Crowdfunding: The Power Of the Crowd is Driving the Future Of Business

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ABSTRACT

For becoming a successful entrepreneur it is necessary to obtain and manage the various resources for smooth running of business. Out of various resources Finance pose a biggest challenge in the front of a entrepreneur. There are numbers of traditional alternatives like bank financing, loan taking, and issue of shares. Bond, venture capital is available to individual but all these have some pros and cons. In the recent years a new alternative source known as crow funding emerged for entrepreneurs. It helps the entrepreneurs to fund their business project directly with the help of small amounts. The word crowd denote to mass or group of persons who provide finance to entrepreneur in return of some monetary and non monetary reward. It is a new way to finance the new project by providing information to public and by attracting & attaching them with new project. In recent years the concept of crowd funding gain a lot of acceptance & growth. The main benefit of crowd funding is to entrepreneur who seeking for fund is to raise it lower cost and it provide higher return to investors. But it does not mean it is free of risk. This research paper mainly focus on the crowd funding concept, its growth all over the world, future prospects and problems attached with it.

Introduction

Crowd funding is the term used for small amounts of money collected from large numbers of individual persons for the purpose of funding any new product or project, or business idea trough online platform. In this amount is collect in small size from large of people or individual, so that's why it is termed as Crowd funding (mass funding). Crowd funding concept has grown at very rapid speed in last decade. Crowd funding is a new innovation of market based finance. In this process first of all entrepreneurs present his product or project to public and provide information like nature and amount of money required for it to them. By creating their interest in project or product & by linking those with project funds are obtained from them. People can donate a specified amount through website and often receive some sort of acknowledgement or reward in return for their donation. It provides opportunities to large number of investors to invest their small saving at convenient place. It is a online platform accessible to large numbers of potential investors all over the world. Investors provide finance to entrepreneur in return for equity stakes, interest payment, for future reward and some non monetary reward. Mostly people provide fund to new project idea with the expectations of receiving product or services in future

LITERATURE REVIEW

Schwienbacher and Larralde, 2010 Crowd funding is a novel method for funding a variety of new ventures, allowing individual founders of for-profit, cultural, or social projects to request funding from many individuals, often in return for future products or equity. Crowd funding projects can range greatly in both goal and magnitude, from small artistic projects to entrepreneurs seeking hundreds of thousands of dollars in seed capital as an alternative to traditional venture capital investment. It is more of an informal form of financing projects either commercial or non-commercial. Here, a large number of people (the crowd) fund small amounts of money to accumulate into an investment large enough to finance a project (or a start-up company).

Gompers and Lerner, 2004 Crowd funding is a collective effort by people who network and pool their money together, usually via the internet, in order to invest in and support efforts initiated by other people or organizations .

Ordanini, 2009 crowd funding as an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward in order to support initiatives for specific purposes. Thus, the crowd generates financial support for already proposed initiatives. The crowd funding mechanism is also related to social networking, where consumers actively participate in online communities to share information, knowledge and suggestions about a new initiative and/or brand. However, crowd funding goes beyond conventional social network participation by incorporating more proactive roles for consumers, such as selecting new initiatives to support and providing financial backing for them.

Research Objectives

The research paper has the following research objectives:

- To define the concept of crowd funding, define its origin (History).
- Show the entire crowd funding business models used by entrepreneurs.
- Explain the benefits, return and risk involved in crowd funding
- State comparison between the major crowd funding platforms in India.
- Describe the Regulatory environment in India with special reference to SEBI consultation paper.

History

Crowd funding has a long and rich history with roots going back to the 1700's. Here, we look at how the past decade has shaped modern day crowd funding and contributed to the recent surge in crowd funding activity.

1997-The Inception of Modern Day Crowd funding

The first recorded successful instance of crowd funding occurred in 1997, when a British rock band funded their reunion tour through online donations from fans. Inspired by this innovative method of financing, Artist Share became the first dedicated crowd funding platform in 2000. Shortly thereafter, more crowd funding platforms began to emerge, and the crowd funding industry has grown consistently each year.

