



Investor Attitude towards Crowd Funding Operations and Fund Model

M. Rajeswari¹  and R. Magesh² 

¹ Professor, Faculty of Management, SRM Institute of Science and Technology, Chennai, Tamil Nadu, India.

² Professor, Department of Management Studies, Anna University, Chennai, Tamil Nadu, India
mmraji75@gmail.com.

Abstract. This study aims to analyse problems and prospect of crowd funding. It is a project and source of venture by raising a quantity of money by inviting a large number of people. Exploratory research conducted on Crowd funding in details with its actors involved, process of operations and models. Demographic details such as demographic variable along with the opinions or attitude of people in Chennai towards Crowd funding by using Likert scale. Collected data was analyzed by percentage analysis and using statistical tools like Chi-square test in order to test the hypothesis to find out the association between two or more variables with the help of IBM.SPSS statistics software 28.0.1.0 version. 58% of them are getting lower-middle income i.e., normal average income interested for investments to develop income. It is accepted that 72% of the respondents heard about crowd funding but only 28% of the respondents are contributed to a crowd funding campaign. Respondents conclude that extreme importance given to the level of influence on deciding whether to invest or not in crowd funding.

Keywords: Funds, crowd funding, attitude, models, pros and cons of crowd funding.

1 Introduction

Crowding the small investor funds known as Crowd funding it is a best source to support a business venture. Use of the accessibility of larger community of people by crowd funding websites with the scope of increasing entrepreneurship by expanding the investors circle of owners, relatives, and venture capitalists. Through the use of a platform, crowd funding is a way to raise modest sums of money from a large number of people without the need of traditional financial intermediaries. This method's democratization of finance is one of its features, enabling all kinds of businesses to seize chances to improve their goods. While the concept of crowd funding predates the usage of digital platforms, its application has been a novel means of funding company ventures, completely changing the industry. It is crucial to stress that CFPs can be extremely helpful to small investors by identifying additional chances to make financial returns during periods of low deposit rates, hence lowering

the risks involved in making investment decisions. For business owners, there are several benefits.

2 REVIEW OF LITERATURE

Ricarda et al [4] found that ways for the crowd funding movement are developing. Smriti Pathak & Paramjeet Kaur [5] studied about the influence of social media networks on crowd funding. And explored social media for developing investor and entrepreneurs' network using social media networks on crowd funding. 80% of investors and entrepreneurs were using new technique using social media marketing developing business and investor network for crowd funding. Hasnan Baber [3] analyzed attitude formation towards crowd funding such as consumer factors. The results that the attitude on project through prior experience of related services and influence of reference groups. Susana Bernardino & Freitas Santos [6] through an online survey, students were used to know contain moderate knowledge about CF.

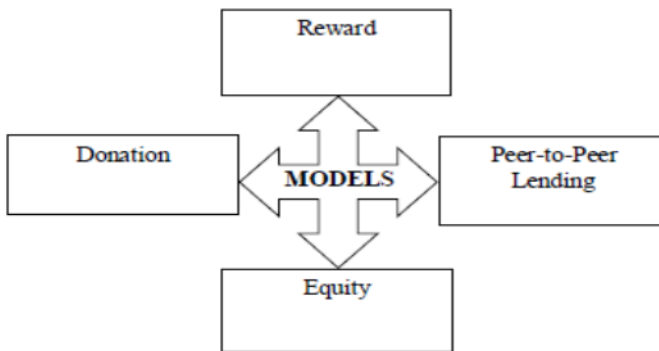


Fig. 1. Crowd Funding Models

- **Donation Model:** Donations model is a traditional. It is also regarded as a rising opportunity for public institutions, such as libraries, famine, education programmes, etc. to be financially funded by the crowd. The model presents an option for investors to take part in problems with their engagement in the crowd.
- **Reward Model:** immaterial rewarding material (with expectation of a reward). crowd sponsoring investors are rewarded through acknowledgements as their name might appear in the funded project
- **Peer-to-Peer Lending Model:** contracts can either be made between private persons when private investor finances a private fundraiser or from private persons to companies.

