

## Investors Awareness & Perception Towards Crowdfunding Models In India

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**Abstract:** Crowdfunding is a mainstream idea that developed in US and UK. It has emerged as a source for raising capital through web based life systems – Facebook, Twitter, LinkedIn and other devoted sites. Indians are not extremely venture benevolent. Thus, the common Indian attitude is not yet prepared to acknowledge the present crowdfunding model. Therefore, the study is conducted to understand the investors' awareness & perception towards Crowdfunding models. Descriptive research method is used in the study. Data is collected from 242 respondents. To test the hypothesis, relevant statistical testing tools viz, ANOVA & Kruskal-Wallis Test are used. The study concludes that investors have different level of awareness & perception in selecting different Crowdfunding models.

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### I. Introduction

Crowdfunding is a mainstream idea that developed in US and UK. It has emerged as a source for raising capital through web based life systems – Facebook, Twitter, LinkedIn and some devoted sites. The cutting edge business condition considers crowdfunding as a method for interfacing financial specialists with new businesses and undertakings, utilizing an online exchange entryway that takes out all the conceivable hindrances to passage.

India undeniably is developing as the most encouraging economy on the planet. It has a populace more than 1.2 Bn, with the significantly rising white collar class section. It would not be right to state that the intensity of capital arrangement fundamental for crowdfunding lies in the hands of this quickly expanding working class Indians. Presently, equity crowdfunding is a popular model in India. At present Ketto, Wishberry FuelADream, Catapooolt, and Crowdera are a portion of the prominent crowdfunding stages in India. In the coming years, many such stages will exist together in the virtual world. Because of absence of administrative issues, a larger part of the ongoing Indian crowdfunding stages are still in the prizes and gift stage.

Essentially, the idea of crowdfunding isn't new to India. Since historical times, the temples and worshipping places were built using public donations. However, the idea of internet crowdfunding is unquestionably new for the advancing corporate biological system in India. Indians are not extremely venture benevolent. Thus, the common Indian attitude is as yet not prepared to acknowledge the present crowdfunding model. Business people and inventive new companies need to start progressive ideas that will change this impossible to miss attitude; in the long run, inspiring individuals to take an interest in crowdfunding exercises.

Therefore, with this respect the study is conducted to understand the investors' awareness & perception towards Crowdfunding models.

### II. Objectives

- To identify the investors awareness towards different CF models
- To analyze the investors' perception towards CF models

### III. Hypothesis

- H0: There is no significance difference in investors awareness towards different CF models
- H1: There is a significance difference in investors' awareness towards different CF models
- H0: Investors do not have significant difference of perception towards Crowdfunding models
- H1: Investors have significant difference of perception towards Crowdfunding models

#### **IV. Research Questions**

The study is focused on understanding investors' perception & awareness towards Crowdfunding models. In line with this, the study pays attention in answering the following questions;

- How investors became aware of Crowdfunding?
- Which of the model / s are they aware?
- What are reasons for investments in different Crowdfunding models?

#### **V. Research Methodology**

##### **5.1. Research Design:**

Descriptive research method is used in the study to the present examination. Under this method the data is collected by using field survey. The data is collected through online survey, observations, administrating the interview schedule, telephonic interviews & personal interviews. The present study is conducted through the Descriptive Research Method as the study is descriptive and fact finding in nature.

##### **5.2. Sources of Data**

The data is collected from both primary & secondary sources.

##### **5.3. Data Collection Method**

Primary data is collected through the online survey method. Questionnaire is prepared & distributed among Crowdfunding investors by using online technology.

Secondary data is collected through various Crowdfunding books, research thesis, research articles, journals, news papers, crowdfunding websites etc

##### **5.4. Sampling Method:**

Convenience sampling technique is used to collect data from respondents.