2009-Crowd funding Emerges as a Major Funding Source

The crowd funding industry has quickly emerged as a popular option for entrepreneurs to validate their ideas, gain exposure, and gain funding. Crowd funding revenue tripled from $530 million in 2009 to $1.5 billion in 2011 and is expected to continue rapid growth in the coming four years. Crowd funding boasts a 74% compounded annual growth rate. It is an incredibly important funding option because other funds (such as Small Business Association loans) have become significantly less available in the past few years.

2009-Kickstarter changed the concept of crowd funding

Kickstarter is an American public-benefit corporation based in Brooklyn, New York which has built a global crowdfunding platform focused on creativity. The company's stated mission is to help bring creative projects to life. Kickstarter has reportedly received more than $1.9 billion in pledges from 9.4 million backers to fund 257,000 creative projects, such as films, music, stage shows, comics, journalism, video games, technology and food-related projects.

2011-Crowd funding Gains Washington's Support

In April of 2012, President Barack Obama signed the Jumpstart Our Business Startups (JOBS) Act into law. Also known as "the crowd funding bill," the JOBS Act aims to lessen regulation burdens on small businesses and has legalized equity crowd funding. This includes removing the ban on general solicitation that prevents entrepreneurs from publicizing that they're raising money.

Though the **JOBS Act** was signed into law in April of 2012, the Securities Exchange Commission is still in the process of setting regulations to ensure that both **investors** and entrepreneurs remain protected. Regulations are anticipated to be finalized in early 2013.

Types or Models of crowd funding

There are four main categories of crowd funding. The four types of campaigns are: (1) donation based crowdfunding; (2) rewards based crowdfunding; (3) debt based crowdfunding; and (4) equity based crowdfunding.

- **Donation Based Crowdfunding.**

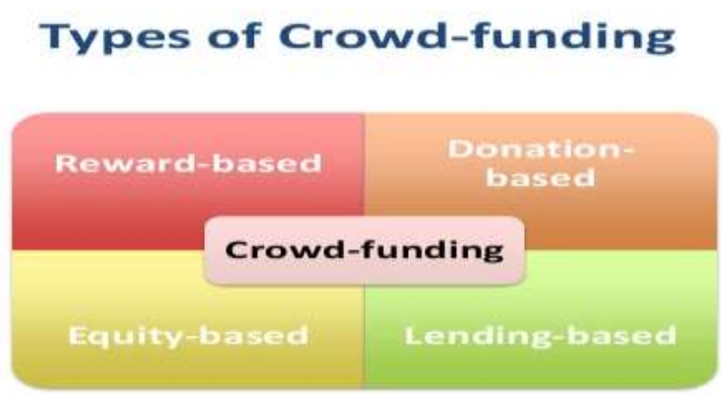
Donation based crowdfunding is a type of funding campaign where the person or company running the campaign is not expected to give anything in return to the contributing persons. In a donation based crowdfunding campaign the contributing persons give money or other resources to the person/entity running the campaign simply because they want to support the idea or cause. These types of crowdfunding campaigns work well for fostering social causes, community projects, charities etc.

- **Rewards Based Crowdfunding.**

Rewards based crowdfunding describes a funding campaign where the individuals contributing money can expect to receive varying levels of "rewards" that correspond to the amount of money they contribute. Typically the "reward" is a product or service that that the particular company running the campaign produces or provides (or some discount to acquire the product/service) and there are at least three levels of rewards based on the level of contribution. Reward based crowdfunding has been around a long time. Rewards based crowdfunding campaigns tend to work particularly well for consumer goods and other tangible products.

- **Debt Based Crowdfunding.**

In a debt based crowdfunding campaign, the person or company running the campaign is essentially looking to borrower money from multiple people. In return, the individuals agreeing to lend money to the company receive the person's/company's binding commitment to repay the amount at set time intervals and at a set interest rate. Debt based crowdfunding campaigns are particularly popular with entrepreneurs who don't want to give up equity in their start-up companies immediately and/or do not have access to more traditional types of loan facilities.



