Chapter 2
Crowd Funding:
Organizing Finance the New Way

Surbhi Gosain
Bhai Parmanand Institute of Business Studies, India

ABSTRACT
Financing is an essential element for running any organization without which an organization cannot even be created. With many new organizations coming up and foreign companies entering into the market competition has touched its peak. This is valid even for scenarios where companies have to face a cut-throat competition to get the investors for themselves. New and booming startups have to compete with already establish companies where they are generally less preferred as an investment option by the investors who eventually choose big companies because of their return. Thus, new methods of financing such as crowd funding are making their way into present day business environment. Crowd funding has been positioned as a viable option in line with traditional methods of financing such as venture capitalism and angel investments. Crowd funding has gain popularity among new and inexperienced entrepreneurs and for getting money to carry out social, cultural and environmental projects. Various crowd funding platforms have come up with different pricing and operational strategies.

INTRODUCTION
India is a rapidly growing economy. The government has taken up several initiatives to promote the economy. Many of such initiatives include “Start - up India”, “Digital India” and “Make in India”. This had given rise to many entrepreneurs in the
Crowd Funding

country and the number is increasing day-by-day. Many of these entrepreneurs are new into the business world with no experience. This is popularly called start-up culture these days with a large number of startup firms mushrooming. Further, already established business houses or companies are also looking for opportunities to expand and diversify for which they require funds. Finance, therefore, is an important resource for setting up a business and successfully carrying it further i.e. surviving in the market. Finance is required for carrying out all the business activities. Finance directly affects the marketing and human resource in an organization. It plays a vital role in a case of technology-based organizations as lack of funds will have a serious impact on research and development process. The arrangement of funds is an integral part of running a business as money is required either to carry out operational activities or for purchasing assets.

Globalization has further added complexity to this scenario with foreign companies entering the markets. Foreign companies may bring with them foreign money and could pose a competition in obtaining finances. Relatively better economic conditions in countries outside India may result in the scarcity of investors investing in India. In such case, startups will have to fight with well-established organizations to get investors for funding their business. Investment in earlier days was basically from a few persons or institutions. It has been seen that investors are bias towards big companies who are already operating in the industry rather than giving preference to young budding entrepreneurs. This inclination of investors towards big companies may also be because of the reason that some investors invest their money in such companies to get huge returns and these companies are backed by their past performance records. Startups will, therefore, have to put in extra efforts to attract investment in their ideas. Also, investment by a wealthy person or by an organization in a startup involves the risk of controlling their operations. Crowd funding in present scenario emerged as a solution to these issues of financing.

Digitization had given rise to the whole crowd funding process as well. The emergence of online crowd funding platforms has provided the investee with an interface to interact with various people who can be their potential investors. This had saved time and effort which a person usually spent on visiting the office of one single investor. Through these online platforms, a person can approach many potential investors at one go. Crowd funding helps in raising money for social projects as well as business projects. Return on investment in crowd funding may vary from just little rewards like vouchers or free merchandises to equity in the company or share in first profit whenever it may happen. Crowd funding has converted mere financing activity into e-funding which had been possible because of the break-out of internet revolution.
The Implications of the Development and Implementation of CRM for Knowledge Management
[www.igi-global.com/chapter/implications-development-implementation-crm-knowledge/58217?camid=4v1a](www.igi-global.com/chapter/implications-development-implementation-crm-knowledge/58217?camid=4v1a)

Understanding Digital Platforms: Types of Platforms and Their Evolution in the Organizational Context
Alexander Chekanov (2018). *Evaluating Media Richness in Organizational Learning* (pp. 82-98).
[www.igi-global.com/chapter/understanding-digital-platforms/188317?camid=4v1a](www.igi-global.com/chapter/understanding-digital-platforms/188317?camid=4v1a)