

Investors Awareness and Perception Towards Crowdfunding: An Analytical Study

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Abstract

Crowdfunding has emerged as an innovative financial instrument that enables entrepreneurs, startups, and social organizations to raise capital from a large number of individuals through online platforms. This research paper examines the awareness and perception of investors towards crowdfunding as an investment avenue. The study focuses on investors from Ernakulam district and analyses their level of awareness, investment preferences, factors influencing investment behaviour, and perception towards crowdfunding platforms. The research is based on both primary and secondary data. Primary data was collected from 112 respondents through structured questionnaires, while secondary data was collected from books, journals, and online sources. Statistical tools such as percentage analysis, mean analysis, and chi-square tests were used for interpretation. The findings reveal that most investors are aware of crowdfunding and consider return, liquidity, and safety as major factors influencing investment decisions. However, investors still require greater awareness regarding the functioning and risks associated with crowdfunding. The study concludes that crowdfunding has significant growth potential in India and can become an important alternative investment and financing mechanism if proper awareness and regulatory support are provided.

Keywords: *Crowdfunding, Investors, Awareness, Perception, Investment Behaviour, Financial Technology.*

1.Introduction

An investor is a person that allocates capital with the expectation of future financial return. He is a person who buys securities with the intention to earn income. Investors generally retain their security for a longer period and earn income. They are much interested in the safety of their investment and regularity of income.

Crowdfunding is an emerging and innovative online platform that provide small businesses and start-ups with opportunities to increase their social media presence, investment base and funding prospects. It is the practice of funding a project or venture by raising many small amount of money from a large number of people, typically via internet. Crowdfunding is a new and rapidly growing form of financial intermediation that channels funds from investors to borrowers without involving traditional financial organisations such as banks. Typically, it involves internet - based platforms that link 'savers' directly with 'borrowers'. There are various forms of crowdfunding, some of which have non- financial return(e.g. donation-based crowdfunding), while others have (or are expected to have) financial return.

The benefits of crowdfunding include innovation and flexibility, increased engagement between savers and borrowers, potentially lower transaction costs(and consequently higher net returns for savers or lower costs to borrowers), better (or at least additional) access to credit for small and medium- sized enterprises (SMEs), and additional competition for the traditional channels of financial intermediation. However, a new form of financial intermediation such as crowdfunding inevitably also presents risks and challenges . From the perspective of the investor- the principal issues are the level of risk associated with the investments and the stability/security of the crowdfunding platform. But still there exist lack of understanding among the general public and investors about this new investment avenue. So this research is conducted to understand the awareness and attitude of individual investors towards crowdfunding as an investment option.

2. Statement of the Problem

The particular topic is mainly selected to analyse investors awareness and attitude towards crowdfunding - with reference to Ernakulam city-based investors. This analysis was carried out to give more awareness and broader view to the investors about crowdfunding opportunities. The conventional means of generating capital through bank loans,venture capitalist and so on have been proven to be detrimental to these smaller, newly developing and thriving businesses. Here, the concept of crowdfunding caters to such businesses and catalyses the fundraising process from the public through an online platform without any practical difficulties. Thus , it makes it important to study the trends and further advancements that could be made regarding crowdfunding, to make it more accessible amongst entrepreneurs in Ernakulam to create an awareness regarding the same. So, in the present study an attempt has been made to know, how far investors are aware of the term crowdfunding and their attitude towards it.

3. Significance of the study

Crowdfunding is a mainstream idea that developed in US and UK. It has emerged as a source for raising capital through social media platforms – Facebook, LinkedIn, Twitter, and some dedicated sites. The cutting edge business and conditions consider crowdfunding as a method for connecting financial specialists with new businesses and undertakings, utilising as an online exchange platform that takes out all the conceivable hindrances to passage.

India undeniably is developing as the most encouraging economy on the planet. 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, Catapoolt, and Crowdera are a portion of the prominent crowdfunding stages in india. In the coming years, many such stage will exist together in the virtual world. Because of absence of administrative issues, a large part of the ongoing Indian crowdfunding stages are still in the prizes and gift stage.

Crowdfunding is a great alternative way to fund a venture, and it can be done without giving up equity or accumulating debt. Rewards-based crowdfunding platforms allow entrepreneurs to raise funds from the community in exchange for simply giving their tangible products or

other relative gifts. Unconditional capital from crowdfunded source could serve as a vital source of money for them to learn and experiment with new opportunities for impact. Crowdfunding from hundreds of individuals also pushes non profits to improve their storytelling around their impact to engage this retail donor base.

4. Objectives of the Study

1. To study the awareness of individual investors towards crowdfunding as a source of investment.
2. To study the impact of awareness on perception of investors towards crowdfunding

5. Hypotheses

H1: Attitude towards crowdfunding investment varies with gender.

H2: Attitude towards crowdfunding investment varies with educational qualification.

6. Literature Review

Petteri Jalouen (2013): In his article “Investors Behavior in Crowdfunding” deals with the matter that although crowdfunding can be an excellent way to raise capital quickly and internationally, the lack of understanding how investors choose which projects to invest in makes using it highly risky and complicated.

Sebastian Dehling (2013): In his article titled “Crowdfunding –A Multifaceted Phenomenon” published in the University of Twente, The Netherlands in 2013, aimed to spread light on the diverse nature of crowdfunding to get the better understanding of its complexity and the practical implication of the phenomenon. It analyzed its two mechanisms reward-based crowdfunding and equity-based crowdfunding under the economic lens of price discrimination.

