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Crowdfunding in India: An overview

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Abstract

Crowdfunding has emerged as a significant alternative financing mechanism in India, offering a platform for diverse projects and needs, including medical expenses and entrepreneurial ventures. This study presents an analytical overview of crowdfunding in India, focusing on its types, platforms, benefits, risks, and prospects. The primary forms of crowdfunding in India include donation-based, reward-based, equity-based, and peer-to-peer lending, each addressing distinct needs and attracting diverse funders. Major platforms, such as Ketto, Milaap, and Impact Guru, play a crucial role in facilitating these activities. The advantages of crowdfunding in India include democratizing access to capital, aiding projects to gain market validation, enhancing transparency through blockchain technology, and supporting social causes. However, significant challenges persist, such as ambiguous regulatory frameworks, trust issues, platform limitations, and cultural barriers. A notable concern is the caste-based disparity in medical crowdfunding, which reflects broader social inequalities. Additional challenges include information deficits, low financial literacy, and technological barriers, particularly in rural areas. Despite these obstacles, the future of crowdfunding in India appears promising, with the potential to stimulate innovation and entrepreneurship and provide funding for startups and small enterprises. Realizing this potential necessitates clear regulatory guidelines, enhanced public awareness and trust, and addressing the social inequalities that impact funding access. As crowdfunding in India evolves, it could become an integral component of the nation's financial system, provided that these challenges are effectively addressed.

Keywords: Crowdfunding, India, donation-based, reward-based, equity-based, peer-to-peer lending, platforms, etc.

1. Introduction

Crowdfunding has emerged as a significant alternative to traditional financing methods in India, offering a platform for a diverse range of projects and needs, including medical expenses and entrepreneurial ventures. As a financial model, crowdfunding involves the aggregation of small monetary contributions from a large number of individuals, typically facilitated via the internet, to support various initiatives. This approach has gained global traction, including in India, an economy characterized by rapidly expanding internet connectivity and a burgeoning digital payment ecosystem (Caputo *et al.*, 2022) ^[1]. The crowdfunding landscape in India is currently evolving with notable disparities in its utilization. Research has indicated that medical crowdfunding campaigns often reflect existing social inequalities, particularly caste-based disparities. Specifically, campaigns initiated by individuals from dominant caste groups tend to secure more substantial funding than those from marginalized communities. This suggests that the benefits of crowdfunding are not equally distributed, potentially exacerbating pre-existing social inequities (Shah, 2024) ^[3]. Donation-based crowdfunding, a prevalent model in India, is facilitated by platforms such as Ketto.org. Campaigns initiated by nonprofit organizations, which offer tax benefits, tend to attract more donations than those managed by individuals. This trend indicates donors' preference for campaigns that provide perceived legitimacy and financial incentives through tax deductions (Khurana 2021) ^[2]. The diverse array of crowdfunding models available in India includes donation-based, reward-based, equity-based, and peer-to-peer lending platforms, each catering to distinct needs and being subject to varying degrees of regulation. Despite its potential, the sector faces substantial challenges, notably the need for more defined regulatory frameworks to bolster trust and transparency and address issues of fraud (Zhao *et al.*, 2019) ^[4]. In summary, while crowdfunding in India presents novel

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opportunities for financing and democratizing access to capital, its success is predominantly contingent on the socioeconomic context and regulatory framework. As the sector continues to expand, addressing these disparities and establishing robust regulatory standards are essential for cultivating an equitable and sustainable crowdfunding ecosystem.

