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CROWDFUNDING

The Story Of People

Edited By- Simran Varma & Irfan Bashir

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To our nieces and nephews:

Ayesha, Madeeha,

Aiden & Rayyan.

FOREWORD

Eight years ago, when I decided to quit my job and start a crowdfunding company, my social circles weren't sure about what I was even trying to achieve. While crowdfunding as a concept existed in the cultural ethos of India, it hadn't undergone digitization. Crowdfunding existed offline, constrained by geographical and socio-cultural limitations. The initial inertia was hard to overcome, as there was a lack of trust in online transactions in the public domain. Only in the developed world had online crowdfunding made any significant strides, but even there, it was a new arrival. As for India and most of the developing world, online crowdfunding was yet to attain escape velocity as it was bound by lack of awareness, low investor confidence, trust deficit, and many other systematic challenges.

I must have been rejected by more than a hundred investors when I pitched the idea of Ketto to them. Nobody thought that online crowdfunding was a workable business model. The only thought that kept us going was the vision that crowdfunding could create a tremendous positive impact on people's lives. I had seen people give generously to help the needy, make donations to temples, contribute to charities, support their maids, and converge during the times of calamities. The challenge was to transform such unorganized individual efforts into digitally organized community efforts that transcended the limitations posed by geographical boundaries. And online crowdfunding was the perfect tool to achieve that.

Today, after eight years of relentless efforts, a change in public perception can be witnessed. People trust online crowdfunding for how transparent the process is. Millions of lives are positively affected every year because of the collective power of the 'crowd' channelized through online crowdfunding. The individual and collective impact that crowdfunding facilitates is a story worth telling. It can serve as a beautiful reminder and reaffirmation of everything that it means to be human, interconnected, and interdependent. When a few hundred people back a social project to bring internet access to a village, its impact extends through generations. When the crowd fuels the dreams of an aspiring artist, it's a gesture that reflects on the growth of our collective empathy. This is what Irfan and Ravina have tried to achieve by

writing this book: use a data-driven storytelling approach to capture the impact and potential of crowdfunding on both an individual level and the collective level.

The authors have done extensive research on crowdfunding— its past, present, and future trajectories. While doing so, they have maintained a constant grip on both the micro and macro perspectives. The numbers presented are accompanied by the stories of people whom they represent. The book gives life to the numbers and narrates the extraordinary journey of crowdfunding globally. While crowdfunding has come a long way, there is still a need for greater awareness about its potential to create a positive impact on society. This book is a genuine effort on the part of the authors to increase that awareness by taking the reader on a journey that maps the progress of crowdfunding and attempts to explicate its future possibilities.

Personally, I believe that the era of online crowdfunding has just begun. With the proliferation of social media and the advent of technologies like Blockchain and AI, online crowdfunding will grow by leaps and bounds in the years to come. At the same time, there is a lot of work to be done to improve processes, reach out effectively to the marginalized communities, build trust, create more extensive grassroots networks, and most importantly, unleash the full potential of the crowd.

Varun Sheth

Founder and CEO

Ketto.org

Introduction

‘Crowdfunding: The Story of People’ attempts to explore the world of crowdfunding by putting the primary focus on the people— their stories of resilience and change. We will flip through the pages of history to learn about people’s contributions and their diverse fundraising techniques that have culminated in the foundation of modern crowdfunding. We explore the various branches of crowdfunding, all the way from donation-based crowdfunding to royalty-based crowdfunding. Throughout the book, we will engage with pertinent questions like why is there a need for crowdfunding in a world governed by wealth inequality? What are the psychological motivations that drive donors? And what is the role of crowdfunding in socio-political domains?

In technical terms, Crowdfunding is the idea of crowdsourcing applied to the financing of projects (fundraising). It’s a method used for raising capital for projects by soliciting contributions, usually in small amounts, from a large number of people. Crowdfunding today is mostly done online with the help of social media networks and dedicated crowdfunding platforms (websites). Primarily, crowdfunding is an approach of raising money from several individuals for specific causes, charities, events, community-led activities, projects, or businesses.

As people, we see life from a shared prism, but how we interpret it often varies. All of us have a unique way of deriving meaning from the stories around us. We all share an inherent tendency to look at something small and connect it with larger patterns.

All of us have a unique way of deriving meaning from the stories around us. We all share an inherent tendency to look at something small and connect it with larger patterns. It is how we make sense of our world: through connections, patterns, and shared interpretations. The world of crowdfunding is full of heartwarming and gut-wrenching anecdotes. However, on their own, the stories can only capture a fragment of this world. That's why this book takes an approach of data-driven storytelling to connect the smaller pixels with the larger picture of the crowdfunding universe. While the data provides us with numbers to understand the world of crowdfunding, it is through the stories that we will relate to the lives that are touched by it.

History bears witness to the tremendous power of the crowd when it converges behind a common cause. People's combined actions have built entire civilizations and countries; started revolutions and civil rights movements; brought down governments and kingdoms; created world maps, satellites, and artificial intelligence. It is the collective power of the crowd that has, for the most part, guided the fate of humanity. Crowdfunding, by its nature, taps into the vast financial and social potential of the crowd.

In India, 600 million people face high to extreme water stress.¹ As droughts become more frequent with each passing year, it has led to severe problems for India's rain-dependent farmers. One of the many Indian states facing the risk of drought almost every year is Maharashtra. A beautiful instance of how crowdfunding can improve the standard of living for a large number of people was seen in a small village in Maharashtra in 2016. After reeling from a drought of unparalleled magnitude, farmers in the Horti village in the Osmanabad district decided to build a mini canal that would serve as a water reservoir for the drought-hit village. The plan was to create a channel that was

15 feet in depth and 60 feet in width, stretching over 8 kms and covering the fields of over 700 farmers. The project's total cost was Rs 6 lakh (600,000). With sheer determination, the farmers succeeded in covering 50% of the cost, but could not reach the amount that was required for the project. This is when an NGO offered to support the farmers, turning their vision into a stunning reality.

The NGO started an online crowdfunding campaign for the farmers and raised Rs 3.14 lakh (314,000) with the support from 97 donors. Within just 15 days, the canal was built, benefitting 3,200 villagers in Horti.² In the midst of a deepening agrarian crisis, stories like these shine through as a beacon of hope for a more egalitarian society and for the general goodwill of humankind.

Varying Definitions of Crowdfunding

According to Cambridge Dictionary, crowdfunding is the practice of getting a large number of people to each give small amounts of money in order to provide the finance for a project, typically using the internet.³

Through the years, various definitions of crowdfunding regarding its multiple subdomains have been proposed, but a broad definition that encapsulates all the subdomains in their entirety remains elusive. Table 1 shows the most common definitions of crowdfunding that are currently used.

Source/Authors	Definition
Lambert/Schwiebacher	Crowdfunding involves an open call, essentially through the Internet, for the provision of financial resources either in form of donations (without rewards) or in exchange for some form of reward and/or voting rights to support initiatives for specific purposes.
Merriam-Webster	The practice of obtaining needed funding (as for a new business) by soliciting contributions from a large number of people especially from the online community.
B. J Rubinton	Crowdfunding can be defined as a collective effort of many individuals who network and pool their resources to support efforts initiated by other people or organizations. This is usually done via or with the help of the Internet.

Table 1- Definitions of Crowdfunding by various authors.⁴

While the term ‘crowdfunding’ itself is a relatively a new concept, one can easily trace its conceptual roots through the length and breadth of history. The construction of the Statue of Liberty was crowd funded by the American and French people. During the 18th century, musicians like Mozart and writers like Alexander Pope financed their concerts and books with the help of crowd money. In 2008, Barack Obama crowd funded over \$100 million in small contributions during the presidential election to become the first black man to be elected as the US president. From funding election campaigns to helping establish a new country, crowdfunding has always been a significant part of history, often under different names and in different guises.

Today, for the first time in human history, most of the world's population is digitally connected. A woman in London can donate to an ailing Syrian girl's treatment with just a few taps on her phone. A man in Azerbaijan can fund a creative project in the US while sitting behind a computer screen in his home. Making a difference is easier than it has ever been. Crowdfunding has allowed people to raise funds to pay for personal emergencies, provide aid to developing countries, support social justice and democratic movements, sponsor technological innovations, support educational initiatives, build orphanages, and fight legal battles— the list goes on.

While writing this book, an NGO in India crowdfunded Rs 2.1 crores (21 million) to provide over a million meals to the migrant laborers and homeless people across India during the COVID-19 pandemic.⁵ Another campaign raised over \$7 million with the help of 7,000+ supporters to build 3-in-1 3D printers that can perform 3D printing, laser engraving, and CNC carving.⁶

Crowdfunding Platforms: The Facilitators

To facilitate the crowdfunding transactions, thousands of online crowdfunding platforms have emerged across the globe that act as intermediary services to facilitate different types of crowdfunding such as donation-based crowdfunding (where funders expect no direct return for their donations), debt-based crowdfunding (in which funds are offered as loans), reward-based crowdfunding (in which funders receive a reward for backing a project), equity-based crowdfunding (wherein funders receive equity stakes in return for their micro-investments), etc.

Online crowdfunding platforms (CFPs) act as facilitators for the project initiators (campaigners) and the contributors (supporters). Most

CFPs are for-profit businesses that adhere to a revenue model based on a platform and transaction fee, typically 4-8% of the campaign's total funding amount. CFPs strive to expand their existing community of funders to attract high-quality crowdfunding projects; the higher the number of contributors on a CFP, the higher the number of people wanting to start a campaign on it. They provide access to critical project related information to funders and provide a digital forum where supporters can comment on campaigns, request information, and track the progress of the funds raised, allowing the crowd to monitor and vet crowdfunding campaigns independently.⁷

The primary role of a CFP is to provide multiple payment solutions to its users. Payment options usually include debit and credit cards, net banking, Paypal, and various mobile payment services (Amazon Pay, Google Pay, Apple Pay, PhonePe, etc.). In recent years, some crowdfunding platforms have also started experimenting with cryptocurrencies. However, most crowdfunding platforms provide numerous other services to their users apart from giving them multiple payment options. CFPs serve as crowdfunding coaches, offer paid fundraising support, perform due diligence processes, and provide social media support to select campaigns.

Glossary	
Campaign Page	The campaign page is where all the project details are uploaded (like campaign description, photos, videos, and supporting documents). It is the landing webpage of the crowdfunding campaign and is often hosted on a crowdfunding platform.

Campaigner	A campaigner is a person or entity who starts the crowdfunding campaign or is responsible for the campaign.
Donor/Contributor/Backer	A donor or contributor is the supporter of a crowdfunding campaign who helps the campaign reach its funding goal by making a small contribution to it.
Beneficiary	The person or entity receiving the funds is called the beneficiary.
Crowdfunding Platform	A crowdfunding platform is a website that allows campaigners (people, firms, or nonprofits) to raise and collect funds from the crowd.
Platform Fee	Usually, crowdfunding platforms charge a platform fee (service fee), which is the charge levied for the campaign's preparation, launch, and other services offered to the campaigner.
Goal Amount	The goal amount of the campaign is the total amount intended to be raised by the campaigner.
Updates on Campaign	Campaigners post regular updates on their campaign page regarding the project's progress. Updates help backers track the impact of their contributions to a project.

Table 2- General terms used in the book

Here is a simple example that explains how an online crowdfunding platform typically works:

- ✦ A campaigner who wants to raise funds for his medical treatment visits an online crowdfunding platform and creates an account.

- ✦ With a click of a button to initiate the process, the campaigner is prompted to fill in various details regarding the campaign, including a crisp description, goal amount, campaign duration, personal information, documents in support of the campaign (ex-medical bills), bank details of the beneficiary, etc.

- ✦ The information provided is then verified by the platform, and often within hours, the campaign goes live. The standard for due diligence processes usually varies from one platform to another. Some CFPs may not even perform any checks and rely on the 'crowd' to report suspicious campaigns.

- ✦ Once the campaign is live, the campaigner shares it across his social media network, asking for support from friends and family. In select cases, the platform also leverages its donor network to raise funds for the campaign.

- ✦ Once the goal amount is reached, the campaigner can request to withdraw the money. However, most donation-based platforms allow campaigners to withdraw the funds even before reaching their goal amount. After the withdrawal request has been initiated, it takes a few days before all the funds raised (minus the platform fees) are transferred into the campaigner's bank account.

Today, crowdfunding is not just limited to CFPs. Social media platforms like Facebook, Instagram, LinkedIn, and YouTube allow people or nonprofits to start crowdfunding campaigns. In addition to online crowdfunding, offline crowdfunding also plays an essential role in helping people raise money for various projects, especially in places with no internet penetration. For the most part, this book will focus on online crowdfunding.

Introduction

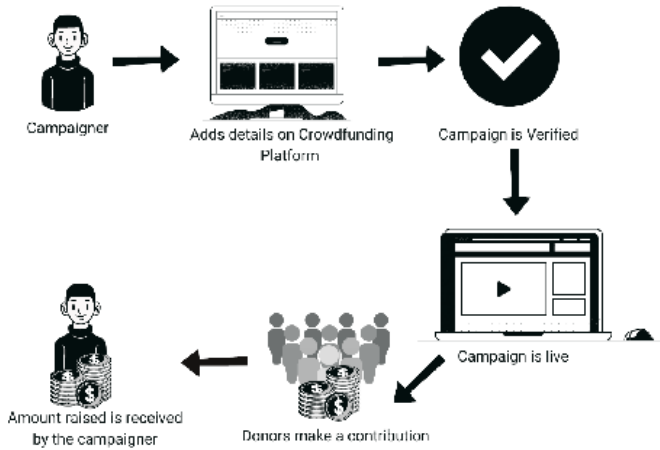


Fig 1- How online crowdfunding platforms act as intermediaries between backers and campaigners.

The book is an amalgamation of data-driven stories that celebrate the collective efforts of people striving to create a positive impact in their communities. It explores how crowdfunding can democratize social change by empowering the people to fund the changes they want to see in the world. ‘Crowdfunding: The Story of People’ is about finding strength in numbers, the belief that change is driven by the collective determination of the crowd.

A World Governed by Inequality

Sharmila was 18 months old when her mentally unstable father abandoned her mother. Her mother remarried and left Sharmila in the care of her grandmother. Sharmila's grandmother worked as a housemaid and barely managed to make ends meet. Despite her financial condition, she gave Sharmila the best of what she could. However, she couldn't afford to admit Sharmila to a school. Consequently, she had to send her away to Amcha Ghar, a local NGO that provided residence and formal education to underprivileged children. At the shelter home, Sharmila found stability for the first time in her life, but as fate would have it, her sufferings were far from over.

One fateful day, she suffered from palpitations and severe breathing difficulty. A series of medical investigations revealed that Sharmila was suffering from Acyanotic Congenital Heart Disease. The disease caused developmental problems in her heart and hindered the blood flow from the heart's left ventricle into the aorta. She was just six years old at the time of her diagnosis.

Her grandmother could not afford the treatment Sharmila needed—an open heart surgery that cost Rs 3 lakh. Here, Sharmila's story took an unexpected turn.

Sharmila's grandmother and Amcha Ghar started an online crowdfunding campaign to raise money for Sharmila's treatment. With an amount that funded the little girl's life-saving treatment.¹ Apart from her grandmother, Amcha Ghar and her doctors, Sharmila owes

her life to the generosity of 201 strangers and the power of online crowdfunding.

Sharmilla's story is one that echoes through the narrow bylanes of slums across the world. It is a story that highlights the plight of people coming from underprivileged and marginalized communities. Before delving deeper into the world of crowdfunding, let us try to understand some of the underlying themes in Sharmila's story to gain insights into the issues online crowdfunding seeks to resolve— issues deeply rooted in socio-economic inequality of the world. The rest of this chapter will solely focus on the emergence and prevalence of inequality in society.

Sharmila's story follows a series of all too familiar themes faced by billions across the world, the first of which is poverty. Poverty is a major theme that dictates much of what happens in her life. The second theme is the lack of access to healthcare. Sharmila's disease was congenital, but her condition wasn't detected until later in her childhood due to a lack of healthcare access. Even upon detection, her poor grandmother couldn't afford her treatment. The third theme is illiteracy. Sharmila's grandmother was unlettered and had she not sent Sharmila to Amcha Ghar, Sharmila would have suffered the same fate. Sharmila's story is relatable to all those who find themselves restricted by the barriers of poverty, lack of access to healthcare and illiteracy.

Perhaps we can't quantify the effects that these themes had on the outcomes of Sharmila's life. Still, intuitively we know that poverty and lack of access to healthcare had an apparent negative effect that determined the trajectory of her life and that of her parents.

The United Nations estimates that around 60 million children and infants have to fend for themselves or live in orphanages across

the world.² Thousands of them suffer from mental and physical health issues, and most of them aren't half as lucky as Sharmila.

Beneath it all lies a central and recurring theme: income inequality resulting from unequal wealth distribution which can be considered to stem from an inequality of opportunity.

Most of today's problems don't spring from lack of wealth; as a matter of fact, global levels of wealth have increased exponentially with the advent of technological advancements. This is evident if we look at the gross domestic product (GDP) growth of countries over the years. GDP is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific period.³ In other words, GDP measures the size of a nation's economy.

GDP Per Capita (World)

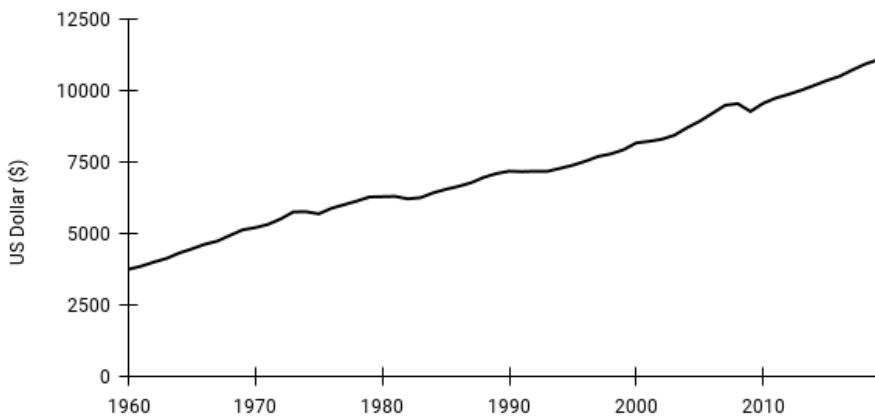


Fig-1- Global GDP per Capita.⁴

When we look at GDP per capita (which is calculated by dividing the GDP of a nation by its population) over the years, we see a positive trend that indicates the wealth of nations has significantly increased. But such a representation can be misleading. One, GDP does not take into account the skewed wealth distribution. For instance, in India, 73% of the wealth generated in 2017 went to the wealthiest 1%.⁵ Second, the well-being of a nation and its people cannot be judged solely by the amount of wealth they have, and that's why many economists disagree whether GDP is the correct measure of a country's welfare.

An alternate indicator of assessing a country's development is the Human Development Index (HDI), a combination of the life expectancy, the literacy rate, and the purchasing power parity (the financial ability to buy products and services) of a nation's citizens. In 2019, India was ranked 129th out of 189 countries with an HDI score of 0.647. Norway claimed 1st place with an HDI score of 0.954 and Niger came last at 189th place with an HDI score of 0.377.⁶

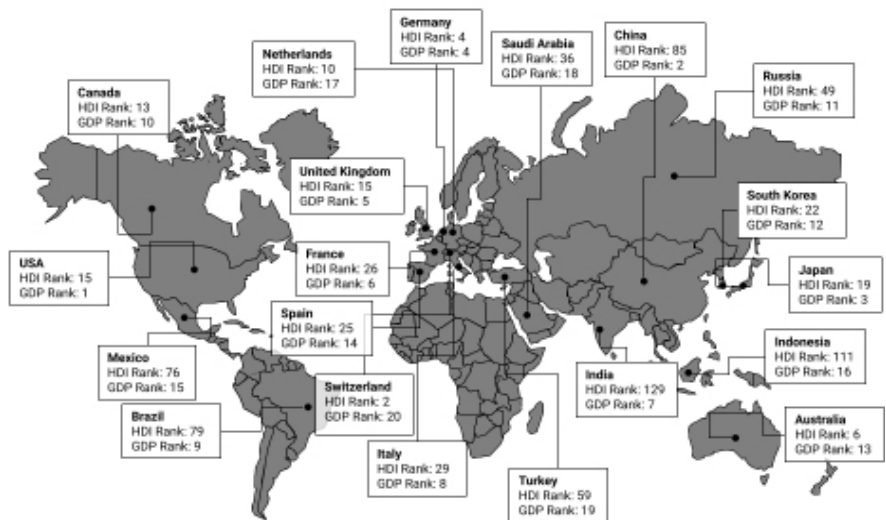


Fig-2- GDP and HDI Comparison.⁷

The above graph shows the GDP ranking of a country vs. the HDI ranking. It shows how countries with a high GDP can have a bad Human Development Index score. For example, if we look at a country like the USA, it ranks No.1 in the world in terms of GDP but ranks 15th for HDI. India, which has an HDI rank of 129th out of 189 countries, ranks 7th globally in terms of GDP.

One of the reasons for this dissonance between GDP and HDI is wealth distribution. Today, the world doesn't face a wealth crisis but rather a wealth distribution crisis. Simply put, wealth is unequally distributed across people. The COVID-19 pandemic further widened this gap, as the combined wealth of the world's billionaires crossed the \$10 trillion mark, with their wealth increasing by over 27% between April 2020 and July 2020.⁸ During the same period, half a billion people were at risk of being pushed into poverty.

So, why does income and wealth inequality exist?

In 1896, Italian Economist Vilfredo Pareto studied the distribution of land across Italy; he saw a trend wherein 80% of Italy's land was owned by the top 20% of its people. Pareto continued his analysis until a larger pattern began to emerge. He found that most resources were always constrained among a small percentage of people, which later came to be known as the Pareto principle. Examples of the Pareto principle are prevalent everywhere, even in sports; we tend to continuously witness the same few countries being exceedingly victorious in the Olympics and winning the most medals. The Pareto principle is also apparent in nature where we observe the domination of a select few species over their ecosystems

The Pareto Principle is caused by the 'sensitive dependence of a system on initial conditions' in which a small change in one state of

a deterministic nonlinear system can result in large differences in a later state.⁹ This creates an accumulative advantage (or disadvantage). What begins as a small advantage, over time, gets bigger, creating a cascade of cause and effect that favors the side having a slight edge in the beginning.¹⁰ It's the same reason why the rich get richer, and the poor get poorer. The reasoning itself is simple: a slight advantage in a competitive world can translate to absolute victory. For example, a runner wins by 10ms in a race but takes away the absolute triumph, which in turn gives him access to more resources to continue his dominance over his opponents who, even though lost by less than a second, earned nothing. In simpler words, the winner gets one point, and the loser gets zero. Most of the transactions in life don't work in such simple binaries, but they do exist partially and compound over time. For example, in our world, the rules are bent in favor of the richest and more powerful people. If we were to use the race analogy, we could say that rich people get a headstart while the poor don't even possess basic facilities, like a pair of shoes to put on during the race.

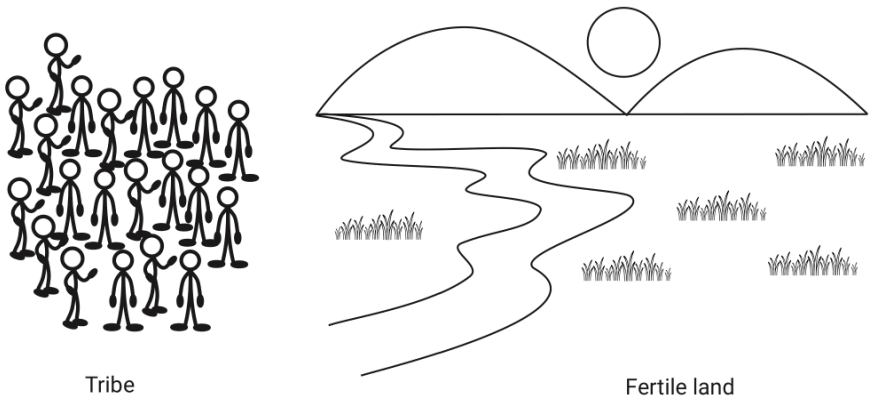


Fig 3- Simplistic thought experiment.

Let's conduct a thought experiment. If we were to go back in time and observe a society's emergence from scratch, we would observe the Pareto principle to be an inevitable reality. Imagine a hunter-gatherer tribe of 30 people living in a post ice age era where favorable climate conditions allowed for agricultural activities. Let's suppose these 30 people find fertile land of 50 acres near a river and discover the art of farming. Over time, the power dynamics would play out in such a way that a select few people who possess luck, timing, strength, intelligence, looks, and fertility will emerge with an advantage over the rest. Suppose three people enjoy initial success. Person A is the strongest and therefore gets the most work done and is also feared by most people. They simply have a physical and genetic advantage over others. Person B is the smartest and comes up with the best farming techniques; everyone seeks their farming expertise. Person C possesses good social skills and acts as the tribe's mediator. Furthermore, let's say these three people are favored by luck and timing as well. Their crops are not infected by pests, and they enjoy good crop yields. If the tribe adheres to a barter system of trading goods and services, these three people will emerge with an initial advantage over the rest of their 27 companions

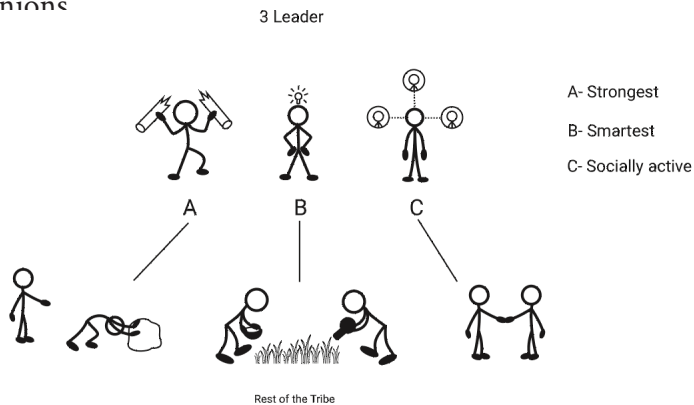


Fig 4- Few people are conferred with initial advantages like luck, strength, intelligence, health, etc.

As time progresses, the process of accumulative advantage will favor these three people. Fast forward two years, and we will observe that persons A, B, and C will possess more goods (grain) and resources (land) than everyone else. Let's say A, B, and C now own 5 acres each, and the rest is distributed unequally between the remaining 27 people. Let's assume that the tribe remains mostly plague free and the climate conditions are favorable enough to allow a population explosion to take place. 25 years later, what do we see? Let the population be 200 people, and the available land be 100 acres. The accumulative advantage would further compound the number of resources and goods owned by persons A, B, and C. In fact, not only would persons A, B, and C enjoy the benefits of accumulative advantage, their progeny would also inherit this advantage.

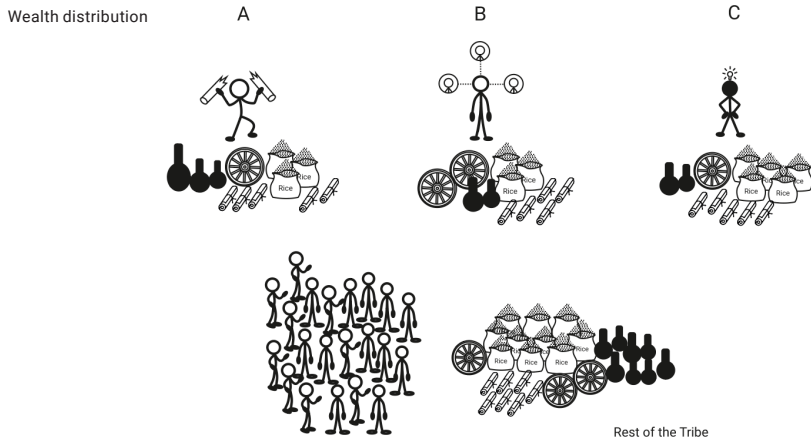


Fig 5- Accumulative advantage at work.

We can see that A, B, C, and their progeny (say 15 people) possess 35 acres of land now. The rest is unequally distributed between others. We will observe that the A, B, C groups will now worry less about food than their fellow tribesmen in our simple society. Their progeny will be healthier, more productive, and more likely to be larger in numbers due to the availability of resources. In comparison, the rest of the tribe will always have to worry about making ends meet, the fear of scarcity will always loom over their lives.

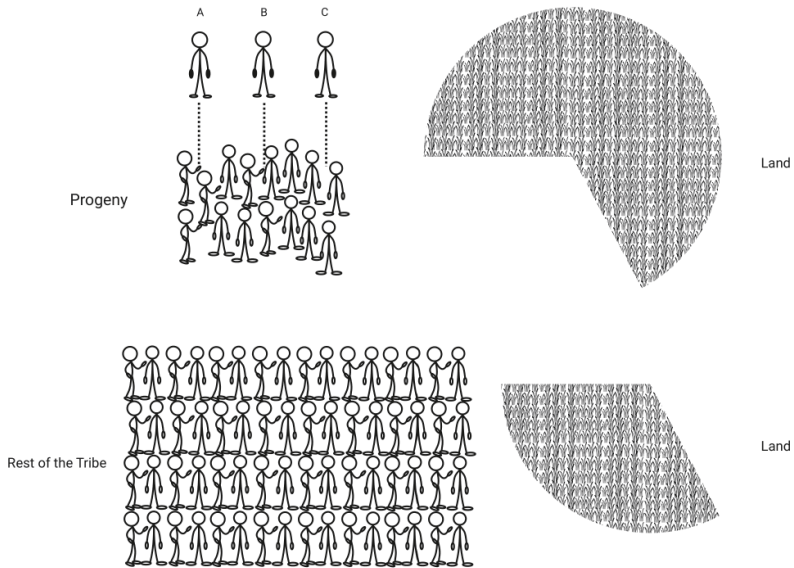


Fig 6- A, B, C generations will own more resources compared to the rest of the tribe as time progresses.

As time passes, the A, B, C generations will spend less time doing physical labor. They will be able to outsource the laborious tasks to other society members— most likely new settlers and people faced with abject poverty. The A, B, C generation will now be able to utilize their newfound time to educate themselves, develop new skills, establish new business relations, and further expand their wealth and influence in their society. The core idea of the thought-experiment is a simple truth that most of us know: Rich families pass their advantages to their kids while low-income families pass their disadvantages. The cycle continues for generations until a strong external force (intervention) disrupts it.

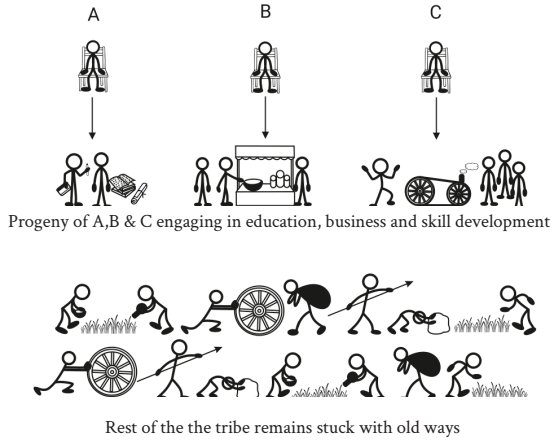


Fig 7- A, B, C generations engage in education, business and skill development.

Of course, a typical society is much more complex with innumerable factors governing its future, but the underlying principles stay the same: the sensitive dependence on initial conditions and the principle of accumulative advantage. Together, these give rise to the Pareto principle—a perfect recipe for income inequality to arise. In simpler words, small yet significant benefits conferred to persons A, B, and C at the beginning had a considerable positive effect on the future outcomes of their lives and that of their progeny. Their advantages snowballed over time, providing them with greater opportunities, which allowed them to emerge on top of the food chain. There are real-world examples to illustrate these principles.

