Summer Internship

At

Impact Guru, Maharashtra.
(10th May - 2nd July, 2021)

Summer Internship Report On

A Review on Crowd Funding Platform in India.

submitted by:-

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HARAN RAJ
MBA (HM) 1st year

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ACRONYMS

B2P	Business-to-Person
B2B	Business-to-Business
BoP	Base of the Pyramid
CGAP	Consultative Group to Assist the Poor
EMDEs	Emerging and Developing Economies
EU	European Union
FCA	Financial Conduct Authority (United Kingdom)
FinTech	Financial Technology
FSP	Financial Service Provider
GPFI	Global Partnership for Financial Inclusion
IOSCO	International Organization of Securities Commissions
IPO	Initial Public Offering
MSME	Micro, Small, Medium Enterprise/Entrepreneur
NGO	Nongovernmental Organization
OECD	Organization for Economic Co-operation and Development
P2P	Person-to-Person/Peer-to-Peer
P2B	Person-to-Business
SME	Small- and Medium-Sized Enterprise
SSBs	Standard-Setting Bodies
WBG	World Bank Group

INTERNSHIP OGRANIZATION PROFILE

Impact Guru gives donations to NGOs, social companies, start ups and people as a worldwide crowdfunding platform. Maneka Gandhi started it, Union Cabinet Minister for Women & Child Development, Government of India in September 2015.[6]

In more than 15 countries, Guru mobilised 150 crore (USD 21 million) to meet different NGOs and social companies.[7]

Partnerships:

Impact Guru teamed with Singapore's fund platform Fundnel in April 2016 to capitalise on Southeastern Asian charitable and investment capital of the Indian diaspora. Impact Guru teamed with UN Women's Project Inspire, an effort of the Singapore Committee for UN Women and Bain & Company to promote social entrepreneurs working in women empowerment. In September 2016 Impact Guru worked on a joint initiative of UN Women to lead the Inspire Project. It joined with the crowdfunding site, the United States and UK in October 2016, GlobalGiving

Transaction:

In April 2016, impact guru paired up with the Singapore investment platform Fundnel to capitalise on Southeast Asian diaspora charity and investment funds. [16] In September 2016, together with Bain & Company and MasterCard, the Singapore Committee for ONU Women started the Inspire project with the UN agency designated ONE Women. [18] to promote the empowerment of women in social entrepreneurs.[9] It partners with the crowdfunding platform GlobalGiving situated in the US and the UK in October 2016.

Platform Fee:

ImpactGuru is a social business that supports crowdfunding for medical, personal and non-profit purposes. Our objective is to help finance over one million/10 lakh patients in the next 10 years for serious diseases. We have numerous expenditures related to the technology infrastructure and dedicated employees, the provision of funding, due care and veterination, disbursement and notifying donors to the use of funds to provide our customers with the best possible experience.

Only then can we carry out our goal if we sustain it. Like a hospital cost for treating patients or a university to educate students, we also charge a fee for some of our services as not every single solution. Health and education in India also demand specialised and tailored crowd-funding! In India We endeavour to provide all our clients with the greatest possible fund raising experience and support, and our pricing plans reflect the value that we provide to our customers to meet their fund raising objectives at the lowest possible cost.

VISION

We at ImpactGuru waive our platform fee by paying 0 percent of the ImpactGuru Platform fee so that you receive maximum money to help you. You pay nothing as a collector of funds. We ask donors for an optional tip in order to help us keep the platform free to fund yourself.

MISSION

Thousands of people are fighting every day for their lives against lethal conditions and unforeseen medical situations. Families are often forced to borrow at excessive interest rates because of their lack insurance coverage. Many have to risk delaying or discontinuing therapy because of insufficient funding.

We feel that saving lives is a benefit to ImpactGuru. We attempt to reach everyone online with the help of millions of donors who kindly support friends, colleagues and strangers with their donation, so that we never lose life in the absence of money.

HISTORY

The Impact Guru was incubated in 2014 at the Venture Initiation Program at Harvard Innovation Lab and in 2015 at the Impact Hub in Singapore. ImpactGuru was formed by the Wharton Business School graduate Piyush Jain and the Welingkar Institute of Directors' graduate Khushboo Jain.

PROJECT OVERVIEW

PROJECT TITLE

A REVIEW ON CROWD FUNDING PLATFORM IN INDIA.

OBJECTIVE

- To get an insight on the crowd funding platform.
- To ascertain the prevalence of crowd funding platform.

METHODOLOGY

The studies and the reviews on several studies which were conducted in the past 10 years methods were used. For example, Randomized Controlled Trail, Observational Study.

Search strategy was carried out using the combination of key words that covers all relevant terminologies for Crowd Funding

PROJECT DURATION:

10th May - 2nd July, 2021.

EXECUTIVE SUMMARY

Crowdfunding is known as financial innovation, FinTech, the financial sector with the fastest expanding growth, and the next biggest financial sector. Crowdefunding often describes a technique of financing, in which modest sums of monies are collected, for the funding of enterprises, specialised projects, individual consumption or other needs, from a large number of individuals or legal entities. It entails bypassing traditional financing journals and using online web-based platforms to link money customers to retail funding companies. Crowdfunding definitions vary but frequently include the following important components: I collect little funds, (ii) multiple to multiple funds, (iii), use digital technologies, etc.

The idea of partnering people with investors who need money is not new., but how technology facilitates (and facilitates) the concept of intermediation is novel. Crowdfunding has the ability to alter retail financial services, including technology utilisation, rising connection via mobile and other devices, New and inventive companies are able to compet against new holders through the ever-changing legal, regulatory and financial environment. This rivalry might foster economic and business growth in nations that have less advanced financial systems, in particular.

WHAT IS CROWDFUNDING

Crowdfunding is part of the larger single verse of financial innovation, generally known as FinTech, which enables technological developments (Euro Pean Commission 2016a). FinTech has altered financial sector operations (see Box 1). Crowdfunding is a part of the alternative finance subsection of FinTech (AltFi). AltFi is a technologically driven market-based fund that includes consumer and business credit internet markets, voice trading and third-party payment platforms outside of established financial systems.

