

Crowd funding unlocked 3.0

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Abstract

The objective of paper is to identify the potential of crowd funding for rural development. Crowd funding is by definition, “the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.” Well for Indians this is not a new concept we are practicing this from decades in different formats like Ganpati festival, Temple construction and so on, it is just that we need to redefine it. The paper focus on how crowd funding can be utilized for social and commercial infrastructure development, which are important ingredients for rural development.

Key words : Crowd funding; rural development.

Introduction

Recently I read an article stating in 1886 how America used crowd funding to install statue of liberty. It said that it was gift by the French to the US. While the French paid for the construction and shipping of the statue it was down to the US to fund the base upon which it would stand. With the statue ready to leave France, the Americans were still well short of the fund. And it is been said that in the organizer launch a campaign to invite citizens to donate even small amounts and surprisingly they raised almost \$100,000 in just five months. Recently Gujarat government called to donate the iron to install statue of unity and there is huge response to this call. Well above two examples define the power of crowd funding. If we find out exactly what is crowd funding, the definition on internet says “the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.” Well for Indians this is not a new concept we are practicing this from decades in different formats like Ganpati festival, Temple construction and so on. But still we have not realized the potential of crowd funding. And the general concept of crowd funding is use of fund to start a new business, ventures for profit making. While the paper focuses on idea, why not use crowd funding for social or rural development instead of profit making ventures or uneconomical activities. And if we identify the potential of crowd funding and use it for development of social and commercial

infrastructure in rural India developed India is not far away.

Importance and lay-out plan of the study:

This paper attempts to highlight the importance of crowd funding in rural development. Research says that even poor population can generate quantum of money through crowd funding which is been utilized for uneconomical activities and if this money channelize properly can make difference in rural sector. In order to identify the potential of crowd funding, the schematic distribution of the paper has been done in the following manner. Whole paper has been divided into three sections. The first section deals with the redefining crowd funding considering rural perspective of social growth and development. The second section deals with the case study which proves the potential of crowd funding. The third section shows the road map for crowd funding. The last section concludes the whole gamut of discussion.

Data Source:

- Relevant secondary data for the study is obtained from Reports, Websites, and Surveys.
- Primary data is collected through open end discussion and questionnaire from the people of the village which is under study consideration.

Objectives

Objective of the study is to identify potential of crowd funding for rural development in India on the basis of -

- Redefining Crowd funding
- Case study on crowd funding
- Road map for crowd funding

Section I Redefining Crowd funding

The concept of crowd funding is new and there is limited literature available. Following are some definitions; authors Lambert and Schwienbacher (2010) classify crowd funding typologies according to the nature of the reward for those who invest in the projects. In their study, they distinguish among donations, active investments, and passive investments. And Belleflamme et al. (2012) define crowd funding as “an open call, mostly through the Internet, for the provision of financial resources either in form of donation or in exchange for the future product or some form of reward and/or voting rights”. While Giudici et al. (2012) propose a theoretical framework for crowd funding web sites referring to the economic model of ‘multi-side platforms’ and classify projects according to the crowd funder and initiator objectives. They point out four different typologies: business, cooperation, patronage and donation.

From the above definitions it is been observed that this concept is new and is in evolution stage, while most of the researchers said that it is small amount of money contributed by number of people through internet for starting profit making ventures or new projects.

Crowd funding redefined in rural Indian perspective,

If we look into rural India it is place of almost 12 per cent of world's population in which nearly 87 percent of India's 640 thousand villages have population clusters of 2,000 people or fewer. And they are left behind because they don't have social and commercial infrastructure which is most important ingredient of growth. While most of the population spends their money on uneconomic activities like gifts, donation for religious works etc. if this money is utilized for social and commercial infrastructure development most of the problems will be solved and we will march towards development. Therefore one can define crowd funding as *"call to the general public to contribute small amounts of money or resources in the identified projects or activities which will be useful for improving social or commercial infrastructure where in its potential will be realized in inclusive growth."*

Section II –Case study to identify the potential of Crowd funding.

A Village XYZ¹ situated 7 km from National Highway in Amravati District Vidharbha is spend almost INR 32 -35 lacs on construction of Temple, and above said amount is generated through crowd funding.

Characteristics of Village:

Population:	2000
No of Families:	400
Load Shedding:	10-12 hrs daily.