- Equity Model: The equity model comprises selling shares by fundraising of the fund-raised company to the crowd. Equity is a new model in crowd funding. It is especially as crowd investing or investment crowd funding,

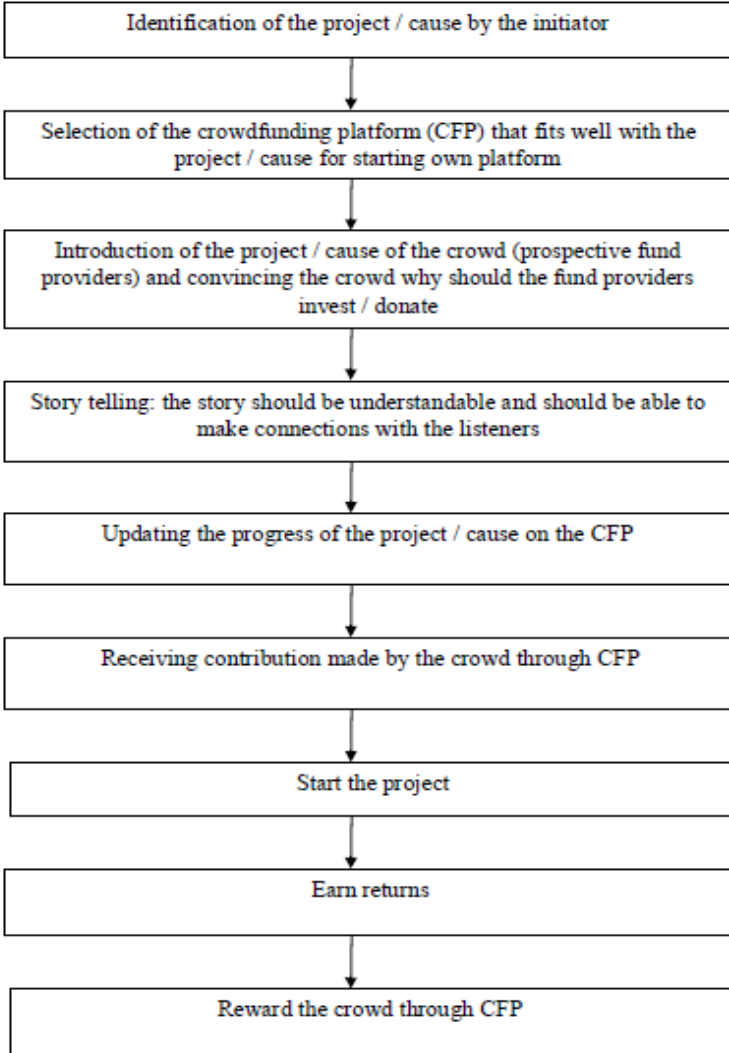


Fig. 2. Crowd funding-Process/Operations

2.1 PROS AND CONS OF CROWDFUNDING

Pros of crowd funding.

- Promote entrepreneurship by offering for connecting entrepreneurs and investors.
- Serves owners to traditional or commercial finance.
- An effective way to capture remittances.
- To validate ideas with targeting traditional donors
- Risk of small projects shared with a group of investors.
- Angel crowd funding platforms to communicate with, and invest in start-ups.

Cons of crowd funding.

- Knowledge, Time, costs, design an effective communication strategy and crowd funding campaign discourage segments of the society to seek to benefit from crowd funding.
- Commercial information impairs the ability to protect intellectual property rights
- Internet access and mobile technology are the need for web-based technology
- Standards and project to crowd funding projects.
- Supportive regulatory environments.

3 Research Methodology

3.1 Objectives of the study

- To know about attitude of people about Crowd funding.
- To study about Crowd funding and its Operations/Process.
- To analyze various crowd funding models.
- To compare different Indian crowd funding platforms.
- To suggest the pros and cons in crowd funding.

3.2 Study Hypothesis

H₀₁: No significant association among income & amount pledged for crowd funding campaign.

H₀₂: No significant association between the age & research project supported via crowd funding.

H₀₃: There is no significant influence of gender on deciding whether to invest or not in crowd funding.

Descriptive approach is used in this study. Structured questionnaire is used for the data collection from 50 respondents using convenience sampling technique.

4 Data Analysis and Interpretation

Table 1. Demographic profile of the respondents

| | Variables | No. of respondents | % |
|-----------------------|------------------------------|---------------------------|----------|
| Gender | Male | 39 | 78 |
| | Female | 11 | 22 |
| Age | <18 | 1 | 2 |
| | 18-29 | 40 | 80 |
| | 30-39 | 4 | 8 |
| | 40-49 | 1 | 2 |
| | 50-59 | 2 | 4 |
| | 60-69 | 2 | 4 |
| | >70 | 0 | 0 |
| Marital status | Single | 37 | 74 |
| | Married | 12 | 24 |
| | Divorced/ Separated | 0 | 0 |
| | Widow(er) | 1 | 2 |
| Education | Less than High School | 0 | 0 |
| | High School | 3 | 6 |
| | Diploma | 4 | 8 |
| | University Degree (Bachelor) | 31 | 62 |
| | University Degree (Master) | 11 | 22 |
| | PhD | 0 | 0 |
| | Other(CA) | 1 | 2 |
| Income | Low income | 6 | 12 |
| | Lower middle income | 29 | 58 |
| | Upper middle income | 12 | 24 |
| | Upper income | 3 | 6 |