2. Concept of crowdfunding

Crowdfunding is a digital financing model through which individuals, entrepreneurs, or businesses secure funds from a large number of contributors, typically via the Internet. This method leverages online platforms to gather small financial contributions from a broad audience, collectively referred to as "the crowd," rather than soliciting substantial amounts from a limited number of traditional investors such as banks or venture capitalists. Crowdfunding has gained significant traction across various sectors, including the arts, entrepreneurship, and scientific research, owing to its accessibility and community-oriented nature (Pierrakis and Collins, 2014; Zhao *et al.*, 2017) ^[5, 6]. One of the primary advantages of crowdfunding is its capacity to democratize financial access. It offers opportunities for a diverse range of participants, including novice creators and small-scale entrepreneurs, to present their ideas and obtain support without substantial capital or recognition. For instance, platforms such as Kickstarter and Indiegogo have popularized this concept, providing a venue for project creators to showcase their visions and receive backing from individuals worldwide. Crowdfunding manifests in various forms, each tailored to distinct needs. Reward-based crowdfunding involves supporters receiving non-financial incentives for their contributions, which may include items such as thank-you notes or product prototypes. Equity crowdfunding allows backers to acquire shares in a company, thereby securing financial interest in its success. Donation-based crowdfunding relies on voluntary contributions, often employed for charitable purposes, without the expectation of monetary return. Finally, peer-to-peer lending facilitates loans between individuals and small businesses, offering lenders potential returns through interest (Pierrakis and Collins, 2014) ^[5]. The dynamics of crowdfunding campaigns encompassing daily funding amounts and reward structures are crucial to their success. These campaigns frequently employ strategic planning to engage potential backers and to predict funding outcomes. This process necessitates an understanding of the decision-making processes of the crowd and the influence of various factors such as campaign clarity, narrative strength, and perceived value (Zhao *et al.*, 2017) ^[6]. Crowdfunding has transformed the financial support landscape for projects by offering an inclusive, accessible, and adaptable model that promotes innovation and community involvement. Despite challenges, such as the dissemination of crowdfunding, variations in success rates, and potential biases, the model continues to develop and expand, providing new opportunities for artists, innovators, and change-makers.

3. Historical background of crowdfunding in India

Crowdfunding in India has experienced significant growth and is emerging as a notable alternative financing mechanism, particularly for innovative projects and medical needs. This concept gained momentum with the introduction of platforms that facilitated digital fundraising for various

purposes. Notably, India's leading crowdfunding platforms, such as Ketto.org, have supported numerous campaigns across sectors, including health, education, and personal ventures. In its early stages, crowdfunding in India primarily focused on donation-based models, where platforms facilitated the collection of funds for causes championed by non-profit organizations. These platforms proved indispensable during crises, enabling the rapid aggregation of donors' global financial resources. The success of these campaigns often depends on the perceived legitimacy of the cause, with those offering tax deductions or associated with registered non-profits attracting greater attention and financial support (Khurana, 2021) ^[2]. Over time, crowdfunding in India has faced several challenges, particularly disparities in reach and success among campaigns influenced by socioeconomic factors. For instance, research has highlighted caste-based inequalities in medical crowdfunding campaigns, with dominant caste groups frequently receiving more funds than marginalized groups, primarily because of larger average donations (Shah, 2024) ^[3]. This suggests that while crowdfunding democratizes access to funding, existing societal hierarchies can significantly affect campaign success. The expansion of crowdfunding platforms has highlighted the potential of reward-based models, wherein contributors to projects receive non-monetary incentives. This model emphasizes co-creation and psychological ownership among contributors, which significantly affects their commitment to projects (Zheng *et al.*, 2018) ^[8]. Furthermore, social media has been recognized as a crucial tool for enhancing campaign success, with the extent and effective use of social media playing a pivotal role in achieving funding objectives (Clauss *et al.*, 2019) ^[7]. Although the trajectory appears promising, regulatory frameworks governing crowdfunding in India remain underdeveloped, particularly concerning reward- and donation-based models. This regulatory deficiency raises concerns regarding potential fraud and malpractice, necessitating the implementation of governance mechanisms and standardized practices to ensure transparency and investor protection (Zhao *et al.*, 2019) ^[4].

4. Literature Review

Numerous studies have been conducted on crowdfunding in India in recent years by various academics and researchers examining different facets of the subject. This review presents some of the most pertinent studies.

Usha *et al.* (2022) ^[9] studied crowdfunding in India, defined as raising small funds from multiple investors through online platforms for projects, ventures, or causes. This study examines the evolution, types, platforms, and framework of crowdfunding in India to suggest improvements. This study discusses crowdfunding types and benefits, such as faster fundraising and reduced costs, while noting the risks of fraud and low awareness. This study finds the growing popularity of reward- and donation-based crowdfunding in India, emphasizing the need to balance investor protection with economic development through equity markets.

