

# WHAT IS REWARD BASED CROWDFUNDING? RBS IN INDIA

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## Abstract

In today's world of ability and innovation, the population is occupied with varied business ideas. From promoter's sight, generation of business proposal is less complicated than composition for the fund for its application. At present, the businessmen have several choices from that they'll prepare funds particularly shares, banks, personal lenders, capital establishments and different monetary organizations. however still there are varied frequent expenses that don't seem to be supported by these organization. To trot out these initial capital and indirect expenses a replacement idea has aroused that's crowdfunding. Crowdfunding is wide utilized in developed countries like America whereas in Asian nation, the population continues to be less privy to it. the current analysis study is completed with Associate in Nursing intention to spot the event of crowdfunding in Asian nation. For this several analysis studies drained {india|India|Republic of Asian nation|Bharat|Asian country|Asian nation} and out of doors India are referred.

**Keywords:** Business, Crowdfunding, capital

## 1. INTRODUCTION

Fundraising activities for pro-social functions are traditionally dolt out by foundations and Non-profit organization settled. However, the institution of digital technologies is more and more ever-changing this leader in society. within the field of prosocial fundraising, crowdfunding platforms have recently created it attainable for a broad mass of people to induce concerned in varied pro-social causes while not involving established intermediaries like foundations or non-profit organizations.

The platforms may be accustomed simply launch your own fund-raising campaigns and directly support them financially. Pro-social campaigns usually use the shape of donation-based crowdfunding, during which donations are collected for a selected purpose. the shape of reward-based crowdfunding, during which supporters will select from varied non-monetary considerations like services and merchandise, isn't employed in a prosocial context. However, this type permits the initiators and people littered with prosocial campaigns to vary associate acute (emergency) state of affairs severally and to launch a personal fundraising activity by giving personalized advantages. Often, the kind of reward offered will be predetermined based on the donation made- for example, a start-up that makes educational apps may provide 3-month free access to investors who donated between INR 5,000-10,000 or offer 6-month free access to those who give INR 10,000-20,000.

Rewards-based crowdfunding acts as a great promotional strategy as the investors themselves become spokespeople for the enterprise's offerings. A complete win-win! The process of starting a rewards-based crowdfunding campaign in-volves identifying the goal amount, choosing a suitable crowdfunding platform, deciding on the rewards, building an appealing story, and sharing the campaign.

Rewards-based funding is additionally called seed funding because entrepreneurs are watching crowdfunding in reality their ventures initial costs. The businessperson pledges to pro-vide some gratification reciprocally for financial contributions to the fundraiser.

## 2. LITERATURE REVIEW

In paper [1], Crowdfunding may be a novel technique for funding a spread of recent ventures, permitting individual founders of for-profit, cultural, or social comes to request funding from several people, typically reciprocally for future product or equity. Crowdfunding comes will vary greatly in each goal and magnitude, from tiny creative comes to entrepreneurs seeking many thousands of greenbacks in seed capital as an alternate to ancient risk capital investment (Schwienbacher and Larralde, 2010). it's a lot of of an informal kind of funding comes – either industrial or non-commercial. Here, massive variety of individuals (the crowd) fund tiny amounts of cash to accumulate into an investment large enough to finance a project (or a start-up company).

In paper [2], it explains crowdfunding is one in all the recent and illustrious strategies of finance the capital. In crowdfunding the fund is collected from the mass of the folks for a certain purpose. the full method from movement of the concept to the gathering of the fund is performed via inter-net through collaboration with social networking sites. The SEBI consultation paper (2014) explained crowdfunding as solicitation of funds (small amount) from multiple investors through a web-based platform or social networking website for a particular project, business venture or social cause. Crowd-funding facilitates fund raising for varied inventive comes like music, film, book publication or for a few generous or public profit cause or for a few businesses venture.

In paper [3], it explains crowdfunding is a novel methodology for supporting a mix of new interests, permitting particular makers of salary driven, social, or social sets out to demand financing from different people, once in a while as a last result of future things or worth. Crowdfunding tries can extend incredibly in both objective and centrality, from negligible innovative activities to business visionaries scanning for a tremendous number of dollars in seed capital as a decision rather than standard hypothesis.



### 3. ANALYSIS

#### 3.1 Reward Based Crowdfunding:

Reward-based crowdfunding may be a form of crowdfunding wherever you - the creators of a replacement product, service, or business - solicit an outsized range of individuals to contribute to your “campaign” in exchange for one thing reciprocally (think Kickstarter & Indiegogo).

Backers of a campaign square measure secure a souvenir for causative to your project. These rewards usually embrace the merchandise or service that the campaign was created to fund, and/or may additionally embrace promotional things like branded t-shirts, bumper stickers, bobbleheads, and more. In cases wherever the rewards square measure targeted round the product or service that the campaign was created to fund, reward-based crowdfunding is a platform for you (the creators) to pre-sell your product, service, or artistic work.

The below mentioned graph illustrates the market size of the reward-based crowd funding business in Bharat from 2013 to 2016. In 2016, the reward-based crowd funding market in Bharat amounted at one.45 million U.S. dollars.