Inference: From the above table, it infers that out of 78% of the respondents were male & 22% were female. 80% were 18-29 years of age, 8% under category 30-39 years, 4% under category of 50-59 & 60-69 & 2% were under the age category of <18 & 40-49. 74% were Single, 24% Married & 2% Widow(er). 22% having University Degree (Bachelor), 22% having University Degree (Master), 8% having Diploma, 6% having High School & 2% of Others (CA) of education levels. 58% of the respondents were

getting Lower-middle income, 24% were getting Upper-middle income, 12% were getting Low income & 6% were getting High income. 72% were heard & 28% have not heard about crowd funding.

Table 2. Source of Knowledge about crowd funding

| Income | No. of respondents | Percentage |
|---------------------------|---------------------------|-------------------|
| Internet | 26 | 52 |
| Friends/Relatives | 12 | 24 |
| Advertisements | 3 | 6 |
| Investors/Entrepreneurs | 7 | 14 |
| Others (Now only hearing) | 2 | 4 |
| Total | 50 | 100 |

Source: Primary data

Inference: From the above table 52% of respondents are getting from the source of knowledge about crowd funding were by Internet, 24% were by Friends/Relatives, 6% were by Advertisements, 14% were by Investors/Entrepreneurs & 4% were by Others (Now only hearing).

Income and engagement in crowd funding

To find out the association between income & highest amount ready to pledge for crowd funding campaign.

- H01: No significant association among income and amount pledged for crowd funding campaign

Table 3. Income & Amount pledged-Crosstab

| Household overall income | | <1000 | >1000 to <10000 | >10000 | Total |
|-----------------------------|-------------|-----------|-----------------|-----------|-------|
| | High income | 1 | 1 | 1 | 3 |
| Low income | 3 | 3 | 0 | 6 | |
| Lower-middle income | 16 | 11 | 2 | 29 | |
| Upper-middle income | 6 | 5 | 1 | 12 | |
| Total | 26 | 20 | 4 | 50 | |
| Chi-square = 6.810 (p=.657) | | | | | |

It was observed from table 3, Chi-square = 6.810 (p=.657) is not significant, therefore the H01 is accepted

Age and Research projects like to support via crowd funding:

To find out the association between age & research project like to support via crowd funding.

- H02: No significant association between age & research project like to support via crowd funding.

Table 4. Age & Research project like to support

| | |
|--|-------------------------|
| Age* research projects like to support | Chi-square |
| Projects on research related to my geographical area | 13.743 (p=0.545) |

| | |
|---|-------------------------|
| Projects that are modest, but the risk of failure is minimal | 16.263 (p=0.092) |
| Projects that have the potential to make a social impact | 9.811 (p=0.831) |
| Projects where there is enough evidence that the researchers will fulfill their obligations | 35.796 (p=0.016) |

Inference: It was observed from table, the chi-square values indicates that there is no association among Age and Research projects like to support via crowd funding in terms of Projects on research related to my geographical area, Projects that are modest, but the risk of failure is minimal and Projects that have the potential to make a social impact, therefore the H02 is accepted. No association between age & research projects like to support via crowd funding in terms of Projects on research related to my geographical area, Projects that are modest, but the risk of failure is minimal and Projects that have the potential to make a social impact. However the Chi-square value of Projects where there is enough evidence that the researchers will fulfill their obligations indicates that it is significant and it indicates that age and research projects like to support via crowd funding in terms of projects where there is enough evidence that the researchers will fulfill their obligations are associated, H02 is rejected.

- H03: There is no significant influence of gender on deciding whether to invest or not in crowd funding

Table 5: Gender and Level of influence on deciding whether to invest or not in crowd funding

| Influencing Factors | F-value | p-value |
|--|----------------|----------------|
| General interest in the idea/project | 0.282 | .598 |
| Trust in the crowd funding platform | 0.240 | .627 |
| Social impact of the project | 0.130 | .721 |
| Personal knowledge of the idea proposer(s) | 0.815 | .372 |

| | | |
|---|-------|------|
| Sharing the same values of the proposed project | 0.363 | .550 |
| Competencies and track record of the proposer(s) | 0.002 | .964 |
| Good expectations on the return for myself or society | 0.020 | .888 |
| Information is clear on how the funding will be used | 1.309 | .259 |
| Somebody told me about the project | 0.873 | .355 |

Inference: It is observed from the f-values in the table, that there is no significant influence of gender on deciding whether to invest or not in crowd funding.