Maheswari and Kathirvel (2024) ^[10] studied how well people in Coimbatore City, India, understand crowdfunding and conscious marketing. They found that many young adults were involved, with 67.2% aged 18-24, and 57.4% male. Most (54.1%) lived in cities, indicating that city residents know more about crowdfunding. A large number (95.1%) thought crowdfunding could help new projects, and

39.96% found campaigns through social media. However, trust issues stopped 37.74% from joining. The study shows that 93.4% believe that crowdfunding raises marketing awareness, especially for socially responsible projects. They used surveys and interviews with 60 people and analysed the data using percentage analysis, a Likert scale, and rank correlation. While city youth are very involved in crowdfunding, trust issues are still a problem. The study suggests teaching technology, being open to getting more people involved, and promoting socially responsible campaigns to make a bigger impact.

Mujumale (2024) ^[11] looks at crowdfunding in India. This is a way to raise money by obtaining small amounts from many people online. This study reviews laws that control crowdfunding, such as the Companies Act 2013, SEBI rules, and RBI guidelines. Important platforms include Fundable, Kickstarter, Indiegogo, Wishberry, Ketto, Catapoolt, and The Hot Start. This study predicts growth through campaigns, special platforms, company partnerships, transparency, blockchain use, global funding, and reward-based crowdfunding. Challenges include low awareness, infrastructure problems, following rules, investor protection, competition, low returns, and execution issues. Crowdfunding has potential in India, but is not fully used and needs better rule-following.

Agrawal and Jethy (2024) ^[12] investigated crowdfunding as a sustainable financing mechanism for Micro, Small, and Medium Enterprises (MSMEs) in Odisha's Khurda district. This study assessed MSMEs' awareness of crowdfunding, examined adoption factors, and proposed recommendations to enhance adoption. Data were collected using structured questionnaires and analysed using regression models through a survey of 385 MSMEs, selected via purposive sampling. The findings show moderate crowdfunding awareness among MSMEs, with adoption influenced by traditional financing, regulations, trust, risk perception, and perceived benefits. The study emphasizes the need for initiatives to increase crowdfunding adoption and recommends strategies to enhance awareness of this financing model.

Hoque (2024) ^[13] examined crowdfunding as a way to support new ideas. Crowdfunding helps entrepreneurs who struggle to obtain traditional funding use online platforms to reach investors. This study examined different types of crowdfunding: reward-based, donation-based, loan-based, and equity crowdfunding. Crowdfunding helps innovation by providing access to money, letting entrepreneurs test ideas, and building a community of supporters. This study also examines how crowdfunding works with venture capital and angel investments, showing that it can work well together. Challenges include fraud risk, lack of information, and different campaign results. The regulations are discussed as possible solutions. The study suggests further research on the sustainability, impact on innovation, and success factors of crowdfunded projects. While crowdfunding is promising for funding innovation, its potential and challenges need further study to help innovation and economic growth.

Narendra (2024) ^[14] examined crowdfunding as a way for startups to earn money. Crowdfunding gathers small amounts of money online from many people. This study discusses four types: reward-based (products/services), equity-based (company shares), debt-based (loans with interest), and donation-based (no returns). Popular sites

include GoFundMe, Kickstarter, Indiegogo, and Fundable. Benefits include reaching more investors, testing the market, and maintaining control. Drawbacks include risks to reputation and platform fees. This study suggests thinking about business type, funding needs, market testing, ownership, and legal rules when choosing crowdfunding. It also mentions other options such as bank loans and venture capital. It ends by stressing the need to pick the right funding for start-ups.

Vijayalakshmi and Priyadarshini (2021) ^[15] examine crowdfunding as an emerging concept for startups in India. Crowdfunding raises funds through small contributions from many individuals on online platforms. The authors highlight the following key benefits: providing funding for startups and SMEs at lower costs, offering new investment opportunities, and increasing startup financing competition. This paper addresses risks including project failure, intellectual property concerns, donor exhaustion, fear of scams, project replication, and communication challenges. It concludes that crowdfunding serves as an alternative for startups facing funding shortages, and recommends educating entrepreneurs about its advantages and platform utilization.

Singh, V. (2020) ^[16] looks at crowdfunding as a way to finance businesses in India. Crowdfunding means obtaining small amounts of money from many people online for specific projects. This became popular after the 2008 financial crisis. This study describes four types of crowdfunding: Donation Crowdfunding for social causes without financial rewards, Reward Crowdfunding that gives tangible rewards, Peer-to-Peer Lending with interest loans, and Equity Crowdfunding, where investors get company shares. Challenges in India include a lack of awareness, unclear laws, intellectual property issues, low Internet use, and no regulations. This study discusses SEBI's crowdfunding research, which includes rules for investors and companies. Crowdfunding has potential in India with more Internet use, but it needs clear rules and protection to work well.