- **Equity Based Crowdfunding.**

In an equity based campaign, a person contributing money can expect to receive some ownership in the company which is raising the funds. Put another way, the company running the campaign is selling off a piece of its ownership (e.g. shares, membership interest, etc.) to each of the crowd members contributing money. The contributing crowd members may realize a return on their investment by receiving a share of the profits in the form of a dividend, distribution etc. Equity based crowdfunding campaigns are being used more and more by entrepreneurs and start-ups seeking an alternative to traditional venture capital and angel investors when looking for a capital infusion to take their business the next level.

Risks of Crowdfunding

- **Greater risk of failure**: A business that has been capitalized through equity crowdfunding arguably runs a greater risk of failure than one that has been funded through venture capital or other traditional means of start-up financing. This is because a crowd funded business may not have access to the experience and guidance of seasoned venture capitalists and other professionals who can steer a start-up through the challenges of its development phase. The success of a business cannot be assured merely by funding. Without an adequate business plan and support structure, even very promising ventures can fail.

- **Risk of fraud**: Online forums and social media are ideally suited for equity crowdfunding because they offer wide reach, scalability, convenience and ease of recordkeeping. But these very features also make it easy for fraudster's men to set up dubious ventures to attract equity crowdfunding from investors. Investors who have not had the patience to conduct due diligence before investing may end up losing their entire investment to fraudulent crowdfunded schemes.

- **Returns may take years to arise**: An investor who invests through equity crowdfunding has an expectation of some return on investment in the future. However, return on equity crowdfunded ventures may take many years to arise. In many cases, Management may deviate from the business plan, or could be out of its depth when trying to scale up the company. Over time, this may lead to capital erosion rather than wealth creation. In such cases, there may be an opportunity cost attached to equity crowdfunding because it ties up capital that could be deployed elsewhere to generate returns.

- **Security of the crowdfunding portal or platform**: In recent years, hackers have displayed an alarming ability to break into important data base of leading retailers and companies and steal credit card details and other valuable client information. A similar risk exists for crowdfunding portals and platforms, which are vulnerable to attacks from hackers and cyber-criminals. The prospect of possible credit card or identity theft from a crowdfunding portal is a risk that needs to be taken into consideration.

- **Lower-quality investments may be the norm**: The question arises whether a company would only use equity crowdfunding as a last resort. For example, if a company is unable to attract funding from conventional start-up funding sources like angel investors and venture capitalists, perhaps then it would turn to equity crowdfunding. If that is indeed the case, then equity crowdfunded businesses are likely to be more mediocre investment opportunities with limited growth potential.

- **Less information of company:** Since the companies are small and private, or probably not even registered, then audited company accounts as well as business plans may not be available to allow them to find out more about the company.

- **Lack of follow up:** There are limited follow up mechanisms. There is no way for the sponsors to follow up on how their money was used, and neither can they follow up on promised rewards if the project owners choose to dishonor their promises.

- **Tax Treatment of crowdfunding:** Finally, tax laws governing the ecommerce environment are not clearly defined. For instance, since the funding happens across borders, do international tax laws apply? If rewards can be looked at as sources of income, should these be taxed as well? The Crowdfunding industry will need a lot of regulation to minimize the above mentioned risks.