Consider the bombing of Nagasaki. The US Air Force was initially planning to bomb a munitions factory in the Japanese city of Kuroko, but on the day of the planned attack, bad weather prevented the pilots from identifying the factory. It is said that the aeroplane passed over the city three times but was prevented from striking due to cloudy weather. The military personnel decided to bomb Nagasaki instead as the visibility was better. The weather that day (one factor) changed the

future course of Kuroko and Nagasaki. Millions of lives would have progressed differently, and who knows how it would have shaped Japan's future. We observe how small factors can cause enormous long-term differences that can have a compounding effect on the future course of events. The bombing of Nagasaki is a dramatic example. In day to day life, the consequences aren't as dramatic or as quantifiable.

In his book 'Outliers: The Story Of Success'¹⁰, Malcolm Gladwell talks about how professional hockey players' success in Canada is not just based on their merit. When Gladwell looked at the birth dates of most professional players in Canada, he observed that 40% of them are born in January, February, and March. Gladwell explains that the cut-off date for playing hockey in a given age-class in Canada is January 1st. A child born in January has an eleven-month advantage over another child born in December in the same year. Both children will be playing in the same league, but the child born in January (or in the earlier months of the year) will more likely be physically stronger and more coordinated than the child born in December (or in the later months). Over time, children born in the earlier months get better opportunities as time progresses— locking them in a positive feedback loop.

The situation is perfectly summarized by the Matthew effect (a derivative of accumulative advantage) which implies that those who already have status are often placed in situations where they gain more, and those that do not have status, typically struggle to achieve a little.¹¹ The Matthew effect is derived from the Book of Matthew in the Bible which states "For to everyone who has, more shall be given, and he will have abundance; but from him who has not, even what he has will be taken away." (Matthew 25:29)

Perhaps a more relevant example of the Mathew effect in relation to inequality in the socio-economic system can be witnessed in unpaid

internships. By their nature unpaid or underpaid internships allow privileged students to capitalize on opportunities that are not available to the underprivileged students who simply can't afford to work without a pay.¹² The students from lower-income backgrounds can't participate in unpaid/underpaid internships as they need the money to afford rent and food, a concern that privileged students hailing from higher-income families don't have to worry about. Let's consider a simple example of two second-year college students seeking internships to build their resume. Suppose one comes from a privileged background, and another comes from an underprivileged background. The privileged student will have a bigger pool of internships to choose from as he can afford to bear the cost of an unpaid/underpaid internship, including moving to a new city, affording the rent, paying for food, and daily commute.

On the other hand, the underprivileged student will have to compete with others for a small pool of well-paid internships. Suppose both the students get an offer for an underpaid internship. The privileged students will easily accept, while the underprivileged student will have to let the offer go. In the third year of college, when both the students apply for internships, the cycle will repeat. Again, the privileged student will have the upper hand economically in addition to the work experience from the previous year's underpaid internship. He will most likely be accepted by the system, being able to afford another underpaid internship. In comparison, the under privileged student will be deprived of opportunities because of a flawed system. After the students graduate, the disadvantaged student will not have relevant work experience to show for and will find it difficult to get a full-time job. Contrastingly, the privileged student will have ample work experience to get him a full-time job. Over time, the accumulative advantage will favor the privileged student who will get relatively wealthier compared to the underprivileged student who will struggle to escape the cycle of systematic economic oppression.

Article 23 of UN's Universal Declaration of Human Rights reads, "Everyone who works has the right to just and favorable remuneration ensuring for himself and his family an existence worthy of human dignity, and supplemented, if necessary, by other means of social protection."¹³ In his annual lecture for the Nelson Mandela Foundation in 2020, UN Secretary-General Antonio Guterres said, "Inequality starts at the top in global institutions. Addressing inequality must start by reforming them."¹⁴ Ironically, the UN, an organization that is supposed to champion the fight against inequality, itself benefits from unpaid internships and is guilty of perpetuating it. Between 2012-2013, the United Nations employed more than 4,000 unpaid interns.¹⁵ This is in striking contrast to what the UN High Commission for Human Rights in December 2018 said about unpaid internships that they "exclude de facto the most marginalized" and "limit young people's freedom to choose." Access to sufficient funds remains an unspoken requirement for internship eligibility at the UN.¹⁶ In 2017, 87 per cent of respondents to the Fair Internship Initiative Global UN Internships Report came from upper-middle or high-income countries.¹⁷ If an organization like the UN, responsible for creating equal access to opportunities at a global scale, fails to hold up its values, one can only imagine how things are like in a capitalist system driven by incentives to maximize profits and minimize costs.

At a macro level, too, we can observe accumulative advantage at work when we look at the GDP per capita of colonized nations vs. the nations who were the colonizers. The graph below shows how the colonizer countries who became nation-states much earlier have a much higher GDP per capita than the colonized nations (like Vietnam, India, Nigeria, Sudan).

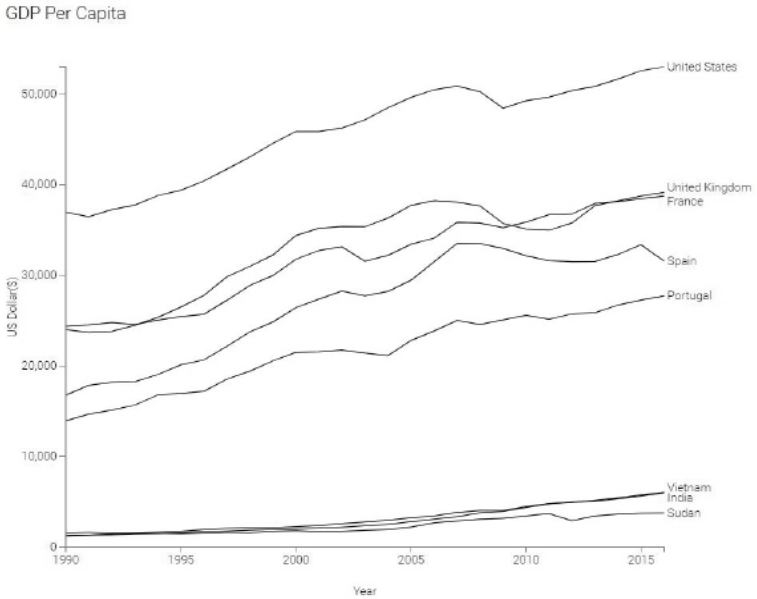


Fig-8-GDP Comparison between Colonised and Colonisers.¹⁸

Now let's go back to our imaginary society in our fictional world and stretch our thought experiment.

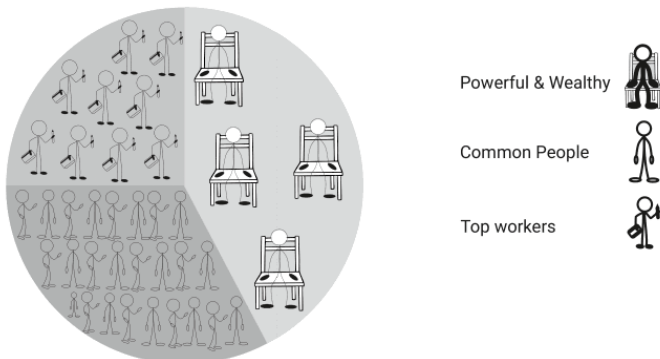


Fig 9- Wealth and power is concentrated among a few individuals.

If we were to zoom out, it would look something like this:

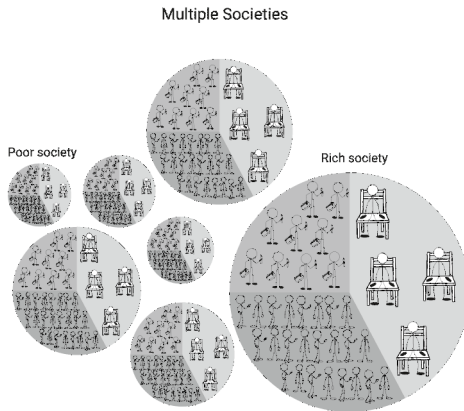


Fig 10- Cluster of societies where a few societies are richer than others. Inequality within individual societies remains consistent.

If we zoom out further, we would see something like this:

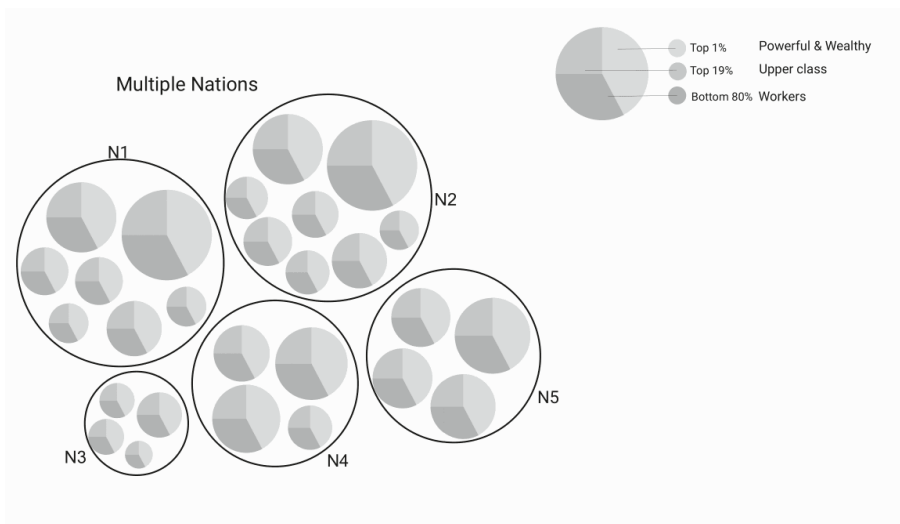


Fig 11-Multiple nations with unequal wealth distribution through every level of settlement hierarchy.

Again, the real world is infinitely more complex with societies that are intricately interconnected with each other. There are families, clans, bands, tribes, villages, towns, suburbs, cities, districts, and states; together, these elements form a nation. And at every level of the settlement hierarchy, we observe income inequality arises with time. However, there are multiple checks and balances to prevent inequality and its consequences from getting out of control. We have laws, governments, media, courts, bureaucracies, NGOs, police, and other organizations that ensure society functions within established norms. These agencies are established to tackle various problems that societies (may) face— often rooted in injustice and inequality.

Governments exist to set and implement rules for its citizens to protect them from conflicts and ensure law and order prevails in society. Governments provide public goods and services, provide the legal and social framework, maintain competition, redistribute income, correct for externalities, and stabilize the economy.¹⁹ The government limits market failure through the regulation of markets, e.g., regulations on environment/labor markets/monopoly.²⁰ They use fiscal and monetary policy to prevent recession and control inflation. Through its various frameworks, the government is always working towards improving the country's economy and reducing poverty and inequality. In a corruption-free nation, governments ensure that equal opportunity is presented to all citizens to prosper socio-economically.

On the other hand, the media plays a role in keeping the government and the public informed about the entire nation's socio-economic and political state. Freedom of the press and good governance are mutually inclusive. A pluralistic and independent news media facilitates transparency and helps shape public opinion. It highlights public grievances that arise from socio-economic injustices and inequality. Media, therefore, acts as a bridge between the people and

the government.

The courts, police, and bureaucracy try to ensure that citizens don't face injustice or discrimination. The NGOs work to promote social or political change on a broad scale or locally. Together, all these agencies act like cogs that drive the engine of the nation forward.

However, despite these checks and balances, what we observe is that inequality persists. When we look at the data, we can see that our reality is not far from our hypothetical societies regarding wealth and income distribution across nations.

Let's analyze the wealth distribution patterns across the world. For the sake of simplification, let us narrow down the entire world population of 7.8 billion to 1,000 people and all the wealth of the world's nations (\$360 trillion) to \$10,000. It would be equitable if every individual would get \$10, but of course, that is impossible in the world we live in. In the graph below, the world's population is segregated in ascending order from the least wealthy to the most wealthy. We observe that 566 people hold \$0.31(cents) wealth on average per person, 326 people possess \$4.75 on average per person, 98 people have \$39.67 on average per person, 326 people possess \$4.75 on average per person, 98 people have \$39.67 on average per person, and 10 people hold \$438.75 on average per person.

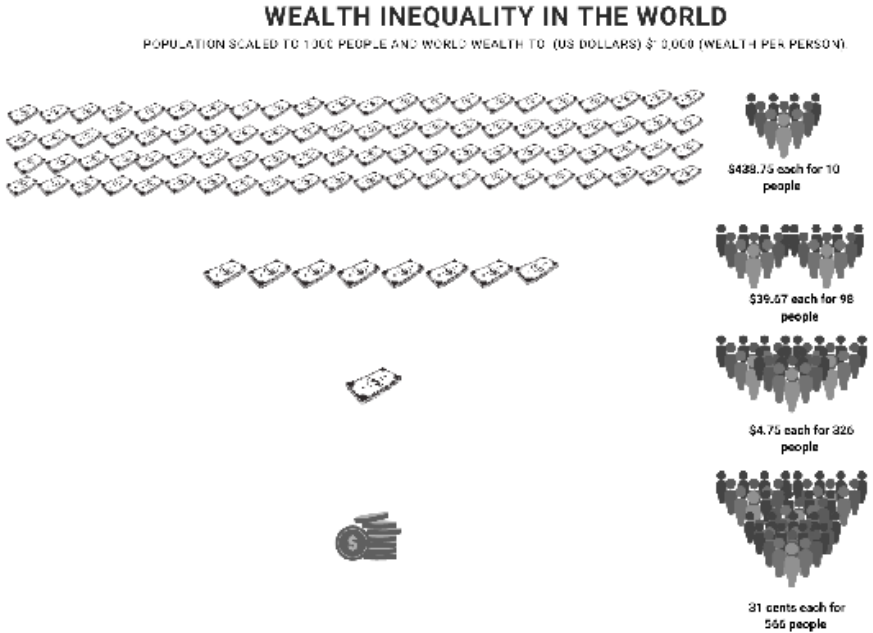


Fig 12- Global wealth distribution.²¹

In terms of percentages, we observe that 57% of the world population owns just 2% of the world's total wealth, and 32% of the population owns 15% of the world's overall wealth. In contrast, the top 10% of the world's population owns 39% of its wealth, and the top 1% owns 44% of the world's wealth. That's how skewed wealth distribution is in the world.

Wealth Distribution

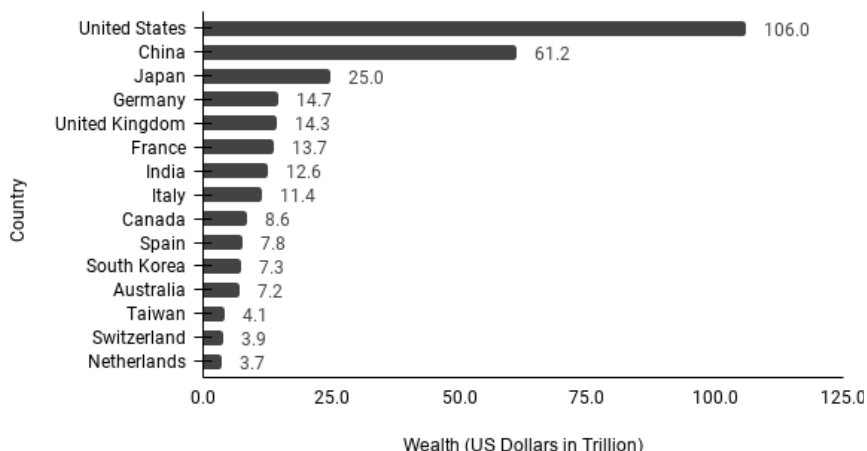


Fig 13- Top 15 countries own 85% of the total global wealth.²²

Let's also look at how wealth is distributed across countries. With the global wealth standing at \$360 trillion, we observe that the US and China own \$105 Trillion and \$63.38 trillion of the overall global wealth, respectively— which is more than the collective wealth of the bottom 185 countries in the world. By themselves, the top 15 countries own approximately \$304 (85%) trillion out of the total \$360 trillion. Again, we see a clear pattern— the world's wealth is bottled at the top end of the pyramid.

Now let's zoom in and look at wealth distribution in the fastest-growing major economy globally, i.e., India, and the wealthiest nation in the world, i.e., the US.

Suppose we scale down India's entire population (1.3 billion) to 1,000 people and its total wealth (\$12.6 Trillion) to \$10,000. In that case, we see that 500 people hold an average wealth per person of \$0.56 (cents), 400 people have an average wealth of \$5.75/person, and the top 100

people possess an average wealth of \$74.3/person.

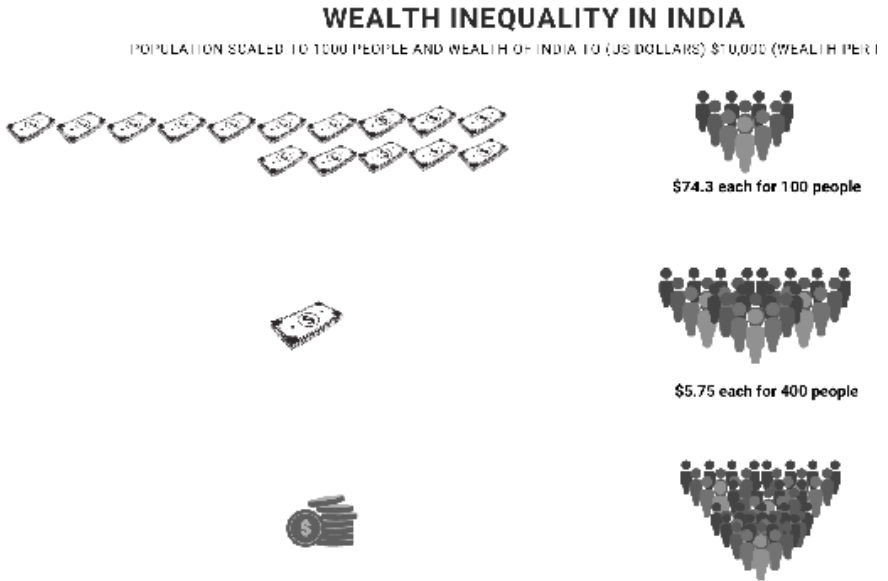


Fig 14- Wealth distribution in India.²³

In terms of percentages, the country's bottom 50% of people own just 2.8% of the total wealth, 40% of people own 23% of the total wealth, and the top 10% own 74.3% of the overall wealth. Here too, the pattern is undeniable: The richest few possess most of India's wealth.

One would assume that the demon of inequality would spare the world's most prosperous nation that owns almost one-third of global wealth, but if anything, wealth inequality is worse in the US. When we scale down the US's total wealth (\$105 Trillion) to \$10,000 and the population (327 million) to 1,000 people, we find the same trends of wealth inequality. The top 100 Americans hold an average wealth of

\$69 per person, 400 Americans have an average wealth of \$7.25, and the poorest 500 Americans possess an average wealth of \$0.40 (cents) per person. In other words, the bottom 50% of the country's population owns just 2% of its wealth, 40% of people own 29% of the total wealth, and the top 10% owns 69% of the country's total wealth.

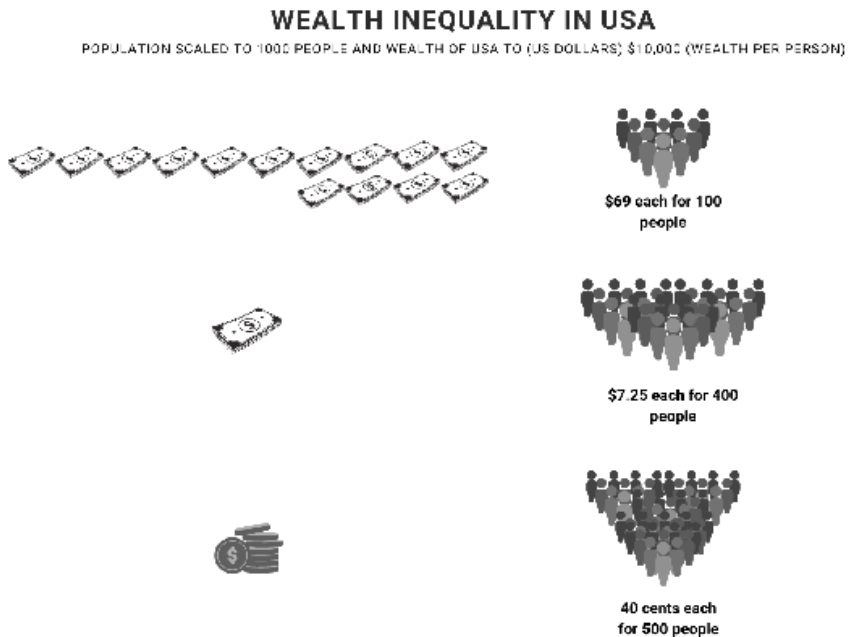


Fig 15- Wealth distribution in the USA.²⁴

The data reveals a grim reality: the rich are getting disproportionately wealthier, and the poor are getting relatively poorer. To decrease this widening gap between the rich and the poor, capitalism and the free enterprise system must work to address the inequality problem. In the current world scenario, inequality is the legacy of systematic oppression embedded in society through patriarchy, gaps in access to technology, racism, colonialism, and many other forms of injustices. These socio-

economic structures perpetuate a lack of access to opportunities for the people at the bottom of the income pyramid. In such a world, there are bound to be social, political, racial, and gender injustices.

It is in this context, online crowdfunding has emerged as one of the most efficient solutions to address the symptoms of inequality in society, a tool that many believe can democratize access to capital and financial aid. Online crowdfunding, especially donation-based crowdfunding, has become a game-changer by heralding a new era of social change, one where people directly participate in the change-making process and can actively monitor it.

So, what is crowdfunding? Whence does it find its roots? How has it evolved? These are some questions we will address in the next chapter.

History of Offline Crowdfunding

In 2006, the term ‘Crowdfunding’ was coined by Micheal Sullivan, an entrepreneur searching for monetary support to fund his video-blog project. While his project failed, the term itself has gone on to represent a multibillion-dollar industry.

When we turn the pages of history, we find that the concept of crowdfunding has been behind numerous important events. From funding wars and historical monuments to supporting medical treatments, crowdfunding has, in many ways, shaped our society. In centuries past, the idea of mobilizing the crowd’s power to fund personal, public, or commercial projects was not unknown. The foundations of modern-day crowdfunding can be found in the shared history of social giving wherein the crowd has often come to the rescue of those in need and supported the creative projects of artists and architects. In other words, the roots of crowdfunding are rooted in the history of fundraising.

As much as crowdfunding is embedded in history, it has also been an inherent part of various cultures. When we look at certain cultures, we find synonymous terms that symbolize the essence of what crowdfunding stands for: People coming together in large numbers to support a project or person financially. Each culture has its unique terminology for the act of giving. The Zulu traditions of Ukwenana, Ukusisa, and Ilimo preach the concepts of horizontal philanthropy, a philosophy that refers to patterns of giving taking place between equals.¹ ‘Horizontal’ philanthropy casts givers and recipients as equal in the act of philanthropy. These practices are governed by the philosophy


of Ubuntu, a part of the Zulu phrase “*Umuntu ngumuntu ngabantu*” which translates to “*I am because of who we all are*”. Ubuntu as a philosophy preaches, “*My humanity is tainted if your humanity is not recognized and assisted when in need.*”² Many other African cultures like the Kenyan philosophy of Harambee also encourage community giving and mutual aid. Harambee, which means “all put together” has been the driving philosophy behind development in Kenya, prompting people to help each other out to create a positive social impact. At its core, crowdfunding closely resembles these age-old philosophies.

Similarly, the concept of crowdfunding has existed in India for centuries, where people donate to hold religious festivals or build temples to appease their gods. It has existed in the middle east where Muslims under the obligation of Zakat and the concept of Sadaqah (voluntary charity) readily come forward to help their fellow brethren in their times of need. Furthermore, it has existed in several religious texts and mythologies.

“*Give me your tired, your poor, your huddled masses yearning to breathe free, the wretched refuse of your teeming shore. Send these, the homeless, tempest-tossed to me, I lift my lamp beside the golden door...*” reads the inscription on the plaque at the base of the Statue of Liberty. The idea for the statue was born in 1865 when the French historian and abolitionist Édouard de Laboulaye proposed a monument to commemorate the hundredth anniversary of the US’s independence (1876), the perseverance of American democracy, and the liberation of the nation’s slaves.³ By 1870, sculptor Frédéric Auguste Bartholdi had come up with sketches of a giant figure of a robed woman holding a torch.⁴ He traveled to the United States in the early 1870s to raise funds for the statue, which was to be called the ‘Statue of Liberty.’ Upon returning to France, he created the Franco-American Union to raise 600,000 francs from the French people.

Despite a successful fundraising campaign, France could not raise the money in time to finish the statue for the 100-year celebration of American independence. So, they asked the Americans to fund the base and pedestal on which the 'Statue of Liberty' today stands.

MODEL
Of the Statue of
"LIBERTY ENLIGHTENING THE WORLD,"
Suggested by the American Committee
IN AID OF THE PEDESTAL FUND.



ONE DOLLAR EACH.

FIVE DOLLARS EACH.

RICHARD BUTLER, Sec'y,
Assistant Committee of the Statue of Liberty,
33 Mercer St., New York.

Orders Received Here.

Fig 1- An example of reward-based crowdfunding: The American committee offered rewards like commissioned mini metal models of the Statue of Liberty to the people who donated towards the campaign.⁵


The American committee in charge of constructing the base and pedestal of the statue decided to follow the footsteps of their French companions by crowdfunding the expenses. In America, the crowdfunding effort was led by publisher and journalist Joseph Pulitzer who raised more than \$100,000 in donations by mid-1885.

Pulitzer's appeal in the New York World , a daily newspaper, read, "We must raise the money! The World is the people's paper, and now it appeals to the people to come forward and raise the money. The \$250,000 that the making of the Statue cost was paid in by the masses of the French people- by the working men, the tradesmen, the shop girls, the artisans- by all, irrespective of class or condition. Let us respond in like manner. Let us not wait for the millionaires to give us this money. It is not a gift from the millionaires of France to the millionaires of America, but a gift of the whole people of France to the whole people of America."6 The drive attracted more than 120,000 contributors. The majority of these contributions were less than a dollar.

THE UNFINISHED PEDESTAL.

WHAT SHALL BE DONE WITH THE GREAT BARTHOLDI STATUE?

Retrospect of the Work Done—Money Collected and Money Expended—How Congress Failed to Give \$100,000—Condition and Prospects of the Work on Bedloe's Island—The Necessity of Immediate Action—A Liberal Contribution from the Hotel Men.



In a few weeks the sum of \$250,000 to defray the cost of casting Mr. Bartholdi's statue, the design and modeling of which he contributed as his share, he began his work on at least as early as 1875, ten years ago, and the French people paid in time \$250,000 for it. The French Government is now ready to carry out the work so far as that nation is concerned.

The American Government was organized about three years ago and immediately began the work of solving the problem. It is a surprise of the American people to find that the Government has done nothing of the kind. If the money had been anticipated at the time, it would have been collected long ago and would now be ready for the completion of the statue, which could be received and mounted before the end of the summer. A general committee was appointed with a membership of seven hundred. A 100,000 men were put on from Chicago, as many from St. Louis, several from Louisville, Cincinnati, Cleveland, Detroit, Milwaukee, Kansas City, St. Paul and other West river cities. Very many reports have been had from those places; in fact, nothing at all has been sent in by a majority of them. Over 90 per cent. of the money has been raised by citizens of New York and contributions directed in this manner. Up to the 15th of November last the subscription stood as follows:

In sums of \$100 and upward.....	\$14,471.31
In sums of \$50 to \$100.....	1,475.49
In sums of \$20 to \$50.....	4,451.11
In sums of \$10 to \$20.....	8,433.83
In sums of \$5 to \$10.....	26,314.42
In sums of \$2 to \$5.....	27,008.44
In sums of \$1 to \$2.....	11,264.21
In sums less than \$1.....	5,000.00
Total.....	\$141,426.53

It will be seen at once that nearly all the money has been contributed in sums greater than \$10. As a general subscription the result is an extraordinary one.

Fig 2- Article published in the New York World.⁷

The fundraiser was a success as the pedestal's construction was completed in October 1886, following which the Statue of Liberty was formally inaugurated in a presidential ceremony. Today, the Statue of Liberty stands over 300 feet, embodying the famous words from Emma Lazarus' poem 'The New Colossus'. The statue welcomes thousands

of immigrants into America every year and has become a symbol of not just the American Dream but of the impact of community-driven efforts.

Historically, crowdfunding has had its fair share of grey. Other than funding the construction of monuments, governments have also used crowdfunding to wage wars against other nations.

During World Wars I and II, many participatory nations relied on War Bonds to crowdfund their military expenses. The United States government, for example, issued Liberty Bonds in World War I and War Bonds in World War II to raise money to fight against their enemies. They used patriotic appeals to invoke a massive emotional response in the donors— a brilliant strategy to sell the bonds.⁸

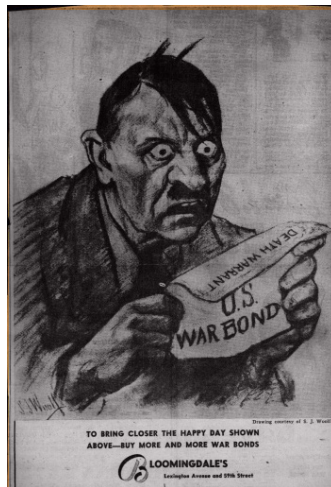


Fig 3-Campaign for US War Bonds.⁹

In the Indian context, one of the most successful wartime crowdfunding campaigns was initiated by the first Prime Minister of India, Jawahar Lal Nehru.

On September 8, 1962, the Chinese troops attempted an incursion into Indian territory by invading the disputed territory along the 3,225 kilometer- (2,000-mile) long Himalayan border in Ladakh and across the McMahon Line.¹⁰ Tensions had already been rising between the two countries in a series of violent border skirmishes after the 1959 Tibetan uprising when India granted asylum to the Dalai Lama. India being a new nation, was not financially prepared to go to war against China. It was then that Pandit Jawahar Lal Nehru started a crowdfunding campaign and appealed to the masses to donate and help India fight the war against China.

Advertisements with an emotional appeal were broadcast to foster a sense of solidarity with the troops fighting in the war. The emotional appeals would call on Indian women to contribute their jewelry to help India win the war. Nehru also requested the people to donate their money and woolens. *“A necklace given, a ring donated, a bangle placed on the national altar, each shall be a shining diadem. Each a contribution to a certain victory,”* the narrator said in the advertisement.¹¹

The spirit of patriotism was so fervent that thousands of people, especially women, donated to the National Defence Fund. The latter contributed their jewelry, including their mangalsutra (a symbol of marriage worn by women) to help the government buy guns to fight the Chinese army.¹² It has been estimated that the donations in cash and gold amounted to \$220 million.¹³ One of the contributors was the prime minister’s daughter, Indira Gandhi herself.

During wars, crowdfunding was used for another important task: supporting relief efforts. World War I and II created a global wave of contributions wherein the act of ‘giving’ was seen as a civic responsibility. The success of the Red Cross, an international humanitarian movement, during the World Wars, speaks about the potential of community-

driven fundraising efforts for humanitarian purposes. During the first World War, the American Red Cross launched an unprecedented campaign, raising \$400 million that helped aid 500,000 families and shipped 101,000 tons of relief overseas.¹⁴ The money also enabled them to lead campaigns against chemical weapons and provide medical assistance to the wounded and sick soldiers.

World War II sparked an even bigger wave of contributions for the Red Cross as they received over \$784 million in donations. The money helped provide aid to 1.7 million families in addition to assisting refugees and treating the wounded.¹⁵

One of the worst victims of World War II were the Jews who were persecuted in millions and sent to German concentration camps to work under barbaric and exploitative conditions, leading to their unfortunate deaths. The Holocaust claimed the lives of approximately six million Jews. More than one million of those who died were children.¹⁶ In 1917, before WWII began, a national home was promised to the Jews by the British in the Ottoman-controlled Palestine, under the British Balfour Declaration.

