



Project Name: Dech

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INTRODUCTION

Crowdfunding is the process of funding a venture or project by raising small amounts of money from a large number of people. The practice is often used by inventors, entrepreneurs, musicians, filmmakers, artists, and charities. It began in 1997 when British rock band Marillion challenged the status quo. Lacking the money to finance their U.S. tour, the band raised \$60,000 from fans – and in the process, created the blueprint for today's crowdfunding sites. That's when the gatekeepers started to lose their stranglehold. With so few business models that you can start without capital, crowdfunding brought opportunity and democracy to funding.¹ Then crowdfunding went mainstream, and online crowdfunding platforms flourished. Suddenly, entrepreneurs and artists could simply ask their fans and customers to fund their new ventures. Today, most crowdfunding is conducted through crowdfunding sites like Kickstarter. Crowd-funders will create a page on one of these sites, where they'll pitch their project or venture to potential backers. Then, they'll attempt to drive traffic to this page using marketing tactics like PR, pay-per-click advertising, and social media marketing.

Crowdfunding has attracted a lot of coverage in the popular press. While in terms of overall funding volume, crowdfunding should still be considered currently as a niche phenomenon, it is rapidly expanding in many countries and it is seen by many as a hope to fund innovative projects that would not be carried out otherwise. However, it is an open question how big its role will be in the future. Crowdfunding can be seen as an open call to provide financial resources. Crowdfunding mostly takes place on crowdfunding platforms (CFPs), i.e., internet-based platforms that link fundraisers to funders with the aim of funding a particular campaign by typically many funders. This paper aims at providing insights into the functioning of crowdfunding platforms. As it uncovers the functioning of and business models in these markets it may provide a better understanding as to the prospects of this market. Crowdfunding comes in a variety of fundraising activities and what is offered in return for the funds. This attracts different types of participants. It is useful to distinguish between investment-based, reward-based, and donation-based CFPs. We note that many real-world investment or reward-based CFPs include some donation-based elements of warm glow. Depending on the individual campaign, part of the motivation to participate may come from non-monetary considerations to support a particular idea.

EXISTING SYSTEMS

Kickstarter launched on April 28, 2009. A lot has happened since.

We had the craziest 24 hours ever. We saw \$1 billion get pledged. We shared the early designs behind Kickstarter. We learned what a Kickstarter project looked like back in 1713. We talked about why Kickstarter matters. We made some important changes to how we govern the site. We put on film festivals in 2011, 2012, 2013, 2014, and 2015. A project won an Oscar. And after five years, we made a video about it all. Kickstarter is an enormous global community built around creativity and creative projects. Over 10 million people, from every continent on earth, have backed a Kickstarter project.

Some of those projects come from influential artists like De La Soul or Marina Abramović. Most come from amazing creative people you probably haven't heard of — from Grandma Pearl to indie filmmakers to the band down the street.

GoFundMe Launched in 2010, is the world's largest social fundraising platform, with over \$5 billion raised so far. With a community of more than 50 million donors, GoFundMe is changing the way the world gives.

Within one week, according to CBS, she raised over *\$1,000* through a *GoFundMe* page she set up, which will afford every student in Sunshine's class the chance to have free milk all year long. "She doesn't understand the impact she's made," Jackie said. "But now she knows she can do whatever she puts her mind to."

USE OF THE PROJECT

Crowdfunding is being explored as a potential funding mechanism for creative work such as blogging and journalism, music, independent film (see crowdfunded film), and for funding start-up companies. Community music labels are usually for-profit organizations where "fans assume the traditional financier role of a record label for artists they believe in by funding the recording process". Since pioneering crowdfunding in the film industry, Spanner Films has published a "how to" guide. A *Financialist* article published in mid-September 2013 stated that "the niche for crowdfunding exists in financing films with budgets in the [US]\$1 to \$10 million range" and crowdfunding campaigns are "much more likely to be successful if they tap into a significant pre-existing fan base and fulfil an existing gap in the market. "Innovative new platforms, such as RocketHub, have emerged that combine traditional funding for creative work with branded crowdsourcing helping artists and entrepreneurs unite with brands "without the need for a middle man."

IDEA

Crowdfunding essentially refers to the raising of capital through a collective effort, usually via the internet. It offers an alternative to traditional bank loans, which are becoming increasingly difficult to obtain, especially for start-ups.

Businesses can pitch their idea to a large number of people, asking them each to invest a small amount of money.

Apart from the financial benefits, another positive by-product of crowdfunded ventures, it is that they generally generate a strong network of support for start-ups and can help to raise awareness of a project.

An interesting and charismatic pitch is vital in the world of crowdfunding – people are fussy about where they want to invest their money, and rightly so.

Whilst crowdfunding has proved invaluable to small businesses in recent years, it is also appealing to more established businesses who need to raise funds for growth and expansion.

Although GoFundMe is recognised as a fairly new industry, the general idea has been around for centuries – dating as far back as 1700 when Jonathan Swift founded the Irish Loan Fund.

US company Kickstarter paved the way for GoFundMe platforms. From its inception in 2009 to the end of 2015, Kickstarter hosted more than 265,000 funding campaigns, of which 36% were successful; and has become one of the most popular crowdfunding platforms in the world.

There are several different types of crowdfunding, each have their merits.

Donation/reward crowdfunding is usually backed by people who are passionate about a cause/project. Rewards can be offered but they are usually just a small token of appreciation to the investor.

Debt crowdfunding (also known as Peer-to-Peer or P2P) typically refers to the act of lending money and receiving interest on your investment, a modern alternative to a bank loan.

Equity crowdfunding, on the other hand, allows people to invest in a business in return for shares – meaning that the investor stands to profit if the business is successful. Conversely, if the business fails, the investor stands to lose all their investment.

Software Specification:

- Technology Implemented : Django
- Language Used : Python
- Database : MySQL
- User Interface Design : HTML, CSS, Bootstrap

FUTURE SCOPE

Currently, no crowdfunding regulation exists in India, but the Securities and Exchange Board of India (SEBI) released a consultation paper last year where it spoke about need for regulation. We expect the regulations to be brought in and the acceptance of crowd-funding among the Indian backers at a lower speed though.

1. As of now out of 3 models of crowdfunding, equity crowdfunding is not legal in India
2. Lending-based micro-finance platforms like KIVA need approvals from the central bank.
3. The Reserve Bank of India in 2011 approved Milaap, a non-profit micro-finance institution to crowd source funds from overseas.

There is no doubt that crowdfunding is rapidly being looked upon as a serious way of raising funds for startups and new businesses. India may soon bring in the requisite laws to support this in a big way, as efficient crowdfunding system can really play the role of catalyst in bringing the startup ideas into reality.