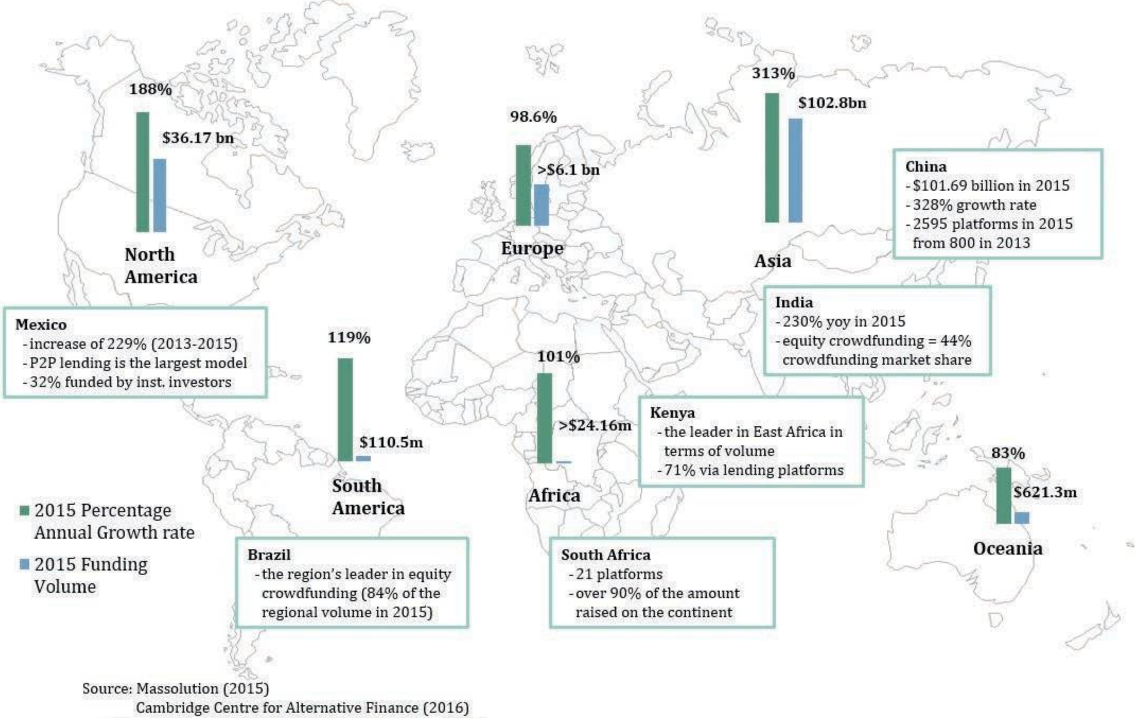
"Crowdfunding" represents a process of capital procurement by applying through an internet platform or mobile phone to a pool of individuals and organisations. The principle is simple: many people may generate enormous money to sponsor other persons and projects by making small individual donations without the inclusion of conventional financial entities.

Crowdfunding across markets throughout the revenue spectrum has since risen significantly, with considerable demand at the two ends of the transaction. Technological, macroeconomic and regulatory factors fuel the fast expansion of crowdfunding:

- **Technological factors.** Improved internet connectivity through mobile phones and other devices, Web content generated by users, online application boom, increased social data usage, "big data" Lytics of ana-,[3] The FinTech revolution allowed crowd-sourcing by cutting operational costs and boosting the potential reach of crowdfunds (Terry, Schwartz, and Sun 2015).
- **Macroeconomic environment.** A significant issue for the banking system was the financial crisis and the subordinate credit crunch (Terry, Schwartz, and Sun 2015). Banks and other financial intermediaries have more access to loans, especially loans that are lower on account of cost efficiency and customers who do not have adequate collatus on grounds of prudence. New demand was generated for capital (fundraisers). In terms of supply, the protracted low-interest environment leads to "rates search" (BIT 2012) that reduces revenue from traditional savings products, led to the generation of alternative rates for financing

and retail savers.

- **Regulatory factors.** Crowdfunding sites benefited from regulatory improvements following the crisis (Terry, Schwartz, and Sun 2015). The more rigorous and regulatory restrictions, the more the banking costs of competing in some markets fictionally increase. As crowdfunding around the globe is beginning to be regulated, several governments have yet not imposed strict crowdfunded regulations (IOSCO 2015a). Compared to their competitor industries, the crowdfunding business, in particular their financial services providers, has a lead. Whether the regulatory arbitration level remains to be answered.[4]



Ecosystem and Categorization

An ecosystem with crowdfunding might be plex and differ greatly between models. A platform – a technically enabled solution that meets demand and supply, is crucial to every crowdfunding ecosystem. The demand side consists of individuals and organisations that are seeking funds. Depending on the particular type, we are talking about beneficiaries (dons, crowd funding for rewards), Borrowers or equity firms, including in-person companies, microenterprises, small businesses, NGOs, nonprofit organisations (e.g. charities), grubbing-ups, financial enterprises.We are discussing the following issues, which are related to the particular model. The offer side includes donors (donation), donors (reward), creditors (debt), and investors (debt, eq- uity). Funders include private individuals, angels and venture investors, companies and huge financial organisations. In this work we are saying "funders" on the supply side and "fundraisers" on the demand side, unless otherwise noted. Other companies are required for the crowdfunding ecosystem to work (enablers – payment systems and payment services supplier), technical infrastructure and data analytics in addition to the platforms, fundraisers and the crowd of funders.

MAIN CATEGORIES OF CROWDFUNDING

Donation-Based Crowdfunding

Donation-based crowdfunding allows individuals (donors), without return for their money, to give the money to the needy (beneficia- ries). Such crowdsourcing is used largely to support different causes in the non-profit market (social, environmental, po- litical, charitable). The site mostly derives its revenues from the charges per contribution.

2.1.1. Benefits and Risks[5]

A. Benefits

The non-profit nature of crowdfunding on the basis of donations limits non-monetary values:

- **Community participation and a feeling of glow.** In addition to "excellent supports," a key draw to provide money for a crowdfunding campaign means that contributors can maintain direct contact with their initiatives. Platforms (and benefits) often permit contributors to see how their money is used, so emptying up a unique level of transparency.
- **Voting with money.** Donors successfully utilise their money to convey their own thoughts, preferences and support by supporting a certain effort, cause or individual.
- **Formalization of support.** Donors contributing to their families and friends' campaigns may find it helpful to use the platform to improve their contribution (e.g., for tax purposes). This can also help to deter excessive risk-taking, as failures of the projects might badly affect the social relationship (Lee and Persson 2012).

The major benefit for beneficiaries, regardless of geographical restrictions, is that they will receive cheaper funding. Social networks can be used by beneficiaries in order to raise money efficiently and economically (liquidity farming) (Mas and Gitau 2014). The use of social networks helps to make the campaign visible and reach people as well as outside the close social circle of the beneficiary. Additional services offered by platforms, including the formalisation of donations, basic accounting, consulting, education, training and marketing are also available to beneficiaries.