From 1920 to 1940, over 100,000 Jews entered the country.¹⁷ Lamentably, after World War II, over 250,000 Jewish refugees were stranded in the displaced person camps in Europe. To tackle the huge refugee crisis, the United Nations recommended the partition of Palestine to establish Arab and Jewish States. This led to further escalation of conflict between the Arabs and the Jews in the State of Palestine. To make matters worse, the British Army departed from Palestine, leaving the Jews and the Arabs to sort issues on their own, which eventually led to war.¹⁸

During this time, the Jewish philanthropists rallied around the Zionist movement, advocating for the creation of the State of Israel. The United Jewish Appeal (UJA), an American organization, fundraised millions of dollars to finance the creation of the Israeli State in 1948. In 1946, the UJA had managed to raise over \$100 million from a single campaign to oversee the arrival of more than 25,000 Jewish survivors in the US. However, in 1948, the UJA began fervently raising funds to aid with the founding of the State of Israel. They raised \$200 million in 1948 to resettle the Holocaust survivors in Palestine— what would later become the State of Israel.¹⁹

Crowdfunding has also helped countries during times of natural disasters. Consider the Irish Potato Famine (1845-1849) that wreaked havoc on the people of Ireland. In five years, Ireland lost one-quarter of its population due to death and emigration. The famine was one of the most devastating humanitarian disasters of the 19th century, but it also sparked a global wave of donations on an unprecedented scale.

The first city to send money to Ireland was Calcutta in India. The fundraising effort was initiated in 1845 by British citizens who wanted to show the Irish people the benefits of being a part of the British Empire.²⁰ Donations also came from wealthy Hindus and several Indian princes. Besides the upper class communities, donations also poured in from sepoys and low-skilled Indian workers. Within a few months, the Calcutta Committee crowdfunded £14,000 to help the Irish poor. On the other hand, the Irish Quakers started raising money outside Ireland. By the end of 1847, the Quakers had raised nearly £200,000 for relief efforts.²¹ A bigger relief effort was initiated by The British Relief Association, an organization formed in January 1847 that crowdfunded approximately £400,000 with the help of over 150,000 individual donors.²² The donations came from countries such as Mexico, Venezuela, South Africa, Australia, Russia, and Italy. The Irish Famine

relief serves as an early example of crowdfunding for humanitarian disasters, driven not just by humanitarian altruism but also by political agendas.

Today, most of the online crowdfunding platforms display the names of the donors who donate to a specific campaign. It is a strategy that makes people feel good about their reputation when they see their name on the campaign page— a testimony to their altruistic nature. However, this strategy is not a new arrival; it's an age-old technique that was also used by Alexander Pope, who in 1713 set out to translate over 15,693 lines of ancient Greek poetry of Homer into English. Before he even began his work to translate Homer, Pope secured contributions from 750 backers who pledged two gold guineas to support his campaign. In exchange, he listed the names of his donors in the first translation of the Iliad. It took him five years to complete the work, but eventually, Pope was able to produce six volumes of Homer's Iliad, a translation that still exists today.²³

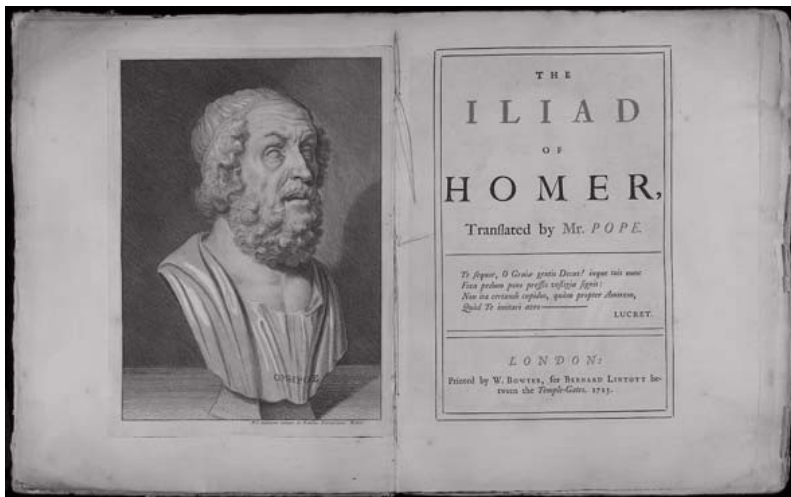


Fig 4- The first translation of Pope's Iliad.²⁴

Seventy years later, in 1783, Mozart made a similar attempt to crowdfund his piano concertos. Mozart wanted to perform three piano concertos in a Viennese concert hall, so he published an invitation offering the manuscripts of his work to those who pledged. His first crowdfunding attempt did not succeed, but he tried again a year later. Sure enough, Mozart was successful the second time. His crowdfunding pitch to his potential donors read, “*These three concertos, which can be performed with full orchestra including wind instruments, or only a Quattro, that is with 2 violins, 1 viola, and violoncello will be available at the beginning of April to those who have subscribed for them (beautifully copied, and supervised by the composer himself).*”²⁵ One hundred seventy-six people backed his campaign, and Mozart thanked each of them for their contributions in the concertos’ manuscripts.



Fig 5-Mozart thanking his donors in his concerto manuscript. ²⁶

A few years after Pope crowdfunded for his Iliad, Author Jonathan Swift, author of ‘Gulliver’s Travels’, established a modest fund to help poor Irish tradesmen and artisans in 1720. The fund came to be known as the famous ‘Irish Loan Fund’. It was used to provide loans to poor

rural families who had no credit history and very little collateral to secure a regular loan. By the 1800s, more than 300 programs throughout Ireland were loaning small amounts of money for short periods.²⁷ It was estimated that 20% of all households were utilizing the program at one point in time. Soon, the loan fund system grew to prominence and by the mid-nineteenth century extended to about 500,000 microloans annually.²⁸ The Irish Loan Fund provided relief to thousands of families, setting the base for what later came to be known as debt-based crowdfunding— a model wherein crowdfunding is used for microlending.

Two hundred fifty-six years later, in 1976, a man named Dr. Mohammad Yunus, known as the Father of modern microfinance, followed in the footsteps of Jonathan Swift. During the 1974 famine in Bangladesh, Yunus made a small loan of \$27 to 42 women who lived in a village where people earned their livelihood through bamboo production. With this money, the women were able to make baskets and sell them to earn a livelihood. In a short period, they repaid the money they had borrowed. Following his micro-lending experiment's success, Yunus secured a loan from the government to lend small amounts to the poor. Within five years, the program had over 30,000 members, and in 1983, the program transformed into Grameen Bank.²⁹ By the beginning of 2005, the bank had loaned over \$4.7 billion, and by the end of 2008, \$ 7.6 billion to the poor.³⁰ As of 2017, the bank had about 2,600 branches and nine million borrowers, with a repayment rate of 99.6%.³¹ Dr. Mohammad Yunus and the Grameen Bank received the Nobel Peace Prize in 2006 for economic and social development efforts in Bangladesh.

Today, online crowdfunding has a lot to do with formalized fundraising strategies. Campaigners raising funds for a project can dramatically increase their chances of success with the help of robust

strategies. It was the efforts of two early 20th century pioneers at the YMCA (Young Men's Christian Association) that established the tools and techniques which would later be used in modern-day online crowdfunding.³² Frank L. Pierce needed to raise over \$300,000 to set up a YMCA in Washington, D.C. After campaigning for two long years, he was still short of \$80,000, and the chances of reaching the goal looked grim. In 1905, Pierce partnered with a man named Charles Ward. Together, they experimented with new crowdfunding strategies that had never been tried before. They came up with brilliant PR strategies and perfected the art of face-to-face fundraising. In doing so, they laid the foundations of modern-day fundraising— a process that was national in scale and professional in style.

They hired a professional publicist and used corporate donations to pay for the advertisements, and came up with the idea of a campaign clock, a tool that's used today by most online crowdfunding platforms. They decided to keep their campaign short, limiting its duration to 27 days. This created a psychological urgency in potential donors who were led to believe that the campaign was in urgent need of funds.

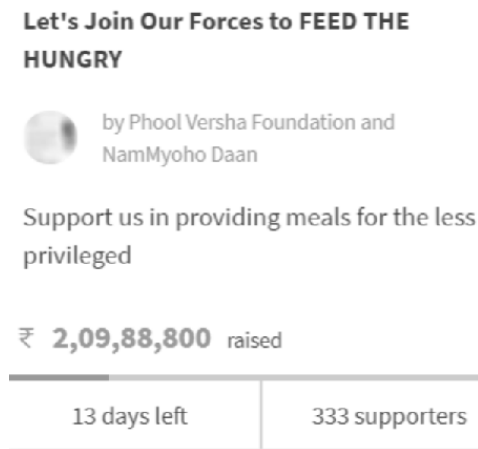


Fig 6- A modern-day example of a campaign clock.³³

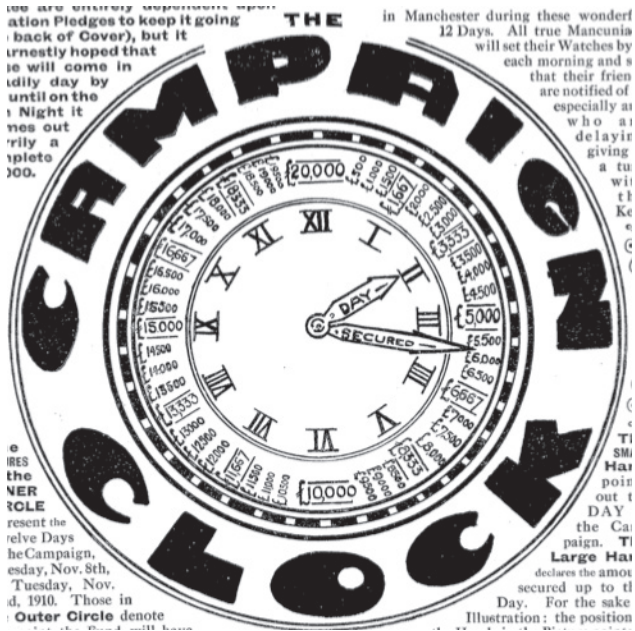


Fig 7- Charles Ward's campaign clock.³⁴

Their strategies allowed them to raise the required funds (\$300,000) successfully. Over the next decade, they raised over \$27 million for the YMCA, running international multi-million dollar campaigns using their fundraising techniques. Between 1905 and 1923, Ward and Pierce helped nonprofit organizations raise over \$300 million.³⁵ Soon, local universities and charities caught wind of the YMCA techniques and adapted them as a standard for formalized fundraising in the United States and the rest of the world

Around the same time, universities in the United States started fundraising drives aimed at alumni and in doing so, have crowdfunded millions of dollars. This trend of targeting graduates was started by Bishop William Lawrence, the pastor of St. John's Memorial Church at Harvard. Lawrence raised \$2.5 million to increase the liberal arts professors' salaries by writing letters to the school's alumni, seeking

donations from them³⁶

The concept of writing personalized donation appeals to people predates the Late Middle Ages. One of the oldest written donation appeals can be traced back to 1235 CE. It was written by Eihen Dogen, one of the most significant religious figures and creative thinkers in Japanese history. Dogen was a Japanese Buddhist priest, writer, poet, philosopher, and founder of the Sōtō school of Zen in Japan. Dogen's principal work, *Shobogenzo*, which consists of 95 chapters, is considered a true masterpiece in Japanese literature.³⁷

The priest was looking for funds to build a training monastery for which the land had already been bought; funds were required to construct the monastery. His letter shows the use of sophisticated targeting and donor profiling. His soft-sell approach using veneration and commonly held conceptions of the Law of Karma were well-tailored for potential religious donors.

“We respectfully make this appeal to all Buddhas in the ten directions, sages, and monks in the heavenly and human worlds, the eight types of beings in the dragon realm, generous men and women. We wish to construct a training hall with small donations from people’s pure hearts,” the letter reads. It further goes on to confer recognition for potential donors, *“We will acknowledge gifts by installing the donors’ names in the center of the sacred image. The myriad syllables of the seed wisdom will honor the donors and everyone.”*

How do you know if you're a good person? I think you know if you're a good person if you're a good person. I think you know if you're a good person if you're a good person. I think you know if you're a good person if you're a good person.

It's not just about the money, it's about the people. It's about the people who are giving you the money. It's about the people who are giving you the money. It's about the people who are giving you the money.

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Fig 8- Translation of Eihei Dogen's original letter in English.³⁸

As we have explored in this chapter, crowdfunding is not a new arrival. From practices to philosophies, the roots of crowdfunding are well-established in human history and its cultures. Small events across the timeline and the globe have led to the advent of online crowdfunding in the 21st century. It was in 1997 when the first major instance of online crowdfunding took place, the event that marked the transition from offline to online crowdfunding. Some would say that the time was already ripe for a new era of online crowdfunding to be ushered in. With the arrival of the internet, crowdfunding, just like everything else in this world was bound to undergo a massive transformation.

Evolution of Online Crowdfunding

It was the British rock band Marillion that laid the foundation for modern online crowdfunding platforms like Indiegogo and Kickstarter. In 1997, Marillion was about to cancel a US tour due to a lack of funds. That's when they decided to tap into the power of the crowd, asking their fans to help them finance their tour. It worked like a charm as their fans converged together and contributed \$60,000 to make the tour possible. It was the first time that somebody had started a crowdfunding campaign on the internet. Without intending, Marillion's online fundraiser marked the advent of online crowdfunding.

In 2001, following the success of their internet fundraiser, Marillion took to online crowdfunding again due to the paucity of funds for the release of their next album. They sent an email to over 6,000 fans, through their database, asking if they would buy their album in advance. Over 12,000 preorders later, the band had crowdfunded enough money to launch their album. To express their gratitude, they thanked their fans on the cover of the record. The British band pioneered online crowdfunding for countless artists and musicians who, to this date, use Marillion's method to fund their tours and new albums.

“The Internet saved us, really. We were in a position in 1997 where our manager said to us that we would have to find something else to do for six months out of the year because Marillion wasn't earning enough money to carry on paying the sort of money that we were used to. We then sacked the manager. We emailed the 6000 fans on our database to ask, ‘Would you buy the album in advance?’ most replied yes. We took over 12,000 pre-orders and went on to use the money to fund the

writing and recording of the album. That was the crowdfunding model that has been so successfully imitated by many others including the most successful, Kickstarter.” Marillion’s keyboardist Mark Kelly remarked about their online crowdfunding experiment.

Given the popularity and the rate of success of online crowdfunding, the emergence of an online crowdfunding platform was inevitable. The beginning of the millennium saw the advent of a British company named JustGiving. Founded by Zarine Kharas and Anne-Marie Huby, the platform aimed to leverage the power of technology to provide online tools and processing services that enabled campaigners to solicit charitable donations online. *“And if you want to get more involved, we can help you raise funds for your favorite charities. With Justevents, you can create your own web page to raise sponsorship for a charity challenge from friends and colleagues.”* JustGiving enables you to create your own appeal to mark birthdays, weddings, funerals, or other important occasions,” JustGiving’s ‘About Us’ section read.² In 2002, the platform won the ‘Best Use of the Web’ award. While JustGiving was launched in the year 2000, the title for the world’s first online crowdfunding platform often goes to ArtistShare, an online crowdfunding platform founded in 2001.³

A Boston musician and coder, Brian Camelio came up with an idea for a crowdfunding platform, ArtistShare, that would solely serve artists. Brian’s musician friends had told him about record labels controlling them and their creative work. At the same time, artists also suffered a loss of revenue due to piracy. Brian conceived a platform where fans could fund their favorite musicians’ creative endeavors by pre-ordering their albums or contributing to their campaigns in exchange for other rewards. This practice later came to be known as reward-based crowdfunding.

In 2003, ArtistShare launched its first crowdfunding project for Maria Schneider's jazz album, 'Concert in the Garden'. The platform allowed Schneider's fans to donate specified amounts in return for various rewards. The more generous the donation, the bigger the reward. A contribution of \$9.95 allowed the fans to download her album upon release. For fans who contributed \$250 or more, their names were listed in the album booklet, and they could download the album online. If a fan contributed \$10,000, their name was listed as an executive producer, and they were invited to dine with Maria Schneider. Schneider's ArtistShare campaign was a huge success and allowed her to launch her 'Concert In The Garden' album. The album won her a Grammy Award for 'Best Large Jazz Ensemble Album' in 2005.

	<p>Composer 'Plus' Participant price: \$55.00 Composer 'Plus' Participants receive exclusive access to score samples for each piece, sound clips from rehearsals, my own personal comments about the pieces, recording, mixing and editing phases of the record. Much information has been posted and... participant listing included see details >></p>
	<p>'Concert in the Garden' Limited Edition CD Participant price: \$16.95 limited to: 9000 I will release only 10,000 CDs of 'Concert in the Garden' --that's it, not one more. 9,000 of these CDs are available for pre-order, 1,000 are being reserved for a special auction to be announced in the near future. All CDs will be Artist-Track... see details >></p>
	<p>'Concert in the Garden' High Quality MP3 Download Participant price: \$12.95 (Formerly the "Participant Friend" Offer) You will receive a downloadable CD-Quality (320 kbps) recording of 'Concert in the Garden' along with accompanying artwork files and assembly instructions. Includes immediate access to the 'Hang...' see details >></p>
	<p>'Concert in the Garden' MP3 Download Participant price: \$9.95 With this offer you receive a downloadable MP3 recording (128 kbps) of 'Concert in the Garden' along with accompanying artwork files and assembly instructions. IF YOU'RE INTERESTED IN PURCHASING 'CONCERT IN THE GARDEN' AS A MAIL ORDER CD... see details >></p>
	<p>Bronze Participant price: \$250.00 limited to: 1 This offer is now closed. Bronze Participants are listed in the accompanying booklet of our new recording as helping to make this recording possible. They also receive exclusive access to score samples for each piece, sound clips from... participant listing included see details >></p>
	<p>Silver Participant price: \$500.00 limited to: 1 This offer is now closed. Silver Participants are listed in the accompanying booklet of our new recording as helping to make this recording possible. They also receive exclusive access to score samples for each piece, sound clips from... participant listing included see details >></p>
	<p>Gold Participant price: \$1,000.00 limited to: 1 This offer is now closed. Gold Participants are listed in the accompanying booklet of our new recording as helping to make this recording possible. They also receive exclusive access to score samples for each piece, sound clips from... participant listing included see details >></p>

Fig 1- Maria Schneider's ArtistShare project archived from the Wayback Machine.⁴

The rise of Online Crowdfunding in the 21st century required three prerequisites: the emergence of the internet, the rise of e-transactions (online payment gateways), and the arrival of social media platforms.

With the advent of the internet, the volume of online transactions started growing steadily. Gone were the days when people would stand in a line for hours at a counter to process their cheques. The internet revolutionized how money was transferred from one bank account to another. After the Stanford Federal Credit Union (SFCU) became the first financial institution to offer Internet banking to all of its customers in October 1994 in the US, the volume of cashless transactions grew steadily every year as other financial institutions began to emulate SFCU's strategy.

Internet Users in the US

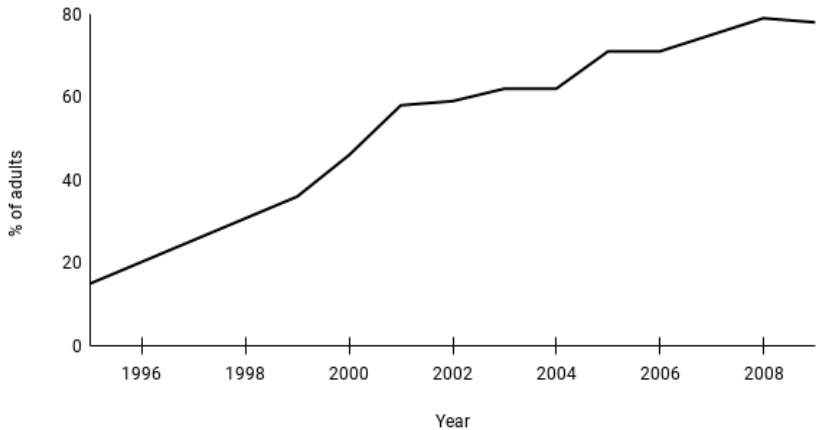


Fig 2-Internet users data for the United States of America.⁵

Internet users who bank online

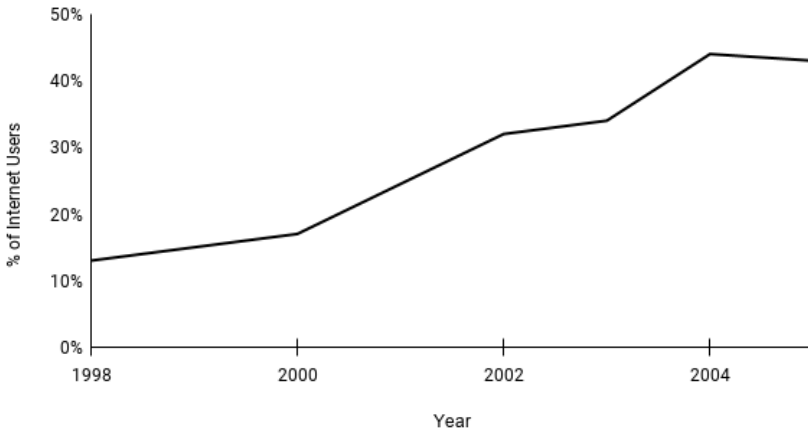


Fig 3-Percentage of Internet users who used Online Banking in the United States between 1998-2005.⁶

By 2006, over 70% of America's population had access to the internet, and nearly half of those internet users (63 million adults) were using online banking. All over the world, financial institutions realized the need to jump on the internet bandwagon and offer e-banking services to their customers, a trend that was first picked up in the developed countries as they were the first ones to get access to the internet— accumulative advantage at work again.

In fact, developed countries acquired internet access almost a decade before developing countries. By 1995 only 0.4% of the global population had access to the internet, but in a developed country like the US, nearly 15% of the people had internet access. A decade later, in 2006, above 70% of American people had access to the internet, while globally, only 16.7% could access it.⁷ As of 2020, over 40% of the world's population still doesn't have internet access, and most of them live in the developing world.

In the current world scenario, access to the internet means access to opportunities. Unfortunately, poorer countries still lag far behind when it comes to having basic internet access, which is considered an essential human right today. For example, in 2014, the crowdfunding market in North America was worth \$17.25 billion while in Africa, it was worth only \$24.16 million.⁸ One of the primary reasons for this disparity was owed to the low internet penetration in Africa.

World Population on the internet

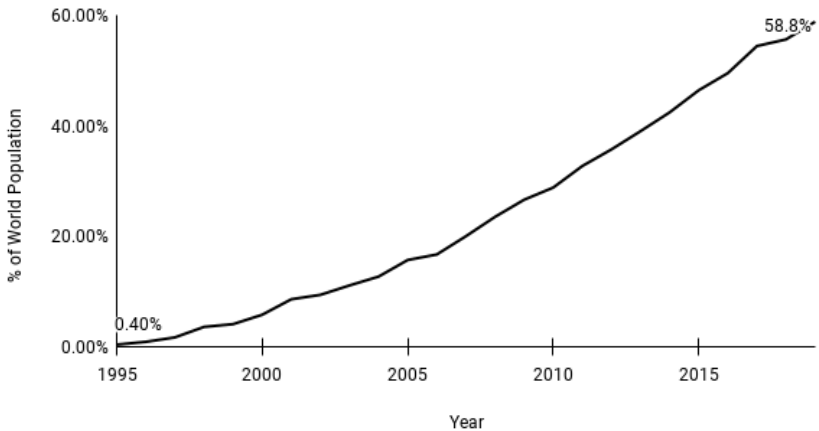


Fig 4- Growth in World Population on the Internet.⁹

With the emergence of e-banking, online contributions (e-philanthropy) saw a steady increase. The most significant boost in e-philanthropy was witnessed after the 9/11 terrorist attacks. The attacks prompted record-breaking charitable giving in the United States as American people donated over \$2.8 billion to aid the victims of the worst terrorist attack on US soil.¹⁰ While the world was devastated by the brutality of the attacks in which 2,997 people lost their lives, a massive outpouring of support transformed the future of global philanthropy. The impact of the donations was huge as millions of Americans converged together to help the victims. A study found that two-thirds (65.6%) of American households donated money to

charities providing relief to the victims of 9/11.¹¹

It is estimated that 10% of the relief donations (\$150 million) were made online in the first six months following the September 11 attacks.¹² Over the years, the trend only continued to grow. In 2004, when a tsunami hit South Asia, claiming the lives of 230,000 people, 39% of the total monetary contributions for the tsunami victims came from online donations.¹³ As more people gained internet access and consequently access to e-banking services, online giving as a phenomenon saw a massive increase.

Increase in donations during Disasters

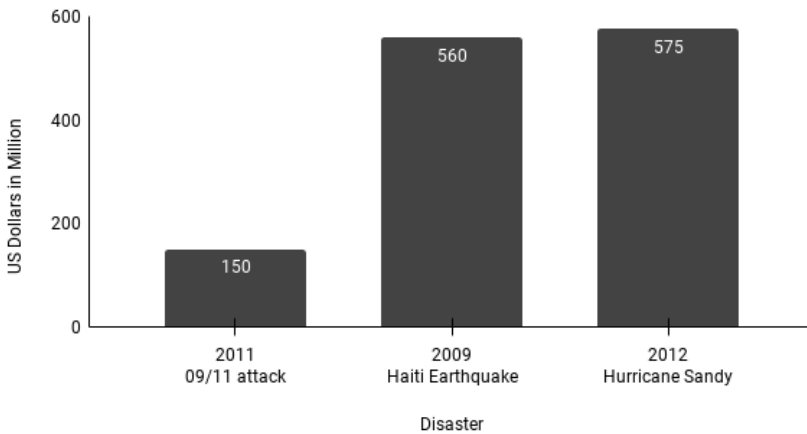


Fig 5- Increase in donations during Disasters.¹⁴

Before the arrival of social media, online crowdfunding platforms were few in number and lacked popular appeal. While the technology existed, the idea of such platforms was yet to click with people. The reach of online campaigns was mostly limited to their respective eco chambers. For example, an artist raising funds for his album could only share his crowdfunding campaign with his fans. An NGO crowdfunding for a cause was limited to its existing donor base. Therefore, even though the technology did exist, it wasn't scalable as most campaigns

were stuck within small eco-chambers. Very few people, mostly the altruistic ones with a habit of donating to causes, had an incentive of visiting online crowdfunding websites regularly. The potential for scaling was limited. As a result, profit opportunities were low for online crowdfunding platforms and only a few of them existed. However, this was about to change with the meteoric ascent of social media.

As social media platforms increased in popularity, they opened the doors to new possibilities. People found an online space (e-space) where they could connect with their friends. It became much easier to make new connections based on mutual interests. Countries that were once divided by boundaries, now stood united online. People in one country were able to communicate, share ideas, and express their thoughts with people from other countries. These online spaces led to the creation of much larger echo-chambers. Social awareness was no longer limited to one's physical place of being as it transcended geographical boundaries and distances. While the number of people on popular social media platforms was less than 500 million in 2008, the number had crossed 1 billion within just two years (Facebook and YouTube).

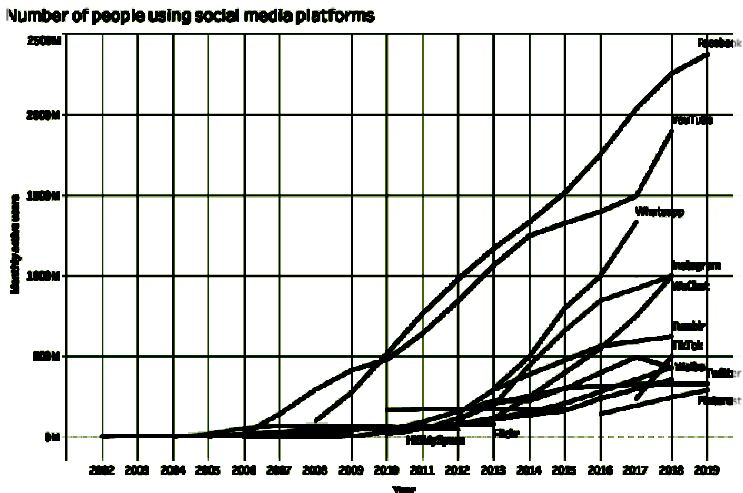


Fig 6-Growth of popular social media platforms.15

Google Trends: Crowdfunding

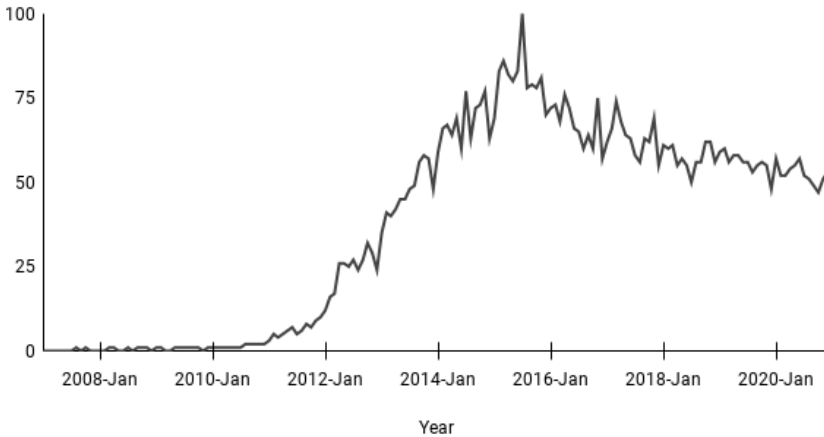


Fig 7- Google search trends for interest in online crowdfunding.¹⁶

During the same time, the interest of people in crowdfunding began to rise, as can be seen in Fig.7, which shows a sharp rise in the Google search trends for crowdfunding between April 2007 and November 2017. The graph shows an increased awareness among the masses about online crowdfunding. The numbers (scale 0-100) represent the relative interest, with 100 representing the peak search interest and 0 conveying no search interest. As seen in the figure, the awareness for online crowdfunding picked up starting in 2008 and peaked in 2015. Around the same time (in 2015), Facebook had crossed 1.5 billion users, and globally, 3.36 billion (46.4%) people had availed access to the internet.

NGOs could now start a crowdfunding campaign and share it on their Facebook page. In turn, their subscribers could share the campaign across their respective social media networks. A high school kid would see her crowdfunding campaign get viral as donations would pour for her project from across the country. While scrolling through her news

feed, a Facebook user would accidentally stumble across a crowdfunding campaign shared by her friend asking for donations to support an orphanage. She would click on the fundraiser, donate to it, and then share it within her e-space. Crowdfunding platforms would post their campaigns on social media, and every once in a while, a few of them would go viral. An innovator would share her vision to develop a revolutionary product. She would see support pour from interested buyers willing to contribute to her crowdfunding campaign in exchange for early access to the product. Celebrities, politicians, social media influencers, rights activists, artists all began to jump on the crowdfunding bandwagon and share campaigns that resonated with them.

Furthermore, major development banks and NGOs began to leverage crowdfunding to improve the socio-economic well-being of people. Online crowdfunding identified itself as a potential funding mechanism for social, entrepreneurial, and creative work.

In 2007, the number of existing crowdfunding platforms globally stood at just 100, but as time progressed, online crowdfunding platforms began to rise rapidly. By 2014, more than 1250 platforms were operating across the globe. During this time, amidst thousands of crowdfunding campaigns, a man named Zack Brown started an ordinary crowdfunding campaign to raise funds to make a bowl of potato salad. The netizens were amused, and 6,900 donors came forward to raise \$55,000 for the campaign whose initial funding goal was just \$10.¹⁷ Brown ended up throwing a potato salad party, buying 3,000 pounds of potatoes with the money. The campaign was proof of how social media could make any campaign go viral.