Rewards of Crowdfunding

- **Potential for outsize returns**: Investing through equity crowdfunding holds out the potential for huge returns, although it must be stressed that the odds of hitting a home run on such investments are quite low. Oculus Rift raised $2.4 million on donation-based crowdfunding portal kickstarter from 9,500 donors. This works out to an average of just over $250 per donor.
- **Greater degree of satisfaction**: Investing through equity crowdfunding can give the investor a greater degree of personal satisfaction than investing in a blue-chip or large-cap company. This is because the investor can choose to focus on businesses or ideas that resonate with him or her, or that are involved with causes in which the investor has a deep belief. For example, an environmentally conscious investor may choose to invest in a company that is developing a more effective method of measuring air pollution. An investor who is passionate about sustainable farming may invest in a start-up that is promoting sustainability in developing economies. Equity crowdfunding may offer more avenues for such targeted investments than publicly traded companies.
- **Opportunity to invest like accredited investors**: Before the advent of crowdfunding, only accredited investors – high net-worth individuals who have certain defined levels of income or assets – could participate in early-stage speculative ventures that held the promise of high reward and equally high risk. The minimum amount threshold for such investments was quite high. Equity crowdfunding, however, makes it possible for the average investor to invest a much smaller amount in such ventures. In that sense, it has leveled the playing field between accredited and non-accredited investors.
- **Greater business and job creation**: Small and medium-sized businesses (SME), are the biggest beneficiaries of the equity crowdfunding megatrend. By enabling easier access to investor capital for businesses that would otherwise have had a hard time obtaining it, equity crowdfunding should stimulate the local and national economies through new business formation and more job creation.

Benefits of Crowdfunding

There are a number of benefits to crowdfunding over traditional methods. Here are just a few of the many possible advantages, which are given below:

1) **It provides access to capital**.

At an early stage, an entrepreneur may think that they can only raise capital from accredited investors, venture capitalists, and banks. This is not true. Crowdfunding is a great alternative way to fund a venture, and it can be done without issuing equity share or debenture. Rewards-based crowdfunding platforms allow entrepreneurs to raise funds from the public in exchange for simply giving their tangible products or other relative gifts.

2) **It hedges risk.**

Starting up a company is a very risky and challenging task. Besides finding sufficient source of funding involve expenses that are impossible to forecast. Launching a crowdfunding campaign hedges these risks and serves as a valuable learning experience. Crowdfunding as it is today allows an entrepreneur to gain market validation and avoid giving up equity before going all out and taking a product concept to market.

3) **It serves as a marketing tool**

An active crowdfunding campaign is a good way to introduce a venture in the market, as it is a free and easy way to reach numerous people. Many crowdfunding platforms incorporate social media mechanisms, making it convenient to attract the public to company websites.

4) **It allows cover the loopholes**.

One of the biggest challenges for small businesses and entrepreneurs is to be able to cover all the holes that a venture might have at an early stage. By having a crowdfunding campaign, the entrepreneur becomes able to receive comments, feedback, and ideas. This feedback is valuable, as it can help understand some aspects of their business that were previously ignored.

5) **It introduces prospective loyal customers**.

A crowdfunding campaign not only allows an entrepreneur to present a business and product, it gives them the ability to share the message and the purpose behind it. People who view the entrepreneur's campaign and decide to contribute are ones that believe in the success of the company in the long run. In essence, these people are early adopters. Early adopters are very important to every business. Such people care about the venture's brand and message, and are likely to be loyal customers throughout the life of venture.

6) **It is simple than traditional system**.

Applying for a loan or pursuing other capital investments are two of the most complicated processes that every entrepreneur has to go through, especially during the early stages of the company. But the application process for crowdfunding is very easy and simple as compared to these traditional methods. In order to get started on the crowdfunding process an entrepreneur only needs to contact the chosen crowdfunding platform that best suits their campaign theme and purpose, share their venture's message, make a video, and establish some attractive rewards.

7) **It provides the opportunity of pre-selling**.

Launching a crowdfunding campaign gives an entrepreneur the ability to pre-sell a product or concept that they haven't yet available in the market. This is a good way to estimate user reaction and analyze the market in order to decide whether to pursue or pivot on a given concept.

8) **Wide Reach**

By using crowdfunding platform like a business firm have access to thousands of accredited investors who can see, interact with, and share your fundraising campaign

Crowdfunding sites in India-Opportunities and facts

Crowd-funding has been in India for quite a few years now however still the quantum of funds collected is very much low as compared to the crowd-funding platforms in USA and Europe. From that perspective, it may not be wrong to say that the Indian crowd-funding space itself is in nascent stage. If you consider the aggregated volume of projects or the quantum of funds generated in India so far, we are absolute baby compared to what some of the bigger names in this space have been able to achieve. The entrepreneur community in India needs a successful and widely accepted Indian version of crowdfunding platforms like Kickstarter, Indiegogo which not only helps Startups/individuals to launch a product but to also test the acceptance of the product in the market.