B. Risks

The risk donors most obviously confront fraud, whether in the shape of false cams or cyber-attacks. The possibility of phoney campaigns is important particularly if an institution like a charity does not operate a campaign, often registered with a minimum of minimum requirements in the public register (e.g., financial statements disclosure). For any purpose of the law, individual campaigns may be started, even initially not disclosed to contributors for purely egoist objectives. If the platform is not transparent enough, donors cannot check whether the gifts they have received are being used for the intended purpose.

The costs of the campaign are associated with the risks the recipients bear. As previously said, platforms usually demand fees. Moreover, recipients must invest extra funding to create, operate and manage the campaign, donate (typically in small amounts), and deal with donor relationships (e.g., send regular updates on how the donations have been spent). Academic research has found that donations have a positive effect on the efficiency of charities (and are very strongly supported by their size and brand) because donors value the importance and probability of 'having an impact'; they have a negative link to high competition (the more comparable projects are the less likely they are to raise funds) (Meer 2013). This means that crowdsourcing is not an optimal choice for some kinds of campaigns.

Fees and marketing costs are but a few reasons why the final amount paid to the beneficiary could be reduced. International crowdfunding platforms offer just the default for any transaction to global currencies; this introduces a potential currency exchange risk on the side of the beneficial owner (and in a lesser extent contributor). Donations received shall be taxed and the overall amount shall be reduced. Some promised money may not be collected for other reasons, such as former credit cards or wrong payment data, insufficient money, or the donor's death. The bigger the number of donors, the broader the range of risk and the greater likelihood of terialisation. Therefore, the receiver can not collect or collect the payments later than was originally envisaged.

Donors and beneficiaries might encounter platform difficulties. The break-down of platform technologies or the close of platforms that might result in loss of data and money represent further dangers on a side by side cyber assault. Another frequent hazard is the international aspect of most commercial operations. This affects several industries, including intellectual property law, tax and contract legislation.

Multi-finance schemes can be exploited for the use of money laundering and terrorist objectives, especially if money laundering and counter-terrorist financing are not regulated on platforms owing to their ambiguity in regulation and oversight.

Regulation

In view of the nature of the business, crowdfunding based on donations is usually not regulated per se. It provides administrative services for the processing of donor-beneficiary transactions and does not expose the Platform, unless it delivers further regulated services, to licencing or any ongoing regulatory requirements (e.g., payment services). For parties that deal on the platform, general laws and regulations would usually apply (*i*) contract law/a civil code, (*ii*) tax law, (*iii*) a law regu- lating charities and public fundraising,
(*iv*) consumer protection law, (*v*) data protection law, and (*vi*) criminal law (fraud, cyber-attack).

Reward-Based Crowdfunding

The recompense crowdfunding system allows funders (donors) to make a contribution to campaigns for a non-financial recompense. Rewards often take the shape of toks of appreciation (autographed artist, mention of the names of the donor in credit, a T-shirt) or pre-acquisitions of a product or service in the form of a contribution amount (the real innovation). Crowdfunding based on rewards share numerous characteristics in donations, sometimes in the same category. (Vargas, Dasari, and Vargas 2014). In addition to the main motives for crowdfunding based on donations, donors anticipate a tangible result from their investment. Platform revenue comes from the costs of each contract (see Box 4). Two basic forms of reward-based crowdfunding exist: I everything or nothing, and (ii) keep-what you are raising.

The main aim of this crowdfunding category is to promote art (film, music) and the development of new products and technologies. The crowdfunds may be used for commercial reasons as a publicity fund via the awareness of new projects and commodities and through the campaign the information of potential consumers. For example, a startup can test an interest in a novel concept6 or can evaluate if a new product is used by an existing firm..[7]

In incentive based crowdfunding, the Asia-Pacific area leads. Except China, the whole volume of crowdfunding based on rewards was more than US $81 million in 2015 within the Asia-Pacific region, or nearly doubles the 2014 amount of U.S. $41.7 million. The earliest versions of crowdfunding were established in China but several of the top e-commerce enterprises in China have been launching rewarded multifunctional crowdfunding platforms since 2013. An estimated $829.52 million was raised in 2015. (Zhang et al. 2016a). Market volumes were 658,37 million dollars, up 22 percent from 513,96 million dollars in 2014 in the Americas. In 2015, this model accounted for 2% of the whole market. North America was US$645,70 million North America (Wardrop et al. 2016). Reward-based crowdfunds-ing is the second-largest sector of the European alternate finance industry (excluding the United kingdom), raised by the European Union in 2014 (120.33 million euros (about 130 million dollars) (63.18 million euros in 2013). In the UK, £42 million was recalled in 2015 using rewarded sites for crowd financing (about US$55 million).. (Wardrop et al. 2015).

2.1.2. Benefits and Risks

A. Benefits

The benefit of donor crowdfunding with certain other elements to highlight significantly exceeds the rewards for contributors:

- **Pioneer status**. For many donors, investment in crowdfunding is essentially a social activity and a reason why the in-house garment is preferences (e.g. up-to-date, direct communication) and the innovation (early adopters status) is to be obtained from the inventor (Schweinbacher and Larralde 2010).

- **Crowd due diligence.** The "crowdsourcing" of knowledge and various viewpoints may usually enhance funding organisations owing to a wider range of funding agencies reviewing a certain campaign. combined capacity for risk identification and evaluation. Indeed, scholarly research contrasted risk capitalist choices with funding companies and discovered that they evaluate the quality of the business in similar ways (Mollick 2013).[8]

Credit-based crowdfunding provides recipients with access to capital for three reasons (Agrawal, Catalini and Goldfarb 2013) at a cheaper cost compared to traditional funds:

- Better outreach and targeting— Donors are not restricted by their geography and cam paints can be reachable globally, thereby targeting interested populations with no or limited geographical boundaries. Asset Monetary activity — beneficiaries may leverage assets that in regular markets are impossible to trade (e.g., nonpecuniary rewards, such as recognition).

- Technological innovations— Even streamlined online campaigning processes, social media interference, enhanced transparency and competition.

  Contractors may also be seeking moneyless advantages, such as customer feedback. The campaigns of crowdfunding might be a very helpful kind of market study,provide project feedback and anticipate prospective demand for the concerned product or service. In order to "democratise" money and reduce geographic and gender distortions associated with traditional venous financing, crowdsourcing has also been identified (Agrawal, Catalini, and Goldfarb 2011).

B. Risks

In addition to the dangers for national crowd funding stated, donors are faced with the following hazards (typically related to start-up financing):

- **Incompetence.** Initially, donors and receivers might be exaggerated. Businesses cannot get very little production experience and cope with logistics and suppliers which might result in delays or subqualities. For example, estimates in the technology and design of the Kickstarter catego behemoth reveal that more than 50% of items are supplied late and 9% not delivered at all (Mollick 2012).[9] It can't have the promised (or expected) quality even after the reward is provided.