Between 2008 to 2010, three platforms that would go on to become the most prominent online crowdfunding platforms in the US came

into existence: Indiegogo (2008), Kickstarter (2009), and GoFundMe (2010). By 2012, India had also seen the arrival of multiple donation-based crowdfunding platforms, which aimed to tap into the collective power of over 1 billion people. The era of online crowdfunding had begun, and the ripples traveled across continents to give rise to what came to be known as the Alternate Finance industry.

Crowdfunding Platforms

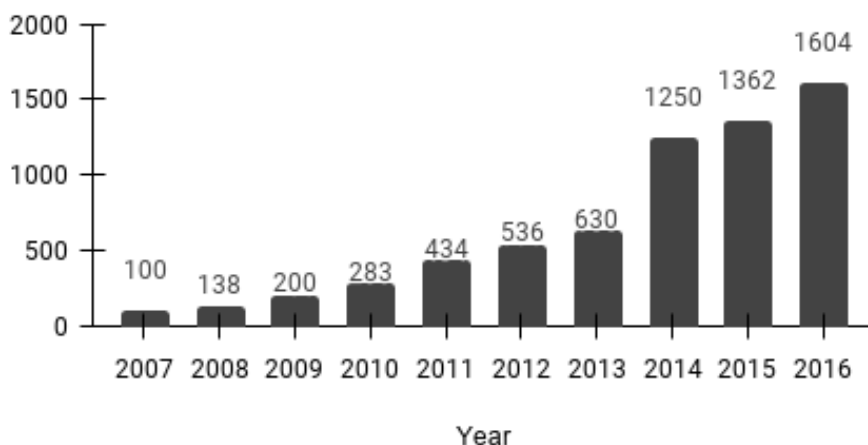


Fig 8- Increase in number of crowdfunding platforms.¹⁸

Like a tree sprouts out from a seed, crowdfunding has also grown over centuries into a powerful funding tool due to the small, yet significant efforts of the crowd. Akin to the trunk of a tree, online crowdfunding has become a strong foundation to usher community-driven change. Its branches have started to stretch out in their unique directions; the branches whose blueprints had already been laid out in the history of crowdfunding by people like Alexander Pope, Mohammad Yunus, Joseph Pulitzer, Eihen Dogen, and many other unsung heroes. In this chapter, we have traced the growth of the trunk; now, let's map the extension of the branches.

Branches of Crowdfunding I

Nassim Nicholas Taleb, a mathematical statistician whose work concerns problems of probability and uncertainty, wrote about globalization in his book, ‘The Black Swan’. He claimed that it “creates interlocking fragility.” He warned that while the growth of large banks portrays stability, in reality, it increases the risk of a systemic breakdown wherein “when one fails, they all fail.”¹

Taleb’s book was published on April 17, 2007, just a few months before the global recession of 2008. He was right in predicting a systematic collapse due to the growth of giant banks. The 2008 recession decimated the banking sector on a global scale. Most industrialized countries experienced economic slowdowns, and many went into recession, including the US, the European Union, and Japan.

The global financial crisis affected the banking sector drastically. It caused banks to lose money on mortgage defaults, credit to consumers and businesses to dry up, and interbank lending to freeze.² What started as turbulence in the US housing market’s subprime segment mutated into a full-blown recession, with American households losing an estimated \$16 trillion in net worth between 2007 and 2009.^{3,4} The stock markets worldwide took a nosedive, and many companies had to file for bankruptcy due to abnormally low demand for imported goods in the US. The world financial markets were devastated, and so were the banking and real estate industries.

The situation worsened when some banks had to close shop, while

banks that were once termed ‘too big to fail’, had to be bailed out by governments with the taxpayers’ money. Many other banks were forced into mergers with bigger partners to prevent their collapse.

Overall, the traditional financial institutions around the world took a tremendous hit. The global economy was left stagnant due to plummeting markets. This led to a downward spiral as traditional banks were less willing to lend to people, making it harder for small businesses and entrepreneurs to raise capital. The conventional financial system was failing, and there was a need for a new system. The platform was set for the ‘Alternative Finance’ industry to emerge as a viable funding source for businesses, individuals, governments, and nonprofit organizations.

When it comes to defining Alternative Finance, the Cambridge Center for Alternative Finance explains: *Though a somewhat amorphous term, at its core ‘alternative finance’ includes activities that have emerged outside of the incumbent banking systems and traditional capital markets. In particular, the capital raising alternative finance ecosystem comprises various lending, investment and non-investment models that enable individuals, businesses and other entities to raise funds via an online marketplace. Typically, these fundraisers satisfy their funding needs through pooled monies from a ‘crowd’ or network of retail and/or professional investors.*⁵

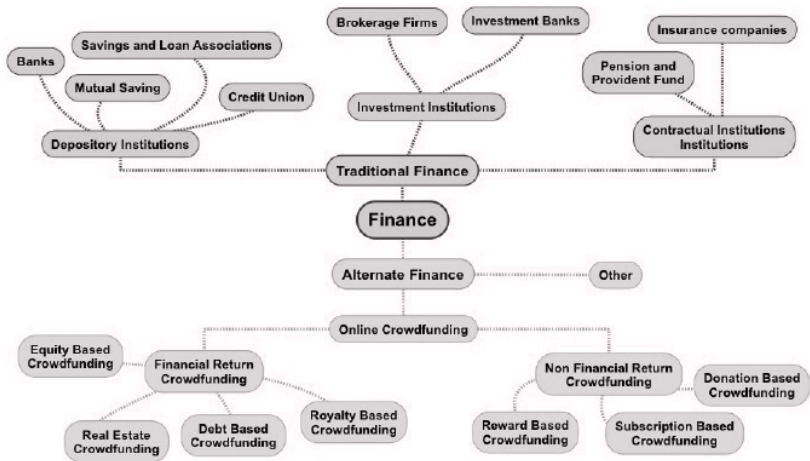


Fig 1- The Branches of Traditional and Alternative Finance Institutions

Alternative Finance itself is part of the larger domain of financial innovations fueled by technological advancements in FinTech. By definition, Fintech is a portmanteau of ‘financial technology’, used to describe new technology that seeks to improve and automate the delivery and use of financial services.⁶ In its various forms, online crowdfunding is part of Alternative Finance, an industry with a \$305 billion market value as of 2018.⁷ By leveraging the power of financial technologies, crowdfunding platforms can provide alternative funding options to people outside the traditional financial system.

The online crowdfunding industry can be divided into two branches— each addressing different socio-economic domains: Non-Financial Return Crowdfunding and Financial Return Crowdfunding. While the focus of this book will be mostly on Non-Financial Return Crowdfunding, it is crucial to understand the bigger picture of the online crowdfunding industry. Chapters 4 and 5 intend to provide a mental map for the reader to learn and understand the origin, overall

trends, and developments in the online crowdfunding industry.

Non-Financial Return Crowdfunding

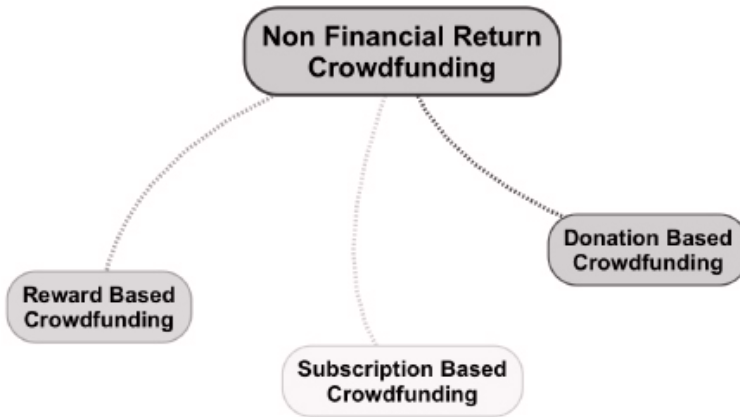


Fig 2- Branches of Non-Financial Crowdfunding.

Non-financial return crowdfunding comprises donation-based crowdfunding, reward-based crowdfunding, and subscription based crowdfunding. As the name suggests, non-financial return crowdfunding occurs without the expectation of a financial return, i.e., the ‘crowd’ contributing to the campaign is not expecting any financial reward for their contribution. In some cases, rewards are involved, but they are not monetary in nature. Let’s explore each of these branches separately.

Donation-Based Crowdfunding

Donation-based crowdfunding enables individuals, groups, and nonprofit organizations to collect small amounts of contributions from a large number of contributors for philanthropic, social,

business, or personal projects. In donation-based crowdfunding, the funders contribute to fundraisers with no expectation of financial return. The donors are often motivated by altruistic reasons.

Raising funds for education, community welfare, NGOs, medical expenses, natural disasters, emergencies, recreational projects, socio-political causes, and humanitarian disasters all exist within the domain of donation-based crowdfunding.

Donation-based crowdfunding creates an avenue where people who require monetary help are connected to people who are willing to provide it. The cost burden is shared across a vast network of people, making it possible to raise vast amounts of money for various social, personal, and political causes. At its core, donation-based crowdfunding has the potential to democratize social change.

When it comes to numbers, it is hard to pinpoint the exact fundraising volume in donation-based crowdfunding. Today, most NGOs raise money by hosting crowdfunding campaigns either on their website or on popular online crowdfunding platforms, making it difficult to track the volume of funds raised by NGOs through crowdfunding. Similarly, crowdfunding campaigns by individuals are challenging to track if they have not been initiated on a crowdfunding platform. However, a general idea of donation-based crowdfunding can be made by evaluating the largest and oldest donation-based crowdfunding platforms in the world: GoFundMe and JustGiving.

Data	GoFundMe	JustGivingLtd.
Founding Year	2010	2000
Headquarter	United States of America	United Kingdom
Funds Raised	\$9 Billion	\$4.5 Billion
No. of Donors	70 million	27.6 million

Table 1- Statistics from GoFundMe and JustGiving.⁸

Since its inception in 2010, GoFundMe had raised over \$9 billion from more than 120 million donations. On the other hand, the oldest donation-based crowdfunding platform in the UK, JustGiving, had raised \$4.5 billion with the help of 27.6 million registered users since it was founded at the beginning of the millennium.

GoFundMe's donors tend to be mostly from middle-class backgrounds. In 2017, 92% of donors to certified charity social fundraisers on GoFundMe were from middle-class households.⁹ In 2019, GoFundMe received at least one donation every second, with a fundraiser being started every 8 seconds. Nearly 60% of donors were new donors.¹⁰ While GoFundMe's total fundraising volume in 2017 was \$5 billion, with a donor community of 50 million people, in the following two years, it added \$4 billion to its tally and saw an increase of 20 million donors.¹¹ The data shows the tremendous growth donation-based online crowdfunding has witnessed in the last few years. A similar trend was seen in India, where many donation-based online crowdfunding platforms doubled their fundraising volume between 2017 and 2019.

The global value of online crowdfunding attributed to business was reported at \$257.3 billion¹² in 2018, with donation-based crowdfunding amounting to \$0.6 billion of the total amount.

Since it's mostly used for charitable purposes, it would be useful to compare the market size of donation-based crowdfunding to the overall size of charitable giving to envision its high growth potential. However, it's hard to map charitable giving on a global scale due to the unavailability of data.

With a major chunk of its beneficiaries coming from underprivileged or marginalized communities, donation-based crowdfunding yields the highest impact on individual lives. Jahangir, a tea seller from Darjeeling, India, had to sell his small business to pay for the first round of his 8-year-old son Sahidul's chemotherapy and remove his cancerous leg. The entire treatment cost was around Rs 5 lakh, but there was no way Jahngir could continue Sahidul's treatment. Sahidul was an outgoing boy, full of life and dreams. But life took a complete U-turn for Sahidul and his parents after he complained of immense pain in his leg. After undergoing a medical checkup, he was diagnosed with Bone Cancer.

From losing their sleep to selling valuables, Jahangir and his wife went through hell in a desperate attempt to save their son. When Jahangir sold his tea shop, he barely had enough money to feed his family. They reached a point where they gave up, having exhausted all their savings.

Fortunately for them, they were introduced to online crowdfunding. One hundred forty-eight supporters came forward and helped the family raise Rs 6.11 lakh (611,074), an amount that helped fund 8-year-old Sahidul's life-saving treatment.¹³ Thanks to the generosity of strangers, Saidul was able to resume school and start living his life again.

Often, when we try to look at the bigger picture, we quantify it into numbers but in doing so, we lose sight of the stories that make

up the bigger picture; we forget that each number is a story by itself. In our case, the numbers represent individual lives like that of 8-year-old Sahidul. Just like Sahidul, millions of lives have been positively impacted through the medium of donation-based crowdfunding. While it's necessary to think in numbers, we shouldn't lose sight of what these numbers represent.

Reward-Based Crowdfunding

Under the reward-based crowdfunding model, donors provide financial contributions to individuals, projects, or companies in exchange for non-monetary rewards or products. The donors receive tangible benefits for their financial contributions to the campaign. In simpler words, supporters receive a reward for backing a project, and the rewards can vary on basis of the size of their investment.

There are two modalities through which reward based crowdfunding platforms work: first is the 'all or nothing' model, and the second is the 'keep it all' model. Under the 'all or nothing' framework, the campaigners can only get the funds when their fundraising goal is attained. As for the 'keep it all' framework, the campaigners can keep all the money raised on their fundraiser irrespective of whether the goal is reached or not.

Under the reward-based model, contributors have the ability to pre-purchase the products/services. Sometimes, it can even be in the form of tokens of appreciation like a personalized handwritten note. For entrepreneurs, reward-based crowdfunding also serves as a tool to test the future market potential of their products. A lack of support for the project can serve as an indicator of its grim future in the market. Even though it is not an absolute indicator of whether a product will be successful or not, it does provide feedback to gauge the interest levels

of the crowd. By taking advantage of the crowdfunding platform's popularity, a new product will have access to an initial audience. These are people who are most likely to be interested in the product, and if they like the product, they can even help with the word-of-mouth publicity.

Reward-based crowdfunding can also be defined as a tool that can support creative projects for artists, creators, innovators, designers, or others who wish to bring their creative/entrepreneurial projects to life. If you browse through a reward-based crowdfunding platform, you will find it to be a hub of innovative and creative ideas. But why is it essential for such a marketplace for ideas to exist? It's because creative and innovative ideas have the potential to change the outlook of industries. They can sometimes change the way we interact with reality. For example, Tim Burner Lee's idea of a World Wide Web (www) in 1989 paved the way for the modern-day internet. The wheels of the world move forward because of innovative ideas that have the potential to disrupt our traditional way of experiencing life or participating in it. In his book 'Zero to One', Peter Thiel puts it aptly when he says, *"Every moment in business happens only once. The next Bill Gates will not build an operating system. The next Larry Page or Sergey Brin won't make a search engine. And the next Mark Zuckerberg won't create a social network."*¹⁴ Major developments that shape the future of humanity often spring from creative ideas, like the invention of the wheel. A marketplace for innovative ideas is essential because it ensures that we don't miss out on opportunities to change the future of the world. This also ensures that good ideas don't die due to a lack of funds. Thus, reward-based crowdfunding has the potential to accelerate the process of innovation.

Platform	Name	Genre (10 Genres)	Goal	Money Raised	Reward
Indiegogo	Flow Hive	Food	\$70,000	\$13,289,097	Flow Hive
Kickstarter	Pebble Time	Electronics	\$500,000	\$20,338,986	Discount Rates and different colors
Kickstarter	3D Printer	Electronics	\$50,000	\$3,401,361	Reward Tiers including merchandise
Kickstarter	3D Doodler	Stationery	\$30,000	\$2,344,134	Reward Tiers including plastic, prototype models
Kickstarter	Travel Jacket	Clothing	\$20,000	\$9,192,055	Discount
Kickstarter	LUMI: The smarter way to learn and play music	Music	£100,000	£1,629,014	Reward Tiers, including getting the Lumi with cases and visiting the HQ
Kickstarter	Veronica Mars (Film)	Films	\$2,000,000	\$5,702,153	Reward Tiers, including merchandise, naming characters of the movie to do a voice over
Kickstarter	Good Night Stories for Rebel Girls - 100 tales to dream BIG	Books	\$40,000	\$675,614	Reward Tiers, including meeting the creators and merchandise
Kickstarter	Oculus Rift	Virtual Reality	\$250,000	\$2,437,429	Reward Tiers, including merchandise to receiving the DIY kit
Kickstarter	Scribit - Turn your wall into an interactive canvas	Creativity	\$50,000	\$1,641,316	Marker Pens and Showroom Kits

Table 2- Innovative Reward-based Crowdfunding campaigns.¹⁵

One of the most innovative advancements made in the 21st century has been the development of ‘Virtual Reality (VR)’ headsets. *Virtual reality is the term used to describe a three-dimensional, computer-generated environment that can be explored and interacted with by a*

*person. That person becomes part of this virtual world or is immersed within this environment and whilst there, is able to manipulate objects or perform a series of actions.*¹⁶ VR impacts a range of industries, including gaming, architecture, medicine, education, flight training, military training, virtual world tours, and simulation-based types of training. It represents an extraordinary shift in the way reality is experienced by humans. VR, along with AR (Augmented Reality), has the potential of becoming an integral part of our experience of life. However, the concept of VR isn't new.

VR is a century-old concept, and references behind its philosophy can be traced back to the Renaissance movement in Europe. NASA used VR at their Jet Propulsion Laboratory in the late 90s when David Em, an artist, produced navigable virtual worlds for them.¹⁷ Unfortunately, it never became a commercial commodity and was always limited to the confinements of flight simulation, automobile industry design, and military training purposes.

However, all of that changed in 2012 when a company named Oculus started a campaign on Kickstarter to fund the development of their VR headset called Rift. The project proved successful, raising \$2.43 million with the help of 9,522 backers. Donors who pledged below \$300 received signed Oculus T-shirts and posters, and donors who committed over \$300 received an Oculus Rift developer kit. In March 2014, Oculus was acquired by Facebook for \$3 billion.¹⁸ Today, VR headsets are a prominent gaming accessory, and many universities are developing VR apps for educational purposes. VR has also shown promising applications for pain relief and PTSD.

As the new technology draws increasing interest across the health, education, entertainment, and manufacturing industries, the combined value of the sector is set to surpass the \$170 billion mark by the year

2022.¹⁹ A technology that lived in the shadows for decades became a multi-billion dollar industry. This was possible because a marketplace was already in place for Oculus to sell its innovative headset on and that people were willing to support their idea.

From supporting the development of an artificial beehive that allows the extraction of honey without disturbing the bees to funding the development of Virtual Reality headsets that provide people access to alternate realities, reward-based crowdfunding has changed the way creative projects are financed. It has also modified how creators interact with their consumers, as many project creators implement the recommendations made by the people participating in the funding. Creators and contributors also use crowdfunding platforms to share creative ideas, search for inspiration and connect with other like-minded individuals. Thus, reward-based crowdfunding platforms allow people to get their creative ideas recognized in a favorable market, where they can receive valuable feedback and support.

Kickstarter In Numbers

Category	Launched Projects	Total Dollars	Successful Dollars	Unsuccessful Dollars	Success Rate
All	507,717	\$5.46 B	\$4.94 B	\$488 M	38.3%
Games	56,838	\$1.45 B	\$1.36 B	\$87.48 M	42.2%
Design	43,648	\$1.25 B	\$1.15 B	\$90.79 M	39.0%
Technology	44,967	\$1.01 B	\$895.18 M	\$110.06 M	21.0%
Film & Video	76,031	\$480.81 M	\$410.19 M	\$69.92 M	37.6%
Music	63,595	\$256.37 M	\$234.43 M	\$20.75 M	50.1%
Publishing	52,272	\$203.67 M	\$179.53 M	\$21.85 M	34.1%
Fashion	33,172	\$198.85 M	\$174.48 M	\$23.10 M	29.0%
Food	30,841	\$176.56 M	\$150.72 M	\$25.29 M	25.4%
Art	41,577	\$145.84 M	\$131.01 M	\$13.89 M	45.6%
Comics	17,606	\$131.22 M	\$123.11 M	\$6.88 M	60.6%
Photography	12,670	\$51.36 M	\$45.22 M	\$5.99 M	32.9%
Theater	12,362	\$47.16 M	\$42.37 M	\$4.77 M	60.0%
Crafts	11,948	\$21.25 M	\$17.53 M	\$3.60 M	25.6%
Journalism	5,882	\$18.83 M	\$16.49 M	\$2.30 M	22.9%
Dance	4,308	\$15.02 M	\$13.96 M	\$1.04 M	61.6%

Table 3- Kickstarter money raised for different categories.²⁰

One of the world's largest reward-based crowdfunding platforms, Kickstarter, has raised over \$5.12 billion and successfully funded 184,000+ projects since 2009. If we look at the data, we find some interesting trends that can be observed throughout the reward-based crowdfunding industry. Gaming (\$1.33 billion) is the highest funded category, followed by design (\$1.16 billion) and technology (0.95 billion). The Film and Video category features the most projects launched at 74,929. Music and Publishing are also one of the most highest funded categories.

In February 2012, the Gaming category received significant attention due to the success of Double Fine Adventure (aka Broken Age), a point-and-click adventure game that raised \$3 million on Kickstarter. In the same year, Ouya, a low-cost video game console designed to take advantage of the mobile video game trend, surpassed \$8 million in funding. By mid-2016, funding for video games was booming as over \$186 million had been pledged on Kickstarter alone.²¹ When it comes to gaming, crowdfunding has allowed developers to introduce their projects to potential buyers and receive valuable insights and feedback. It has also helped developers reap marketing benefits by using crowdfunding platforms to build brand awareness about their platforms as well as their products/services. Some of the insights from the gaming category also apply to the Film and Video industry. A successful crowdfunding campaign can help a film receive better publicity. Crowdfunding also helps unexplored film genres see the light of the day.

On the flip side, reward-based crowdfunding campaigns also tend to have a very low success rate. As it says on Kickstarter's page, "*Funding on Kickstarter is all-or-nothing in more ways than one. While 11% of projects finished having never received a single pledge, 78% of projects that raised more than 20% of their goal were successfully funded.*"²² *Out of 495,856 projects launched on Kickstarter, only 184,896 were successfully funded.*" That leaves 303,716 unsuccessful projects. The crowd partaking in reward-based crowdfunding tends to be very selective when it comes to pledging funds for a project. Nonetheless, reward-based crowdfunding has become a market for innovative ideas, and with a double-digit annual growth rate, its future looks promising.

Subscription-Based Crowdfunding

Subscription-based crowdfunding is a financing model where donors make recurring contributions to a person, usually an artist, to support their work or their various projects.²³ Contrary to one-time payment crowdfunding models where donors contribute to fundraisers in a singular transaction (like donation-based crowdfunding and reward-based crowdfunding), subscription-based crowdfunding adheres to a recurring contribution model— often on a monthly basis. Simply put, subscription-based crowdfunding allows artists to obtain funding from their backers regularly.

The donors are often called patrons, referring to the old days of patronage when artists received monetary support from the royal court. Traditionally, patronage for artists depended on the benevolence of aristocrats, but in subscription-based crowdfunding, artists receive patronage from the crowd who contribute in small amounts to subscribe to their favorite artists' content.

The subscription-based crowdfunding model follows the same basic procedure wherein creators and artists ask people for small donations in exchange for rewards. Only in this case, both the rewards and the funding are recurring. A subscription-based crowdfunding model is designed to fund content creators regularly instead of funding a single project that requires lots of money.

In 2013, an independent artist Jack Conte founded Patreon, a platform whose name has become synonymous with subscription-based crowdfunding. Conte was a moderately successful YouTube artist, and one of his videos 'Pedals' had garnered millions of views. Despite the success of the video, he managed to earn just a few hundred dollars

from it. He was getting people's attention on YouTube, but he wasn't making enough money through his content. In an attempt to create a platform that allowed the crowd to become 'patrons' of their favorite artists, Conte teamed up with developer Sam Yam. The platform enabled people to pledge a given amount of money every time a unit of art— like a new song, video, or podcast— was created by an artist.^{24,25}

Patreon allows creators to charge either on a per-content basis or monthly basis. As it says on their website, "*With a subscription-style payment model, fans pay their favorite creators a monthly amount of their choice in exchange for exclusive access, extra content, or a closer look into their creative journey.*"²⁶ Patreon and other subscription-based crowdfunding platforms also charge a certain percentage of commission on each pledge the artists receive.

The number of creators on Patreon has steadily increased since the platform's inception in 2013. As of 2020, Patreon is home to over 150,000 creators, supported by 5 million+ active patrons. In 2019, Patreon announced that creators had earned \$1 billion since its inception in 2013.²⁷ Since 2017, many established players have also started their subscription-based crowdfunding platforms, the prime examples being Kickstarter's Drip and YouTube's channel membership program. As the network effect plays out and more people jump on the subscription-based crowdfunding bandwagon, the numbers are bound to improve. However, the question remains whether the money will be in the hands of a few, privileged people— an unfortunate consequence of accumulative advantage— or if it will be well distributed across the spectrum of creators.

Patreon Creators

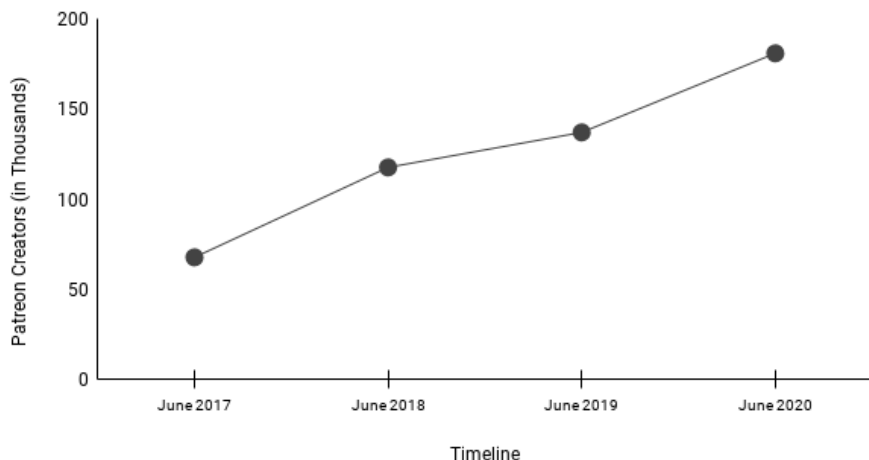


Fig 3- Number of creators registered on Patreon.²⁸

While subscription-based crowdfunding doesn't help most artists earn full-time wages, it can be seen as an alternative revenue stream for content creators. A vast majority (98%) of creators on Patreon receive monthly payments that are less than the federal minimum wage.²⁹ At best, subscription-based crowdfunding can be seen as an additional source of income rather than a primary source. Even so, subscription-based crowdfunding, being a relatively new model in the crowdfunding universe, is making fast progress and its numbers are bound to improve with time.

Branches of Crowdfunding II

Financial Return Crowdfunding

Financial Return Crowdfunding models use crowdfunding as a financial instrument. Here, capital contribution to a crowdfunding campaign generates a financial return for the investors/lenders in the future. Under these models, the crowd can be seen as investors or lenders who make micro-investments or offer micro-loans to a project/business/campaign and expect a financial reward in return for their investment. The models offer promises of possible capital gains, equity, or interest on loans to contributing participants.

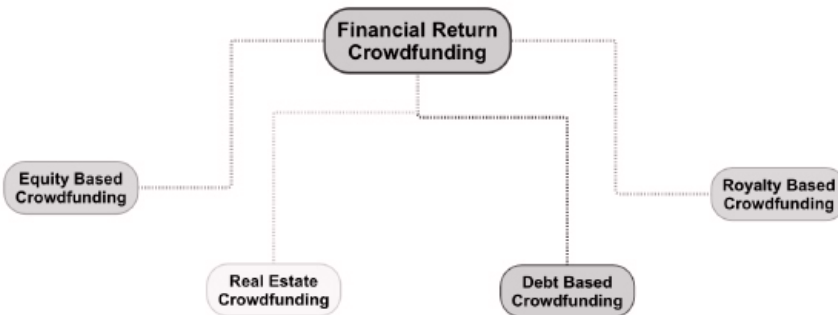


Fig 1- Four funding models of Financial Return Crowdfunding.

There are four funding models under the domain of financial return crowdfunding that have emerged as viable alternatives to traditional sources of financing: 1.) Debt-based crowdfunding 2.) Equity-based crowdfunding 3.) Real-estate crowdfunding 4.) Royalty-based crowdfunding. Let's explore each of these models separately.

Debt-based Crowdfunding

Gemmeli Jambo is a tamarind farmer from the remote village of Jallurumetta, in Andhra Pradesh. She has been farming tamarind since 2012 to earn a livelihood. Given the perishable nature of tamarind, it either needs to be sold immediately or processed and stored. When the COVID-19 pandemic engulfed India, it also affected the demand for tamarind, making it difficult for Gemmeli to sell her produce. While she was able to process the tamarind, there was no money left to arrange for cold storage facilities. At this point, she received an interest-free loan from Rang De, a prominent Indian debt-based crowdfunding platform. With the money, she was able to store the tamarind at a government cold storage facility, allowing her to wait until economic conditions resumed to normal and sell the produce at the desired price. Gammeli wasn't the only one to benefit from Rang De's crowdfunded loans.¹

To protect tribal farmers from falling tamarind prices during the COVID-19 crisis, Rang De partnered with a WASSAN, a nonprofit organization, to help many tribal farmers meet the expenses of processing and storing their tamarind produce while they waited for market conditions to improve.

Also known as lending-based crowdfunding or P2P market-based lending, debt-based crowdfunding has emerged as an alternative to the traditional lending options that involve banks. In debt-based crowdfunding, the crowd lends money to borrowers in return for repayment of capital and interest payments over a period of time. The lending and repayment are facilitated through online P2P lending (crowdlending) platforms that arbitrate between the lenders and the borrowers.

With debt-based crowdfunding, investors receive a debt instrument that specifies the terms of future repayment, which serves as a contract for the campaign owner to repay the lender’s funds, typically consisting of a capital repayment and a fixed interest rate.² However, interest is not always included in lending-based crowdfunding contracts, leaving room for impact investors motivated by altruistic purposes.³

Depending upon the motivation behind lending, debt-based crowdfunding can be classified into the three categories of nonprofit lending, socially oriented lending, and commercial lending. Funders on nonprofit lending platforms (for example, Kiva) lend without expectations of a financial profit and actively reach out to unbanked communities. Socially oriented lending platforms are driven by both profit opportunities and socio-economic development goals, often going out of their way to make their services available to marginalized communities, but nonetheless, driven by profit motivations. Finally, commercial lending platforms are purely driven by for-profit motivations.

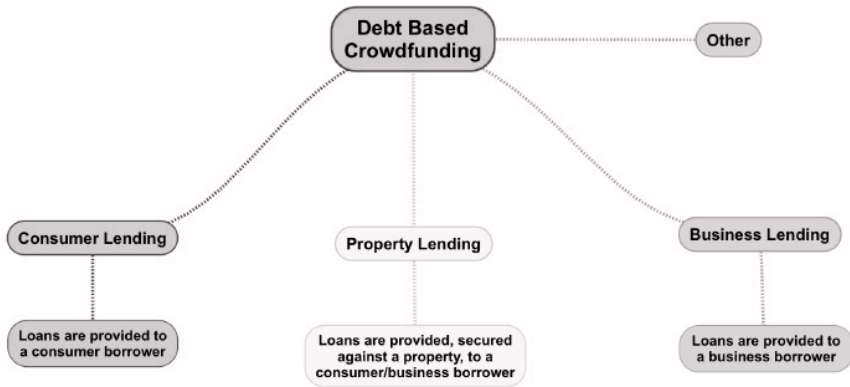


Fig 2- Branches of debt-based crowdfunding.