5. Research gap

Many studies have examined crowdfunding in India, focusing on its types, benefits, and challenges. However, limited research has been conducted on their long-term effects and sustainability. Further studies are needed to determine how well the rules protect against fraud and help investors. More research is needed to determine what makes crowdfunding campaigns successful and how to increase their use, especially in rural areas. Additionally, we need to understand how crowdfunding works with traditional financing in the Indian financial system.

6. Significance of the study

Studying crowdfunding in India is important because it affects business, money, and society. Crowdfunding helps entrepreneurs who cannot obtain money from banks. This makes finance more accessible, which can lead to new ideas and more people participating in the economy (Langley & Leyshon, 2017) ^[17]. Crowdfunding can impact social inequality in India. For example, in medical crowdfunding, people from higher castes often receive more money than those from lower castes (Shah 2024) ^[3]. Social media plays a significant role in raising money by promoting campaigns and engaging networks (Lu *et al.*, 2014) ^[33]. Crowdfunding

also boosts interest in products that are good for society and shows changes in what people want to buy (Simpson *et al.*, 2020) ^[20]. Knowing how to manage money well is linked to success on crowdfunding platforms, indicating the need for users to be informed (Meoli *et al.*, 2021) ^[18]. Understanding crowdfunding in India is key to understanding how it affects access to money, social inequalities, and economic inclusion.

7. Scope of crowdfunding in India

Unlike traditional methods, crowdfunding in India is a new way to raise money. It is praised for giving more people a chance to obtain funds, but not everyone has equal access. This reflects social inequality. Crowdfunding includes medical, civic, equity-, and reward-based campaigns. In medical crowdfunding, people from dominant castes earn more money than those from marginalized groups. This is because they receive larger donations, and fewer campaigns are started by Scheduled Castes and Tribes (Shah, 2024) ^[3]. Civic crowdfunding allows people and governments to fund community projects, but it is not widely used in India (Stiver *et al.*, 2014) ^[22]. Blockchain technology can improve crowdfunding by helping economically vulnerable groups (Muneeza *et al.* 2018) ^[21]. Understanding finance is important for security-based crowdfunding, in which small investors support new businesses (Meoli *et al.*, 2021) ^[18]. While crowdfunding in India can help people access money, current inequalities mean that more work is needed to ensure that everyone benefits equally.

8. Objective of the study

The objective of the study is to provide an analytical overview of crowdfunding in India.

9. Methodology

This study is theoretical and descriptive and relies exclusively on secondary data. The data have been sourced from various research articles, academic journals, research-based publications, and online resources.

10. Types of crowdfunding in India

Crowdfunding has emerged as a significant mechanism for raising capital for a diverse array of purposes, encompassing both personal and business projects. The primary forms of crowdfunding prevalent in India are as follows.

10.1 Donation-based crowdfunding

Donation-based crowdfunding is a simple way of raising money. People give money without expecting anything. Non-profit groups and people working for social reasons often use this method. They depend on others' kindness. These campaigns have reached more people through social media. But they can face problems like "slacktivism." This means that many people show interest, but few donate money (Khurana, 2021) ^[2].

10.2 Reward-based crowdfunding

In the model, funders receive a real product or service for money. This method is common among artists, business owners, and tech start-ups. It helps raise money and involves supporters by giving them early access to products or special experiences linked to a project's success (Zheng *et al.*, 2018) ^[8].

10.3 Equity crowdfunding

In context, contributors acquire shares in a business or startup in return for their investment, akin to purchasing stock. This approach is particularly suitable for startups and small businesses that seek capital in exchange for partial ownership. It appeals to investors interested in long-term returns and willing to assume risks for equity stakes in emerging ventures.

10.4 Peer-to-peer lending (Debt crowdfunding)

This model entails the provision of loans to individuals or businesses with the expectation of repayment, accompanied by interest. This circumvents conventional financial institutions, thereby enabling borrowers to access a broader spectrum of lenders. Its popularity is attributed to the potential for higher returns compared with traditional savings methods, although it is associated with commensurate risks (Zhao *et al.*, 2019) ^[4].

In India, each type of crowdfunding addresses distinct needs and attracts various funders, ranging from altruistic donors to strategic investors. This diversity offers a wide array of fundraising opportunities encompassing personal, social, and business ventures.