Currently, no crowd-funding regulation exists in India, but the Securities and Exchange Board of India (SEBI) released **a consultation paper** last year where it spoke about need for regulation. We expect the regulations to be bought in and the acceptance of crowd-funding among the Indian backers at a lower speed though. Within India, if one looks a little closely, the crowd-funding platforms themselves fall into three broad categories namely Social causes, Business/Startups and Arts & Culture.

Listed below are some of the Indian based Crowd-funding platforms available for Indians along with their statistics:

1. **BITGIVING**

Bitgiving is a Social Crowdfunding platform, which focuses on fund-raising for causes online. With an immense focus on Social Media integration BitGiving envisions bringing together projects and social campaigns and helping individuals, organizations and NGOs raise funds for their projects. It's open to both open to both individuals and organizations.

2. MILAAP

Milaap disburses loan of which 100% goes to the borrowers. Milaap is not a charity where you donate money, but actually loan them to people who need it. The idea of not making people dependent, but making them independent, making them productive is fantastic.

3. KETTO

Starting a campaign on Ketto is FREE. There is no penalty if you don't raise the total amount. Whatever funds your raise will still get disbursed. The campaign raiser can offer rewards to the backers.

4. ST**ART51**

People from different domains like film making, music, designing and many other can register and raise funds. We could not see many projects running at the time of writing this article.

5. **FUNDDREAMS INDIA**

Most of the campaigns pertain to social cause.

6. WISHBERRY.IN

This is the only site we found that has substantial successful projects from different sectors.

Sr. no	**Criteria**	**Milaap**	**Funddreamsindia**	**Bitgiving**	**Satrt51**	**Ketto**
1	Website address	www.milaap.org	www.funddreamsindia.com	www.bitgiving.com	www.start51.com	www.ketto.org
2.	Launched	2010		2013	2012	2012
3	ld	Personal, social cause and rural entrepreneurship	Personal, life events, social causes, educations. NGO, natural calamities	Artists, Engineering & creative act of all kind	Different no. of area	social causes like charities and creative ideas
4.	Tag line	Crowd funding for all	Make your dreams alive	India's crowd funding platform	Add life to your ideas	The causes you believe in are all in here
5	Founders	Vinod Khosla, DBS bank.	Blue Biz Venture pvt. Ltd	Ishita Anand, Fahad Moti Khan	Start Online Services Pvt Ltd. Ateet Bajaj	Varun seth and kunal kapoor
6	Marketing media	Through the Site, email, websites, and other media	Used of team of expert in different areas	Use of celebrity Soha Ali Khan, Sonakshi Sinha, Gul panag	Online platform for fund raising	Used bollywood celebrity shabana aazmi
7	Geographical Reach	Up to 120 countries	Domestic	Domestic and foreign	Different parts of world	Domestic and foreign
8	Fee	5% of amount invested	5% on the collection amount and 3.95% Additional charges	10%-15% of fund raised	5% of contribution	
9	contribution	Rs.85+ crore	-	-	-	More than 40 crore
10	Duration limit of fund raised	29 days	Average 50-60 days	NA	51 days	Depend on project

International crowdfunding platform

1. **Kickstarter**

Probably the hottest crowdfunding site on the Internet is Kickstarter, which raised a total of $220 million from 61,000 launched projects so far. Thousands explore its listed projects every second waiting to give away their money to the project they think is most deserving! According to the guidelines, Kickstarter accepts all major kinds of creative projects but not for causes or awareness campaigns, charity or scholarships, and definitely not for vacations or a new digital camera.