Debt-based crowdfunding can include peer-to-peer (P2P) lending, peer to business (P2B) lending, or property lending wherein loans are provided, secured against a property, to a consumer/business borrower.⁴

Modern debt-based crowdfunding finds its roots in microfinancing whose history dates back to the 1700s when author Jonathan Swift started the Irish Loan Fund. Although, it was the work of Nobel laureate Dr. Mohammad Yunus that shaped the nonprofit microfinance industry in a way that put financial inclusion at the heart of microcredit. His Grameen Bank initiative created waves of socio-economic development in Bangladesh. It's pertinent to note that low-value loans were granted by many development banks even before the Grameen Bank came into existence. What set his model apart was its methodology, execution, intent, and other characteristics. The main aim of his microfinancing model was poverty alleviation.

In an interview that aired on the Wharton Business Radio for Knowledge@Wharton show, Mohammad Yunus talked about the exclusion of the poor from the traditional financial economy. He said, *“Poverty doesn’t come from the poor people themselves; poverty is imposed from outside. It’s something that we have in the economic system, which creates poverty. If you move those problems, the system, there’s no reason why anybody should be poor.*

I give the example of a bonsai tree. If you take the best seed from the tallest tree in the forest and put it in a flowerpot to grow, it grows only 2 feet or 3 feet high, and it looks cute. It’s a replica of the tall tree. You wonder what’s wrong with it. Why doesn’t it grow as tall as the other one? The reason it doesn’t grow is because we didn’t give it the base on which to grow [bigger]. We gave it only a flowerpot. Poor people are bonsai people. There’s nothing wrong with the seeds. Simply, society never gave them the base on which to grow as tall as everybody else.

One struggle that I had all of my life is the banking system doesn't reach out to them. I kept saying that financing is a kind of economic oxygen for people. If you don't give this oxygen to people, people get sick, people get weak, people get non-functional. The moment you connect them with the economic oxygen, the financial facility, then suddenly they wake up, suddenly they start working, suddenly they become enterprising. That is the whole thing missing. Almost half of the population of the entire world is not connected with the financing system.”⁵

Today, an estimated 1.7 billion adults globally don't have access to banking services and are excluded from the financial economy due to their poverty.⁶ They are unable to access capital to escape the vicious cycle of poverty or improve their lives. The two significant barriers to accessing financial services are a lack of formal identification and a lack of verifiable credit history. Both these factors act as deterrents by preventing the poor from accessing capital in the form of credit.⁷ Debt-based crowdfunding has the potential to solve the problem of financial exclusion of the poor from the economy.

One of the countless people to be influenced by Dr. Muhammad Yunus's work in pioneering modern microfinance was Jessica Jackley. Inspired by a lecture given by the Grameen Bank's founder at the Stanford Business School in 2003, Jessica decided to quit her job and move to East Africa to see how microfinance had changed people's lives. *“Now, when I heard him speak (Muhammad Yunus), it was exciting for a number of reasons. First and foremost, I learned about this new method of change in the world that, for once, showed me, maybe, a way to interact with someone and to give, to share a resource in a way that wasn't weird and didn't make me feel bad -- that was exciting. But more importantly, he told stories about the poor that were different than any stories I had heard before. In fact, those individuals he talked about who*

were poor was sort of a side note. He was talking about strong, smart, hardworking entrepreneurs who woke up every day and were doing things to make their lives and their family's lives better. All they needed to do that more quickly and to do it better was a little bit of capital. It was an amazing sort of insight for me," Jessica remarked about Dr. Yunus's lecture in her Ted Talk.⁸

Jessica spent three months in Kenya, Uganda, and Tanzania, interviewing entrepreneurs that had received \$100 to start or grow their businesses. During her time in Africa, she learned about the life-changing stories of people who had benefited from small 100 dollar loans. *"I would hear from goat herders who had used that money that they had received to buy a few more goats. Their business trajectory would change. They would make a little bit more money; their living standard would shift and get better. And they would make really interesting little adjustments in their lives, like they would start to send their children to school. They might be able to buy mosquito nets. Maybe they could afford a lock for the door and feel secure. Maybe it was just that they could put sugar in their tea and offer that to me when I came as their guest, and that made them feel proud. But there were these beautiful details, even if I talked to 20 goat herders in a row, and some days that's what happened— these beautiful details of life change that were meaningful to them."*⁹

A few months later, Jessica went back to Uganda with a digital camera and a simple website that her partner Matthew Flannery helped her build. She took pictures of seven of her new friends, uploaded their entrepreneurship stories on the website, and shared it across her social media network. She appealed to her friends on social media, asking for microloans to support her Ugandan friends, and to her surprise, money started pouring in overnight. In April 2005, she sent the money (\$3500) to her seven friends. By September 2005, the entrepreneurs

had repaid the entirety of their loans.¹⁰ Jessica's little experiment was a success. It was also the official launch of Kiva, the world's first online crowdlending platform that connected online lenders to entrepreneurs worldwide. The platform gave individuals the ability to lend small amounts of money to entrepreneurs in poor, rural areas around the world. Lenders were shown pictures and a profile for each loan so they could see whom the loan was going to, what purpose it would serve, and the terms of repayment.¹¹ With field partners all across the world, Kiva was able to document the stories of people and distribute the loans to them. Not only did their personalized system provide investors more information about their borrowers, but it also helped them witness the meaningful impact of their investments on the borrowers' lives and their communities. Over time, Kiva has become the pioneer of nonprofit microfinancing. By crowdfunding loans, the platform unlocks capital for the underprivileged and, in doing so, addresses the underlying barriers to financial access in the most underdeveloped parts of the world.¹²

In its first year (October 2005 to October 2006), Kiva facilitated \$500,000 in loans. In the second year, the amount was \$15 million, and in the third year, the number was \$40 million. As of 2020, with a repayment rate of 95.9%, Kiva has facilitated \$1.5 billion in loans to over 3.6 million borrowers across 77 countries with the help of 1.5 million lenders.¹³

Since Kiva's inception in 2005, thousands of debt-based crowdfunding platforms have emerged to provide microfinance services to countless, mostly unbanked people worldwide. In 2018, debt-based crowdfunding models accounted for 82.4% of the global Alternate Finance industry market share, with China accounting for 82.6% (207.8 billion) of the total debt-based crowdfunding market share (\$251.3 billion).¹⁴ However, despite a tremendous growth over the last decade, debt-based

crowdfunding models have their fair share of problems that need to be addressed.

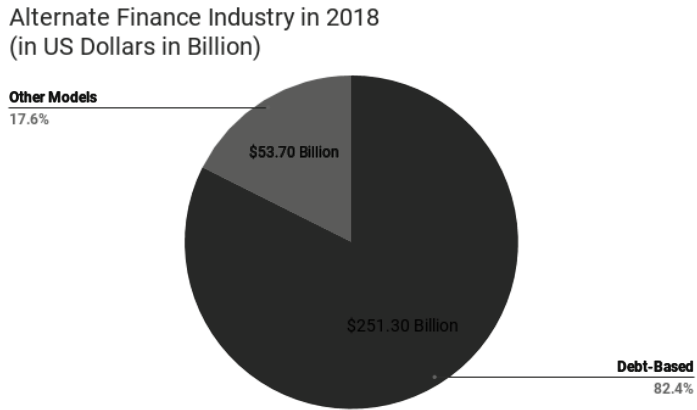


Fig 3- Market share of debt-based crowdfunding models.¹⁵

Today, the debt-based crowdfunding industry faces a dramatic shift of priorities from nonprofit motivations to for-profit motivations. Such a drift has created a paradigm wherein low-income borrowers with poor repayment histories or borrowers who have made mistakes in their loan selection suffer the most. In such a scenario, a high interest rate tends to attract vulnerable borrowers who have no option but to borrow at a higher rate. When the for-profit microfinance institutions charge higher interest to the most impoverished borrowers, they are fundamentally making money off the poor. The primary concern remains that by raising interest rates on the microloans, the low-income borrowers will be plunged deeper into debt and will consequently stay at the bottom of the income pyramid.¹⁶

Equity-Based Crowdfunding

Equity-based crowdfunding provides investors with a share of ownership or a percentage of future earnings if they invest in a particular business. Also known as crowdfunding, equity-based crowdfunding offers promises of possible capital gains through dividends for equity possessed in the business.

The magnitude of the return is tied to the business's future success, wherein the value of equity (value of the shareholder's stake in the business) increases per the business's success. On the flip side, equity-based crowdfunding also presents a greater risk to investors (equity holders) if the business fails. When it comes to repayment, creditors who loan to a business tend to get preference over the investors who hold equity in the business.

Suitable for start-ups and SMEs, equity-based crowdfunding enables companies to sell stock to the general public for equity capital via the internet. For the investors, which in this case are the 'crowd', equity-based crowdfunding empowers them to buy a stake (equity) in the business. If an investment target is reached, the deal is closed between the pool of funders (crowd), the issuer (business), and the crowdfunding platform.¹⁷

During the pre-seed stage (before the business starts operations) and the seed stage (when the business is still very young), mainly personal funds and insider finance from the founders, family, and friends are exhausted. It is difficult to prove the business's sufficient market viability and its high-growth potential to formal investors during these early stages. Even if the company has commercial potential, it still represents too much risk to be funded by angel investors, venture capital firms, or banks. Only at a later stage, when businesses are able to demonstrate

This funding gap between seed-stage and later-stage development of the business is called the ‘Valley of Death’ as many businesses tend to collapse during this time. Equity-based crowdfunding has the potential to bridge this financing gap by turning the crowd into investors, who in return for their micro-investments are able to secure equity in the business. Thus allowing entrepreneurs to evade the dreaded Valley of Death.

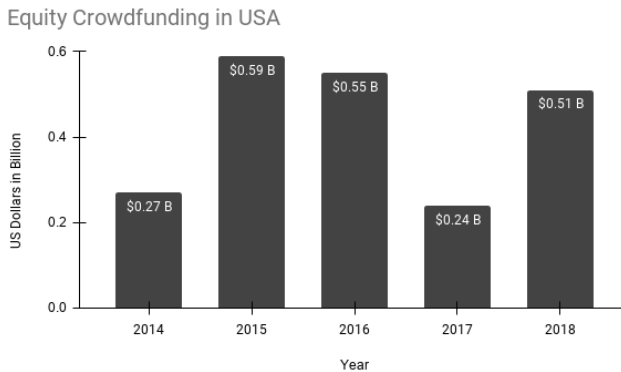


Fig- 4 Equity-based crowdfunding market value in the US.¹⁸

In 2018, the global equity-based crowdfunding market was worth \$1.5 billion, with the US claiming 34% (\$0.51 billion) of the overall market share.¹⁹ Over the years, the US has emerged as the biggest hotspot for equity-based crowdfunding thanks to its domestic legal environment and regulatory structures (introduced by the JOBS Act of 2012) that mitigate the risk borne by the crowd when they partake in equity-based crowdfunding. The JOBS Act was introduced by President Obama with the aim to jumpstart the US economy, which had been adversely affected by the 2008 recession.

“Now, because we’re still recovering from one of the worst recessions in our history, the last few years have been pretty tough on entrepreneurs. Credit has been tight. And no matter how good their ideas are, if an

entrepreneur can't get a loan from a bank or backing from investors, it's almost impossible to get their businesses off the ground." President Obama remarked at the signing ceremony of the bill. *"And for start-ups and small businesses, this bill is a potential game-changer. Right now, you can only turn to a limited group of investors -- including banks and wealthy individuals --to get funding. Laws that are nearly eight decades old make it impossible for others to invest. But a lot has changed in 80 years, and it's time our laws did as well. Because of this bill, start-ups and small businesses will now have access to a big, new pool of potential investors -- namely, the American people. For the first time, ordinary Americans will be able to go online and invest in entrepreneurs that they believe in,"* Obama said in his speech.²⁰

The JOBS Act of 2012 was a landmark bill. It empowered people to invest in start-ups that needed capital. The act set in motion the wheel of crowdfunding, a previously forbidden financing source. Crowdfunding offers a lot of promise if proper regulatory structures protect the interests of the crowd (investors). Today, policy experts and regulatory authorities across many developed countries are considering the positive impact of crowdfunding. They are trying to draft regulations to explore the potential of crowdfunding as a viable mechanism for start-ups and businesses. By design, equity-based crowdfunding platforms create transparency and reduce information asymmetry by allowing the crowd to engage with these enterprises as investors and track their growth. As time progresses, crowdfunding also leaves trails of information (Big Data) that crowdfunding platforms can utilize to better match investors with businesses.

On the flip side, equity-based crowdfunding poses its own challenges for entrepreneurs who fail to appease the crowd. Many entrepreneurs are not successful in raising their goal amount on equity crowdfunding platforms, and unfortunately, there are significant costs associated with

failing a crowdfunding campaign.²¹ Crowdfunding, unlike venture funding, exists in a public domain, so any failure is a public failure. For most entrepreneurs participating in equity-based crowdfunding, the crowdfunding pitch is the first time their business ideas receive public attention.²² Since first impressions matter, a failed campaign may affect consecutive funding attempts as well as the public reputation of the company and the entrepreneurs.²³ Moreover, coming up with proper regulations for the equity-based regulations for the equity-based crowdfunding industry is trickier in comparison to the other subdomains of crowdfunding.

Despite the risks and regulatory hurdles involved, equity-based crowdfunding has the potential to help start-ups see the light of the day. It also makes sense if the crowd with its collective intelligence evaluates the ideas pitched forward by the start-ups.²⁴ Too often a start-up with commercial potential never achieves lift-off just because traditional funding institutes deem it unworthy. And often, they are wrong.

Eric Migicovsky, the founder of Pebble E-Paper Watch, one of the most successful Kickstarter campaigns, was perhaps right when he said, *“Innovation cannot be lost to a Venture Capitalist’s inbox. Innovation is too important for one man, or one firm, to pass judgment on. My innovation is not a world changer, and yet fifty thousand people gave me millions of yeses when I couldn’t even get a venture capital firm to give me a single no. Innovation serves and benefits the masses, and deserves to be judged by them.”*²⁵

It is undoubtedly true that equity-based crowdfunding cannot be an alternative to traditional sources of venture finance. However, it remains an efficient approach to help sustain start-ups until they are in a more favorable position to approach traditional investors. With small contributions from the crowd, equity-based crowdfunding can support

a company's emergence by helping it cover the initial costs of setting up shop like building a website or renting an office.

Royalty-Based Crowdfunding

Royalty-based crowdfunding provides contributors with a contract that guarantees them a percentage or a fixed percentage of the revenue stream from a project if they contribute towards it. Projects typically range from record albums to mobile applications.

Royalty-based crowdfunding differs from equity-based crowdfunding in a few ways. The risk associated with investing is lower in royalty-based crowdfunding campaigns as the goal amount is lower. The funding is used to support a single project rather than the whole business, more along the lines of reward-based crowdfunding.

Basically, supporters of an idea or a project receive a percentage of the revenue accumulated when the project starts making a profit. It is pertinent to realize that a supporter's investment does not make them a shareholder in the project in the case of royalty-based crowdfunding. They are only entitled to receive a percentage of income that the company makes from the project. Mobile app developers are usually interested in this type of crowdfunding. The supporters financially support the development of the app, and in return, they can expect a percentage of the profit from its sale.

The biggest drawback of royalty-based models is that it is hard to scale. If the project involves a large number of supporters, the cost of sharing profits with the backers will be high over the project's commercial life. Companies may stop operating with the intellectual property (project) that was originally funded or sell it to another firm.²⁶ This makes the royalty-based models more complex and, therefore,

unattractive in comparison to other crowdfunding models like equity-based or reward-based crowdfunding.

Real Estate Crowdfunding

Prior to the JOBS Act, people in the United States could only invest in real estate by buying a physical property or by investing in REITs (real estate investment trusts). After President Obama signed the JOBS Act, it opened up a new method for investing in real estate: real estate crowdfunding.²⁷

Real Estate Crowdfunding

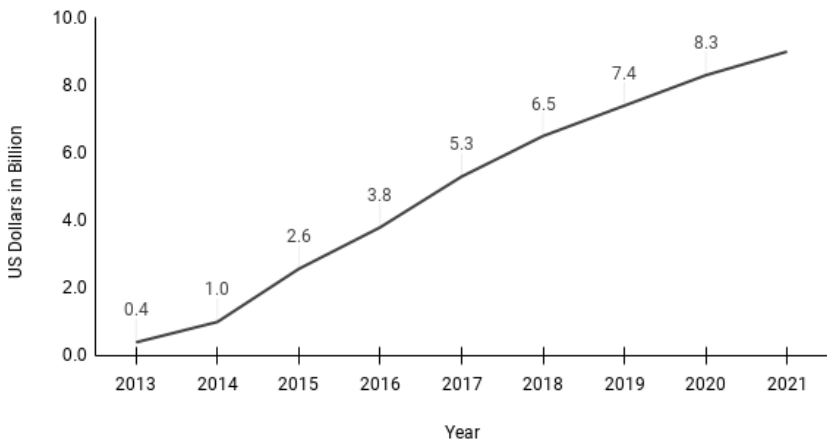


Fig- 5 Real Estate Crowdfunding market value from 2012 - 2020.²⁸

Post the Act, real estate crowdfunding witnessed an exponential increase. While in 2012, a modest \$19.06 million was invested through real estate crowdfunding platforms, the number increased to \$396.4 million in 2013 (almost 20x growth). In 2014, over \$1 billion was invested through real estate crowdfunding platforms. The real estate crowdfunding market has shown steady growth through the years, and according to an EY report, the market is set to reach the \$9 billion mark in 2021.²⁹

Real estate crowdfunding allows borrowers to raise money for real estate projects by reaching out to the crowd (investors) who can contribute small amounts of money towards the project. It allows the investor to buy into a small part of a property and become a shareholder in it. The investor can then earn a portion of the profits generated from the real estate. For example, revenue generated from the rental income or the building's sale would be paid to the backer as per their share in it.³⁰ Because of this perceived stability of cash flows, there is a high demand for real estate crowdfunding.

Furthermore, real estate projects are also considered less risky as an investment option than publicly traded securities. For non-accredited investors, real estate crowdfunding offers low minimum investment amounts through which they can become shareholders in real estate (sometimes for as little as \$5,000).³¹ In other words, real estate crowdfunding allows people who can't afford to purchase an entire piece of real estate to buy a part of it and reap its revenue.

Why We Need Crowdfunding

American philosopher Alan Watts once said, “Each one of us, not only human beings but every leaf, every weed, exists in the way it does, only because everything else around it does. The individual and the universe are inseparable.” The interconnectivity of everything is something that has always been at the heart of esoteric philosophies. Over time, rational schools of thought have also embraced this theory of interconnectivity, acknowledging that we live in a diverse yet intrinsically interdependent world. From an economic standpoint, we can say that globalization and technology have created a world of increasing economic interconnections.

Due to trade and other financial linkages, there are elements of common shock that countries share with each other. For example, the financial crisis of 2008 started in the United States but spilled over to the rest of the world, leading to a severe global financial crisis. Two fundamental effects were at play: the spillover effect and the domino effect.

The spillover effect refers to the impact of seemingly unrelated events in one nation on other nations’ economies. Spillover effects are a type of network effect that increased since globalization in trade and stock markets deepened the financial connections between economies.¹ On the other hand, a domino effect is the cumulative effect produced when one event sets off a chain of similar events.²

We exist in a delicate and co-dependent ecosystem. We are interdependent on the bacteria that live in our body, on the insects that pollinate our flowers, on the trees, and phytoplanktons that keep our planet cool. However, most importantly, we are dependent on each other for our socio-economic and emotional wellbeing.

It's in everyone's best interest that income and other forms of inequality in the world don't get out of control. But why should we care about the unequal distribution of income across society? Why should it matter to us if gender, religious, or racial inequality still exists? To answer these questions, we must explain the complex dynamics of how our society is structured, leading all of us to depend on each other. In a complex society with innumerable social interactions, people are connected by an invisible web of cause and effect. Today if transport workers go on strike in one part of the country, the ripple effects of this incident will spread to other regions due to our economic connections.

Let's consider a few examples of the spillover and domino effects:

- ✦ If one state has a high unemployment rate, chances are the neighboring states will be flooded by unemployed workers looking for jobs.
- ✦ If a country is going through a civil war, its neighbors will be flooded by refugees, putting an added economic and political burden on them in the short-run.
- ✦ If India is prospering economically, its neighboring countries are more likely to receive favorable grants from India and therefore become better off relatively.

- ✦ The COVID-19 pandemic perfectly encapsulates the power of the domino effect. The entire global economy took a massive hit as the pandemic easily spread from one country to another. Very few countries were able to insulate themselves from the economic shocks of the pandemic.
- ✦ The French Revolution is another good example when— once the tipping point was reached— the poverty-ridden masses eventually overthrew the monarchs who were heedless to their needs.

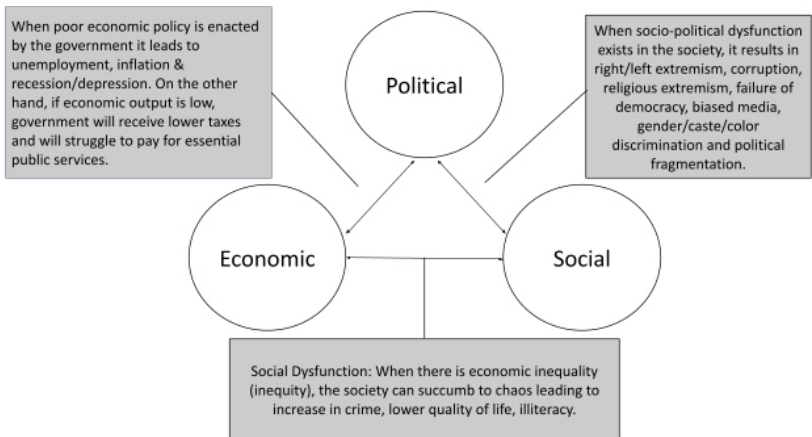


Fig- 1 Interconnected nature of social, political, economic domains of society.

Perhaps, the most powerful example of the domino and spillover effect in recent history was the Arab Spring.

On December 17, 2010, a 26-year-old young man named Mohamed Bouazizi was pulling his cart toward the market when two police officers blocked his path and tried to take his fruits. When Bouazizi protested, a female officer named Fedya Hamdi slapped him, spat at him, and confiscated his electronic weighing scales. Bouazizi then went

to the governor's office to complain, but he was sent away as the governor refused to see him. He returned to the governor's office in less than an hour and shouted outside in the crowded street, "*How do you expect me to make a living?*" before pouring petrol on himself and setting his body on fire. On January 04, 2011, Bouazizi succumbed to his injuries. Following his death, protests erupted across Tunisia, demanding better governance and a regime change. The intensity and scale of the protests was so unprecedented that the Tunisian president Ben Ali had to flee the country, ending his 23-year rule and paving the way for fresh elections and a new government.³ However, the protests didn't stop there; due to social media, they spread to neighboring countries.⁴ There was a series of anti-government protests, uprisings, and armed rebellions that spread across much of the Arab world and came to be known as the Arab Spring.⁵ The Arab world was already fraught with corruption, unemployment, poverty, inadequate civil liberties, authoritarian regimes, and flawed electoral processes. The incident that took place on December 17, 2010, acted as a tipping point and ignited a fire that inevitably engulfed the entire Arab world.

Date	Country	Event
17 Dec 2010	Tunisia	Mohamed Bouazizi sets himself ablaze outside a local government office. Massive protests engulf Tunisia.
29 Dec 2010	Algeria	Protests erupt in Algeria. 53 people get injured and another 29 get arrested.
14 Jan 2011	Tunisia	President Zine El Abidine Ben Ali resigns and flees the country.
14 Jan 2011	Jordan	Protesters demand Prime Minister Samir Rifai's resignation as well as better economic conditions.
25 Jan 2011	Egypt	Coordinated mass protests take place in Tahrir Square in Cairo.
30 Jan 2011	Sudan	Sudanese police thrash and arrest students after protests erupt throughout Khartoum demanding the government resign. Protests are inspired by the uprising in neighboring Egypt.
11 Feb 2011	Egypt	Egypt's President Muhammad Hosni Mubarak steps down.
12 Feb 2011	Iraq	Hundreds of protesters gather in several major Iraqi urban areas (including Baghdad and Karbala), demanding a more effective

		approach to the issue of national security and an investigation into federal corruption cases.
15 Feb 2011	Libya	Libya's uprising begins after security forces in Benghazi open fire on a protest.
20 Feb 2011	Morocco	The first protest erupts in Morocco.
27 Feb 2011	Lebanon	Hundreds of Lebanese people protest in Beirut against the country's sectarian political system.
15 March 2011	Syria	Pro-democracy protests begin in Syria.
20 Aug 2011	Libya	Rebels in Libya launch a battle to take control of Tripoli.
23 Sept 2011	Yemen	Yemenis hold a "Million Man March".
20 Oct 2011	Libya	Libyan dictator Colonel Muammar Gaddafi is killed by rebels.
16 Nov 2011	Kuwait	Demonstrators briefly occupy the National Assembly, calling for Prime Minister Nasser Al-Sabah to step down.
23 Nov 2011	Yemen	Yemen dictator Ali Abdullah Saleh signs a power-sharing agreement.
28 Nov 2011	Egypt	Egypt holds its first democratic elections for parliament.

Table 1- Timeline of Arab Spring.⁶

Today, we live in an interconnected world. Our suffering, much like our prosperity, is no longer isolated from the rest of the world. COVID-19 is the perfect example of how a pandemic spread throughout the world due to the failure of public health services in one country. Interestingly, Coronavirus is part of a pattern of increasingly frequent epidemics that have coincided with globalization, urbanization, and climate change.⁷

What happens at the micro level is often reflected at the macro level in the worldwide web of cause and effect. It spreads across multiple domains of the society wherein an improvement or degradation in one domain affects other domains as well. For example, a biased media can lead to political fragmentation; political fragmentation can lead to right-/left-wing extremism. Extremism can lead to societal degradation and riots; riots can lead to political instability. Political instability can lead to the collapse of the government. A government collapse can lead to an increase in cross-border terrorism, which can lead to complete socio-economic unrest. The engine of the world runs on a constant

feedback loop. The parts make up the whole— in our case over 7.8 billion parts. If poverty exists on the lower end of the social spectrum, its consequences will eventually affect the upper end of the spectrum too. Perhaps the great Sufi master of his time, Shams Tabrez, was right when he said, “*The universe is a completely unique entity. Everything and everyone is bound together with some invisible strings... One’s sorrow at the other side of the world can make the entire world suffer; one’s happiness can make the entire world smile.*”⁸

If we can acknowledge that our fate is connected with the fate of others and that of the collective world, then we must ask ourselves how we can improve the world in our own capacity. How can we progress both individually and collectively? One of the answers is through crowdfunding.

Crowdfunding allows people to solve the problems that exist in society monetarily. From contributing to the cancer treatment of a 3-year-old girl from Mumbai’s slums to supporting revolutionary technological ideas like the Oculus VR, crowdfunding enables individuals to support social causes and innovative ideas. It gives the average person the power to fund several causes and tap into their social networks to benefit that cause. Crowdfunding has the potential to empower people. In crowdfunding, it is the crowd that decides whether to support a project or not. While people can always support projects by financing them, they also have the option of amplifying campaigns by inviting their friends, sharing on their social media platforms and in some cases, providing valuable feedback regarding the project.

Crowdfunding is still branching into various fields and industries. From NGOs and governments to universities and research centers,

crowdfunding is helping people shape the future of society. New types of online crowdfunding platforms are emerging every year, specializing in specific domains like education, politics, social justice, research, and healthcare.

Consider the case of CrowdJustice, a company that aims to democratize social justice. It's a donation-based litigation crowdfunding platform that assists individuals with their legal fees.⁹ One of the foremost litigation cases they funded was the 'Aziz vs. Trump' campaign.

“Tareq and Ammar Aqel Mohammad Aziz woke up on January 27th, thinking they were finally, after years of waiting, going to come to the United States to live with their U.S. Citizen father. But their dream turned into a nightmare when the brothers, 21 and 19 years old Yemeni nationals, arrived at Dulles International Airport just hours after President Trump signed his executive order on immigration. Upon exiting their plane, Tareq and Ammar were handcuffed, detained, and forced to sign papers that they had neither read nor understood. Those papers signified a ‘voluntary’ waiver of their legal immigration status. They were then put on a plane to Ethiopia, the location of their layover on their way to Dulles,” Tareq and Aziz's campaign appeal read.¹⁰ The campaign's goal was to fund the litigation that would help restore Tariq and Ammar's immigration status, helping them come back to the United States. The litigation was also seeking the restoration of immigration status for 60 other visa holders, and permanent legal residents deported from Dulles under similar circumstances.

The campaign raised \$60,000 on CrowdJustice, allowing the lawyers to fight their case and subsequently, win it. On February 06, 2017, the Aziz Brothers landed at Dulles International Airport, where they were finally reunited with their father. Crowdfunding played an essential role in enabling the Aziz brothers to return to the US. “I just want to

thank all the people who support us and who were there with us. They made me feel like there is a family here. That we have a family. That's what I love about America. Thank you all," Tariq Aziz said after his arrival. The Aziz vs. Trump campaign is one of the many examples where online crowdfunding created a substantial legal impact by helping ordinary people come together around a case and set a legal precedent to benefit other people in the future.

Online crowdfunding has been used to fund inventions, research projects, independent journalism, community development, medical emergencies, creative and recreational projects, technological innovations, social justice campaigns, and other revolutionary ideas.

Another example of the power of online crowdfunding is Wikipedia, the world's largest reference website with more than 54 million articles in over 300 languages, including 6 million articles in English and over 200,000 volunteer contributors.¹¹ It's an online free-content encyclopedia project that aims to create a world in which people can freely share knowledge. The website is a crowdsourced project written collaboratively by largely anonymous volunteers who write without pay. Anyone is allowed to add or edit words, references, images, and other media.¹² The website has continuously featured in the top 20 global websites over the last decade but what makes it stand out from other websites is that it generates a major chunk of its revenue from crowdfunding. Millions of people contribute to the Wikimedia Foundation (a nonprofit organization that supports and operates Wikipedia) every year to help sustain Wikipedia. For instance, between July 1, 2017 and June 30, 2018, the website raised over \$97 million (over 93% of total support and revenue) with the help of millions of contributions from people.¹³ This has enabled Wikipedia to remain independent and unbiased for the most part.

When it comes to research, funding is always a concern for academicians, especially in the field of independent research. Even though universities and research institutes are well funded in general, unfortunately, most of the funds come from organizations or patrons who have their own agendas. When the majority of the funds flow from the top 1%, it leads to outsized control that can potentially corrupt even well-intentioned research projects, taking away the autonomy of individual researchers.¹⁴

In 2008, the Chief of Malaria for the World Health Organisation had raised an issue about the growing influence of the Bill and Melinda Gates Foundation in malaria research. In an internal memo, Dr. Arata Kochi, complained to his boss that many of the world's leading malaria scientists were now "locked up in a 'cartel' with their research funding being linked to those of others within the group," because each had "a vested interest to safeguard the work of the others."¹⁵ He further wrote that getting independent reviews of research proposals was "becoming increasingly difficult."¹⁶

Moreover, success in securing grants can also be increasingly laborious. Researchers often find it hard to secure grants if their goals are not in alignment with the goals of their employers or institutions. This is where online crowdfunding has emerged as a smart solution to democratize science.