Since village is facing problem of load shedding, why not utilize the amount generated from crowd funding to provide electricity to village through gasifier technology which do not need any support from government. Following calculations shows the tradeoff between temple construction and possibility of use of gasifier for electricity generation. (*Calculations are to the approximate.*)

- Electricity Consumption: 400 (families)*300per family per month*120 months=1.44 Cr.

Research Says 20 KW Gasifier can light up village for 10 years at cost of 72 lacs without Government Subsidy.²

1 Name excluded due to religious issues.

2 (32 lacs installation+40 lacs (4 lacs Working capital p.a.* 10 Years)

Following chart shows expenditure on Gasifier technology.³

Activity	Cost (In Rupees)	
	10KW	20KW
Non Recurring Cost		
Cost of Gasifier*	10,00,000	19,00,000
Cost of the building for the Gasifier which	2,00,000 Gasifier Room: (4X4X6)m ₃ Engine Room : (3X4X5)m ₃ Store Room : (3X3X4)m ₃	5,00,000 Gasifier Room: (5X4X7)m ₃ Engine Room : (6X4X5)m ₃ Store Room : (4X3X5)m ₃
Cabling for domestic illumination without metering	1,00,000	1,00,000
Power distribution within the village along with erection of 21 poles per km with cabling (in case there are no electricity poles in the village, the distance between the two consecutive poles is 50 m)	2,00,000	2,00,000
Transportation and Insurance of Gasifier	1,00,000	1,00,000
Training and Capacity Building (2 days for 25 participants)	7,900	8,400
<i>Honorarium for trainers @ Rs.500/- per day</i>	<i>1,000</i>	<i>1,000</i>
<i>Travel allowance for resource person</i>	<i>500</i>	<i>500</i>
<i>Raw material</i>	<i>1000</i>	<i>1500</i>
<i>Stationary</i>	<i>500</i>	<i>500</i>
<i>Food arrangements for 35 people @ Rs.75/- per head per day for 3 days (75X35X2)</i>	<i>4900</i>	<i>4900</i>
Total	16,07,900	28,08,400
Recurring Cost		
Fuel for 1600 hours per year (dry at 10% moisture)	11,000	11,000
Start up diesel @ 0.5L per start up	7,000 (200 ltrs)	10,000 (300 ltrs)
Manpower for day to day operation of the gasifier (@ Rs. 1500/- per month for 2 persons)	36,000	36,000
Plantation and maintenance of bio mass	20,000	20,000
Operation and maintenance of the gasifier (@ Rs.1000/- per month)	12,000	12,000
Administrative Expenses (10% of program cost)	1,69,390	2,89,740
Travel Expenses	5,000	5,000
Contingency	12,000	12,000
Total	2,72,390	3,95,740
Grand Total	18,80,290	32,04,140

3 Data source MNRE

Trade off

- If villagers use money generated from crowd funding for temple construction the economic and social benefits to village are zero.
- Since villagers are can contribute around 32 lacs that means villagers have to spend money on working capital only. And possible benefits are
 - Direct saving from the project in 10 years is 1.04 Cr.
 - Round-the-clock/on-demand generation of electricity and hence ability to meet peak demand like irrigation etc.
 - Perennial and sustainable green power and, therefore, mitigation of global warming.

Discussion

The most important facts which come out of discussion with villagers are:

- They are ignorant of the fact that one can bring development through crowd funding.
- Most of the people are putting money in said activity just because their reputation is at stake.
- Only 30% of the sample seemed impressed with trade off which implies that Indians have to travel a long road in terms of psychology towards religion and social values.

Section III Roadmap for social development through crowd funding :

To make this case study as a real picture, following are some suggestions to identify the potential of Crowd funding.

- Understanding current livelihood patterns of rural India.
- Identifying location specific challenges and solving them from cooperative crowd funding.
- Promotion of financial literacy and creating avenues for information transfer for social benefits.

Conclusion :

The potential of the crowd funding can be realized in social and economical growth provided we are ready for it. Since most of the rural population is not aware of it, or not tried to utilize it for huge social benefits, the role of financial literacy and information transfer will be a deciding factor. With almost zero cost of capital and quantum of money it can generate crowd funding can become a cycle for growth and development of rural India. And to make this happen it is very important to harness the energy and creativity of rural people and channelise it for social growth.

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