NOLEGEIN Journal of
Business Ethics, Ethos and CSR

ISSN: 2581-5601
Volume 6, Issue 1, 2023
DOI (Journal):10.37591/NJBEEC

http://mbajournals.in/index.php/JoBEC/index

Review NJBEEC

Crowdfunding Using Blockchain

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Abstract

With crowdfunding, individual enterprise generators can submit requests for backing, which is a new and creative way to finance different feathers of gambles. The businesses may have fiscal, artistic, or social objects. generally, the plutocrat is handed in exchange for forthcoming goods or equity. It also covers the use of online social media platforms to link investors and business possessors in order to raise plutocrats for colorful enterprises in exchange for prices. Social media and the internet were the new platforms that arose. The internet and social media are essential for nonprofit businesses and entrepreneurs to raise plutocrats. The significance of technology in crowdfunding will be covered first in the paper, followed by a discussion of the multitudinous crowdfunding spots that have lately appeared. Blockchain between parties is transparent. Crowdfunding is grounded on the trust between the investors and stakeholders. The emergence of new technologies has great eventuality in crowdfunding associations as well as individualities. Crowdfunding platforms using the blockchain technology increase the credibility of colorful systems and gambles and thus attract huge finances from investors and benefactors.

Keywords: Smart contracts, blockchain technology, crowdfunding, investors, Funding

INTRODUCTION

Crowdfunding is essentially the technique of supporting a project or a start-up by soliciting contributions from many different people. The internet is typically used since it is convenient for gathering contacts and identifying the project's stakeholders. Using crowdsourcing as an acceptable approach for starting a business, real estate, financing, and personal use.

One of the most accessible and practical solutions for young entrepreneurs in the nation is developing as crowdfunding. People want to overcome the barrier of working 9 to 5, and our government encourages them to do so. Due to the benefits they are providing, the government has a key role to play in this.

For new businesses, including tax exemption for the first three years and more. Startups frequently search for investors and attempt to contact VCs to obtain money. It can grow monotonous at times.

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Received Date: May 12, 2023
Accepted Date: June 12, 2023
Published Date: June 19, 2023
Citation: Khushi Kaushik, Nilesh Kawar. Crowdfunding Using Blockchain. NOLEGEIN Journal of Business Ethics, Ethos and CSR . 2023; 6(1): 1–5p.

Crowdfunding is a strategy startups should consider since it expands brand awareness and is simpler than approaching a Venture Capital.

The top crowdfunding websites are Ketto, Seed Invest, Start 51, Wish Berry, and others. These platforms support entrepreneurship and are frequently used for artistic endeavours, These platforms support entrepreneurship and are frequently utilised for artistic endeavours, including technology, music, art, and cinema. They typically demand a fee of 4% to 5%. Occasionally, the prizes come in the shape of goods or even participating in the designing process.

OBJECTIVES

The objectives of crowdfunding using blockchain are:

- To research how crowdsourcing works
- To ascertain how technology affects crowdfunding
- To analyse different case studies
- To suggest a remedy to address the problems raised.

PROBLEM DEFINITION

People have always been uneasy about the hazards associated with crowdfunding services. The majority of the issues they encounter include Worldwide campaigns are unregulated, and some crowd funding initiatives have proven out to be fraud. Additionally, some projects' completion dates were advanced dramatically. We developed the solution as part of our effort to address the issues mentioned above. Crowdfunding platform that enables cryptocurrency donations.

LITERATURE REVIEW

Our analysis of the literature on crowdfunding platforms led us to the conclusion that there is always a connection of trust between the backers and the product team. A centralized crowdfunding system is the name given to this kind of setup. Funding for the product team is provided in this type of approach.

Depends on how the project is coming along. In other words, the sponsor pays after the event. Supporters anticipate getting their discoveries to the appropriate project in return. They can also get the discovery back from the product team if the project is prematurely abandoned. The crowdfunding platform serves as a middleman by collecting hefty fees from the product team as well as the backers. This keeps open the possibility that the project won't be finished and that its backers might decide not to continue their support.

Crowdfunding is evolving thanks to blockchain technology as a viable substitute for venture capital financing. a developing Small Medium Enterprises determines how much money an investor will give a start-up or small business. In the meantime, blockchain is becoming more popular all around the world. when such a concept is coupled with the most cutting-edge funding ideas that are quickly becoming workable in a startup environment. The extreme of venture capital financing is crowd funding.

As a viable alternative, it is steadily expanding. Unconventional initiatives are drawing in a new audience to submit applications for funding.

Some Simple Crowdfunding Economics

The author of this paper takes us through the case study in the USA. The basic economics are firstly explored by them. They made an effort to emphasise the areas in which economic ideas are applicable.

Are Crowdfunding and Venture Capital Complements or Substitutes?

The main goal of the authors' study in this essay is to determine whether venture capitalists and crowdfunding investors complement one another.

APPROACHES

Although there are numerous benefits to crowdsourcing, as has been stated, everything has a price. The following are a few restrictions and drawbacks of the centralized approach for crowdfunding.

High Price

Because they depend on numerous other platforms, existing platforms are not cost-effective. As a result, they charge substantial dues from participants in their projects as well as from its supporters and donors. There are no free possibilities offered, which is a significant disadvantage.

Rules and Regulations

The crowdfunding platform serves as the lower-level project's decision-making body. As a result, the project must adhere to a number of laws and regulations. This can entail limitations on financing agreements and stock offers.

