial access fairer, its growth depends on overcoming these challenges. Future research should focus on strong regulations, better financial education, and fair access to crowd funding platforms. If these challenges are addressed, crowd funding could become a key component of India's financial system.

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