- **Lack of due diligence.** Take the wisdom of the people"[10] Can dissuade contributors from due diligence. In the near run, this seems to be an obvious option as it generally has a much smaller stake and less incentives to spend time and money investigating innovators. In the longer term, however, the knowledge of (the audience can also be harmed by the unfavourable selection and freelance issue).

  Because the success of the crowdfunding campaign is in favour of various elements and resources, beneficial people run the danger of large expenses to opponents. Furthermore, ben-efficiaries face hazards, such as:

- **Compromised intellectual pro- perty rights.** In a pub lic forum, beneficiaries reveal their goals and innovations. The following excerpt from the terms for the use of one of the most major reward-oriented platforms might show this possibility of simultaneous copying and unfair competition: "When [...] you initiate your project, [...] grant us and others rights to [c]the content of [c]their worldwide, non-exclusive, permanent, irrevocable, free of charge, under-license, transferable right to use, exercise, commercialisation and exploitation, on our behalf [...] copyright, advertised, trade mark and database rights."
- **Crowding out professional inves- tors.** The aforementioned Angel investors and the risk capitalists who frequently offer value to the firm like industry knowledge, networks and status, might overwhelm non-professional contributors.

  Regulation

Like donated crowdfund funding, premium crowdfunding is not subject to a specific regulatory revitalization equivalent to other financial third parties. Crowdfondingplatforms operate as matchmaking companies which provide beneficiaries, in the event of violation of contract by either party, to engage into agreements with many donors but have limited liability. In the best of cases, the recipients' principal obligation is to spend the money provided for (sometimes ambiguous) de-fine purposes and to deliver the prize they have promised within a certain time-limit. If either of the parties did not perform, the platform would probably provide some mediation aid, but ultimately compliance with the law would fall on the accused party.

Despite recent proceedings, there is an uninformed case law, which can cause donors to hesitate to sue a bene ficiary. (Grella 2015) The currency worth is often too tiny and the aggravated donors could find it too costly to sue, unless there is class action.. Even with the help of courts, it may be difficult to get some benefits, instead of seeking another kind of incentives. The transnational nature of transactions can also be a major impediment if multiple legal systems apply regardless of a (common) arbitration agreement employed by platforms.

Debt Crowdfunding

Debt crowdfunding provides financing companies with the ability to directly lend or invest in debt debts provided via a platform to fundraisers. Debt crowdfunding is sometimes known as crowdfunding on lending, market lending, or person-to-person (P2P) lending—conditions not so extensive as debt crowdfunding. The ideal thing to consider debt crowdfunding is a new lending technique instead of a totally new financial product. This crowdfunding method develops a direct contact between the funder and the fundraiser by utilising the interconnectivity in- ternet.

Based on the main aim advocated by theplatform, I non-profit loans, (ii) social loans and (iii) commercial loans can be identified. Non-profit funders strive to aggressively approach populations with reduced access to conventional lenders with financial return expectations. Many of these platforms are supported by volunteer work, donations and/or subsidies. Kiva,11, which lends money gathered by lenders using local microphone infrastructure in regions that are hard to reach, is the most important example. She also sees herself as the first direct microfinance charitable community, another form of non-profit lending. 12 Social lending is driven by the chance that profits can be made and certain communities or geographical regions can be promoted. In poor countries in Africa, for instance, MYC4 allows entrepreneurs to provide small-scale revenue to small-scale enterprises. Business financing platforms generally do not target specific fundraising groups or philanthropic reasons. Examples include: CreditEase in China, South Africa, RainFin, Malaysia, Malaysia, Zopa in the United Kingdom and the United States Lending Club.

The debt crowdsourcing is utilised to gather money from people's consumption to corporate loans for many sorts of purpose. Who the funders are, is characterising several kinds of debt crowding:

- **P2P lending** Where individual contributors give to beneficiaries and businesses of particular funds. Often the loan is not secured. The fundraisers opt to increase the amount of the loan requested or to be determined based on the data from the fundraising (Savarese 2015). If the contest is successful, the loan is returned to the funders with interest and finally refunded to them (s).In order to reduce default risk, the risk appetites specified by the funders match certain P2P platforms, slice and sell packed loans.

- **Peer-to-business (P2B) lending** Where independent financing companies finance to small and medium-sized companies. Not guaranteed are credits. Speed, flexibility and affordability (Savarese 2015) make the P2B a feasible option to finance companies [13] This is particularly appealing for start-ups, small and medium-sized firms, with clear ambitions to diversify and expand toward new markets.

- **Business-to-business (B2B) lend- ing** Where the funder comprises various corporations, generally very tiny companies, which desire to lend money at attractive return rates. Business lending (both P2B and B2B) may also involve supporting pooled vehicles rather than individual companies. There is also a section for businesses in which major institutional investors contribute funding in accordance with the following descriptions for individual fundraising.

Debt crowdfunding platforms in their operating models are very diverse and depend in great measure on the legal and regulatory context. Based on a categorisation led by IOSCO and other scientists (Kirby and Worner 2014), there are 5 major debt crowd financing operational models: (*i*) client-segregated account,
(i) balance sheet lending, (*iii*) notary,
(*iv*) “guaranteed” return, and (*v*) offline.

In the customer-segregated account model, the platform connects an individual fundraiser to a single fundraiser and creates a contract. The platform is not a contract partner in the credit arrangement between the fundraiser and the fundraiser and is entirely isolated from the platform balance sheet by means of a different legal basis (Figure 2). The platform obtains its revenue from the charges and other charges levied for either fundraising (e.g. an origination fee or administrative fee) or the funding agency, including debt collection and fundraiser screening (e.g., an administration fee).

The platform provides direct funding in the balance sheet loan model for fundraisers, holding the loan in its budget. Platforms create income via dispersion of interest rates (the difference between the borrowing platform cost and the interest rate charged to fund raisers).As in other models, the platform also levies additional costs, including charges for maintenance loans issued to the crowd. With the evolution of the sector, balances lenders increasingly use a variety of sources of funding, including credit facilities, full loan sales and origination financing securitizations.

In the notary model, a partner bank creates and disburses loans on the platform. This strategy emphasises the need for regulatory permit for lenders (e.g., hold a li- cense). Partner bank loans are held one or two days before the crowd (founders) is purchased and sold on the platform on their bank balance sheets (which, in many jurisdictions, are regulated as se- curities). Funders are paid for reimbursement directly connected to their investment loan performance (Figure 3).This removes both the issuing bank and the platform from the risk of default on the crowd.