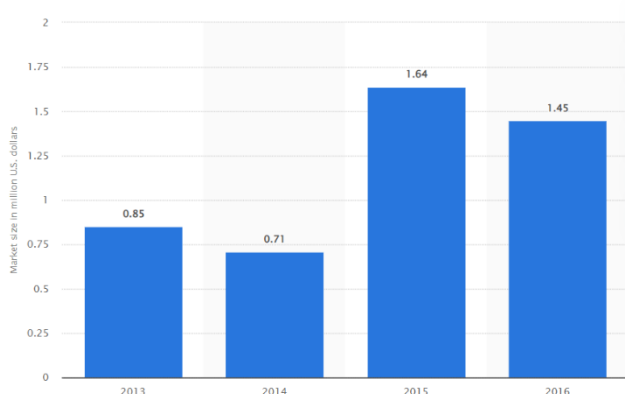


Fig 1. Reward Based Crowdfunding Statistics

#### 3.2 Process of RBS:

##### Step 1: Hatch an idea

Planning ahead is crucial to running a decent fundraiser. If you're a start-up, return up with the blueprint and calculate the price of the merchandise / service you would like to supply. For inventive comes too, find out the ultimate price of the moving-picture show or design you would like to arrange.

##### Step 2: Fix your rewards

After you've come across your goal quantity, fix your re-wards. whereas some campaigners value more highly to fix one contribution quantity for his or her product, others give a spread of re-wards for various contribution amounts. If you provide multiple

merchandise or services, all is obviously priced otherwise and so is given against a different contribution quantity.

##### Step 3: begin a fundraiser

Make sure you write a solid pitch for your story and square measure clear regarding the rewards. If you'll be able to mention the delivery date for the rewards further.

##### Step 4: realize backers

Promote your fundraiser on social media to search out back-ers. Target your core community 1st, if your product may be a game, you clearly apprehend who'd be the primary takers! you'll be able to conjointly host offline events (a demo of your product, maybe?) to bring supporters to your fundraiser.

##### Step 5: Fulfil your commitment

For most platforms, the liability falls on the political leader to fulfil the commitment created to the contributors. make certain you set a sensible timeline at that you'd be able to deliver, keep them updated regarding your progress and in fact, say Thankyou you!

#### 3.3 Pros & Cons:

Rewards crowdfunding permits little businesses to induce new concepts off the bottom while not the burden of repaying a loan. Before jumping in, take into account the pros and cons.

##### Pros

- It's one among the most affordable ways in which to lift capital.
- No collateral, credit check or previous business experience is required.
- The method is straightforward and doesn't need professional money or legal facilitate
- You retain all equity and management in your company
- Exposure gained on the platform will facilitate establish a client base and complete awareness.

##### Cons

- Since you're hoping on individual donations, re-wards crowdfunding isn't the most effective choice for businesses seeking massive amounts of funding.
- If you don't reach your goal, you'll got to forfeit any quantity raised.
- Pitching your plan on-line exposes it to potential donors and to competitors. To avoid having your plan purloined, defend yourself with patents.



## 4. RESULT

From the above chapters reward based crowdfunding introduction and its process in India has been explained thoroughly. As a result of those below mentioned are a few rewards based platforms available in India & Worldwide as well

### Kickstarter

Kickstarter is one of the largest and most popular crowdfunding platforms. As a reward-based crowdfunding platform, Kickstarter focuses on creative and tech projects aimed at creating something that can be shared as a reward. Kickstarter campaigns are all-or-nothing. If the campaign reaches its goal, you will receive the pledged funds (minus fees) and will be expected to deliver the promised rewards. If the campaign does not reach its goal, you will not receive any of the pledged funds and your backers will receive their contributions back.

Kickstarter projects must be new and original. You are not permitted to launch Kickstarter campaigns to sell or resell things that already exist or that were not produced or designed by the campaign creators. There are also some additional restrictions on what you can offer as a reward on Kickstarter. For instance, energy drinks, alcohol, and weapons (and replicas of weapons) are all prohibited on the platform.

**Fees:** Platform Fee: 5%    Processing Fee: 3-5%



Fig2. Kickstarter Platform Logo

### Indiegogo

Indiegogo is another very giant and well-liked reward-based crowdfunding platform with project classes centered around school and innovation, artistic works, and community project. Although primarily a reward-based crowdfunding platform, Indiegogo additionally permits community project and therefore the solicitation of donation-based crowdfunding wherever no re-ward is obtainable.

Indiegogo offers 2 varieties of campaigns on their platform: mounted Funding and versatile Funding. mounted Funding is Associate in Nursing all-or-nothing campaign wherever you need to meet your goal to receive funding. versatile Funding is a lot of lenient, permitting you to stay the pledges you've got received whether or not you've got met your goal or not.

There area unit some restrictions on what you'll provide as rewards on Indiegogo. for example, alcohol, weapons, and any smoking connected product area unit specifically prohibited.

**Fees:** Platform Fee: 5%    Processing Fee: 2.9% + \$0.30 for each transaction



Fig 3. Indiegogo Platform Logo



## 5. CONCLUSION

The study concludes a fast guide and analysis on what's reward primarily based crowdfunding and the way it works in Bharat with few samples of an equivalent. Crowdfunding is in emergent stage in Bharat. it'll take time to extend the attention and alter the outlook of individuals. in a very method it's not a replacement concept in Bharat. For ages, donations are taken to create temples, money covers are taken at marriages, and spiritual festivals are celebrated through contributions. however, fund raising through contributions from public through internet-based platforms is comparatively Associate in Nursing innovative idea.

Crowdfunding isn't a fundraising technique that replaces all the normal funding techniques however it's best to assume it as merely a replacement technique of getting funding and may be evaluated in light-weight of alternative alternatives that are on the market Capital raise below the gang Funding Platform not being Associate in Nursing open provide and thus not beginning open provide connected pre-conditions, and therefore the connected expenses and compliances therein, may be a tight starting stage for this stage accessible for such new age affiliations.

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