11. Crowdfunding platforms in India

In India, crowdfunding has emerged as an efficacious method for generating financial resources through various platforms that address a wide array of needs, including medical emergencies, entrepreneurial ventures, and social initiatives. The following are some of the prominent crowdfunding platforms currently operating in India.

11.1 Ketto

Ketto, one of India's preeminent crowdfunding platforms, specializes in facilitating the collection of funds for healthcare, education, and personal initiatives. It enables individuals and organizations to effortlessly establish campaigns and connect with a network of prospective donors.

11.2 Milaap

This is dedicated to facilitating personal fundraising, addressing medical expenses, supporting educational initiatives, and promoting rural development projects. This offers an intuitive interface and ensures a transparent and secure mechanism for fund collection.

11.3 Impact guru

This platform is primarily designed to facilitate fundraising efforts in the healthcare sector. Impact Guru assists hospitals and individuals in securing financial resources for medical treatment by leveraging an extensive network of donors.

11.4 Wishberry

Wishberry is renowned for its support of creative endeavours, serving filmmakers, artists, musicians, and other creators in their pursuit of funding. The platform requires a comprehensive plan and provides individualized mentorship to facilitate campaign success.

11.5 Fueladream

Fuel dream is dedicated to individual and societal initiatives. It is particularly effective for young entrepreneurs and innovative projects, offering an efficient process for initiating campaigns and attracting support.

These platforms provide a diverse range of services and support, facilitating numerous initiatives and projects aimed at acquiring essential resources through community engagement. Crowdfunding in India is progressively extending its reach and impact across various sectors and societal needs (Shah 2024) ^[3].

12. The benefits of crowdfunding in India

Crowdfunding in India has numerous advantages, serving as a significant alternative funding mechanism capable of addressing diverse needs across various industries. The principal benefits associated with crowdfunding in the Indian context are as follows:

12.1 Access to capital

Crowdfunding platforms enable entrepreneurs, particularly those operating small businesses and startups, to secure financial resources by aggregating modest contributions from a large pool of investors. This approach democratizes the fundraising process, which has traditionally depended on banks and financial institutions (Lee *et al.*, 2016) ^[28].

12.2 Publicity and market validation

Crowdfunding campaigns enhance the visibility of a project or business among prospective users and investors. This process functions as a form of market validation, offering entrepreneurs valuable insights into potential customer interests and market alignments (Yang & Lee, 2018) ^[28].

12.3 Non-financial benefits

In addition to financial contributions, crowdfunding offers intangible advantages such as networking opportunities, advisory support, and the establishment of a customer base before the product launch. These benefits encompass both internal advantages from investors, such as expertise and experience, and external advantages, such as enhanced public exposure (Wald *et al.* 2019) ^[26].

12.4 Flexibility and innovation

Crowdfunding platforms, as a relatively novel approach to fundraising, offer considerable flexibility in the types of projects eligible for funding, encompassing creative endeavours, social initiatives, and technological innovations. This flexibility cultivates an environment that is conducive to creativity and innovation (Gierczak *et al.* 2016) ^[24].

12.5 Transparency and trust

Blockchain-based platforms enhance transparency by enabling contributors to monitor fund allocation and maintain control over their investments through the use of smart contracts. This mechanism fosters trust among investors and encourages increased contributions (Yadav and V, 2020) ^[27].

12.6 Supporting social causes

Crowdfunding has been effectively utilized to support social and medical causes, providing a mechanism for individuals and groups to secure funding for healthcare and community initiatives. Nevertheless, this practice often mirrors existing social inequalities, as marginalized groups may receive less support compared to their more privileged counterparts (Shah, 2024) ^[3].

12.7 Empowerment and community building

Crowdfunding facilitates empowerment for both entrepreneurs and investors by enabling direct communication and engagement. Investors frequently experience personal growth and satisfaction through their contributions to projects with a social impact, which subsequently promotes community building and the development of social capital (Wald *et al.*, 2019) ^[26].

Crowdfunding serves as a significant mechanism for stimulating economic growth, encouraging innovation, and enhancing social welfare. Reducing entry barriers for entrepreneurs and providing a platform for a variety of projects has the potential to transform traditional financing models and contribute to a more inclusive economy.