Marketing and Advertising

A good idea can only succeed when it is heard by 100 people. So only a successful project on the crowdfunding platform will be of any use, and even that cannot guarantee failure. The crowdfunding site must therefore be made more apparent. Social media is now very important for promoting brands and advertising. In order to increase the usefulness and popularity of a project, marketing techniques, advertising, sponsored promotions, and branding are some of the measures that must be taken in addition to the actual project itself.

Copyright Vulnerability

According to certain authors and inventors, the entire project was crowdfunded before it even began to be produced. If anyone notices the somebody can steal the idea without filing for a patent by posting the project on a crowdfunding website. within the crowdsourcing system. This typically occurs because business owners and entrepreneurs are eager to launch the product without claiming copyright because they are familiar with the concept. As a result, such concepts are ineffective and risk being overtaken by competitors.

RESEARCH METHODOLOGY

Deployed contracts will have a list of all the details. Every new campaign will have its own contract. All contributions will remain fixed and secure. Security and transparency will improve as a result. For the time being, only one stable currency will be converted.

The doctrine technique has been used to carry out this research. Law and finance will be studied cross-disciplinary in the essay. A quantitative research approach was used. The study that has been done primarily focuses on and examines numerous case studies and how technology plays a role in each one. Numerous publications, websites, and journals were consulted in order to acquire significant study data. Both primary and secondary sources must be used in the research. Case studies are considered main sources, whereas papers, journals, and books that have been referred to are considered secondary sources. Both descriptive and analytical writing styles were used to write this essay.

ANALYSIS

Looking back in time, traditional methods of obtaining money included giving small loans to underprivileged households and then giving microcredits to small business owners who couldn't get bank loans.

Innovation and new technology always have a significant impact on people and society.

With crowdfunding, this transition can undoubtedly be observed.

Through crowdfunding portals, there are now a lot more initiatives being started.

If financial information is completely open, stakeholders typically want to follow how the organisation is doing and participate in it. Therefore, it is crucial for business owners and other stakeholders to uphold their reputation and transparency while also being aware of the project's legal and regulatory environment.

We conducted a survey through a questionnaire using google form. We found out that the majority of the people are aware about the blockchain technology but don’t know the purpose of it.

41.4% of the users prefer to invest in equity - based crowdfunding.

69% users are only aware of Ketto which is a crowdfunding platform.

TYPES OF CROWDFUNDING PLATFORMS

The form of crowdfunding to be employed typically relies on the type of enterprise or activity being launched. The kind is also influenced by the business's goals and objectives. There are three basic types of crowdfunding. They are:

Debt form of Crowdfunding

In this medium, the donors or investors receive their money back plus interest. It is also referred to as "peer to peer" lending and typically does not use conventional banking techniques.

Equity based Crowdfunding

With this approach, the investors take a partial ownership interest in the business venture. Additionally, they receive dividends. In a manner, this is a bet because the share value will increase if the initiative is successful and decrease if it fails.

Donations

Investors in this medium are not seeking any sort of financial gains. They invest in the initiative they believe in, which is typically a cause-based project. However, benefits might be provided as a way to express gratitude to the donors. Charities, disaster relief efforts, and other non-profit organisations are a few examples of these kinds of initiatives.

LIMITATIONS OF THE EXISTING CROWDFUNDING PLATFORMS

Exorbitant Fees

Typically, crowdfunding websites charge a fee for each project that is featured. Sometimes it's a certain dollar amount, and other times it's a percentage of what the contributors contributed. Since start-ups actually scramble for every penny to aid themselves, this has an adverse effect on the funds' availability.

Scam Start-ups

Start-ups can occasionally turn out to be frauds, leaving investors with no choice but to lose their money.

IP Risk

In order to expose their intellectual property to other knowledgeable investors who may steal their idea and enter the market with the resources they could arrange for, some startups occasionally fail to protect their intellectual property.

Fine Print Rules and Regulations

Not all platforms allow for the provision of all services. They have their own standards, and if a start-up doesn't fulfil those standards, it will be difficult for it to innovate and grow its business.

Future Scope

This project's future scope intends to reduce transactional slippage when converting various cryptocurrencies to stable coins by creating an algorithm to convert stable coins with the largest out amount in the shortest period of time. We will endeavour to lower the transactional fee in the future because it is anticipated that it would be high at first. The Ethereum network's transactions will be expanded to other networks and ecosystems.

Transactions will also be possible using cryptocurrencies based on other ecosystems. Since there are many cryptocurrencies available on PancakeSwap and the fees on Uniswap are significantly higher in relation to the availability of cryptocurrencies than they are on Pancake Swap, we will soon enable transactions to take place on that platform.

CONCLUSION

Crowdfunding is being revolutionised by blockchain technology. It encourages communication between funders, consumers, and originators. benefactors can now make secure benefactions to their preferred systems thanks to smart contracts. Guests can buy digital goods to support any creator.

Crowdfunding on the blockchain guarantees more transparent deals in a decentralised fashion. It's clear that crowdfunding has enormous pledges for the now and the future. This type of backing aids new start- ups, entrepreneurs, and other directors despite the fact that it has its own disadvantages and difficulties.

Crowdfunding will come simpler, more transparent, and more available in the future when blockchain serves as the foundation for significant investment benefactions. Only a matter of time will pass. To add up, I'd want to reaffirm that crowdfunding has enormous implicit and effect thanks to new technology. The being results to the problems that the typical crowdfunding platforms present can now ameliorate society.

Blockchain- grounded crowdfunding platforms have an advanced position of legality, and as a result, in my opinion, they will be the stylish investments in the future for investors.

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