##### **5.5. Sampling Unit:**

Sample unit selected for the study is investors of Crowdfunding in India

##### **5.6. Sample Size:**

Sample size used in the study is 242

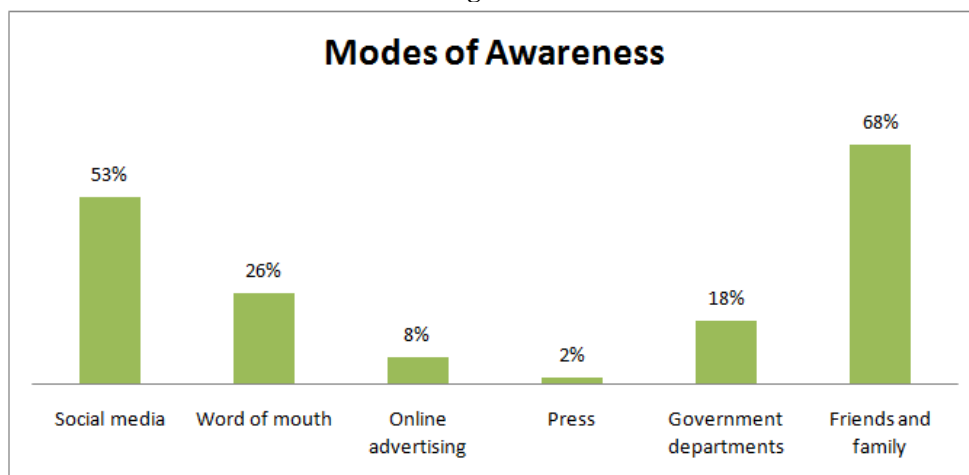
##### **5.7. Data analysis and Interpretation Method**

The collected data is processed by editing, coding, tabulating and classifying. To analyze the data SPSS software is used. Analyzed data will be presented using statistical techniques like percentages, charts diagrams and graphs. Hypothesis testing is done using relevant statistical testing tools viz, ANOVA & Kruskal-Wallis Test

#### **7. Data Analysis & Interpretation**

**In the survey respondents were asked to choose the sources from where they became aware of Crowdfunding.**

**Figure 1:**



Source: Field Investigation

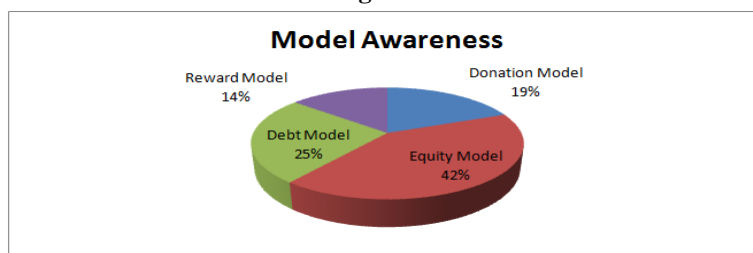
**Inferences:** Above figures show mode or modes of Crowdfunding awareness among investors. Friends, family members & social Medias are playing important role in creating awareness among investors i.e., 68% & 53% respectively. Apart from Friends, family members & social Medias the word of mouth with 26% & Government departments with 18% are significantly influencing Crowdfunding investments in India. Online advertising with 8% & press with 2% are contributing very minimal in creating awareness.

From the above facts it can be interpreted that friends, family members & social Medias have the ability to generate widespread support for campaign. Indeed social media allows reaching beyond just friends and family when building support for project. It gives the opportunity to reach a wider audience consisting of a network of friends, colleagues, business contacts, and acquaintances. Family, friends & Social networks are essential to enhance crowdfunding awareness since they provide the channels through which private and public information flows and a common place to monitor others' activities. Moreover, the number of direct social connection is positively related to information access and social influence. Furthermore, social networks play a key role in funding entrepreneurial activities and social bonding, such as friends and family, is a key element of the success of fundraising for start-ups, social cause, personal needs etc

Using social media for crowdfunding in turn has a word-of-mouth quality in the way in which it spreads information across multiple networks. As online advertisements & social networks have become more popular, the other government departments & press are not playing significant role in creating Crowdfunding awareness.