The guaranteed and offline models both relate to the Chinese crowdfunding sector (but not solely). The platform ensures a safe return agreed with a funder in the guaranteed model. The return is guaranteed by a third party supplier that effectively secures the investment. The concept can look like the model in which the platform builds a supply fund covering non-funded loans. However, the provision fund in such situation is financed by compulsory contribution payments to collectors (or funders). The guaranteed model of return was common in China up to its recent restriction. The "offline" approach, which often recruited fundraising personnel offline via direct channels and sales techniques, included the creditworthiness process, was also active in China. The portal collected payment in person on behalf of the funders once the loan was fundsed and distributed (Aveni et al. 2015).

The Asia-Pacific area is ranked at the top of the global crowdfunding markets. The P2P loans are the largest internet finance category in China, with market volumes reported at 52.44 billion dollars in 2015 and USD 36.16 billion in North America in 2015, respectively (Zhang et al. 2016a) (Wardrop et al. 2016). P2P platforms raised $19.43 million in 2015 in Latin America and the Ca-ribbean between 2013 and 2015. (Wardrop et al. 2016). It is anticipated that debt crowd-funding has raised €3.21 billion in Eu-corps in 2015 (around $3.60 billion) (Euro- pean Commission 2016a). The P2P loan amounted to 909 million pounds in 2015 alone (about 1,2 billion dollars) in the United Kingdom compared to 547 thousand pounds (around 700 million dollars) in 2014. (Zhang et al. 2016b).

2.1.3. Benefits and Risks

A. Benefits

The major benefits of debt crowdfunding are simplicity, effectiveness and potential to provide greater access to financing for excluded and under-served populations. Credit application typically takes just a few minutes, may be made from a distance, does not require a loan background and may contain sonal loans and development lending. For the funders, this is the same comfort. Debt crowdfunding also preserves the advantages of two earlier crowdfundings, including community engagement and altruistic forms of gift and compensation., contract formalisation and crowd knowledge. It also provides financing companies (investors) with more real benefits:

- **Access to a new asset class.** "[p]eer-to-peer lending plataforms have actually given investors with brand new assets in the form of non-collateralized debt," said Kirby and Worner(2014, p. 21). They stated further that the systemic risk for improving the diversity of portfolio may be reduced as funding companies spend modest quantities in different assets rather than using an asset. Finally, it is up to the specific regulatory system to ask if crowdfunded loans are to be classified as a new class. This means that debt crowdfunding gives regular investors access to a class which was previously not readily available. MSMEs were formerly unable to do so,in addition to the institutional investors and the professional, to put their economies on savings accounts or into collective investment schemes (although the risk of investment/savings prod-ucts is likely to be different than that of CR investments), some of them have lent money to individuals via their platform.
- **Higher financial return**. Crowd financing provides funders a bigger return than

economies (corresponding to a higher risk). In the current low-income climate, where many investors and savers look for yields, this is crucial particularly. In particular, crowdfunding can help meet the needs of those who want the higher average return on services traditionally offered by intermediaries such as banks that are prepared for the high volatlities and/or low levels of consumer protection and financed companies who are prepared to pledge an average (gross) return on services.

For funding collectors, the main benefit is overlapping with crowdsourcing donations and awards; the most essential one is better access to finance. Debt crowdfunding in particular can provide the following advantages:

- **Enables access to capital at a lowercost than traditional sources.** In contrast to banks, online platforms need little physical presence. In addition to use of innovative algorithms, this allows platforms to be operated at relatively low infrastructures, thus reducing the cost of loans to fundraisers, although this may not always be the case with all platforms. The applicants may also seek a more efficient application and approval procedure and can concentrate on a small number of goods and series vices. Platforms can also provide incentives for existing financial firms to develop (European Commission 2016a).
- **Fills a gap left by banks**. More stringent restrictions on the conventional lenders during a crisis have reduced their demand for loans, particularly for the least profitable and hazardous industries such as unsecured personal lending or SME lending (see IMF 2016). (See, for example, EBA 2016, OECD 2014).The crowd financing has come as an alternative to traditional credit in certain markets in particular.
- **Provides convenience**. As men, online platforms are accessible 24/7 from the comfort of their house to a fundraising. Technol- ogy makes the application and dispersion procedures speedier, allowing for less documentation.
-

B. Risks

Apart from normal hazards associated with crowdsourcing and investment items, debt crowdfunding also has risks. The risks affect both funders and fundraisers concurrently, This leads the two sides of the Crowdfunding transaction to consumer protection problems, as the platform is typically exclusive to professionals.

Funders take numerous risks, and the fundamental character of the asset – the unsecured loan, in significant measure.[14]

- **Risk of financial loss.** Funders might lose cash by default of the collector. The risk of default is higher because of the nature of unsecured loans to consumers, small and medium-sized enterprises and start-ups. These investment are not protected by regulatory guarantees, such as deposit insurance or in-house protective measures (Euro- pean Commission 2016a). In ad-dition, platforms are mostly used for credit evaluation methods and the credit cycle has been largely untested.[15] A vision fund (cash/reserve money) was established or third-party assurances were carried out on a given site to limit this danger.

- **Lack of transparency.** If disconnection is not standardised across the market and focuses on advantages rather than hazards, the funders may not be able to make educated decisions (EBA 2015). In addition, funding agencies can mistakenly suppose that bids are endorsed or subject to the recognised technique of credit ratings.

- **Illiquidity.** Investment in a loan financed by a crowd shall be frozen until the loan expires. Funders are repaid on an ordinary or a lump payment basis. They cannot withdraw the cash they have allocated, unless the platform permits funding (typical- ly for a fee). An early withdrawal platform (and hence effective maturity transformation) can either finance funding from its own balance sheet, create liquidity enhancement funds or use money from other funding institutions.

The major benefits indicated, especially the convenience and simplicity of loan access, are often reflected in the risks encountered by fundraiser. The fact that excessive debt, one of the fundamental hazards, is a major economic, social and political problem in many nations cannot be understated. The following are the key risks:

- **Mis-selling and over-indebted-ness.** Platforms for assessing whether a fundraiser can afford a loan are not necessary in many jurisdictions. In reality, platforms have incentives to streamline the credit process to the extent that possible since they gain income through non-refundable national fees. Platforms have conflicts of interest, in other words since they are incentivized not to focus on the quality of lending but on volumes.
- **Costs.** Crowdfunding is harder and more expensive than most collectors think. Substantial human and financial resources are required for an effective campaign. Fundraisers should also explore expenditure on op-portunity if new funding sources can be available. Crowd-funding works successfully for the single-off infusion of cash and not always for long and continual assistance, especially with regard to entrepreneurs.
- **Weak protection.** Consumer loan safeguards Standard disclosure, refreshing time, right to early reimbursement, access to an effective complaint channel, prohibition of abusive reporting practise [16] May not apply for crowdfunding of debt sarily (see Section 2.3.3).