2. Indiegogo

Indie is the short form of 'independence', so from the name you already know that this crowdfunding site is aimed to help you raise funds and make you personal project 'go-go-go' without any difficulty. The site's layout is similar to Kickstarter so it's easy to adapt to if you have tried Kickstarter. Unlike Kickstarter though, you can kick-start any project including donations for charity.

3. Razoo

Claiming to have raised more than $97,000,000 for thousands of worthy causes, Razoo is the next crowdfunding behemoth that you, as a fundraiser should seek help from. The site focuses heavily on causes than profitable projects, but they do have a dedicated section for non-profit fundraising projects. Razoo divides fundraisers into 4 major categories: Nonprofits, Individuals, Corporations, and Foundations, and they each have their own benefits.

4. Crowdrise

Crowdrise specializes more on dealing with real world issues than fueling profitable creativity. They fund for animal welfare, arts, cultures, diseases, education, and even religion. It even labels itself as a platform that help raises money for Charity.

5. PledgeMusic

This one is a crowdfunding effort to bring in new talent into the music industry. The career of a music artist is an expensive one that requires major funding and publicity. PledgeMusic is one such crowdfunding site. Music-related sites are usually philosophical, with a hardcore user interface, but PledgeMusic is clearly an exception. Its interface looks persuasive and intuitive at the same time, just like the Kickstarter and Indiegogo

Challenges Related To Crowdfunding In India

1. Low trust levels of doing the transaction online are also a challenge in India.

2. As long as the crowdfunding platforms on behalf of project campaigners or entrepreneurs are not making any financial promises to the contributors, they should not be safe to operate especially in case of Lending based model and Equity based model.

3. The crowdfunding industry is not so investor-friendly in India.

4. People are not ready for this concept as it is new one and online based, channelized through Internet.

5. Lack of computer knowledge and internet facility is also a major problem in rural area.

6. To build long term credibility and transparency in Indian Industry, the crowd Funding platform should approach proactively.

SEBI's role in crowd funding,

In India, the Securities and Exchange Board of India (SEBI) released a **consultation paper** in 2014 which, inter alia, proposes a framework for ushering in crowdfunding by providing start-ups and small-and-medium enterprises (SMEs) access to the capital markets and to provide an additional channel of early-stage funding. A brief background and the purport of the consultation paper is provided here.

- A number of issues arise concerning crowdfunding in India - the first of which is the requirement of regulating crowdfunding, particularly when pre-existing securities laws may be interpreted to include crowdfunding activities. The nature of crowdfunding is inherently different from venture capital and public funding. This sets up the foundation for which a separate exemption may be carved out of existing securities laws. There are several primary risks arising out of equity crowdfunding which must be addressed by any securities regulator seeking to regulate this mechanism.

- The first risk involves the possibility of a large number of likely non-sophisticated investors in an early-stage company, which has a high chance of failure making it an added complication. Because of the low cost of capital and the relative ease with which entrepreneurs may access and engage with crowdfunding portals, crowdfunding has been used by many startup companies to raise smaller amounts of money for their initial stage. Startup companies have an inherent risk of failure. Failure statistics universally show that over 50% of newly founded firms will fail during their first five years.

- Crowdfunding portals and their operations create concerns as well – primarily due to the lack of a secondary market. Typically in a company which has issued securities to the public, such securities are freely tradable on stock markets. The Companies Act, 2013 also limits restrictions on transferability of public, listed company shares. Conversely, crowdfunded securities cannot be traded on crowdfunding portals as on date - leading to illiquidity. As a result, contributors cannot sell their securities to recoup their investments. This risk is exacerbated in cases of default or fraud, where an immediate exit option from the company does not exist.

- At the same time, equity crowdfunding offers a number of advantages, the largest of which – curiously enough - is the lack of regulation. Companies that raise funds from fifty or more investors are required to undertake a public offer, regulated under the Companies Act, 2013 as well as the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009. Using the Internet, an entrepreneur can sell an idea that is viable and can be monetized to literally millions of potential investors. No intermediary such as a merchant bank or an underwriter is needed. Other advantages include the spreading of risk and the boost to the economy through encouragement in the growth of SMEs.

