



# STARTUP CHALLENGES IN RAISING FUNDS THROUGH CROWDFUNDING PLATFORMS

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## -----ABSTRACT-----

Idea that an entrepreneur could raise funds from a large number of sources, each providing just a small amount, crowdfunding has been growing at a steady rate worldwide, opening up new opportunities for both entrepreneurs and investors. Crowdfunding and the idea behind it and as understand. It is to raise funds for a charity or a person or a cause is it intended to support a person or reward a person just looking at the cases. How crowd funding actually changing finance for good and this is both permanently and for the better double entendre totally intended but to give some background. Alert about crowdfunding raising money getting funding for a startup venture for an entrepreneurial venture and really. How do actually grow of the business, how do get an injection of cash or an injection of funding and how do use crowdfunding in order to sort of encourage that can have the lifestyle that can also create that lifestyle for kids, family and sort of supercharge that vision that have for career in the future.

**KEYWORDS:** crowdfunding, charity, start up, entrepreneurial, venture, injection-----

## INTRODUCTION

In the past, shipping a product or launching a company was only an option for those who had the money could attract an investment from venture capitalists. Crowdfunding websites like Kickstarter and Indiegogo have drawn a lot of attention from entrepreneurs, policymakers, investors, and the public. Their enthusiasm is understandable. These internet marketplaces connect people seeking funds with hundreds.

Crowdfunding is one of the fastest growing online industries. Crowdfunding is when individuals or startup use an online platform to gain funding for a project globally. There are four kinds of crowdfunding sites although some sites include more than one type of crowdfunding.

**Debt based sites:** These are where contributors receive interest payments in exchange for their contributions.

**Equity based sites:** where contributors receive shares in exchange for their contributions.

**Reward based platforms:** where contributors are promised rewards in exchange for their support like first priority access to the product once it goes live.

**Donation based platforms:** where donations are charitable and usually tax deductible.

## REVIEW OF LITERATURE

Donors choose to cover the advocacy and that also means at the end of the day that get more money out. At the end of the fundraising, we also have lots of different payment options. Credit and debit card both local and international which makes it easier for international donors. Gerber, E. M., Hui, J. S., & Kuo, P. Y. (2012, February).

Internet marketplaces connect people seeking funds with hundreds, if not thousands of supporters. But the idea that an entrepreneur could raise funds from a large number of sources, each providing just a small amount is not really new Kuppuswamy, V., & Bayus, B. L. (2013).

Peer-to-Peer lending sites like LendingClub offer a crowdsourced solution for debt. It is part of a larger revolution in financial technology, internet software that aims to disrupt the traditional finance industry Ward, C., & Ramachandran, V. (2010).



## **PURPOSE OF THE STUDY**

Now crowdfunding websites have to invest heavily in their platforms upfront and slowly build up scale to investing in a crowdfunding platform it is important to consider it is stage of growth in the early stage the main focus should be on customer traction can gauge this by the amount of momentum being built among project initiators and investors. The key valuation metrics include valuation divided by number of campaigns valuation divided by successful campaigns and valuation by funds raised in the growth stage the aim is to prove the revenue model and to scale up as rapidly as possible. The key valuation metrics include valuation divided by funding value and valuation divided by revenue finally in the late stage the goal is to maximize profitability and cash flow while maintaining growth. The key valuation metrics include valuation divided by revenue valuation this should be a product that will pan out, but that really quickly changed.

## **METHODOLOGY**

Data was collected from the methodological manual of financial technology and as of a mixture of sources in the investigated papers on finance equipment, disseminated papers and web sites.

## **DISCUSSION ON FINANCE TECHNOLOGY**

Social entrepreneurship began the industry with good capital of social funding. Crowdfunding companies like Kickstarter and Indiegogo are aware of this possibility and a lot of people are changing their business, so that supporters do not end up empty handed. But the ultimate question is who's responsible when a product does not ship, the founders who pitched their dream or the crowdfunding platforms that gave them the money-making tools.