Platforms and how they function also pose more general dangers. As indicated for the rest of the crowdfunding categories, there is a possibility that the platform's ogy or platform closure will not work or that the data and the funding may be lost. Platforms that retain loans in their balance sheets have a high risk of failure should the underlying loans show a substandard quality or funders' willingness to buy declines. Even if a platform has not been established which can only have substantial consequences for contracts between the funders and fundraisers in the future. Although the contract for funding funds will of course survive the failure, the reinstatement of information on quantities paid, repayments, interest rates, and so on may be challenging.

Platforms in many countries have restricted access to the history of loans and need fresh and unprovenly amended loans (Miller and Jenik 2016). As long as credit and credit agency access data is restricted to the banking sector, the crowdfunding platform is free to depend on alternative credit ratings. This might cause an erroneous assessment of the default risk, but also discrimination, if an implication has been discovered in the underlying algorithm.Crowdfunding sites in the US and China, for example, currently have access to credit history, which will probably follow in many nations.

2.1.4. Regulation

The techniques to debt crowd-funding varies from one company model to the other.

The vast range and constant evolution of business models in the sector make it impossible to create a standard regulatory system for debt crowdsourcing.The following regulatory proxies (Kirby and Worker 2014) have been discovered by IOSCO:

- **Exempted or unregulated.** Some governments have chosen a 'wait and see approach,' which simply requires lending platforms to comply with the current general lending restrictions, such as requirements for financial protection, usurious laws and anti-sales legislation. There are limitations which bind direct loans, because platforms do not provide loans (other than a model for balance sheet loans). Ecuador, Egypt, South and Tunisia are examples.
- **Prohibited.** In particular, P2P is prohibited as a debt crowdfunding activity (until recently, this was the case in Israel and Japan).
- **Regulated as an intermediary.** Websites that are Crowdfunded should be recorded or even licenced to act as brokers or middlemen. The responsibilities and requirements of intermediaries vary according to competence. Market access (regulation/licensing) and business behaviour standards are typically applicable. Each platform in the United States should be registered at Federal level with the Securities and Exchange Commission (SEC) and recognised as a state organisation which will completely decommission each platform's finances, credit backgrounds and practises. In addition, each state has its own rules.
- **Regulated as banking.** Based on their credit intermediation functions, crowds funders are classified and regulated as banks and must have each platform certified to the Banking Authority, and must adhere to (modified) caution and company behaviour requirements. This is demonstrated by France, Germany and Italy.
- In many nations, in addition to the regulatory framework imposed by governments, several industrial organisations have created self-regulation (European Commission 2016a). For instance, the Peer2Peer Finance Association (pre-payment 90%) demands on its members in the United Kingdom to adopt operational principles setting corporate standards, such as transparency, risk management and reporting.[17] These are in line with the standards of the Financial Administration and complement them in several areas (FCA).

Equity Crowdfunding

Equity crowdfunding enables private and institutional investors to participate in non-listed companies (issuers) in return for shareholdings in the corporation. Capital crowdfunding serves by definition to finance legal entities that can collect funds by selling their shares. It is particularly well suited for start-ups and SMEs. When an investment objective is met, the deal between the funders pool, the issuer, and the platform is closed. Once the commission is collected and sometimes based on prospective profits, the platform charges the commission.

Crowdfunding on equities is quite tiny, but in recent years there has been tremendous development. In 2015, it accounted for only 11% of the crowd financed total, but the growth of the wider crowdfunding business was overall by 60% compared with 53% year-on-year (AlliedCrowds 2016).

As an innovative equity crowdfunding platform, various business models (Gabison 2015) have emerged, such as I a club model in which potential founders are recruited by platforms as members of an in-house "investment club," in order to avoid the re-settling of public offers and investor protection, usually offered to "non qualified" investors; (iii) a model led by an investor; and (iv) a model of co-investment.

The investment model (also known as syndicate financing) carries out due diligence by an accredited principal investor, negotiates directly the investment contracts with the raising company and invests its own (or if the person has his or her) cash. The crowd is then invited to participate together with the principal investor. This gives other funders comfort of mind, as equity crowdfunding for inexperienced funders may be highly complex to invest with expert providers. Platforms profit from a part of the arrangement. In AngelList, for example, funders might form "syndicates" akin to investments in a joint endeavour for possible contributors. 20 (Figure 4). Figure 4.

The co-investment strategy also lowers donors to co-invest together with proven risk capitalists. In the search for transactions and the response to due diligence and the management of investments, the platform usually provides sources, veterinaries and organises investments to potential supporters, And in his own funds as well. Some of these agreements also retain prevention and give funding organisations with a mechanism for raising and spending additional funds for future rounds and rounds. 21 (Figure 5.) (Research)

2.1.5. Benefits and Risks

The main advantage is that funds allow funders to invest in new asset classes to improve yields and entrepreneurs to stop funding will be efficient and effective (Kirby and Worner 2014). Capital crowdsourcing is similar in this respect to debt crowdfunding and maintains also the advantages (and risk), such as community engagement and voting with money, of donation and preward-based crowdfunding. More particular advantages also exist:

(i) Benefits for funders

Access to investment opportuni- ties. Previously traditional financial intermediaries and venture capitalist companies have restricted their access to timely financing in start-ups and SMEs. Equity crowdfunding gives a greater number of donors these opportunities (Gubler 2013).

- **Unlimited potential for financialgain**. Unlike debt cross-financing, founders (at least theoretically) are able, if they gamble on a new start-up which becomes the next market leader, to unlimitedly double their investments.

(ii) Aligned incentives between fun- ders and fundraisers. Funders' and fundraisers' interest is related to the same risk (including revenue risk and financial loss) more than to any other form of crowdsourcing and have comparable solutions to quit investments (a sale, merger, or initial public offering [IPO]). The conflict of interest between the two parties is therefore reduced.

(iii) Advantages for fundraisers

Limited liability. In the event of default, unlimited liability for outstanding obligations does not burden the fundraiser. Instead, the fundraiser will hit alongside the fundraiser.

- **Global reach.** Access to funds from around the world is provided by equity crowdfunding. In countries with low-level oped capital markets, this is particularly important.
- **Improved investment attractive-ness**. A successful campaign could serve as a signal for existing investors (including venture capital) to illustrate future demand from consumers and so attract new financing sources.