13. Limitations of crowdfunding in India

In India, crowdfunding encounters several constraints that are shaped by regulatory, cultural, and economic factors. The following points highlight these limitations:

13.1 Regulatory challenges

The absence of a comprehensive regulatory framework poses a significant challenge to crowdfunding in India. The lack of explicit legal guidelines leads to uncertainty and hinders sector growth. In contrast to other countries, where crowdfunding is governed by a structured set of regulations, the Indian market continues to grapple with ambiguous legal pathways (Hoque, 2024) ^[13].

13.2 Trust issues

The absence of trust among potential investors is a considerable barrier. Crowdfunding relies heavily on the credibility of project creators and the transparency of their campaigns. In many instances, potential backers in India may express skepticism regarding the legitimacy of campaigns, partly because of previous occurrences of fraud and fund misuse across various sectors (Li *et al.*, 2016) ^[32].

13.3 Platform limitations

Numerous Indian crowdfunding platforms lack the advanced functionalities necessary to attract significant investor engagement. By contrast, international platforms offer sophisticated tools and analytics to campaign creators and backers. Indian platforms frequently do not meet these standards, thereby limiting their effectiveness and reach (Koh *et al.* 2020) ^[31].

13.4 Cultural barriers

Cultural factors play a significant role in constraining crowdfunding in India. Traditionally, Indian society has predominantly depended on formal banking systems and personal networks for financial mobilization. The concept of gathering small financial contributions from a large number of individuals remains relatively novel and not yet widely understood by the general population (Stiver *et al.*, 2014) ^[22].

13.5 Technical and awareness barriers

There notable lack of awareness and understanding regarding the effective use of crowdfunding among prospective users. This includes the ability to create compelling campaign content and to identify the appropriate target audience. In addition, not all potential users feel

comfortable with or have access to the necessary technology required for participation in online crowdfunding (Gras *et al.*, 2017) ^[22].

13.6 Financial inclusion and internet access

Despite significant progress in financial inclusion and internet accessibility in India, a considerable portion of the population remains excluded from online payment systems and is not integrated into the digital economy. This limitation confines the reach of crowdfunding initiatives to urban and technologically proficient individuals (Lu *et al.*, 2014) ^[33].

To overcome these limitations, a comprehensive strategy that includes regulatory reforms, enhancement of platform capabilities, public awareness initiatives, and broader efforts to cultivate trust within the crowdfunding ecosystem in India is needed.

14. Risk of crowdfunding in India

In India, crowdfunding involves several risks that stakeholders must meticulously assess, as demonstrated by various studies and analyses. The following is a comprehensive examination of these risks.

14.1 Caste inequality

In India, crowdfunding can worsen social inequalities, especially those related to caste. Studies have shown that people from higher caste groups often receive more money for their campaigns than those from lower castes. This is because people from higher castes usually receive larger donations. In addition, people from scheduled castes and tribes start fewer campaigns. This might be because they face economic and social problems that make it difficult for them to join crowdfunding (Shah, 2024) ^[3].

14.2 Financial literacy

A major problem for crowdfunding in India is that many people do not understand finance well. Studies show that knowledge of finance and having good rules on crowdfunding platforms help reduce risks and make investors feel safer. Platforms that provide voting rights and have strong rules attract smarter investors, which helps them improve (Meoli *et al.*, 2021) ^[18].

14.3 Information asymmetry

The absence of obligatory risk disclosures in crowdfunding can result in information asymmetry. Many crowdfunders may not be fully cognizant of associated risks, which can adversely affect funding outcomes, particularly for high-risk projects. Implementing effective disclosure strategies can mitigate these asymmetries, thereby assisting crowdfunders in making informed decisions.

14.4 Market dynamics

The crowdfunding market in India is shaped by intricate dynamics, including the volume of projects, ethical risks associated with entrepreneurs, and the equilibrium between communal benefits and financial returns. These factors can result in unpredictable success rates for project funding, necessitating meticulous management and strategic planning by both fundraisers and investors.

14.5 Regulatory challenges

The advent of crowdfunding presents challenges to existing

legislative frameworks. Traditional financial and banking regulations may not sufficiently govern crowdfunding activities, necessitating the development of new regulatory strategies for platforms operating on a peer-to-peer basis. This regulatory ambiguity can pose risks to both platform operators and users (Lenz, 2016).