Like many independent researchers, Angela Bosco-Lauth, a veterinary scientist at Colorado State University, turned to online crowdfunding to fund her research. She was working on a method to administer a powdered vaccine to bats to prevent them from spreading the rabies virus and other pathogens. Traditionally, oral rabies vaccines are used to halt the spread, but orally vaccinating a wild bat population is a challenging task. Angela aimed to solve this problem by "dusting"

several bats with the rabies vaccine, releasing them in a colony, and then testing the colony for transmission and efficacy of the vaccine by monitoring their grooming behavior.¹⁷

Simply put, she wanted to let the bats spread the vaccine by themselves. Her campaign on Experiment.com, an online crowdfunding platform for funding scientific research, raised 102% of its fundraising goal, raising \$4,666 with the help of 39 backers. As of November 2020, Experiment.com has raised over \$9.2 million for over 950 projects, with the help of over 48,000 backers. Crowdfunding has immense potential to fund independent research projects. After analyzing 700 crowdfunding campaigns posted by scientists on Experiment.com, researchers found that students and junior investigators are more likely to succeed than senior scientists, and women have higher success rates than men.¹⁸ Across all levels of seniority, women had a success rate of 57%, compared with 43% for men.¹⁹

The greatest need for crowdfunding manifests in the lives of millions of sick people, especially in developing countries. According to a 2018 study published in the British Medical Journal in India by the Public Health Foundation of India, out-of-pocket (OOP) healthcare expenses drove 38 million Indians— more than the population of Canada— into poverty in 2011-2012.²⁰ Similar trends can be found across the globe with healthcare costs pushing millions of people into poverty every year.

Lack of access to healthcare due to monetary reasons has disastrous consequences on a nation's development. Millions of innocent lives that could be otherwise saved are lost because people can't afford their treatments. While universal access to healthcare would solve this problem, unfortunately, we are far from that goal. At the same time, medical crowdfunding has emerged as an alternate method of financing

financing healthcare. In countries like the US and India, where healthcare finance is a cause of concern, medical crowdfunding has become a primary source of financial aid, especially in cases of medical emergencies. In India, the top three crowdfunding platforms raised nearly Rs 272 crores (2.72 billion) for healthcare in 2018.²¹ While the popularity of medical crowdfunding is growing rapidly, many experts also argue that it can have detrimental effects on healthcare policy in the long run. Medical crowdfunding may not be a sustainable solution. However, fact remains, it has helped millions of people pay for their medical expenses.

In other cases, crowdfunding has helped families and friends raise emergency funds to cover funeral costs for a loved one or set up a memorial fund to support those left behind. 35-year-old Vinson Pierce, was a principal at the local high school in Comanche, Texas. On May 27, 2018, Pierce died from a heart attack, leaving his wife and three children in a financial rut. His co-worker, Laura Hermesmeyle started a GoFundMe campaign to help his wife pay for the funeral and other costs. His campaign raised over \$25,000 with the help of 276 supporters.²² Every year, thousands of people use crowdfunding to set up memorial funds to support families who have suffered the loss of a loved one. According to GoFundMe, 13 percent of its campaigns created in 2017 were described as memorials.²³ Similarly, in India, Milaap and ImpactGuru host thousands of memorial crowdfunding campaigns to help families of the deceased every year. ImpactGuru even has a dedicated dedicated microsite to help people set up a memorial fundraiser.²⁴

We live in a world where people lack access to necessary social safety nets to deal with personal emergencies, where researchers have to fall in line with the interests of corporate sponsors, and where the justice system is available to only those who can afford it. When institutions

and resources are controlled by a few influential people, instead of being community-driven, they are far removed from ground realities. Lamentably, that is the world's current reality: Most resources are owned and controlled by the top 1%. In such a world, we need crowdfunding to sometimes act as a bandage, a temporary fix, for problems that arise out of inequality.

Directly or indirectly, the global economy has suffered immensely because of inequality. For instance, the gender wage gap has slashed global wealth by \$160 trillion.²⁵ Inadequate education for girls has resulted in an estimated \$15-30 trillion loss in productivity and earnings.²⁶ Online crowdfunding is not the perfect solution to all the problems of inequality. It merely creates an avenue to provide more social power to the people, whether it is to influence policy decisions through political crowdfunding or helping victims of social injustice through monetary funding.

In a world, defined by a unique interdependence, our socio-economic well-being is now interwoven with those of others; crowdfunding has emerged as a medium for people to extend their support to communities that continue to struggle due to various inequalities. While it may not be a solution to our evolving problems, it does open a small window to create community-driven change.

Medical Crowdfunding

Baby Daya was eight months old when she was diagnosed with Biliary Atresia. Her stomach had swollen to the extent that her mother feared it would burst. The veins of her abnormally bloated stomach were visible, and her pale yellowish eyes narrated a story of undeserved pain. Her family came from an underprivileged background and had exhausted all their resources in pursuing her treatment. Unable to pay for Daya's liver transplant, the family found hope in crowdfunding.

One of their well-wishers started a crowdfunding campaign on Ketto to raise Rs 8 lakh (800,000) for baby Daya's treatment. The campaign caught the attention of netizens who were deeply moved by baby Daya's photo after it was posted on Ketto's social media handles. Within a few months, the campaign amassed Rs 6.99 lakh (699,000) from 284 supporters. Even though the campaign didn't reach its goal amount, the money was enough to cover 87% of baby Daya's treatment cost. She underwent a successful liver transplant, thanks to the generosity of a few hundred people.¹

Medical crowdfunding is replete with stories similar to that of baby Daya. Every year millions of people start crowdfunding campaigns to fund their medical expenses, and a majority of those campaigns are for the treatment of children. Medical crowdfunding is also one of the most popular donation-based crowdfunding categories, with 27% of campaigns worldwide being initiated to cover medical expenses.² Lack of health insurance coverage, poverty, gaps in the healthcare system, absence of proper social safety-nets, and rising medical costs are among

many reasons that have led to the growing significance of medical crowdfunding.

Over the years, many platforms have emerged which specialize in helping people raise funds for medical emergencies. The demand for such platforms has increased over time, especially in countries where the public healthcare system is inadequate to support people properly. For example, in the USA, researchers have documented that a disproportionately large number of medical campaigns were started in states that had not accepted the expansion of public benefits such as Medicaid under the Affordable Care Act— a reform law that aimed to make affordable health insurance available to people.³ This is part of a larger pattern wherein crowdfunding as a funding modality to cover the costs of medical expenses seems to be proliferating in countries and states where healthcare affordability is a cause of concern.

The process is fairly simple. Patients, family members, or well-wishers can start a medical crowdfunding campaign within minutes by adding a campaign description and supplementing it with photos and videos to convince potential donors to contribute. This is followed by sharing the campaign with extended social networks using emails, texts, social media platforms, or even local newspapers.⁴

Even though medical crowdfunding can help people avail almost immediate financial support, most people turn to it only when other forms of healthcare coverage and social safety nets fail.⁵ In most cases, medical crowdfunding acts as a bandage needed to patch the consequences of the state's healthcare failures or rectify the individual suffering caused by private interests.⁶

In 2016, at about \$8 trillion per year, the global expenditure in healthcare accounted for more than 8.6% of the world's economy, with the average spending per person on healthcare increasing steadily every year.⁷ By 2050, healthcare spending is projected to increase to \$15 trillion.⁸

Due to inflated costs, a large number of households fall into poverty due to out of pocket healthcare expenses. According to the UN, approximately 800 million people spend a minimum 10 percent of their household budgets on healthcare related expenses, either for themselves or other family members.⁹ The expenses are high enough to push almost 100 million of these people into extreme poverty.¹⁰ Even in a rich country like the US, healthcare costs can be disastrous for people, often exhausting their savings. For instance, 42.4 percent of the 9.5 million people diagnosed with cancer between 2000 and 2012 in the US ended up depleting their assets within two years.¹¹

Furthermore, many people are directly or indirectly denied access to healthcare by the system due to high healthcare costs. In December 2019, a poll conducted by Gallup found that 25% of Americans said they or a family member put off medical treatment in 2018 for a severe illness because of the treatment cost, and an additional 8% said they or a family member put off treatment for a less severe condition, bringing the total percentage of households delaying care to 33%.¹² According to Dr. Robin Yabroff, the lead author of the American Cancer Society, the poll was "*consistent with numerous other studies documenting that many in the United States have trouble paying medical bills.*"¹³

It is no surprise then that Medical campaigns make up around one-third of all fundraisers on GoFundMe.¹⁴ Every year, over \$650 million are raised for medical treatments, and an average of 250,00 medical crowdfunding campaigns are started on the platform.¹⁵ With

the cost of medical treatment in the US continuing to rise, medical crowdfunding has become an alternate financing option for the uninsured and the underinsured people.

In India, the situation is no different, with the majority of the population being underinsured due to insufficient public healthcare schemes and expensive private healthcare options. India's total healthcare spending at 3.6% of GDP is far lower than that of other major economies globally. The healthcare spending of other comparable nations— like Germany (11.2%), France (11.2%) Japan (10.9%), Brazil (9.2%), South Africa (8.1%), Russia (5.3%), and China (5%)— is far higher in terms of GDP percentage than that of India.¹⁶ Of that 3.6%, government spending is only 1.15% of GDP, which means close to two-thirds of India's expenditure on health is paid out of pocket by the people. India currently ranks 184th out of 191 countries in terms of percent-of-GDP spending on health.¹⁷

According to data from the Handbook on Indian Insurance Statistics for 2016-2017 by the Insurance Regulatory and Development Authority of India (IRDAI), at least 988 million Indians (75 percent of all Indians) are not covered by any form of life insurance.^{18,19} With 82 percent of India's workforce engaged in informal employment in the unorganized sector, 392.31 million workers and their families live under constant threat of financial instability due to unexpected medical emergencies.²⁰ As per data from India's largest national survey on key indicators of social consumption (2017-2018), only 10% of the poorest one-fifth of Indians in rural and urban India had any form of private or government health insurance, forcing them to borrow money, delay treatment, deplete their savings, or receive inadequate care.²¹ This has led to a catastrophic paradigm wherein over 63 million people are pushed into poverty every year due to healthcare expenses.²²

In the fall of 2018, India's Prime Minister Narendra Modi launched the world's biggest universal healthcare experiment. His scheme aimed to grant 500 million people the entitlement to free health insurance by issuing e-cards, which people could use to claim insurance following a medical emergency. The Pradhan Mantri Jan Arogya Abhiyaan, also known as Ayushman Bharat or the National Health Protection Mission or Modicare, promised to cover medical expenses up to Rs 5 lakh (500,000) for secondary and tertiary healthcare to those eligible. Unfortunately, the scheme didn't cover primary healthcare services, such as outpatient treatment. Many experts raised concerns about the scheme being inadequate for those needing advanced treatment.

Cancer treatment and transplant surgeries in India can cost upwards of Rs 15 lakh (1.5 million), and Modicare only covers a part of the cost. To cover the rest of the treatment cost, families often end up selling or mortgaging their assets, exhausting all their savings, or borrowing money from lenders at high-interest rates. Moreover, there are many other problems with Modicare that need to be resolved before it can reach its full potential in terms of what it promises.

Primarily, the rates set for different medical procedures under Modicare are lower than the actual cost of the treatments. The Indian Medical Association has repeatedly expressed concerns that the amounts of money being offered to hospitals to treat patients under Modicare are too low and might eventually reduce the quality of treatments provided, making it unviable for hospitals to continue offering them.²³ Such a model is unsustainable for smaller hospitals.

Among people who aim to avail the benefits of this scheme, there is confusion regarding how it works. For example, in an interview with *The Wire*, a beneficiary who underwent a septoplasty claimed that he was charged Rs 13,000 for his hospital treatment, while his insurance

only covered Rs 5,000 of the treatment cost. Upon inquiry, he was told, *“For your specified surgery, the government has fixed only 5,000 rupees. The extra charges that you are asked to pay are because of your extended stay in the hospital and additional services due to your comorbidities. The package amount – amount payable to the hospital by the government – is fixed based on predetermined criteria that don’t factor in your comorbidities.”*²⁴

Due to the poorly advertised technicalities of the scheme, many beneficiaries of the Modicare scheme have been led to believe that their treatment is free up to Rs 5 lakh. This is far from the truth as the scheme is convoluted and subject to various limitations, terms, and conditions. Furthermore, two years after the scheme’s introduction, only 126 million people have been issued the e-cards out of the promised 500 million people, owing to the lack of awareness about the scheme and its modalities in the public domain.²⁵ The total number of people covered under insurance in India remains extremely low, and it’s difficult to paint an exact picture of ground realities. As per the government’s own admission, “Statistical information currently available on insurance is scattered and inadequate.”²⁶

Overall, the lack of adequate and affordable health insurance options has led to inequality in healthcare affordability in India, forcing low- and middle-income families to look for alternative options to finance their treatment.

The top three crowdfunding platforms in India (Ketto, Milaap, and ImpactGuru) raised Rs 271.65 crore (2.7 billion) in 2018. The amount was roughly 11% of the Rs 2,400 crore (24 billion) inaugural budget for Modicare— the government’s public healthcare scheme introduced in the same year.²⁷ Together, Milaap and Ketto have raised over Rs 1000 crore (10 billion) for healthcare-related campaigns in the last five years,

with a growth rate that doubles almost every year. Over 1,200 medical campaigns are started on Milaap every month, with a 3x growth per year on average. Ketto, on the other hand, hosts around 2,000 medical fundraisers per month and has seen a constant growth of 50% CAGR in the last five years.

For Milaap, nearly 40% of the campaigns they host are dedicated to funding medical expenses. As per their estimates, they have funded 1800+ liver transplants, 800+ heart surgeries, 8,600+ cancer treatments, 2,800+ kidney transplants, and 1,000+ cases of neonatal care as of August 2020. Milaap also states they have supported over 12,000 medical fundraisers for children between the ages of 0-18, which have raised more than Rs 155 crore (1.5 billion).²⁸ Over 1,500 of these campaigns have been for children with liver-related ailments, raising a total of Rs 35 crore (350 million). Overall, Milaap claims it has directly or indirectly aided over 50 percent of pediatric liver transplants performed in India.²⁹

The impressive growth of medical crowdfunding in India can be attributed to greater internet penetration and the rise of mobile payment apps (such as Paytm, PhonePe, Google Pay), which allow multiple bank accounts to get into a single mobile application. These factors have increased the accessibility to these platforms and simplified the process of donating.

Many people also opt for crowdfunding to pay for immediate treatment at private hospitals since the waiting period at public hospitals can be very long, depending on the treatment one is seeking. Primarily, it is because India has a poor doctor to patient ratio. In India, there is one government allopathic doctor for every 10,189 people, one government hospital bed for every 2,046 people, and one state-run hospital for every 90,343 people.³⁰ According to the data from National Health

Profile, the country has only around one million allopathic doctors to serve a population of 1.3 billion people— of these, only 10% work in the public health sector.³¹ To make matters worse, cheaper treatment in public hospitals attracts a disproportionately large number of people to them, hence resulting in long waiting periods. For people in need of urgent medical attention, the long waiting period can be fatal. The only option they have is to opt for private hospitals where the treatment is relatively more expensive.

However, it is not only India where crowdfunding is being used by people to fund their medical treatments. It has been used to address gaps in medical and employment insurance, both in countries with and without universal access to healthcare. In Canada, where the public healthcare system is far better than it is in India, people still opt for crowdfunding due to long waiting times in public hospitals. Automobile accidents, cancer, kidney disease, neurological problems, and Lyme disease are a few conditions for which funds are most required.³² China is another example of a country with a fast-growing medical crowdfunding market. Tencent Charity, Ant Financial, Wei Charity, and Taobao Charity, the four largest crowdfunding platforms in China, raised 966 million yuan (approx \$147 million) in 2015, with healthcare being among the top three categories. In 2017, their fundraising volume had increased to a whopping 2.4 billion yuan (\$366.3 million).³³ Another Chinese crowdfunding platform Shuidichou claims to have helped around 800,000 patients crowdfund their medical expenses between April 2016 and Sept. 2018, raising a total of over 10 billion yuan (approx \$1.5 billion).³⁴

Since the emergence of online crowdfunding platforms, millions of medical campaigns have been started by people to fund their medical treatments. Sometimes, hospitals, clinics, NGOs, and universities have launched and promoted campaigns for patients to help them fund their

treatment expenses. At a fundamental level, medical crowdfunding seeks to turn the crowd's financial power into a safety net for those whom the public and private healthcare systems fail to support. It is a quick and often effective funding mechanism, offering people the opportunity of providing financial assistance to those in need with just a few clicks.

From the limited data available regarding the impact of online crowdfunding, we can deduce that it has been successful in saving patients from falling into a spiral of crushing debt and poverty. In 2015, a University of Minnesota report found that bankruptcy filings were fewer in places where crowdfunding campaigns were more successful.³⁵ However, research on the impact of medical crowdfunding in global health contexts has been scant, with limited data availability.³⁶ Quantifying the positive effects of medical crowdfunding will require a more in-depth analysis of the industry and better data access.

While the advocates of medical crowdfunding place great emphasis on the fact that it can democratize finance with the support of social media, the primary concern remains that the disadvantaged groups that need financial support the most are least likely to receive it. Online crowdfunding requires campaigners to possess the knowledge of operating digital platforms, an extensive social media network, and good writing skills. People seeking the crowd's aid must create sophisticated appeals and tap into their existing social networks to solicit donations for medical care. Such a process requires that campaigners are literate to a certain degree and familiar with healthcare terminologies. As we will learn in later chapters, the size of social media networks and the ability to tell a compelling story are tied to the success of crowdfunding campaigns. This is another way of saying that advantages in crowdfunding still go to literate people who have extensive and influential social networks.³⁷ It's no revelation that underprivileged groups often

have limited access to the internet and fewer social connections. Thus, we see a tendency wherein offline socio-economic inequities can be replicated in the digital world of crowdfunding. But some crowdfunding platforms have found a way around this problem.

16-year-old Chinni Krishna's life was wrecked when he was diagnosed with acute mesenteric ischemia, caused by inadequate blood flow and eventual gangrene of the bowel wall. Due to unbearable pain and deteriorating health, he had to undergo an urgent surgery to remove over 90% of his small intestine. After the surgery, his body could not properly absorb the nutrients it needed and required additional supplemental fluids and intravenous nutrition.

Chinni's parents, who worked as farmers, earned just Rs 2,500 per month. Eventually, they had no option but to sell their land to fund their son's expensive surgery. After draining all their savings and resources, the parents were unable to continue Chinni's post-operative care and consequently had to discontinue his treatment. The 16-year-old boy desperately needed a cadaveric donor small bowel transplant without which he would eventually starve to death. The parents received some monetary aid from the state, but it wasn't enough to cover his entire treatment costs. Having already spent Rs 40 lakh (4 million) on Chinni's treatment, the family needed Rs 50 lakh (5 million) more to fund his transplant.

That is when Milaap came to their rescue. The crowdfunding platform started a campaign for Chinni's treatment. They leveraged their donor networks to raise funds for his treatment. Since Chinni's parents had no social media networks of their own, Milaap ran ads across multiple digital platforms to raise funds for Chinni. *"We lost our only source of income, our piece of land. We've also borrowed from*

*many people and are already in debt. My husband is now back in our village, begging for help from everyone. Even affording his daily IV fluids is getting difficult now. We are running out of time to save our son; only you can help us," the campaign appeal read.*³⁸

Chinni's crowdfunding campaign ended up raising over Rs 89 lakh (8.9 million) with the help of 3,789 supporters and was shared by 1,100 people on different social media platforms. Chinni underwent a combined Small Bowel and Abdominal Wall Transplant with the help of the crowd money. His life was saved because Milaap intervened and ran ads for his campaign.³⁹

Milaap is not the only crowdfunding platform that runs advertisements for some of the campaigns they host on their website. Most of India's top crowdfunding platforms run ads for certain medical campaigns. Usually, paid ads are run for people who don't have any social networks to leverage, but there are other cases wherein ad support is extended to people who are either underinsured or have exhausted their insurance and other options. Worldwide, many online crowdfunding platforms have adopted this trend wherein ads are run to support the medical treatments of people who can't afford them. This, of course, is done in return for a higher service charge. While Ketto, Milaap, and Impactguru have recently shifted to a 0% platform fee policy for organic campaigns, the platforms still charge a service fee for paid campaigns for which they run ads on multiple digital platforms. There is also a payment gateways charge for different modes of payment (like UPI, debit, credit, net banking) ranging between 0.6 to 3.9% per donation.

Majority of the people coming from low income households in India are unaware of online crowdfunding platforms. There is still a problem of information asymmetry that prevents poor, disadvantaged groups

from tapping into the power of crowdfunding. But to tackle this problem, crowdfunding platforms have developed unique strategies unique strategies to reach out to such groups. Consider the case of Ketto, one of India's largest crowdfunding platforms for healthcare. The platform employs medical social workers who identify patients in need of emergency treatment funds. It has also partnered with 250 hospitals across India to identify such needy cases. The hospitals inform the platform about cases where patients are unable to pay for their treatments. Ketto then steps in and, after following certain due diligence processes, launches a crowdfunding campaign for the patients. Since most of these people don't know how to speak or write English, the platform also helps them write a campaign story, shoot a video, and take photographs to support the campaign. By 2023, Ketto aims to partner with an additional 1000 hospitals in tier 2 and tier 3 cities across India to expand their reach.

Milaap and ImpactGuru also have similar mechanisms in place to reach out to disadvantaged groups who require funds to pay for their medical expenses. Milaap has partnered with 200+ hospitals across India and also plans to partner with an additional 1000 hospitals. ImpactGuru, on the other hand, was able to secure a funding of Rs 13 crore (130 million) from Apollo Hospitals enterprise, one of India's largest hospital chains. The enterprise, with a chain of over 70 hospitals in India, connects thousands of patients to ImpactGuru so the platform can help crowdfund their medical expenses. ImpactGuru claims that they are connected to over 1500 hospitals across the country at various levels to help patients raise funds for their treatment expenses.

Similar trends are emerging globally, where crowdfunding platforms are tying up with private hospitals or NGOs to help patients raise funds for their treatments. But is it a viable and sustainable solution? Most importantly what are the consequences of such a paradigm wherein

platforms have to step in to fill the gaps in healthcare coverage?

The Dark Side of Medical Crowdfunding

In the short run and at a micro-level, the benefits of medical crowdfunding are evident: it saves lives and sometimes keeps people from falling into bankruptcy due to piling medical expenses. The people who donate often feel elevated and good about helping someone. However, in the long run and at a macro scale, certain disturbing trends begin to emerge. When analyzed from a socio-economic perspective, we observe that medical crowdfunding is reshaping how people approach healthcare finance by influencing health disparities, shifting socio-political norms, and emerging as a technological and commercial determinant of health.⁴⁰ Especially in countries where universal health care coverage is absent, medical crowdfunding has the potential to determine the future of health coverage.

To begin with, donations are often directed to those with the most heart-wrenching stories or to patients with a strong social network over those who need financial assistance the most. Unfortunately, not everyone is a great storyteller, and not everyone has strong social connections.⁴¹ This has resulted in greater involvement from crowdfunding platforms who have had to step in and scout for disadvantaged people who are often poor, without internet, and illiterate. However, when crowdfunding platforms take such an approach, they become the arbiters who decide which cases are worthy of being featured and boosted and which cases are unworthy of receiving additional advertisement support.

As most crowdfunding platforms are for-profit enterprises, there is an incentive for platforms to be biased in favor of the most extreme and acute cases, which are more likely to garner public sympathy. For

example, researchers have found that GoFundMe campaigns with discrete and solvable problems tend to be more successful, creating a situation where patients with chronic conditions with complex needs struggle to make a donation appeal and raise funds for their treatment.⁴² Since we live in the age of big data, platforms can easily identify what types of campaigns are profitable and what types of campaigns are likely to not achieve their goals. Consequently, there is a high probability for platforms to be biased towards campaigns that have a higher chance of success. Nonetheless, there are socially-driven crowdfunding platforms that extend support on the basis of need rather than profit opportunities.

Researchers have also argued that medical crowdfunding can exacerbate health and social disparities by amplifying the crowd's choices and biases wherein cases are not determined based on need but on the basis of deservingness and emotional appeal.⁴³ People within the industry have said that the 'empathy factor' (of the public) drops off as early as age ten, making it difficult for adults to raise money unless they have a powerful social network.⁴⁴ Thus the logics, norms, and processes embedded within platforms may serve to exacerbate the very inequalities they are aiming to mitigate.⁴⁵

There also exist problems of information asymmetry that prevent researchers from properly studying the impact of health disparities and inequities driven by crowdfunding platforms. We may know which cases are selected by the platforms to be featured or boosted with ads, but there is no way of knowing about the campaigns that don't make the final cut. In an article for The Hindu, Sohini Chattopadhyay explains, *"The happy crowdfunding story lends itself easily to marketing. For instance, corporate hospitals can invite the press to listen to how a baby's life was saved, have the grateful parents up on stage to tell their story, call the super-specialist doctors to sprinkle some Latin over the*

*proceedings. Everyone is happy — the press gets a human interest story, the hospital gets good press, the doctors get their 15 minutes of fame, and the crowdfunding platform gets credibility. The problem is with the stories that don't have this performative element — the campaigns that don't raise the money needed because they involve non-photogenic adults or a less dramatic procedure. We don't get to hear those stories.*⁷⁴⁶

In the future, regulatory reforms mandating crowdfunding platforms to share the data about their selection processes will go a long way in helping researchers map the health disparities exacerbated in the medical crowdfunding domain. Data transparency will also ensure that researchers can identify the offline biases that tend to be mirrored in online crowdfunding.

In its current state, there are many problems with medical crowdfunding. More than a social safety net, it should be looked at as an option that people can pursue when everything else fails. The fact that millions of people are using crowdfunding to fund their medical expenses speaks volumes about the broken state of healthcare systems around the world. As many have argued, medical crowdfunding is a temporary solution that cannot fix a broken healthcare system but can only provide temporary relief on a case by case basis. No one should have to advertise their suffering to the rest of the world during their most vulnerable moments. Regrettably, the current state of healthcare worldwide, especially in poorer countries, has created a situation where medical crowdfunding has become a necessity for countless people. One can only hope that this is a temporary state of affairs. As even GoFundMe— the most prominent crowdfunding platform in the world that has unwillingly become one of the biggest healthcare providers in America— has stated, “*While GoFundMe can provide timely, critical help to people facing health care crisis, we do not aim to be a substitute social safety net. A crowdfunding platform can not and*

*should not be a solution to complex, systemic problems that must be solved with meaningful public policy. We believe that affordable access to comprehensive health care is a right, and action must be taken at the local, state, and federal levels of government to make this a reality for all Americans.*⁷⁴⁷

Political Crowdfunding

There are many ways to address the inequalities in a society and create equitable opportunities for everyone across the income spectrum. Most of the solutions can come from a top-down approach through government intervention in the form of larger structural changes like reform in taxes, restructuring finance fees, subsidies for the poor, universal healthcare, free education, and rural development policies, etc. In any democratic country, where the government works for the benefit of 'all' its people, there is bound to be an incremental improvement over time. But do rulers have the best interest of all people in mind? Do governments, for the most part, impartially work towards creating a society that serves everyone on equitable grounds?

Nobel laureates Abhijeet Banerjee and Esther Duflo shed light on this subject in their book, 'Poor Economics'. *“One problem is that rulers, who have the power to shape economic institutions, do not necessarily find it in their interest to allow their citizens to thrive and prosper. They may personally be better off with an economy that imposes lots of restrictions on who can do what (that they selectively relax to their advantage), and weakening competition may actually help them stay in power. This is why political institutions matter— they exist to prevent leaders from organizing the economy for their private benefit. When they work well, political institutions put enough constraints on rulers to ensure that they cannot deviate too far from the public interest.”*¹

Rulers tend to have their selfish interests that often take precedence over the interests of their electorate. Most rulers prefer being elected to power and staying in command for as long as they can. If there is anything that helps them achieve their private agendas, it is money.

Since the inception of democracy, there has been a strong link between money and politics. As we will see throughout this chapter, money is strongly associated with political success for many reasons. Politicians need money to run their campaigns, buy advertisements, buy media coverage, pay campaign staff, organize rallies, logistics, and other front-end and back-end costs to mobilize voters. Money plays an undeniable and integral role in politics.

The total money spent during elections by political parties has also seen an exponential increase over time. Consider India's case, in the last 6 Lok Sabha (lower house of India's bicameral Parliament) elections held between 1998 to 2019, the election expenditure shot up by approximately six times from Rs 9,000 crore (9 billion) to around Rs 55,000 crore (55 billion).² According to the nonpartisan Center for Responsive Politics, a similar trend can be observed in the US, where political ad spending for 2020 reached nearly \$14 billion.³ That's almost the combined spending figures of the last two election cycles wherein \$8.7 billion was spent in the 2018 midterm congressional elections and \$6.3 billion in the 2016 elections when Donald Trump was elected president.⁴ What does the correlation between increased campaign spending and political success look like? Let's look at some graphs and find out.

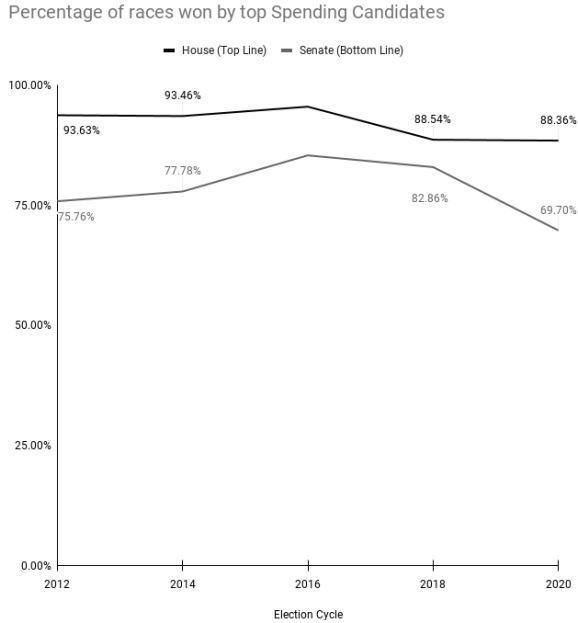
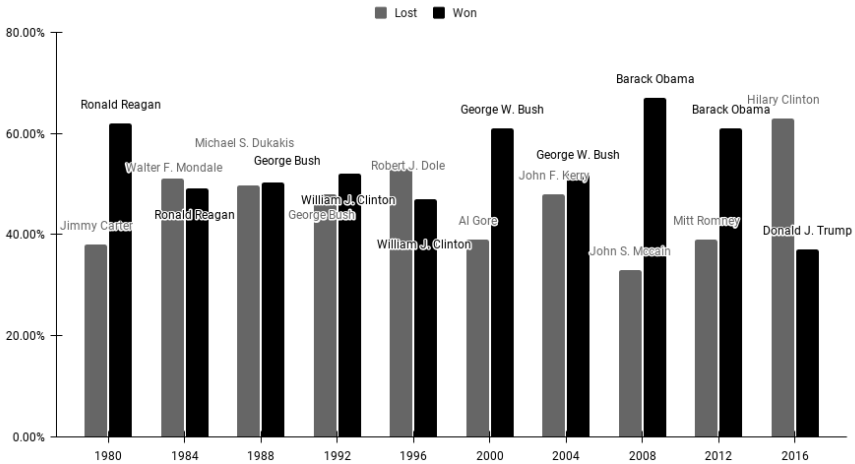


Fig- 1 Percentage of races won by top-spending candidates for US House and Senate Candidates.⁵

In the US, on average, 91.88 percent of House candidates who spent the most won the seat. For the senate, on average, 78.28 percent of the top spenders won.

The trend can also be seen in the US presidential elections, where 70 percent of the candidates who spent more than their opponent(s) won the presidential race. All in all, seven out of ten times, the candidate who spent more money ended up winning the elections. Only in 1984, 1996, and 2016 did the candidate who spent less money win the presidential election. In 1984 and 1996, the candidates who won were incumbents and therefore had a primary advantage in terms of popularity and favorability. On the other hand, their opponents, who were far less popular, had to build their campaigns from scratch. Therefore, they were required to spend more money on PR.