Alexandra Moritz and Jorn H. Block (2014): Have conducted a study on crowdfunding in which they proclaimed that a comprehensive overview of the economic literature on crowdfunding does not exist. They provided an overview of the crowdfunding literature, classified by the main actors (capital seekers, capital providers, and intermediaries), and presented important research questions for future research.

David M. Freedman and Matthew R. Nutting (2015): In their book “Equity Crowdfunding for Investors: A Guide to Risk, Returns, Regulations, Funding Portals, Due Diligence, and Deal Terms” published in May 2015, provides the guidance individual need to invest wisely, tempering the innovative business models, and exciting new brands with thorough, practical know- how –including investor requirements and limits.

Jerome Meric, IsabelleMaque and Julienne Brabet (2016): In their book titled “International Perspectives on Crowdfunding: Positive, Normativeand Critical Theory” published in 29-Apr-2016, gather the research outcomes on the social and managerial impact of crowdfunding.

7. Research methodology

For this study the design used was descriptive. This research was focused on typically structured investigation questions. The data collected for the study was done both by primary and secondary methods of data collection. Primary data for the study was collected through structured questionnaire using both in Physical and Google forms. Secondary data was collected by means of books, internet, online resources.

Statistical tools like Percentage method, Simple arithmetic mean, Correlation and Chi-square test were used for data analysis. The data was collected from 112 respondents including both male and female categories. The technique used for the study was convenience sampling. Convenience sampling is a specific type of non-probability sampling method that relies on data collection from population members who are conveniently available to participate in the study.

8. Data Analysis and Interpretation

Here in this research, out of 112 respondents, 66 are male and 46 are female. The 30-40 category age groups gave more responses for this study. This in evidence that the majority of the respondents belong to the category of middle age. From the responses received, 46.4% of the respondents have degree education as the highest level of qualification and 29.5% of the respondents have postgraduation degree. From the responses received, 31.3% and 33% of the respondents are salaried and business persons. From the data it is evident that majority of the respondents are aware about the term crowdfunding. 94.6% of the respondents are aware. Whereas, only 5.4% of the respondents are not aware of the term crowdfunding.

The descriptive statistics shows the awareness of individual investors towards crowdfunding as a source of investment. Majority of the respondents of the study are aware about crowdfunding. A big part of the respondents are aware about the easy withdrawal facilities provided by crowdfunding compared to other investment scheme and says, they are aware, about the innovative scheme with different objectives, since it possesses the highest mean value of 3.5 and 3.37 respectively. . Few of the respondents are aware of the management cost charged to the crowdfunding are reasonable. So it shows a least mean value of 3.13. Many of the respondents(mean value 3.321) agreed that, crowdfundings is healthy for Indian environment. It is the practice of funding a project by raising money from large number of people, especially via the internet. The investors can contribute any small amount of money depending on their capabilities. Approaching venture capitals for funding a project might be a tedious process the startups of today face. If it is a budding startup, crowdfunding is something that they must look forward to.

Testing Of Hypotheses

Test 1

H₀: Attitude towards crowdfunding investment does not varies with gender.

H₁: Attitude towards crowdfunding investment varies with gender.

In order to test the hypothesis, the chi-square is applied and the result is given in the following table.

Table 8.1

Particulars	Figures
Chi- square	1.419
Level of significance	0.05
Degree of freedom	110

Interpretation

The above table shows the relationship between Gender and Attitude of investors. In this, Chi-square value is 1.419 and ‘p’ value in Asymptotic significance is 0.492 which is greater than level of significant, i.e. 0.05. Therefore, we accept the null hypothesis(Ho) that “Attitude towards crowdfunding investment does not varies with gender”. While, alternative hypothesis(H1) “Attitude towards crowdfunding investment varies with gender” is rejected. So we can conclude that there is no significant relationship between gender and attitude of investors.

Test 2

Ho: Attitude towards crowdfunding investment does not varies with educational qualification.

H1: Attitude towards crowdfunding investment varies with educational qualification.

In order to test the hypothesis, chi-square is applied and the result is given in the table below.

Table 8.2

Particulars	Figures
Chi- square value	4.564
Level of significance	0.05
Degree of freedom	110

Interpretation

The table shows the relationship between educational qualification and the attitude of investors. In this Chi-square value is 4.564 and ‘p’ value in Asymptotic significance is 0.803 which is greater than level of significance, i.e. 0.05. Therefore we accept null hypothesis(Ho) that “Attitude towards crowdfunding investment does not varies with educational qualification”. While alternate hypothesis(H1) “Attitude towards crowdfunding investment varies with educational qualification” is rejected. So we can conclude that the attitude of investors towards crowdfunding doesn’t varies with their educational qualification.

9. Major Findings

1. Most respondents were aware of crowdfunding.
2. Investors preferred higher returns, liquidity, and safety while investing.
3. Respondents showed willingness to invest in crowdfunding platforms.
4. Crowdfunding was perceived as beneficial for startups and small investors.

5. Investors preferred public sector crowdfunding platforms due to safety concerns.
6. Traditional investment options such as land and gold were still preferred for security.
7. Awareness levels positively influenced investor perception towards crowdfunding.

10. Conclusion

Crowdfunding has emerged as a promising alternative financing mechanism in the modern financial system. It provides opportunities for entrepreneurs and startups to raise funds directly from the public through digital platforms. The study indicates that investors in Ernakulam district are generally aware of crowdfunding and show a favourable perception towards it. However, investors still lack complete knowledge regarding the risks, regulations, and operational aspects of crowdfunding.

The findings suggest that proper awareness programmes, investor education, and regulatory support are necessary for the successful growth of crowdfunding in India. With increasing digital literacy and internet penetration, crowdfunding has the potential to become a major source of entrepreneurial finance in the future.

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