Crowdfunding of equity is very hazardous. A recent analysis finds that out of the 367 companies with a large equity crowdfunding scheme in the UK during 2011 and 2013 just 22 percent went on to raise more valued capital or to make a return on a sale or other type of exit for their funders (Altfi 2015). It is most likely that the risk will be aggravated by early stage companies and small and medium-sized enterprises22, as the failure of individual funding providers to conduct due diligence due to typically tiny equity shares increases the danger.

Crowdfunding investments will likely be diluted when the company raises additional funds at a later date and issues the new investors with new shares. Illiquidi- ty is another big danger to crowd financing, and there are limited choices for departure. In the lack of a sec-on-dollar market, funders may either sold or wait until they are purchased by a strategic in-house supplier, merged with another company or issued an IPO. There is still not sufficient evidence as to whether and how feasible these possibilities are. Until they leave, it is not expected that the funders will re-ceive any cash because companies focused on early- and growth never pay dividends. If the funders are able to make a profit, the worldwide character of crowdfunding may lead to complex tax requirements.

Things related to the gap in fundraising protection in the crowd financing of debt are even more significant in equity crowd financing. Equity crowdfunding is a simpler and less costly technique of financing the development of business (as compared to more traditional sources of capital). Fundraisers can then underestimate the cost of a campaign, its compliance expenses (for instance regular reporting), its costs to investors (for instance communication with hundreds and thousands of funders) and its cost of opportunities in terms of the missed expertise. In order to improve their ability to identify and price risks, traditional equity investers can even give cash at lower price than equity crowdfunding

Fundraisers may be exposed to undesirable public scrutiny in the regulatory restrictions that fundraisers must comply with. Other types of fund-ing, like private non-equity debts, home equity loan and family credit, help fund raisers to hide their business know-how and invention from the public, whilst crowdfunding requires greater information. This can have adverse consequences for protection of intellectual ownership as well as the risk of providing competition with too much information (patentability).

Special Regime for Equity Crowdfunding

Special Regime in Place			Special Regime under Way	
Canada	Japan	Spain	Australia	Mexico
China	Korea	Taiwan	Brazil	Thailand
France	Malaysia	United Kingdom	India	Vietnam
Germany	The Netherlands	United States		
Indonesia	New Zealand			
Israel	Portugal			
Italy	Singapore			

EVOLVING FRONTIERS

As crowdfunding has increased and has spread around the globe, it has developed and diversified in various ways, occasionally leaving its initial component very dramatically. The focus is on I hybridization, (ii) constitutionalization and complexity, and consolidation tendencies, and how these trends influence excluded and underserved clients.

A. Hybridization

Platforms incorporate characteristics of all categories of crowdfunding, but also specialty markets and a specific focus on real estate, art and video game financing transactions. Examples are:

I trade in invoices, (ii) crowd-funding for royalties, (iii) share of revenues, (iv) crowd-funded real estate, and (v). Invoice trading is another means for firms to raise their cash by selling invoices or receivables to a group of mainly high net worth individuals or institutional investors at a discount (e.g., Invoicefair, Invoiceinterchange).

B. Institutionalization andComplexity

Some multifinance techniques have developed from crowds to more complex models such as hedge funds and banks (institutional investors not only in- vest in crowdfunded assets, but also take stakes in platforms27). According to recent studies, the importance of institutional investors will increase. In 2015 for example, the institutional commitment recorded in 45% of UK debt crowdfunding platforms, 2 8% in 2014 and just 11% in 2013 (Zhang et al. 2016b); 26% of business loans and 32% of consumers loans backed by institutions. institutional financial support for 2014 (FCA 2016, p. 14).The risk that professional investors can retain the greatest projects and the worst thing for the crowd will potentially damage non-professional crowdfunding consumers.

Consolidation

Another tendency is the concentration of crowdfinancing. A recent UK study has indicated that severe crowdfunding platforms either "burn out" or have gone missed and the growth rate has decreased from 161% in 2013 to 84% from 2014 to 2015. (Commissariat for Europe 2016a). This is also happening across borders. This slowdown may be because new projects or other examples of usage that sustain growth at the current rates after the intermediate boom have become hard for existing platforms. The other reason is that with the adoption of a new rule, the cost of compliance increases. In the end, the increasing complexity of the crowdfunding business model sometimes discourages prospective participants. It can be terrifying to cope with the dynamic and often unclear regulatory environment and intense competition if it is fairly straightforward and cost-effective to create a platform.

CROWDFUNDING AND FINANCIAL INCLUSION

Opportunities

Crowdfunding is able to complement attempts for financial integration by increasing access to finances and financial resources. The GPFI White Paper (2016, p. xix) points out that crowd-funds can help financial inclusion "there can be an early way of raising funds that may have limited regulatory demand; can make their returns cost-efficient, and their market potential is limited by platform access barriers and regulatory constraints if applicable." I enhance access by previous and underserved persons and MSMEs to financing, (ii) enable innovation of current models for supporting clients of BoPs such microfinance and mobile financial services, and (iii) access to more sophisticated resilience and asset goods

A. Improved Access to Finance

The immediate benefit of all crowdfunding categories is proven access to money by groups of persons and legal organisations that are historically excluded and underved. A world bank study from 2013 indicated that up to 344 million people can participate in crowdfunding in underdeveloped economies. Debt crowdfunding is particularly relevant as a type of digital credit. With its alternative score functionality, crowd-funding platforms may help small and medium-sized companies, start-ups and persons with low or no credit history. Thus, crowd-funded loans may be used by normal lenders to enable collectors to build their credit history over time.Innovative Models for FinancialInclusion

The digitization of traditional financial forms can be facilitated through crowdfunding. Mobile money, digital credit and digital microinsurance have already altered the corporate environment with new technology. Crowdfunding platforms can follow the same trend to employ fundamental fibre-based products and services and/or to adapt , replace or augment existing financial institutional systems with new technology. M-Changa, Kenya's crowd-funding platform, "digitises" Harambee's practice—communal fundraising—by allowing members of the same community to use mobile money to make gifts or for community objectives (e.g., to help familial educational activities). This option is one example in point. Another example is the digitisation of rotating savings and credit assumptions, such as eMoneyPool, Monk, and Puddle. See Section 3.A for P2P Insurance and Takaful cases.

B. Access to New Asset Class

Crowdfunding gives up the possibilities for investment which are mainly unavailable for BoP clients. A novel change theory in the microfinances sector recommends how to anticipate, adjust to and/or recover from the effects of shocks via the use of financial services by deprived households so as to improve their lives, decrease chronic vulnerability and support growth (resiliency) (The 2016 Gash and Gray)

In addition to loans and insurance, this increased resilience can also be accomplished via creating assets (saving, invest- ment). In future, crowdsourcing may give such an investment opportunity because today marginalised and underserved customers have very limited access to official resilience and asset-building financial products.