**Respondents were asked to select the models which they are aware of.**

**Figure 2:**



Source: Field Investigation

Figure 2 demonstrates awareness about Crowdfunding models among investors. Among debt, equity, donation & reward models investors are highly aware of equity model with 42% & next come debt model with 25%, followed by donation model & reward model with 19% & 14% respectively.

**Objective: To identify the investors' awareness towards different CF models**

**H0: There is no significance difference between reasons for selecting CF models**

Multiple Comparisons

Dependent Variable: Q2.1\_ModelAware1

Tukey HSD

(I) Q1.1_Aware1	(J) Q1.1_Aware1	Mean Difference (I-J)	Std. Error	Sig.
Social media	Word of mouth	-.359	.173	.233
	Online advertising	-.609	.288	.218
	Government departments	.057	.212	.999
	Friends and family	-.162	.176	.890
Word of mouth	Social media	.359	.173	.233
	Online advertising	-.250	.314	.932
	Government departments	.417	.247	.442
	Friends and family	.197	.216	.892
Online advertising	Social media	.609	.288	.218
	Word of mouth	.250	.314	.932
	Government departments	.667	.338	.282
	Friends and family	.447	.316	.619
Government departments	Social media	-.057	.212	.999
	Word of mouth	-.417	.247	.442
	Online advertising	-.667	.338	.282
	Friends and family	-.219	.249	.904
Friends and family	Social media	.162	.176	.890

Word of mouth	.197	.216	.892
Online advertising	.447	.316	.619
Government departments	.219	.249	.904

The above table shows the investors reasons for becoming aware of different models. For this reason we formulate null hypothesis as there is no significance difference between reasons for selecting different Crowdfunding models. In the table, F-value between social media & word of mouth is 23%, between social media & online advertising is 21%, between social media & Government departments is 99%, between social media & Friends and family is 89%.

F –value with respect to word of mouth & Online advertising is 93%, with Government departments it is 44%, with Friends and family its 89%. Online advertising with respect to Government departments is 28%, with respect to Friends and family it is 61%. F-value between Government departments & friends and family is 90% significant. Based on the above statistics we reject null hypothesis & conclude that there is a significant difference between the awareness factors in selecting different Crowdfunding models. The investors have different awareness factors in choosing different Crowdfunding models.

**Objective: To analyze the investors’ perception towards CF models**

**H0: Investors do not have significant difference of perception towards Crowdfunding models.**

**Test Statistics<sup>a,b</sup>**

	Clarity in Message & Transparent	Clarity on Collected Funds	Clarity on Policies & Regulations	Clarity Involved in Project	Chargeable Fees
Chi-Square	11.767	15.218	5.153	8.680	11.160
df	3	3	3	3	3
Asymp. Sig.	.008	.002	.161	.034	.011

The perception of investor on different Crowdfunding models based on various parameters of investment is verified. To analyze the same, null Hypothesis is formulated as the investors do not have significant difference of perception towards Crowdfunding models.

Above table shows that investors have (p-value 16%) significant with respect to Clarity on policies & regulations. P-value with respect to Clarity on risk involved in the project is significant at 3% & 1% significant level with respect to chargeable fees. Therefore null hypotheses is rejected & inferred that investors’ perception towards Clarity on policies & regulations, Clarity on risk involved in the project & chargeable fees have significant difference on Crowdfunding models.

## VI. Conclusion

The study can be concluded by stating that friends, family members & social media plays an important role in creating awareness about crowdfunding among investors. Compared to all other models of Crowdfunding, investors are aware of Equity model. Therefore, crowdfunding can be considered as an alternate source of finance as equity model provides return on investment. Study also reveals that there is a significant difference in the awareness factors in selecting different Crowdfunding models. The perception of investor on different Crowdfunding models based on various parameters of investment is verified & inferred that investors’ perception towards Clarity on policies & regulations, Clarity on risk involved in the project & chargeable fees have significant difference on Crowdfunding models.

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