### **I. Disreputably hardware**

Kickstarter as a tool to see and fulfillment there is particularly challenging, right. Kickstarter requires campaigns to be completely new and never seen before, creators only get to keep their cash if they reach their goal, Indiegogo however, lets creators come over from other crowdfunding platforms and sometimes they can keep their money even if they have not reached their goal. Crowdfunding has already demonstrated the ability to promote innovation, wealth creation and more but of course, it has also revealed certain potential shortcomings. projects are going to be doing crowdfunding are hardware products.

Product of some sort the ones that have kind of struggled a little bit more the ones that kind of also lend themselves more to equity crowdfunding apps and software now apps and software have done pretty well with epic crafting but they kind of struggled with the rewards based.

### **II. Manufacturing Complexity**

There is just way more complexity to the manufacturing of a complex gadget and then shipping it. Then there is to publishing a book or producing a board game. Funders back campaigns that interest them, with the promise of receiving something in return. Usually, a copy of whatever product they are backing. Kickstarter is the most well-known example of this model, and has been used to fund everything from the creation.

### **III. Gadget cost**

Creating a gadget cost a lot of money, so creators often turn to crowdfunding to raise cash. But even if they raise all the money they could have ever wanted, if they are not fully ready to make their product it could end up being delayed for months, years. Rewards based sites are one of the major innovations of albums and short films to the development of 3D printers and smart watches, fashion gaming or board games in crowdfunding.

### **IV. Communication style**

Communication style to be very open and we did not give really constant updates. The terms of service that Indiegogo has a crowdfunding campaign and at the time would only prosecute, if there seemed to be outright frauds, so without the help of a government agency, backers have nowhere else to turn, but the crowdfunding platforms themselves. Crafting to start an online e-commerce store on a physical product like a board game crowdfunding is a perfect match for offering more of service.

### **V. Investments with risks**

Kickstarter and Indiegogo have traditionally said that investments come with risks, but that pressure from backers hasn't gone unnoticed and it's even forced a fundamental change in Indiegogo's business model. Now doing is for a subset of campaigns on Indiegogo that product will ultimately be delivered. Kickstarter and Indiegogo have drawn a lot of attention from entrepreneurs, policymakers, investors, and the public. This type of funding only represents a small fraction of all crowdfunding activity. Fund raisers usually do not offer anything



in return for donations, except for the information and feedback about the good deeds that those campaigns have enabled.

## **VI. Running cost of platforms**

Crowdfunding platforms lower the costs of running a campaign by leveraging the geographic and social reach of the internet to connect fundraisers with millions of potential backers. In exchange, these platforms charge a fee, typically a percentage of the amount raised. There are four major crowdfunding models. It is easiest to classify them according to what they offer in exchange for the funds they receive: either equity, debt, some type of reward, or nothing but the satisfaction of donating to a good cause. Equity based sites, such as AngelList and Circle Up, provide a platform where people can sell shares of their company.

## **VII. Legal and practical constraints**

Legal and practical constraints have slowed things down, but upcoming regulatory changes could make a big difference. While banks typically serve as an intermediary for loans, the peer-to-peer model allows one person, or many, to lend money directly to those who need it. This allows savers to earn more, and borrowers to pay less.

Crowdfunding platforms often act as a vetting agent a trusted third party and like there is many international platforms that can just put a campaign up and raise funds are raised do go towards administration of the platform but otherwise everything else flows through to the individual apart from crowdfunding is relatively new compared to traditional crowdfunding and it is essentially an investment.

## **CONCLUSION**

Crowdfunding is coming into play and it is not just growing in the number of platforms. platform to be able to fully protect the backers on the platform, in large part because it would be impossible for any platform to be able to fully evaluate that entrepreneur's ability to ship that product. Crowdfunding really does give independent creators the power to launch their own companies. It was not their intention not to ship, the crowdfunding platforms are on the right track to take some of that responsibility but ultimately. It is on the creators to ensure that their products end up in backers' hands. crowdfunding online fundraising is a very useful tool to use during these times when things are not quite back to normal yet.

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