There are many risk factors, including the potential of fraud, due to their absence of options. Many, even the extremely poor, in the last years, have been victims of fraudulent investment schemes, such as in China Ezubao (900,000 investors lost 7.6 billion dollars), Sardaha, in India (1.7 million investors lost 4 billion dollars) (see, for example, Karnik and Balachandran, 2016). (see, e.g., Kamau 2016).

Risks and Challenges

Notwithstanding the potential gains that have been made by men, there is still a substantial impact of crowd funding on financial inclusion. From the perspective of development, the key criterion for crowd-funding rests in how this kind of funding serves to promote and promote financial inclusion and economic growth instead of quickly and cheaply generating cash to finance dangerous and unsustainable indoor clothing opportunities. In opposition to microfinance, that came to light for the poor, excluded and underserved in a particular manner, only a portion of the crowdfunding platforms have been devoted to this sector to date.

A. Inadequate Legal and Regulatory Framework

The absence of clear guidelines is hampering industry, fundraisers and funders. There exists an inadequate regulatory and legal framework when crowdfunding rules are not present, but when various crowdfinancing models are subject to different rules of regulation (and supervision) or the regulatory regimes applicable vary according to the nature of the parties involved in the transaction (i.e. institutional investor versus consumer) without having a special regulatory framework. The crowd-funding business may remain under-developed or not develop at all in the lack of regulatory certainty, while fundraising and collection of money may be subject to unscrupulous activities from unregulated or undercontrolled or under-supervised platforms.

B. Untested Credit Scoring Models

A real creation of multi-finance platforms might extend access to credit, but it also exacerbates the threat of excessive indebtedness and discrimination. An new credit rating system It remains to be examined via a credit cycle the real prédictive force of al-International score models. While the big data credit score can be shown to work with people over time, its utility in credit evaluation of sophisticated corporate finance collection continues to be dubious. The platforms also hesitate to share completely their standards that they consider part of their know-how and are therefore commercially sensitive. There is, however, behind this secrecy a number of data protection and privacy concerns, including transpareness (what information is used and from whatever information is used), acceptance (was allowed) and access (consumers can view personal information) (Miller and Yenik 2016) and a risk of discrimination and bias (U.S. Department of Treasury 2016).

C. Limited Access to Technology

Although certain nations have quite high levels of Internet penetration, the majority of the population of Africa has no internet connection (www.internetworld stats.com/stats.htm). This makes it more difficult for entrepreneurs to reach out to worldwide donors and develop a global network, thereby neglecting certain major advantages of crowdfunding. For example, one research reports that over half the urban population in Africa is online and that the prices of basic cellphones fall below 100 US dollars making them accessible to the increasing middle classes, as a result of the more affordable technology (Manyika 2013).

D. Lack of Awareness and Trust

Finally, the overall lack of understanding and trust is another issue in the development market for crowd funding. As crowdfunding is a recent phenomena, there is limited general awareness in many marketplaces about this invention among potential users (funders and fundraisers). However, this changes. For example, the 2015 African Entrepreneurship Survey (GEU), GES and US State Department discovered that 13% of the respondents indicated crowdsourcing for online finance (Mobile Accord 2015).

Table illustrates important advantages of crowdfunding and highlights strategies to address main advertising difficulties.

Benefits of financial inclusion crowdfunding, safeguards and enabling factors

	Benefits	Specific Conditions

<table>
<tr><td rowspan="2">SUPPLY</td><td>Debt</td><td>Asset building, resilience enhancing
Portfolio diversification
Formalization of agreements
Digitization of existing schemes (collaborative financing)</td><td>Liability of the platform defined 1 skin in the game
Standardized due diligence (accessto credit bureaus)
Standardized disclosure
Resolution regime (living will)
Funder education
Liquidity enhancement
Restrictions—profile, stakes
Guarantee mechanisms/diversifica-tion/portfolio management rules</td></tr>
<tr><td>Equity</td><td>Access to a new class of assets</td><td>[Note: Equity crowdfunding does not seem to be particularly appropriate for BoP funders.]</td></tr>
<tr><td colspan="2"></td><td>Benefits</td><td>Specific Conditions</td></tr>
<tr><td rowspan="2">DEMAND</td><td>Debt</td><td>Fast access to loans
Access to cheaper loans
Ability to leverage social capital
Improving access to formal finance (creating credit history)
Democratization of finance</td><td>Rules to prevent over-indebtedness
Regulation of collection practices
Liability of the platform defined and skin in the game
Standardized scoring in place
Standardized disclosure in place
Resolution regime (living will)
Fundraisers education</td></tr>
<tr><td>Equity</td><td>Access to capital markets
Access to cheaper capital
Wisdom of the crowd
Access to professional investors
Democratization of finance</td><td>Restrictions—legal form, type of business
[Note: Cross-financing for equity does not appear especially suited for BoP contractors.]</td></tr>
</table>

LIMITATIONS

- Not every project applicable to cross-funding platforms will necessarily be easier to proceed in comparison with more traditional ways of raising funds.
- You require a lot of work to develop interest before the project is launched when you are on your selected platform - Major resources can be required (money and/or time).
- Usually, any funding promised is returned to your investors if you don't accomplish your funding target, and you will not receive any funds
- Failed initiatives risk damaging your business brand and people who committed money to you
- Somebody can notice it in a crowdfunding site and steal your concept unless you have protected the business idea with a patent or copyright
- Rewards or improper returns can involve giving investors too much of the company

RECOMMENDATIONS:

1. **Produce a Great Video**
2. **Don’t Ask for Money Immediately**
3. **Build Interest Before You Close**
4. **Communicate Often**
5. Keep It Personal

CONCLUSION:

Crowdfonding is an evolving phenomenon and is characterised by significant dynamics, as demonstrated by our research. This inventive and financial ecosystem has flourished via the global digitization process while its roots are in the analogue era when Beethoven or Mozart financed their performances with subscriptions from the public sphere. The growth in the number of initiatives of various types is aimed at raising money from the public in the Internet. The number of crowdfinancing platforms between 2008 and 2012 has simultaneously been increasing significantly (see Appendix A) and offers a variety of options for fundraisers to push on. Crowdfunding is currently popular in the news through a succession of outstanding news campaigns that raise a number of million dollars in the capital of Crowd. Pebble Smartwatch is an example of a very successful campaign with the highest funded Kickstarter campaign status, but before it started it was difficult to get enough cash. Early funding has a difference not just in the dynamics of the new product development cycle, but also in the rhythm of early customer campaigning before it is introduced.

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