- In India, companies are prohibited from offering to issue shares to more than 200 potential investors in a financial year or from allotting shares to 50 or more shareholders, without undertaking a public offer. A public offering of shares or convertible debt securities involves the appointment of one or more merchant bankers, a registrar to the issue, filing of a draft offer document with SEBI, eligibility requirements such as previous track record, minimum promoter's contribution, lock-in requirements, requirement to have a monitoring agency, etc., apart from detailed disclosure requirements.

- Legislation exempting crowdfunding activities from traditional securities laws have been passed in a number of other jurisdictions, beginning with the United States. Other countries, including Italy, New Zealand, the United Kingdom and Australia have followed suit. Three regulatory regimes can be identified in equity crowdfunding. In the first case, regulation prohibits equity crowdfunding in its entirety while reiterating the existing law on fundraising by companies. In the second case, countries have begun to consider crowd funding as a new way of raising capital and that it falls under the regulation of public offers of securities. In the third case, several countries have adopted tailored regulations which seek to encourage this financing without apparently compromising investor protection

- Similar to the Jumpstart Our Business Startups (JOBS) Act in the US and other legislations around the world, SEBI's consultation paper also seeks to create exemptions for crowdfunding activities. This raises the second issue involving a comparison of SEBI's proposed regulations, particularly in terms of eligibility criteria for fundraisers and contributors, mechanisms, levels of disclosure and independent accreditation, etc., with that of other jurisdictions.

- Policymakers continually face the challenge of effectively balancing the benefits of encouraging small business formation against the investor protection goals of the securities laws. This challenge becomes even more pronounced in the case of crowdfunded companies which typically are small and medium enterprises. In terms of the existing law on raising capital, a proposition may be made that the present-day law in India makes it impossible for crowdfunding activities to occur. Any exemptions offered to crowdfunding activities must still address certain basic issues concerning information asymmetry, agency costs and investor protection at the very least. A rewiew of SEBI consultation paper would ascertain whether the principles followed by SEBI in regulating this sector would follow in the development of crowdfunding activity or not..

- At the same time, SEBI's consultation paper does not take into account two key aspects of crowdfunding. The first is that of peer to peer lending – when the proceeds of crowdfunds are issued to an individual and not a company. The second is that of cross-border crowdfunded companies. Given that crowdfunding is typically facilitated by web-based portals and promoted through social media and other internet-enabled networks, it is likely that crowdfunding activities will transcend national boundaries. Perhaps suitable checks and balances could be designed into Indian crowd funding regulations.

Conclusion

In conclusion, there's a lot to be won by including crowd funding into organizations' existing set of fundraising tools, both for individual organizations as well as for the development sector as a whole. Crowdfunding is already part and parcel to many organizations' and individuals' wish to make the world a better place and help people around the globe to improve their lives. Its obvious benefit is raising money. Crowd funding is credited with overcoming financing barriers to small grassroots projects that don't have access to banks and large donors. Crowd funding not only provides money to organizations, it also boosts their man power as the crowd that funds them also puts their institutional structures on a broader footing. The supporters unwittingly become an additional marketing team by promoting the project they funded to their friends and networks. Another side-product of crowd funding therefore is testing the popularity and effectiveness of a project with very little means, often before the project has even started. An unexpected benefit of crowd funding campaigns is that you will often receive very useful advice – and even tangible offers of assistance – from backers, who, after all, want you to succeed. Once an organisation has gained some experience in crowd funding, it can also branch out into crowd sourcing activities more easily. But making the transition to online crowd funding means a lot of extra work and needs accurate preparation. Plotting successful crowd funding ventures demands a different kind of preparation than traditional product pitches. You're reaching out to end consumers, not professional investors – a completely different and far more diverse audience. This may require knowledge of consumer marketing, social networks and social marketing techniques in order to converse with these customers, as well as some familiarity with customer acquisition and conversion as well. But if implemented in right way it becomes a success factor for development in business world.

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