5 Findings

From the above analysis, the sample represents 78% are male category who make investment decisions and while 22% were female. It is found that 80% were come 18-29 years who are adolescents. It is found that the majority of the respondents 58% of them are getting lower-middle income i.e. normal average income interested for investments to develop income. It is accepted that 72% of the respondents heard about crowd funding but only 28% of the respondents are contributed to a crowd funding campaign. Among four crowd funding models, 48% of the respondents are more interested in Investment (Equity) model which has high attention but not still legalized in India. People in Chennai are very clear and likely about the research projects they support via crowd funding. Respondents conclude that extreme importance given to the level of influence on deciding whether to invest or not in crowd funding.

6 Results and discussion

Investment preferences and attitudes of respondents towards crowd funding. The higher representation of male respondents as the head of the family in investment decisions aligns with traditional societal roles and decision-making patterns. However, the study also identifies a potential gender gap, with female housewives showing less interest in crowd funding and investment decisions. This highlights the need for targeted aware-

ness campaigns to promote financial literacy and inclusion among women. The significant presence of younger respondents, particularly in the 18-29 age groups, suggests that the younger generation is more open to exploring new investment avenues like crowd funding. This trend may be attributed to the tech-savvy and innovative nature of adolescents, making crowd funding an appealing option for them.

The finding that the lower-middle income indicates a potential market for crowd funding platforms to cater to individuals seeking additional income opportunities. Crowd funding can serve as a viable option for those looking to diversify their investment portfolio and grow their income. The awareness-participation gap in crowd funding suggests that while respondents are aware of crowd funding as an investment option, there are potential barriers or hesitations preventing them from actively participating. This gap may be addressed through education and promotional initiatives that showcase the benefits and success stories of crowd funding investments.

The preference for the Investment (Equity) model, despite its current legal status, indicates an appetite for investment options that offer ownership stakes in ventures. Regulatory developments and legal changes in India could shape the crowd funding landscape and potentially unlock new investment opportunities for respondents. The strong support for research projects via crowd funding underscores to fund innovative and socially impactful initiatives. This aligns with the idea that crowd funding can democratize access to funding for projects that may not receive traditional institutional support. There is no significant influence of gender on deciding whether to invest or not in crowd funding. Age and research projects like to support via crowd funding in terms of projects where there is enough evidence that the researchers will fulfil their obligations are associated.

7 Scope for Future Research

To find out the relationship between crowd funding and entrepreneurship in Chennai, analyze how crowd funding affects the success and growth of startups and small businesses in the region. Examined the role of trust and credibility in crowd funding campaigns in Chennai. Research could focus on how trust is built and maintained among crowd funding platforms, project creators, and backers. It will be pertinent to conduct a comparative study of attitudes towards crowd funding between Chennai and other cities or regions in India or globally. Identify any cultural variations that may influence crowd funding preferences and participation. To examine the behaviour of individuals who invest in crowd funding projects in Chennai. Investigate their motivations, risk perceptions, and investment strategies. To study the role of crowd funding in funding education initiatives, scholarships, and infrastructure development in Chennai.

8 Conclusion

The crowd funding is Crowd funding face problems also some cases of fraud. There is limited regulation for crowd funding market. The fact that crowd funding is to be scope within the financing instruments. Policymakers have to implement to protect both sides:

the project initiators/ start-up founders and the supporters or investors. Successfully motivated from the crowd will become active investors in innovative start-ups in the future. Crowd funding is worthy of being promoted and supported, as it is one of the few instruments that can mobilize private capital in the early stages.

References

1. Babu Lal Gedar, & Shilpa Lodha (2021). A Critical Review on Research on Crowd funding-Indian Journal of Accounting (IJA), 53(1).
2. Earl Dunlap (2012). Crowd funding and the Federal Securities Law-Columbia Business law Review, 1(1).
3. Hasnan Baber (2019). Factors Underlying Attitude Formation towards Crowd funding in India. International Journal of Financial Research, (10(4).
4. Ricarda B. Bouncken, Malvine Komorek & Sascha Kraus (2015). Crowd funding: The Current State of Research. International Business & Economics Research Journal, 14(3).
5. Smriti Pathak & Paramjeet Kaur (2016). Crowd funding: An Innovation in the Age of Digital Marketing. International Journal for Innovations in Engineering Management and Technology (IJEMT), 1(1).
6. Susana Bernardino & Freitas Santos J (2020). Crowd funding: An Exploratory Study on Knowledge, Benefits and Barriers Perceived by Young Potential Entrepreneurs. Journal of Risk and Financial Management, 13, 81.
7. www.catapoolt.com.
8. www.ketto.org.
9. www.kickstarter.com.
10. www.milap.org.
11. www.wishberry.com.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