Percentage Spending in Election Campaign

Fig- 2 Percentage spending between US presidential candidates.⁶

Again, when we look at India, the data reveals a similar pattern, showing a positive correlation between increased campaign spending and winning. In the last four Lok Sabha elections, the party that spent the most won the polls.

What we are observing in the graphs is correlation and cannot be termed as causation. Sometimes money flows to candidates who are stronger and more likely to win, and therefore those candidates tend to outspend their weaker rivals. Nonetheless, we can safely deduce that money is positively correlated with political success and plays an essential role in political campaigning and therefore is important to politicians. But where does this money come from?

In politics, winners are likely to answer or be more favorable to the donors and organizations that support them. Donors, especially big donors, are more important than voters as they form the financial backbone of the politicians' campaign. Essentially, mega-donors tend to

leverage more lobbying power than the average voter. That's why it is crucial to know where the money flows from in politics to assess politicians' motivations.

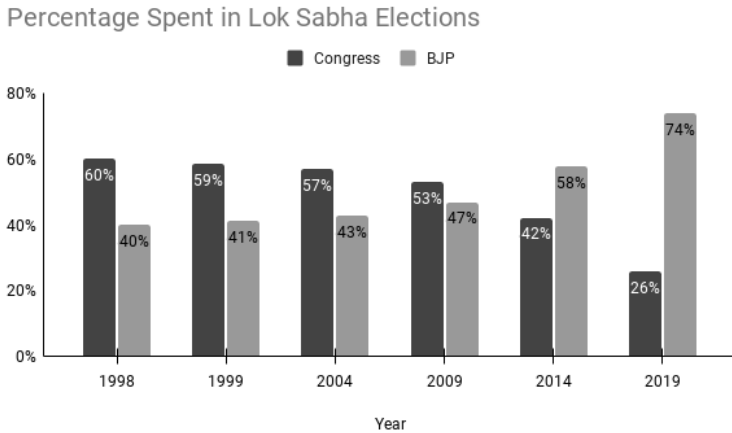


Fig- 3 Percentage spending between Congress and BJP in Lok Sabha Elections since 1998.⁷

Today, most of the money in politics comes from the top 10 percent. In Brazil, Latin America's largest country, roughly \$2 billion was spent by parties and candidates in the 2010 presidential election.⁸ Nearly 98 percent of winner Dilma Rouseff's campaign donations and 95.5 percent of her primary opponent's contributions came from corporations.⁹ In the US, Big Money is a major concern that threatens to erode the fabric of democracy. Most congressional candidates do not raise the bulk of their funds from a cross-section of their constituents. Instead, they receive the majority of their money from individual donors who give \$1,000 or more and from political action committees (PACs). For instance, individual donors who gave \$1,000 or more were responsible for nearly 40 percent of all money given to House candidates and almost 50 percent for Senate candidates in 2016. On the other hand, small donors (with total contributions of \$200 or less) were responsible for just 6 percent of the money raised by House candidates.

Percentage of Fundings for House vs Senate

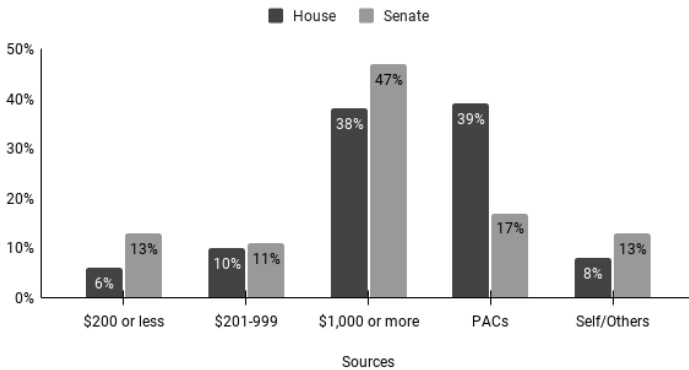


Fig- 4 Funding distribution for the US House and Senate.¹⁰

Between 2010 to 2018, eleven influential donors injected over \$1 billion into the US political races through super PACs, the big-money action committees that allow wealthy contributors to influence US elections.¹¹ According to a Washington Post analysis of data from the Federal Election Commission and the nonpartisan Center for Responsive Politics, the donors — comprising hedge-fund billionaires, entrepreneurs, media magnates, and a casino mogul — contributed more than one-fifth of the \$4.5 billion collected by these types of PACs since 2010.¹² The massive amount of money funneled by a few donors shows how politicians are financially dependent on the top 1% to support their campaign bids.

The situation is worse in India, where ‘black money’ contributes to a staggering influx of undisclosed corporate donations that are used to buy voters and influence elections. For example, in 2018-19, India’s national political parties received over 67 percent of their total income from undisclosed sources.¹³ According to the Center for Media and Studies (CMS), 25 percent (Rs 15,000 crore) of the Rs 55,000 crore (\$8 billion) spent in the 2019 Lok Sabha Elections was illegally distributed

among voters. Money is even spent to confuse the voting population by propping up dummy candidates who have the same names as popular political figures.¹⁴ The Director-General of CMS India, PN Vasanti, mentioned in the report that the numbers represent only the tip of the iceberg. *“Imagine how deep and wide is this iceberg beneath, and how it can damage our democracy,” she stated in the preface.*¹⁵

A survey conducted by Jennifer Bussell, an assistant professor at the University of California, Berkeley, reported that more than 90 percent of federal-level Indian politicians said their peers feel pressured to hand out gifts like cash, alcohol, or other personal goods such as blenders, television sets.¹⁶ Voters were even bribed with goats.¹⁷

Over the past few years, anonymous funds for India’s political parties have skyrocketed. This development can be attributed to the murky electoral bonds launched by Prime Minister Narendra Modi’s government. Electoral bonds are interest-free financial instruments for making donations to political parties. The problem is that the bonds are non-transparent as the identity of the donor remains anonymous. If we look at the sale of the electoral bonds, we can see that most of the money comes from the top 1%.

Since the scheme’s inception, electoral bonds were sold in thirteen phases from March 2018 to January 2020. A total of 12,452 electoral bonds were sold in all these phases. Of these, the highest number of electoral bonds (5,702 bonds) purchased were in Rs 1 crore (10 million) denomination. The next highest number of bonds (4,911 bonds) purchased were of the next higher denomination, i.e., Rs 10 lakhs (1 million). In terms of value, a total of Rs 6,210.39 crore (62.1 billion) worth of electoral bonds were purchased, out of which the Rs 1 crore (10 million) denomination bonds amounted to Rs 5,702 crores (57 billion), i.e., 91.81 percent of the total worth of bonds purchased in the

thirteen phases between 2018 to 2020. Less than 1 percent of all electoral bonds purchased were from lower denominations of Rs 1,000 and Rs 10,000.¹⁸

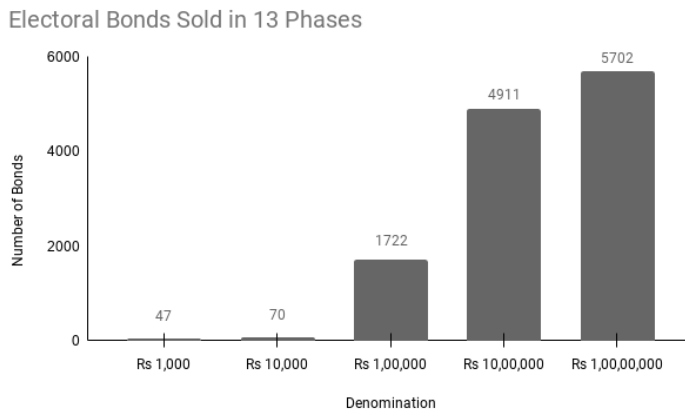


Fig- 5 Sale of Electoral Bonds in Denominations ranging from Rs 1, 000 to Rs 1 crore.¹⁹

The donor anonymity in the electoral bond scheme was justified by India's former Finance Minister Arun Jaitley as a means to encourage large scale small donations to political parties.²⁰ However, the data paints an entirely different picture wherein bonds were purchased by corporates and the top 1%, rather than small donors.

When we look at the numbers, the broad conclusion is inescapable: The money in politics (at least in India and the US) comes overwhelmingly from wealthy individuals, who in return, exercise untrammelled influence in the form of political favors. This poses severe consequences for the development of any democratic country as citizens' interests are at risk of being replaced by the interests of corporates and the top 1%. Due to the role of Big Money in politics, political candidates become more accountable to their patrons than their electorate. Such a dynamic has severe repercussions as it can lead to the erosion of social safety

nets that prevent workers' exploitation. When political policies are motivated by the influx of Big Money, workers' rights are undermined as they face weakened unions, stagnant wages, unchecked automation, terrible working conditions, lack of insurance cover, inflation, and many other problems. Meanwhile, the billionaires enjoy massive tax breaks and continue to lobby vast amounts of money to influence public policy.

Lamentably, regulations seem to be ineffective for the most part, and even election commissions have failed to regulate the flow of Big money in politics. The Money, Politics, and Transparency Project (MPT) report of 2014²¹ assessed campaign regulations and practice in 54 countries across the world. The report came to a conclusion that while 48 out of 54 countries had legally defined political finance violations and sanctions, only 36 countries had oversight bodies that had the power to both impose sanctions and pursue prosecutions of violators. It was found that the effectiveness of oversight bodies (such as the election commission) was highly restricted due to a lack of merit-based independent leadership, capacity constraints, and operational opacity.²² Violations of regulatory frameworks were not an exception but a norm in the MPT sample. Political parties, candidates, and their supporters frequently found ways to undermine existing legal frameworks to funnel money into campaigns while bypassing oversight mechanisms.²³

Moreover, the report pointed out that third-party actors (ex. Super PACs) were able to exercise unbound influence in elections and were barely subjected to any oversight regarding their electoral activities in most countries. Only a few countries (11 percent of the sample) prohibited third party actors from all political activity or legally required them to report their independent political expenditures and contributions to the electoral oversight authority.²⁴

Big Money plays a critical role in politics, but it also does so with a high degree of opacity, depriving the voters of crucial financial information regarding the candidates and political parties. To understand why such a convoluted system exists, we must look at the rulers' motivations. Having an opaque political finance system that depends on Big Money helps the rulers retain and expand their power even if it jeopardizes public interest.

So, do we live in an oligarchy with a democratic facade? If yes, then how do we as individuals tackle such a problem within our capacity? One way is to tackle Big Money with Small Money by using crowdfunding to democratize campaign finance. There are numerous examples where the crowd has helped politicians emerge victorious, not just with their votes but with their donations.

In the 2008 US Presidential Election, Barack Obama made history by becoming the first African-American president. However, the road to his success was paved by the collective efforts of the American community. Obama revolutionized campaign financing by raising over \$660 million with the help of over 3.95 million individual contributors on his website barackobama.com.^{25,26} Obama received around 34 percent of his donations from small donors who contributed \$200 or less. Another 23 percent of donations came from people who gave between \$201 and \$999, and the rest 42 percent came from people who gave \$1,000 or more.²⁷ Even though Obama's campaign relied on Big Money and small donors nearly equally, it challenged the misconstrued limitations of crowdfunding, prompting many politicians to follow in his footsteps.

Six years later, Bryan Parker of Oakland, CA, used crowdfunding to assess support for a mayoral run before officially entering the race. Parker pledged that if he could raise \$20,000 on a crowdfunding

platform Crowdfunder within ten days, he would run for the mayor's position. He crossed his target on the first day of the campaign, raising \$23,000 from 79 supporters. After ten days, Parker had raised over \$50,000 from 167 small donors, with an average contribution of \$299.²⁸ "Crowdfunding helps make this election about what's best for everyday Oaklanders, not just the political insiders," he remarked.²⁹

However, it was Vermont Senator Bernie Sanders who unleashed the full potential of crowdfunding in the domain of politics. During the 2016 US Democratic Primaries, nearly 57 percent of Sanders' donations (a whopping \$134 million) were under \$200, with the average donation being \$27.³⁰ A total of 126,421 contributors donated less than \$200, while 64,576 people donated amounts between \$200-\$499. With the help of crowdfunding, Sanders started a grassroots socialist campaign, eschewing wealthy mega-donors and Super PACs to drastically alter the way the US Democratic Party approached campaign finance. By crowdfunding most of his presidential primary campaign, Sanders was able to claim the moral high ground as he owed no favors to the top 1%. The democratic left soon began to emulate Sanders' crowdfunding model, appealing to small donors instead of Wall Street. Many on the democratic left realized that crowdfunding could challenge the political dominance of corporate America. By distributing the campaign's financial burden among the citizens and lowering the donation threshold, online crowdfunding freed many politicians from the economic dominance of Big Money.

In 2018, Rashida Tlaib became one of the first two Muslim women, along with Ilhan Omar, to be elected to US Congress after she won the Democratic party nomination for the United States House of Representatives seat from Michigan's 13th Congressional District.³¹ She also became the first woman of Palestinian descent in Congress, running a platform supporting a \$15 minimum wage, free health care,

and opposing military intervention.³² Overall, the 13th District candidates fundraised around \$2 million, with Tlaib raising over half of that amount. The money was crowdfunded with the help of 62,000 individual supporters who helped Tlaib become the first Muslim woman to serve in the Michigan legislature.³³

In the same year, Alexandria Ocasio-Cortez created history when she won the US Democratic Party's primary election for New York's 14th Congressional District on June 26, 2018, with 57.13 percent of the vote, defeating the ten-term incumbent representative Joe Crowley. It was seen as the biggest upset victory in the 2018 midterm election primaries.³⁴ She then went on to defeat Republican opponent Anthony Pappas in the November 6, 2018, general election, and at the age of 29, became the youngest woman ever to be elected to the United States Congress.³⁵ A supporter of Bernie Sanders, Ocasio-Cortez characterized herself as a democratic socialist and ran on an unapologetic platform of free health care, gun control, and housing as a human right.³⁶ Taking a leaf from Sanders' book, Ocasio-Cortez started a grassroots campaign funded entirely by the crowd. For the 2019 - 2020 election cycle, she raised over \$17 million, of which over \$13 million (approximately 78 percent) was crowdfunded with the help of individual donors who all contributed less than \$200 to her campaign.³⁷

Online crowdfunding has changed how politicians perceive voters from low or middle income groups. They are now seen as donors who, through their small contributions, can bring authenticity to political campaigns. While crowdfunding has empowered voters, it has also been an invaluable tool for aspiring politicians who don't find mainstream support. In a world where women and minorities often have no access to high-profile donors and financial capital, it becomes impossible for them to compete against those who are backed by corporate donations. In such cases, crowdfunding can act as a powerful financial tool to

empower people from marginalized communities like in the case of Ocasio-Cortez and Rashida Tlaib.

The growing popularity of crowdfunding as an alternative campaign funding mechanism can also be witnessed in other democracies. In the UK, when the election was called in 2017, within four weeks, more than £750,000 were raised for political projects on Crowdfunder, a crowdfunding platform that has raised over £1.2 million with the help of 44,000+ contributors for political campaigns in the UK.^{38,39} In Brazil, jailed socialist candidate Lula da Silva, who was Brazil's first working-class president, managed to raise 268,000 Reais (\$72,000) within ten days through crowdfunding.⁴⁰

In India, the Aam Aadmi Party (AAP) crowdfunded their way to power in the New Delhi assembly polls in which they defeated the ruling national party BJP in a landslide victory. Twenty-one AAP candidates raised Rs 1.2 crore (Rs 12 million) with the help of 2,876 donors through the online crowdfunding platform OurDemocracy.in. Eighteen of them won a seat in the elections. *“We don't take large donations– they come with a quid pro quo. We want to collect small donations with no strings attached, give people a stake in democracy,”* Atishi Marlena, who raised over Rs 28 lakh (2.8 million), commented about AAP's fundraising strategy.⁴¹

Nominee	Result	Moneyraised in Rs.	No. of Donors
Atishi	Won	2,825,100	599
Manish Sisodia	Won	2,815,928	1313
Sanjeev Jha	Won	1,345,044	91
Sourabh Bharadwaj	Won	1,327,547	215
Dinesh Mohaniya	Won	1,129,945	103
Raghuvinder Shookan	Won	100	1
Durgesh Pathak	Lost	700,064	77
Preeti Tomar	Won	45,751	24

Sarita Singh	Lost	115,500	10
Amanathulla Khan	Won	26,620	20
Somnath Bharati	Won	161,354	28
Gopal Rai	Won	426,049	73
Saurabh Bharadwaj	Won	1,327,547	215
Dilip K Pandey	Won	272,267	43

Table 1- Aam Aadmi Party (AAP) money raised through crowdfunding by candidates.⁴²

In Russia, crowdfunding played a vital role in both mobilizing support and fundraising for Alexei Navalny, who stood in opposition against Vladimir Putin. Navalny's campaign had fundraised over \$3 million, an unparalleled sum for political crowdfunding in Russia, where the regulatory system heavily discriminates against opposition parties who often struggle to obtain the funding necessary for meaningfully contesting elections.^{43,44} In another instance, Russia's only opposition magazine, The New Times, crowdfunded nearly \$370,000 in four days to avoid bankruptcy after a record fine of 22 million Rubles (\$338,000) was imposed on it by a court that made the ruling in the absence of the magazine's representatives.⁴⁵

From the US to India, crowdfunding as a political tool has empowered political parties to democratize campaign finance. It has provided a viable alternative to Big Money for political parties and candidates who don't want to owe political favors to corporates or mega-donors. In other cases, crowdfunding has financially empowered opposition parties who face discrimination at the hands of a biased system that disproportionately favors the ruling class.

However, political crowdfunding should not be viewed solely as a financial instrument. Besides its use as a funding tool, crowdfunding can be seen as a community building tool, allowing a candidate to get their potential voters emotionally and financially invested in their

political campaign. When a person donates to a candidate's campaign, they will feel a sense of attachment towards the campaign. This will prompt them to participate in e-promotional activities for the candidate, which can be something as simple as sharing the campaign with their family and friends. These donors, most often, become voters.

While political crowdfunding has the potential to democratize campaign finance, currently, it remains mostly unexplored and unregulated, with problematic issues such as unregistered or untraceable donations and cybersecurity.⁴⁶ There is also an issue pertaining to data ownership if political parties crowdfund through a dedicated platform. The smaller parties who don't have the resources or technical expertise and cannot create their crowdfunding apps or websites often use the services of third-party crowdfunding platforms. In such cases, the ownership of data becomes a serious issue that must be resolved.

Political crowdfunding has the potential of tackling Big Money's influence and strengthening the political processes in a democracy. It provides a platform for ordinary citizens to emerge as future leaders, making politics more accessible. Despite its challenges, it continues to be a powerful tool that can create and empower grassroots political movements, a tool that can protect the future of democracies. However, one must not assume political crowdfunding to be an infallible or incorruptible method.

Crowdfunding for Social Justice

“I wouldn’t wish life in Cell No. 3 of Tihar Jail on my worst enemy. Locked up in a 10x10 foot dark cell, I was forced to sleep on the hard cement floor, my head inches away from the latrine. On my first night, my skin crawled at the stench as rats picked at my shit. I couldn’t sleep; I kept asking Allah, ‘When would we be released?’ We were treated like animals— at 6 AM, we were woken up with a loud bang and given watery dal and roti twice a day. We were only allowed to leave our cell for 30 minutes; those moments outside my cage were my solace. I grew close to Lateef and Naza, the two other suspects—we kept each other going. I cried every day thinking about my family— I wasn’t allowed to call them. We weren’t given bail or even a lawyer in the early days— I didn’t know that was my right. From the wardens to the sweepers, I’d only ask, ‘When would we be released?’ Every 14 days, we’d be taken to court, and I’d think, ‘This time they’ll set me free.’ But then I found out that the blank paper I’d signed (earlier) was turned into a charge sheet of false confessions. I’d been framed as a terrorist responsible for the Lajpat Nagar bomb blast that killed 14 civilians.”¹ These are the words of Ali Bhat, a man who spent 23 years in prison, persecuted for a crime he didn’t commit.

Ali Bhat grew up in Kashmir, a region that houses thousands of stories like his. Growing up in Kashmir was hard for Ali, as earning a livelihood in a conflict region was an arduous task. He and his brothers decided to move to Delhi for better prospects but the police constantly harassed them due to their Kashmiri identity. One time the cops jailed Ali and his brothers for two days, interrogating them for a robbery they didn’t commit. Tired of looking over their shoulders, Ali and his brothers decided to shift to Nepal and start their own carpet business.

*“In Kathmandu, we weren’t Muslims or Kashmiris, we were just human. Our business was picking up, and I thought the worst was behind us. Until one day, when we were talking about my marriage plans with my beloved, we heard a knock on the door,”*² Ali said in an interview with Humans of Bombay.

Just when Ali thought life was getting better and he would marry soon, life turned upside down for him. He and every single Kashmiri in Nepal were arrested and interrogated about the Lajpat Nagar blasts of 1996. He was shown photos of suspects, and unfortunately, he recognized one of the men whom he knew from Kashmir. From there on, it all took a turn for the worst as he was mercilessly tortured, beaten, and electrocuted.³ He was so broken and afraid that when he was asked to sign a blank paper, he did so blindly. The blank paper was turned into a charge sheet of false confessions, and Ali was thrown into Tihar jail. He was convicted not only for the Lajpat Nagar blasts but also for the Samleti blasts in Rajasthan that took place two days after the Lajpat Nagar blasts. In jail, he was informed that his mother had passed away from the heartbreak of losing him. For Ali, time stood still while the world moved on— his siblings got married, had children, and even his beloved was married. Prejudice followed him everywhere, in court and prison. Fourteen years passed by, and soon he lost his father as well. After twenty-three years of being wrongly imprisoned, a new bench of judges reviewed his case and found Ali innocent.⁴ At 5 PM on July 23, 2019, he stepped out of jail and went back home to Kashmir. 2019, he stepped out of jail and went back home to Kashmir.

“I felt the weather again and looked up to the sky as I took my first breath as a free man. My brother hugged me, and I broke down in his arms. But when you’ve been a prisoner for so long, freedom can be hard to accept. On our way to the airport, I sat in the rear seat— I kept checking if we were being followed. When we landed in Kashmir, 150

people gathered to see me. But the first thing I did was rush to my parents. I threw myself at their graves and screamed, ‘Mein wapas aa gaya! (I have returned!)’ I kissed the mud and hugged their grave, thinking that if I tried hard enough, they’d hug me back. I cried inconsolably— they died with their last wish unfulfilled of seeing me free,” Ali said in his interview.⁵

The first word that comes to mind when we read Ali Bhat’s story is ‘injustice’. The law of the land failed to protect this man due to the biases attached to his identity. While the world is riddled with stories of injustice and oppression, there is a general agreement that the minorities, the underprivileged, and the vulnerable communities are most at risk of being dehumanized and exploited.

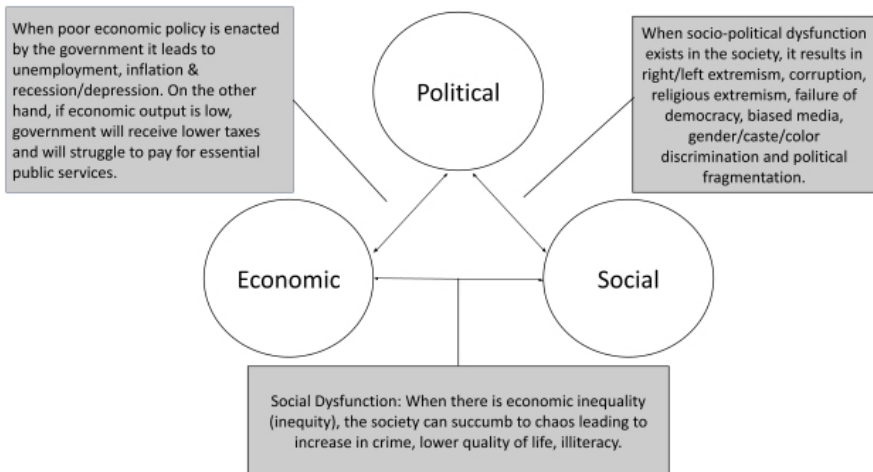


Fig 1- Interconnected nature of social, political, economic domains of society.

Let's revisit our diagram from chapter six. Social injustice is interconnected with political and economic injustice. When socio-political inequality exists in a society, it results in political and social fragmentation, extremism, and prejudices against the 'other side'. Politicians in power often create an 'us' vs. 'them' binary wherein the people who yield less influence in the society are alienated, targeted, and portrayed as lesser humans. It's an age-old trick that always seems to work. When combined with economic inequality, socio-political inequality cripples marginalized communities who often don't have enough resources to fight back against the injustices perpetrated against them. In Ali Bhat's case, he was cornered and barely had enough resources to fight back against a system that falsely implicated him. But where does crowdfunding fit in all of this? How can crowdfunding help in the case of social injustices that arise from a fractured system blinded by in-built biases?

When it comes to social injustices, crowdfunding plays a minimal role, unlike in politics, where it can have a long-term impact by tackling Big Money's influence and helping crowdfunded representatives come into power. In the case of social injustices, crowdfunding acts like a bandage. It doesn't solve the problem. Neither does it address the underlying causes of social injustice. However, it is useful in helping individual cases and treating the symptoms of inequality that plague marginalized communities. Sometimes, in rare cases, it can also help create, sustain, and finance grassroots movements that tackle systematic inequality or oppression.

The Facebook page 'Humans of Bombay' ran a crowdfunding campaign for Ali Bhat after coming to know his story. The campaign raised Rs 23 lakh (2.3 million) within 10 hours, quickly exceeding its initial goal amount.⁶ The justice system didn't compensate Ali for the 23 years he lost in prison, but the citizens of the country took it upon them

selves to support and empower him. While the money couldn't buy back his lost years, it did allow him to restart his life. With the crowdfunded money, he made investments to upgrade his old shop, purchased a small piece of land in his hometown— where he hopes to build his own home—, and also got engaged to a woman named Fatima, with whom he wants to spend the rest of his days.⁷ For 49-year-old Ali, crowdfunding acted like a bandage to the wounds inflicted by a justice system that imprisoned him for 23 years.

When marginalized communities lack political representation or when they lack access to opportunities, it results in social imbalance. The powers to change such structures are often vested within the hierarchy who benefit from such an imbalance. And those on the receiving end often struggle to fight back against such oppression due to a lack of (financial) resources. Let's take the example of justice-gap in the world's biggest superpower. In the US, the justice system is failing the poorest and most vulnerable sections of society who are often most in need of its protection. In 2015, for example, an estimated 1.8 million people appeared in the New York State courts without a lawyer.⁸ In 2013, 98% of tenants in eviction cases and 95% of parents in child support cases were unrepresented in these courts.⁹ 86% of the civil legal problems faced by low-income Americans receive inadequate or no legal help in a given year.¹⁰ Of the estimated 1.7 million civil legal issues for which low-income Americans seek legal aid, 1.0 to 1.2 million (62% to 72%) receive inadequate or no legal assistance.¹¹ If the situation looks so dire in one of the world's most developed countries, one can only imagine how it looks in relatively underdeveloped or developing nations where corruption runs rampant and civil justice systems are overburdened. When access to justice is limited to only those who can afford it, the poorer sections of society often fail to find justice, leading to social and hierarchical discrimination that continues for generations.

Gender injustice is perhaps the biggest evil that plagues our society. In almost every country, women have to face discrimination and inequality. Violence, harassment, abuse, disenfranchisement, and unequal treatment at home, at work, and in their wider communities are everyday occurrences for women.¹² The majority of the world's poor are, in fact, women. Despite working longer hours, women have fewer resources, less socio-economic power, and occupy fewer positions of power in society when compared to men. Nearly two-thirds of the world's 781 million illiterate adults are women, a proportion that has remained unchanged for two decades.¹³ One hundred fifty-three countries have laws that discriminate against women socio-economically, including eighteen countries where husbands can legally prevent their wives from earning wages.¹⁴ If we talk about political representation, only 25% of the 35,127 global seats are held by women, and only 21% of the 3,343 ministers are women.¹⁵ In most countries, women are either not represented or their representation is marred with stereotypes and biases. This, in turn, has negative consequences that affect the entire world.

For 141 countries globally, the loss in human capital wealth due to gender inequality is estimated to stand at \$160.2 trillion.¹⁶ But the economic injustice barely touches the surface. It is estimated that 35% of women worldwide have experienced either physical and/or sexual partner violence or sexual violence by a non-partner (not including sexual harassment, which is faced by 80% of women) at some point in their lives.¹⁷ Some studies peg the number to be much higher estimating that up to 70% of women have experienced physical and (or) sexual violence from an intimate partner in their lifetime.¹⁸ The numbers are startling and reveal a disturbing pattern of discrimination against women who often lack the financial resources and social networks to navigate the justice system to access courts and lawyers.¹⁹ In 2017, over one billion women lacked legal protection from sexual harassment by an intimate partner, while approximately 1.5 billion were without legal

protection against workplace sexual harassment.²⁰ And even though the world is making socio-political and economic improvements to close the gender inequality gap, it will still take 99.5 years to close it, given the current trends.²¹

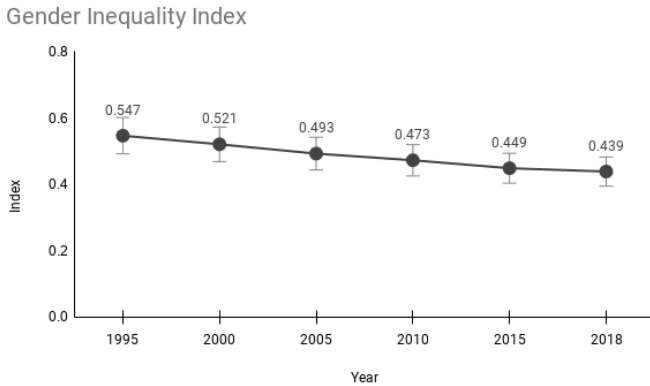


Fig 2- Gender Inequality index.²²

Although online crowdfunding is not the panacea that can provide universal access to justice for women, the technology has shown great promise in revitalizing social issues pertaining to women at both the micro and macro level.²³ For instance, the TIME'S UP Legal Defense Fund's GoFundMe campaign started in December of 2017, raised over \$24.25 million with the help of over 21,000 people.²⁴ The fund connects those who experience sexual harassment, abuse, or related retaliation in the workplace with legal assistance and those trying to advance their careers with public relations assistance. In the year since its launch, more than 3,700 people from all across America sought legal help from the TIME'S UP Legal Defense Fund.

Similarly, as part of the #MeToo movement, a movement against sexual harassment and sexual abuse, the 'Justice and Equality Fund' on behalf of the 'Rosa Fund' started a campaign on GoFundMe to raise funds for UK women's organizations— all working with women in

need of legal support— to help them tackle the root causes of sexual harassment and abuse across communities and workplaces. The campaign raised \$2.7 million with the help of over 400 donors.²⁵ Seven women's organizations were awarded a total of £1.02 million through grants that ranged between £25,000 and £250,000. The 'Women's Aid Federation of Northern Ireland' was one of the biggest recipients, receiving £200,000 to re-establish a rape crisis center, 12 years after it had shut.²⁶

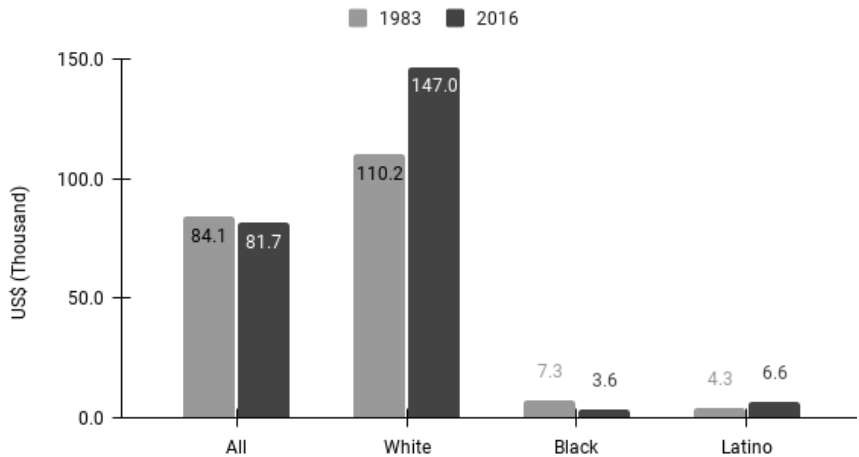
In India, Sandhya Menon put her livelihood, safety, and mental health on the line to become a voice for countless women in India's #MeToo movement. She amplified the stories of victims by tirelessly calling out men accused by women of sexual abuse. Regretably, it all took a hefty toll on her mental health after she was repeatedly threatened with legal action by a company whose senior employee she had called out. To make matters worse, she also struggled to pay her children's school fees. Her crowdfunding campaign raised over Rs 14.9 lakh (1.4 million) with the help of 341 supporters.²⁷ The money provided the brave single mother with much-needed financial stability and helped her clear her children's school fees.