14.6 Market risks and investor concerns

Equity crowdfunding investors express considerable concerns regarding market risks and shareholder rights, particularly in the context of high information asymmetries and perceived agency risks. Although investor discussions aim to provide clear endorsements for projects, the emphasis on market risks often adversely affects funding outcomes (Kleinert & Volkmann, 2019).

The identified risks highlight the need for strategic management, comprehensive regulatory frameworks, and improved financial literacy to mitigate potential drawbacks and promote a more equitable and successful crowdfunding environment in India.

15. Crowdfunding challenges in India

Crowdfunding in India is facing numerous obstacles that impede its progress as a viable alternative financing method. Several key challenges have been identified in the literature.

15.1 Inequality issues

Shah (2024) ^[3] highlights the substantial caste-based disparities in crowdfunding in India, particularly in the context of medical crowdfunding. Campaigns initiated by individuals from dominant castes tend to receive more financial support compared to those led by members of marginalized groups. This discrepancy underscores the systemic inequalities inherent in Indian society, which are reflected in the crowdfunding domain.

15.2 Lack of public awareness and trust

A significant obstacle is the public's lack of awareness and trust in crowdfunding platforms. There is skepticism regarding the security and legitimacy of these platforms, which hinders broader participation. This issue is critical because for crowdfunding to achieve success, a substantial number of backers are typically necessary (Stiver *et al.*, 2014) ^[22].

15.3 Regulatory uncertainty

The regulatory framework governing crowdfunding in India remains in a nascent stage, resulting in uncertainties that deter potential investors and entrepreneurs. The lack of explicit guidelines may lead to reluctance among investors and project initiators, thereby impeding the potential expansion of this funding mechanism (Hossain & Oparaocha, 2015) ^[34].

15.4 Challenges for sustainable entrepreneurs

Sustainable entrepreneurs encounter distinct challenges in utilizing crowdfunding attributable to the varied motivations and types of crowdfunding available. This complexity necessitates a nuanced comprehension of the appropriate type of crowdfunding to align with specific objectives (Yacoub *et al.*, 2022) ^[37].

15.5 Technological barriers

Despite the proliferation of mobile and Internet

technologies, technological barriers continue to impede the accessibility of crowdfunding platforms. Notably, rural areas encounter significant challenges with Internet connectivity, thereby restricting participation predominantly to urban regions, where digital access is more dependable (Khurana, 2021) ^[2].

15.6 Project success predictions

Forecasting the success of crowdfunding initiatives remains a complex endeavour because of the diverse factors that influence campaign outcomes. Numerous platforms employ an all-or-nothing model, which imposes additional pressure to secure full funding within specified timeframes, potentially posing significant challenges for campaigners (Li *et al.* 2016) ^[32].

The challenges highlighted underscore the complex obstacles confronting crowdfunding in India, necessitating a thorough analysis and coordinated efforts to overcome these issues, thereby facilitating its emergence as a mainstream financing option.

16. Crowdfunding prospects in India

The potential for crowdfunding in India appears promising, driven by various factors and the potential benefits offered by the platform. The following are the key aspects of how crowdfunding can continue to expand and be advantageous within the Indian context:

16.1 Source

Crowdfunding offers an alternative mechanism for fundraising, particularly for benefiting small businesses and startups that may encounter difficulties in obtaining traditional financing. This is especially significant in contexts such as India, where access to venture capital and bank loans can be constrained for emerging enterprises (Short *et al.*, 2016) ^[40].

16.2 Promotion of innovation and entrepreneurship

Crowdfunding offers an innovative mechanism for capital acquisition, thereby fostering innovation and entrepreneurship. This approach can alleviate startups' financial constraints, enabling them to explore novel ideas and expand their operations. Although research from other regions, such as the UK, suggests that crowdfunding does not significantly enhance innovation, it contributes positively to business growth opportunities (Eldridge *et al.*, 2019) ^[38].

16.3 Leveraging social media and technology

Social media are integral to the success of crowdfunding campaigns. Platforms that are effectively integrated with social media can significantly enhance campaign visibility and extend their reach to a broader audience, thereby increasing the likelihood of successful funding outcomes. Interconnectedness facilitated by social media is essential for promoting campaigns and engaging with potential backers (Lu *et al.*, 2014) ^[33].

16.4 Diverse crowdfunding models

Various crowdfunding models exist, including donation, reward, equity, and debt-based crowdfunding. Each model is tailored to meet distinct needs, ranging from assisting individuals with medical expenses to enabling startups to offer shares in exchange for investments. This diversity

facilitates flexibility in the manner in which funds are raised and utilized, thereby accommodating different project types and funding requirements (Hossain & Oparaocha, 2015) ^[34].

16.5 Regulatory challenges and opportunities

As crowdfunding continues to evolve in India, it faces challenges and opportunities related to regulation and governance. The development of appropriate regulatory frameworks can facilitate legitimization and structuring of the market, thereby instilling confidence in investors and ensuring the sustainable growth of crowdfunding platforms.

16.6 Cultural and social dynamics

India's multifaceted cultural landscape can significantly impact the dynamics of crowdfunding. A comprehensive understanding of local cultural and social factors is essential for designing campaigns and platforms that effectively resonate with the target audiences.

In summary, crowdfunding in India faces challenges such as rules and cultural differences. However, it still has great potential. It can help fill funding gaps, support new businesses, and use social media to involve more people. As platforms and rules improve, crowdfunding may become a key component of India's financial system.

17. Findings of the study

The following are the principal findings concerning crowdfunding in India derived from the above discussion:

1. Types of crowdfunding

- **Donation-based:** The most basic form relies on altruism, and no returns are expected.
- **Reward-based:** funders receive tangible products and services in exchange.
- **Equity-based:** Contributors acquire shares in businesses and startups
- **Peer-to-peer lending:** loans provided with the expectation of repayment of interest.

2. Major platforms

- Ketto
- Milaap
- Impact Guru
- Wishberry
- Fueladream

3. Benefits

- Access to capital for entrepreneurs and small businesses.
- Market validation and project publicity
- Non-financial benefits such as networking and advisory support.
- Flexibility in funding diverse projects.
- Enhanced transparency through blockchain technology.
- Support for social causes.
- Community building and empowerment.

4. Limitations and risks

- Regulatory challenges due to the lack of a comprehensive framework.
- Trust issues and skepticism among potential backers.
- Platform limitations compared to international counterparts.

- Cultural barriers and reliance on traditional financing methods.
- Technical and awareness barriers.
- Limited financial inclusion and internet access.
- Caste-based inequalities in medical crowdfunding.
- Information asymmetry and lack of risk disclosure.
- Unpredictable market dynamics.

5. Prospects

- Alternative funding sources for start-ups and small businesses.
- Promoting innovation and entrepreneurship.
- Leveraging social media for campaign success.
- Diverse models catering to different needs.
- Potential for regulatory development.
- Opportunities to Address Cultural and Social Dynamics.

6. Key challenges

- Addressing caste-based disparities in funding outcomes.
- Improving public awareness and trust.
- Developing clear regulatory frameworks.
- Overcoming technological barriers, especially in rural areas.
- Enhancing financial literacy among participants.
- Predicting and ensuring project success

The findings show that crowdfunding in India can help more people earn money and support various projects. However, they face significant problems with rules, trust, and social inequalities. These problems need to be addressed for crowdfunding to grow and make a difference.

18. Conclusion

This study examined crowdfunding in India. It focuses on the types, platforms, benefits, risks, and future. Crowdfunding is growing rapidly in India and has great potential as a new way of raising money. However, this also presents many challenges. There are different types of crowdfunding: donation, reward, equity, and peer-to-peer lending. Each type meets different needs and attracts different funding. Platforms such as Ketto, Milaap, and Impact Guru help in crowdfunding. Crowdfunding in India offers many benefits. This makes it easier for people to obtain money, help projects obtain market approval, increase transparency with blockchain, and support social causes. However, there are significant challenges. These include unclear rules, trust issues, platform limits compared with other countries, and cultural barriers. A major concern is caste-based differences in medical crowdfunding, which show wider social inequalities. Other challenges include a lack of information, low financial knowledge, and technological issues, especially in rural areas. The future of crowdfunding in India appears to be positive. It can boost innovation and entrepreneurship, and help startups and small businesses earn money. Social media and technology can help campaigns to reach more people and succeed. However, to achieve this, clear rules, more public awareness, trust, and addressing social inequalities are needed. In conclusion, while crowdfunding in India has great potential to support various projects and make financial access fairer, its growth depends on overcoming these challenges. Future research should focus on strong regulations, better financial education, and fair access to

crowdfunding platforms. If these challenges are addressed, crowdfunding could become a key component of India's financial system.

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