Outside of the #MeToo movement, crowdfunding has helped women acid attack survivors, who struggle to find employment, gain financial independence by helping them raise funds to sustain their business ventures. Even the Obama foundation tapped into the power of crowdfunding for funding their program 'The Girls Opportunity Alliance'. The program seeks to empower adolescent girls worldwide through education, enabling them to achieve their full potential and transform their communities and countries. The program engages people around the world to take action to help adolescent girls and those who work to educate them. To close the funding gap for the initiative, the ObamaFoundation worked with GoFundMe to launch a micropage that

featured multiple crowdfunding campaigns related to the initiative. The campaigns received thousands of donations from all 50 US states and more than 40 countries. The crowdfunding drive raised over \$2.25 million for 27 campaigns on GoFundMe, with many campaigns exceeding their target amounts.²⁸ The program has made considerable strides in various countries. From helping prevent human trafficking through education in Vietnam to providing a dormitory and education center to support indigenous girls in rural Andean communities, 'The Girls Opportunity Alliance' has improved the quality of life for many girls worldwide. The program has been able to create a positive global impact through crowdfunding in countries like Kenya, Tanzania, South Africa, Senegal, Malawi, Peru, Ghana, Zimbabwe, India, Cambodia, Uganda, and Guatemala.²⁹

In the era of globalization and global migration, racial inequality is also prevalent in many countries. After women, it's the people of color who have faced the most injustices in the world, whether in the form of slavery and disenfranchisement in the olden times, or systematic oppression, mass incarceration, and police brutality in the modern times. The people of color have faced inequality for centuries. For instance, in the US, where racial inequality is embedded in the very fabric of the system, a black person is five times more likely to be stopped without a just cause than a white person.³⁰ African Americans are also incarcerated at more than five times the rate of white people. In New York City, 88% of police stops in 2018 involved Black and Latinx people— 70% were completely innocent, while in comparison, only 10% involved white people.³² On average, Black men in the US receive 19.1% longer prison sentences than white men convicted for the same crimes.³³ There also exists an insurmountable wealth gap between white people and people of color in the US, which has only increased over time.

Racial Wealth Divide (Median wealth by race)

Fig 3- Racial wealth divide in the US.³⁴

On May 25, 2020, 46-year-old George Floyd, an African American man, was killed in Minnesota, US during an arrest for allegedly using a counterfeit bill. Footage of the arrest showed a white police officer kneeling on Mr. Floyd's neck while he was lying face down on the floor. Transcripts of police body cam footage show Mr. Floyd reiterating his inability to breathe over 20 times while the officers restrained him.³⁵ The police officers even prevented bystanders from intervening. During the final two minutes, Mr. Floyd was motionless and had no pulse while the officer kneeling on his neck ignored onlookers' pleas to remove his knee, which he did not do until medics told him to.³⁶ The officer kept his knee on Mr. Floyd's neck for eight minutes and 15 seconds, a length of time that became a symbol and rallying cry for nationwide protests in the aftermath of Mr. Floyd's killing.³⁷

Two days later, on May 27, 2020, George Floyd's younger sister, Bridgett Floyd, started a GoFundMe campaign that raised over \$377,000 to help the Floyd family seek justice and provide them monetary relief.³⁸ Another campaign was started on GoFundMe for Darnella Frazier, the brave young woman who filmed Mr. Floyd's murder; who in addition to the trauma of watching a man get murdered by the cops, also had to deal with trolls and bullies harassing her for filming the horrific incident. The campaign was started with the aim 'to support the healing and the restoration of hope for Darnella Frazier' and raised \$528,515 with the help of over 20,000 donors.³⁹ In both these cases, crowdfunding played a minor role by providing financial assistance to the victims affected by Mr. Floyd's shooting.

However, at the macro level, crowdfunding has played an essential role in supporting the Black Lives Matter movement, a decentralized movement advocating for non-violent civil disobedience in protest against incidents of police brutality and all racially motivated violence against African-American people, on a global scale.⁴⁰ For example, the GoFundMe micropage for Australia's Black Lives Matter movement has raised over \$2.8 million for 22 campaigns to help fight for the rights of Indigenous Australians who suffer from racial injustices.⁴¹ In a similar attempt, another crowdfunding site Crowdfunder UK raised over £157,000 for 12 campaigns on their Black Lives Matter micropage.⁴² The UK Black Lives Matter fund, started by a coalition of black activists and organizers across the UK, raised £1.19 million with the help of over 35,000 donors on GoFundMe to help the marginalized black communities in the UK.⁴³ In another instance, The Black Lives Matter - Los Angeles campaign on GoFundMe raised \$3.05 million to challenge state-sanctioned violence against Black people.⁴⁴ Overall, the GoFundMe website lists over 70,000 crowdfunding campaigns pertaining to Black Lives Matter, having raised millions for purposes ranging from providing mental health care access for Black people to supporting Black-owned businesses worldwide.⁴⁵ In relation to Black

Lives Matter, crowdfunding has served as a financial tool to fund grassroots movements trying to tackle the symptoms of racial inequality embedded in the system. Crowdfunding has also funded civil disobedience movements and protests against the high-handedness of governments across the world. Crowdfunding initiatives have supported protests in many different ways by helping people raise funds for legal aid of arrested protesters, pay for the medical bills of those injured during the demonstrations, fund publicity and awareness campaigns to sustain civil disobedience movements, buy safety equipment, and provide compensation to the families of victims of targeted systematic violence.

In 2019, protests were witnessed on every continent and across 114 countries—from Hong Kong to Haiti, Russia to China, and India to North America.⁴⁶ Almost 60% of the world experienced protests. Protests serve as a strong indicator of social injustice or unrest and, at the most fundamental level, raise socio-political awareness about issues that plague the masses. Protest movements can fundamentally alter the way we talk and think about a specific social problem.⁴⁷ Throughout history, protests have resulted in a gamut of outcomes, ranging from regime changes to political violence and mass casualties. Within countries, protests are key signals pointing towards the changing relationships between governments and citizens.⁴⁸

When we see the Google search trends before and after May 25—the day George Floyd was murdered—we observe that more individuals started interrogating racism in their own lives. Phrases like ‘abolish police’, ‘defund police’, ‘police abolition’, and ‘am I a racist’ have seen a sharp increase in interest. The graph below shows that the Black Lives Matter protests have, in some capacity, raised public awareness and sensitivity towards racism since people are seeking, or at least googling, more information.⁴⁹

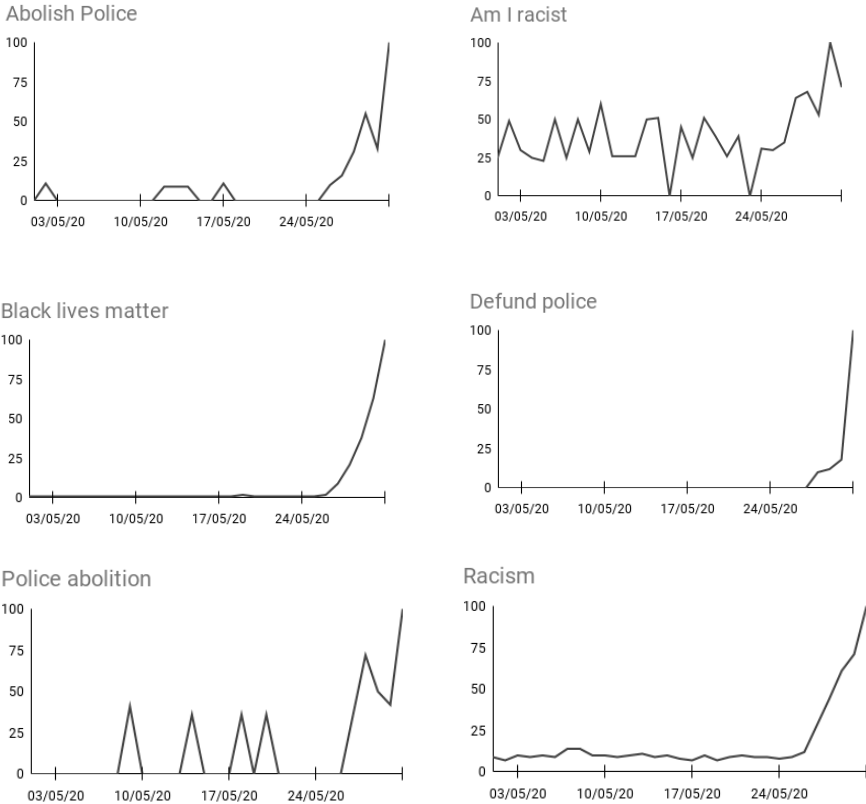


Fig 4- Google search trends from May 1, 2020, to May 29, 2020, by Five ThirtyEight.⁵⁰

Crowdfunding also played a significant role in the Sunflower Movement of Taiwan in 2014. Taiwan, officially known as the Republic of China (ROC), is a country in East Asia. Even though Taiwan has been independent from mainland China for over half a century, China claims the island as its sovereign territory and refuses diplomatic relations with countries that recognize Taiwan’s independent statehood. Throughout March 2014, protests engulfed the capital Taipei in response to a service trade agreement that was being pushed through Congress. The trade

agreement allowed Chinese companies to invest in a host of Taiwanese industries to achieve greater economic integration of Taiwan with China— an attempt that was seen by many as the commercial colonization of Taiwan.⁵¹ On March 18, 2014, a group of students occupied the Legislative Yuan (Taiwanese Parliament) in a show of protest against the trade deal. They remained camped in parliament for twenty days. One of their core demands was to hold off any further trade talks between Taiwan and China until an oversight mechanism had been implemented.⁵² The student movement in Taiwan came to be known as the Sunflower Movement.

A full-page advertisement was published in the New York Times on March 24, 2014, by a group of civic activists with loose ties to the student organizers.⁵³ It was a powerful message with a picture featuring students being hosed by a water cannon with their heads bowed. “Taiwan needs your attention and support,” the appeal read. The placement costs of \$208,000 (inclusive of the New York Times advertisement at \$153,000 and another one in the Taiwan-based Apple Daily) were fundraised in less than four hours on a Taiwanese crowdfunding platform FlyingV.⁵⁴ The campaign raised over \$6.9 million with the help of 3,611 donors. Besides helping publicize the protests through newspaper advertisements, the money raised from the crowdfunding campaign was donated to the organizer of the anti-service trade activity and fund the medical expenses of the victims of the protest.⁵⁵

In 2019, mass level protests were triggered after the Hong Kong government introduced the Fugitive Offenders amendment bill. The bill allowed the extradition of ‘fugitives’ in Hong Kong— bill allowed the extradition of ‘fugitives’ in Hong Kong— citizens, foreigners, and tourists— to China for ‘alleged’ crimes. The underlying fear in public was that the bill would allow arbitrary ‘deportations’ of alleged suspects to mainland China to face trial, exposing Hong Kong citizens to mainland

China's legal system, thereby undermining Hong Kong's autonomy and violating the civil liberties of its people. During the Hong Kong protests, crowdfunding emerged as the financial backbone that helped sustain the protests and raise global awareness about the situation. A crowdfunding campaign launched in late June raised HK\$5.48 million in a single day to take out full-page advertisements in international newspapers ahead of the G20 summit.⁵⁶ Advertisements were eventually placed in nineteen publications worldwide, including the New York Times, the Washington Post, and The Guardian.⁵⁷

Amid complaints of police brutality against reporters during the Hong Kong protests, a crowdfunding campaign started by the Hong Kong Journalists Association in support of press freedom raised over HK\$3.2 million with the help of 9,900 donors on the crowdfunding platform GoGetFunding.com.⁵⁸ Another crowdfunding campaign raised HK\$12 million to provide medical, legal, and psychological aid to protesters.⁵⁹

In the same year, protests broke out across India against the Citizenship Amendment Act (CAA) of 2019. The reasons for the demonstrations varied from one state to another. Some protested because the CAA allegedly violated the country's secular identity, while others feared that it would endanger their linguistic and cultural identity. Yet others believed that the CAA combined with the proposed nationwide National Register of Citizens (NRC) would become a tool to exclude the country's Muslim population.⁶⁰ As protests against the CAA erupted across India, several crowdfunding campaigns were created to support the movement and provide legal assistance and compensation to the families of victims who were arrested, injured, or killed during the protests. to the families of victims who were arrested, injured, or killed during the protests.⁶¹

A few days after Anas Hussain was killed in his hometown in Uttar Pradesh during the anti-CAA protests, an online crowdfunding campaign on the crowdfunding platform OurDemocracy.in raised Rs 1 million to provide financial assistance to his family.⁶² Crowdfunding campaigns hosted on OurDemocracy raised over Rs 40 lakh (4 million) for the families of five victims who were killed in the anti CAA protests. *“At the end of the day, you expect the governments to offer ex-gratia compensation in such cases when somebody dies due to police firing. That has been the tradition in this country. In these cases, it was the State which was the oppressor, but they were not even willing to offer the bare minimum support that families expect. So, it was very important for the citizens to step in. In a democracy, it is the job of the citizens to step in every time the state lets you down”*,⁶³ remarked Bilal Zaidi, the founder of OurDemocracy, a platform that has raised over Rs 6 crore (60 million) for over 300 projects for campaigns pertaining to social causes, politics, and journalism.⁶⁴

Another crowdfunding campaign on OurDemocracy started by the ‘Joint Forum against NRC’, a common platform of progressive mass organizations, raised Rs 6.17 lakh (617,515) with the help of 380 supporters to fund a mass rally against the implementation of the National Register of Citizens (NRC) in the state of West Bengal in India.⁶⁵ The rally started from Darjeeling district in November and culminated in Kolkata city in December. The campaign aimed to fund the travel expenses of 50 students and youth activists who would travel in a bus equipped with a public address system. The money raised was also used to distribute booklets and leaflets among the people to raise awareness regarding the NRC exercise and explain the rationale of the platform’s opposition to it.⁶⁶

Crowdfunding has played varied roles in different situations for causes pertaining to social justice. Crowdfunded money has been used for funding litigation, compensating the victims of social injustices, preventing harassment, empowering marginalized communities, and many other socio-political endeavors. In these cases, the impact of crowdfunding is hard to quantify and harder to compare against other financial tools. However, crowdfunding does have the potential to create positive change and encourage meaningful discourses in society— sometimes by supporting civil disobedience movements and sometimes by financially empowering the oppressed. When the State turns a blind eye to exploitation and injustice, crowdfunding as a tool devolves the power back to the people.

Role of Social Media in Crowdfunding

Breswana is a remote Himalayan village in the Doda district of Jammu and Kashmir in India. Located at 7,500 feet above sea level, Breswana can be accessed only after trekking for one-and-a-half hours (7 km) from the last motorable point at the wooden bridge over the Chenab river in Premnagar. The bridge is the nearest road link with the village, lying at a distance of over 15 km from Doda town, where people usually go to get access to decent healthcare and buy basic amenities.¹ By all means, the Breswana village is cut off from the world below. The villagers face many difficulties, especially during the harsh months of winter, when the snowstorms can make the village inaccessible to the rest of the world. Yet, despite geographical constraints, the children of Breswana have been exposed to high-quality education, and their stories have even reached JK Rowling.

The remote Himalayan village is home to the Haji Public School (HPS), which was started in 2009 in the ancestral home of its founding members— the Haji family. The school is run by Sabbah Haji, who has served as the director of HPS since its inception in 2009. The idea of the school emerged in the aftermath of the Amarnath riots. In 2008, Breswana, a village no one had heard of, was suddenly featured in the national news because of a mob violence incident. Before the riots, the Haji family had been running a trust in the Doda town, providing charity on a small scale to widows, orphans, and poor people looking for financial help. However, the riots made the family realize that to bring about any real change, they needed to work towards providing education for the children in their ancestral village. The Amarnath riots acted as a wake-up call for Sabbah, who decided to leave her

job in Bangalore city and return permanently to her native village in Breswana to start the Haji Public School, with the help of her family.²

The school started with two classes, lower and upper kindergarten, two teachers and thirty-five students studying in the rooms of the Haji Cottage. A decade later, Haji Public School has over five hundred students on its rolls, a permanent local staff of more than twenty teachers, and teaching volunteers from various parts of India, Canada, South Africa, Singapore, and Paris.³

Sabbah uses her social media platforms to raise funds and invite volunteers to teach at her school. She represents the school outside her village, on social media, and at various conferences. Through platforms like Facebook, Twitter, and Instagram, she constantly posts updates and stories about the progress of students enrolled in her school. Currently, her Instagram has over 12,000 followers, and her Twitter has over 35,000 followers. The school's official Facebook page also has over 5,000 followers. Thus, with the help of a strong social media network, Sabbah has run successful volunteer programs and fundraisers for the school.

Inspired by Sabbah's efforts in her village, Srinu Swaminathan, a runner and a freelance consultant for nonprofit organizations, participated in six full marathons and two half marathons to raise funds for the Haji Public School in 2016. His crowdfunding campaign raised Rs 2.49 lakh (242,909) and was shared 307 times on social media.⁴ In the same year, Dushyant Arora, a lawyer practicing in Delhi and a Columnist with Mumbai Mirror, raised Rs 6.12 lakh (612,000) from 123 supporters to cover the tuition costs of over 100 students enrolled in Haji Public School.⁵ Perhaps, the most impressive campaign was run by an ex-volunteer at Haji Public School, Nagakarthik, whose crowdfunding campaign raised Rs 9.31 lakh (931,000) from 217 supporters

in an effort to install a solar-powered grid at the school and set up smart screens with educational content to improve the quality of education at HPS. Due to Nagakarthish's fundraising efforts, the Haji Public School now runs on solar power, and its students have access to smart classrooms. A short film made on Nagakarthish's initiative 'The Breswana Project' was awarded the people's choice award at the IMF Mountain Film Festival.⁶

One of the many factors behind the success story of Haji Public School is the social networking prowess of its volunteers and management. By tapping into the power of social media, Haji Public School has become an ideal education model for social changemakers aiming to transform remote and inaccessible regions. Through a brilliant social networking strategy, the Haji family has been able to bring teachers from across the world to a small Himalayan village in Jammu and Kashmir. Together, they have helped educate hundreds of first-generation learners— an impact that cannot be quantified. *"Nobody would have known about the school if it hadn't been for the internet. Twitter has been great. I almost need to keep spamming the world about the things we are doing. These updates have given us visibility,"* Sabbah Haji said in a 2015 Ted Talk, highlighting the role played by the internet, especially Twitter, in giving visibility to the school and its activities.⁷

We live in an age where the internet has dramatically reduced the limitations posed by geographical distances. Social media has enabled us to transcend communication barriers and connect with people irrespective of their geographical or socio-economic location. If a story of a 12-year-old girl from a small Himalayan school can reach a renowned writer across the world within a few hours, it begs the question: How connected are we? Poets, philosophers, researchers have all pondered about this question, and some even found an answer.



Fig 1- JK Rowling's reply to a 12-year-old girl from Haji Public School.

In 1967, a Yale social psychologist Stanley Milgram conducted an experiment famously known as the 'small world experiment' which tracked chains of acquaintances in the United States.⁸ Milgram asked 160 random people living in Nebraska and Kansas to send a letter to a stranger (a stockbroker from Boston, Massachusetts) using only friends (whom they knew by their name) as intermediaries. In turn, the friends were allowed to pass the letter to their friends, and so the chain would continue.⁹ On average, it took five friends — a separation of six degrees — for the letters to reach their destination.

A 'degree of separation' is a measure of social distance between people; you are one degree away from everyone you know, two degrees

away from everyone they know, and so on.¹⁰ The earliest historical reference to the theory of six degrees of separation can be traced back to the Hungarian author Frigyes Karinthy who, in 1929, published a collection of short stories titled, 'Everything is Different'. In one of the stories, titled 'Chain-Links', two characters believe that any two people could be connected through a chain of at most five acquaintances, so they create a game out of their conjecture. One of the characters notes, *"A fascinating game grew out of this discussion. One of us suggested performing the following experiment to prove that the population of the Earth is closer together now than they have ever been before. We should select any person from the 1.5 billion inhabitants of the Earth — anyone, anywhere at all. He bet us that, using no more than five individuals, one of whom is a personal acquaintance, he could contact the selected individual using nothing except the network of personal acquaintances."*¹¹

In 2001, Columbia University professor Duncan Watts made an effort to recreate Milgram's experiment via the internet, using an email message with 48,000 senders and 19 recipients (across 157 countries).¹² Watts found that the average number of intermediaries it took for the message to be delivered was around six. In 2007, Researchers Jure Leskovec and Eric Horvitz studied records of 30 billion electronic conversations among 240 million people in various countries on Microsoft Messenger. They found that the average path length among Messenger users was 6.6, hence further corroborating the theory of six degrees of separation.¹³

The concept of 'Six Degrees of Separation' has been enshrined in various movies, literature, and even a game involving actor Kevin Bacon. There was also a play that premiered in 1990, which was named Six Degrees of Separation.

“I read somewhere that everybody on this planet is separated by only six other people. Six degrees of separation. Between us and everybody else on this planet. The president of the United States. A gondolier in Venice. Fill in the names. . . . How every person is a new door, opening up into other worlds. Six degrees of separation between me and everyone else on this planet. But to find the right six people . . .”– John Guare, *Six Degrees of Separation*. *else on this planet. But to find the right six people . . .”*– John Guare, *Six Degrees of Separation*.¹⁴

Unsurprisingly, the degrees of separation have decreased with the advent of social media. On February 4, 2016, Facebook released a report on its blog claiming that the collective “degrees of separation” had shrunk over the past five years. As per their estimates, ‘each person in the world’ is connected to ‘every other person’ by an average of three and a half other people (3.57).¹⁵ The company relied on statistical algorithms to calculate their social network’s centrality, finding the approximate number of people within 1, 2, 3 (and so on) hops away from a source.¹⁶ In 2011, Facebook, in collaboration with researchers from Cornell University and the University of Milan, had found the average degrees of separation to be 3.74 on its platform.¹⁷ The one major drawback to facebook’s study is that the sample size is its users who all share one point of common interest: Facebook.

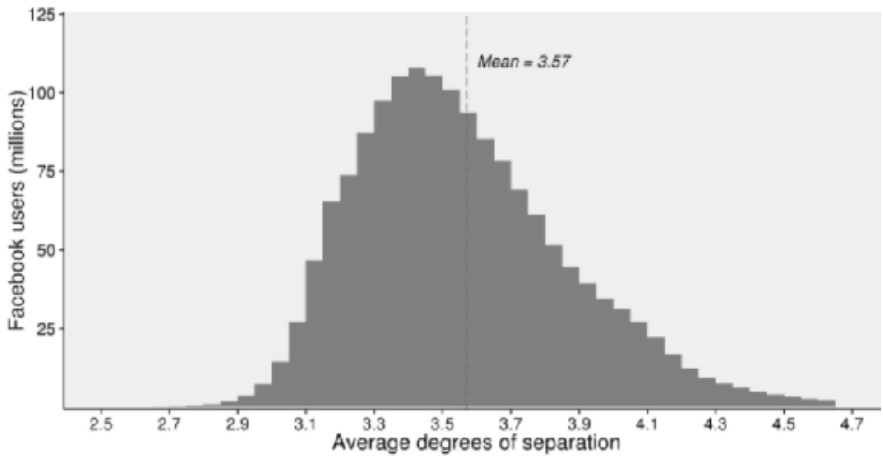


Fig 2- Estimated average degrees of separation between all people on Facebook.¹⁸

Therefore, the results cannot be applied to the rest of the 7.8 billion people on the planet, many of whom don't even have internet access. However, one thing is certain: social media has vastly reduced the communication barriers between people. Today, we are just a few connections away from most people in the world.

Social media plays an integral part in the success of most crowdfunding campaigns. A campaign's success depends mostly on the campaigner's networking skills, a process that involves tapping into one's social network and persuading people to donate. For a crowdfunding campaign to be successful, the creator needs to promote it across multiple social media platforms. Numerous studies have found that a person's social network connections, fan base, early promotional activities on social media, and the number of Facebook 'likes' on a campaign page are all positively correlated with fundraising success.

On a larger scale, even a crowdfunding platform's success can be tied to its social media following. As the social media following of a

platform grows, it can attract more donors and project creators. The degrees of separation between the platform and other social media users (who don't follow the platform's social media handle) is also reduced as the platform gets more followers. By retweeting or commenting on a crowdfunding campaign on Twitter or by liking a campaign shared on Facebook or Instagram, notifications or updates can appear on the timelines of other users who are not in the primary network of the campaigner. Since social media platforms amplify herding behavior, more people are likely to donate to a campaign or follow a platform's social media handle when they see their friends involved in it.

Kickstarter

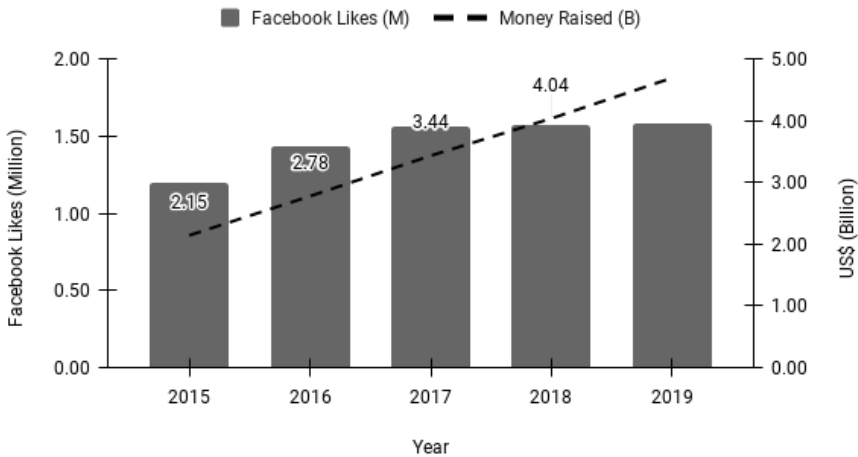


Fig 3- Correlation between Facebook likes and funds raised on Kickstarter between 2014-19.¹⁹.

Kiva

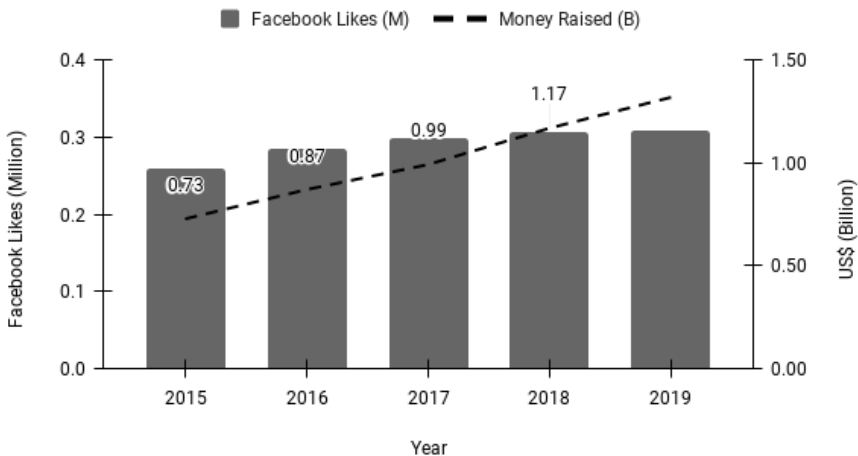


Fig 4- Correlation between Facebook likes and funds raised on Kiva between 2014-19.²⁰

Go Fund Me

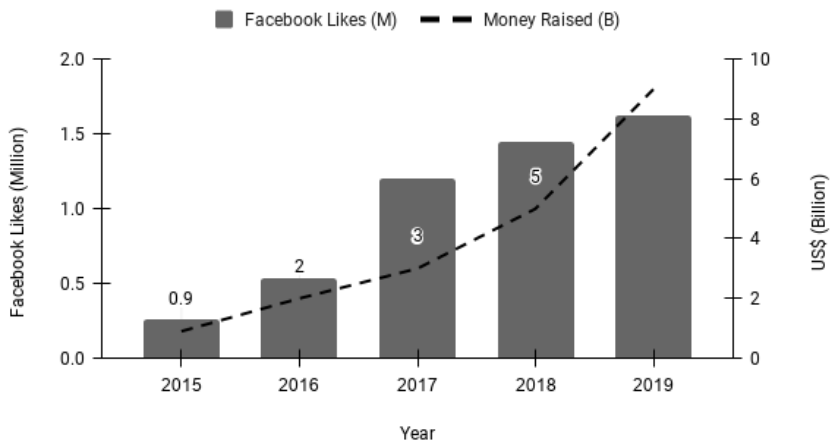


Fig 5- Correlation between Facebook lives and funds raised on GoFundMe between 2014-19.²¹

When we compare the increase in the Facebook following (Variable A) of Kickstarter, GoFundMe, and Kiva with the increase in funds raised by each of these platforms (Variable B) over a period of 5 years, we observe a strong positive correlation between the two variables. For Kickstarter, there is a 0.87 correlation between the increase in funds raised on the platform and the increase in social media following. For Kiva, the correlation is 0.91, and for GoFundMe, it is 0.87. While correlation doesn't imply causation, we can infer from both platform and campaign data that social media is essential to crowdfunding success in more ways than one, especially when it comes to reaching a new audience. A strong social media presence is also a prerequisite for emerging crowdfunding platforms and campaigners to improve their success rate, brand recognition, and trust ratings. Most crowdfunding platforms worldwide, either directly or indirectly benefit from social media platforms like Whatsapp, Facebook, Instagram, Youtube, Twitter, WeChat, Weibo, Snapchat, and Reddit to fund their campaigns.

Take Milaap's example; upon realizing that approximately 85% of their traffic came from mobile devices, the platform decided to focus its efforts on mobile messaging apps. Since 95% of their mobile audience already used WhatsApp, Milaap chose to use the WhatsApp Business API as a communications channel.²² WhatsApp's conversational approach helped the platform connect with more people in rural India and guide them to start fundraisers for personal emergencies or creative projects. Due to WhatsApp's popularity and broad reach, people in remote areas could share campaigns with their social network via the platform, thereby allowing them to raise funds quickly. After introducing the WhatsApp Business API for its campaign in October 2018, Milaap witnessed a 2X higher gross donation volume via WhatsApp in comparison to traditional channels. By 2019, Milaap had served 240,000 customers through WhatsApp.²³

Social media is a space for like-minded people to converge and rally behind a common cause that they feel strongly about. Animal lovers, sci-fi enthusiasts, human rights advocates, nature lovers, and people from all walks of life can find relevant social media groups with ease. This makes it easier for project creators to pitch their crowdfunding campaigns to their target audiences. A few minutes on social media can expose a person to thousands of groups where they can find like-minded people.

Take the case of Rakesh Shukla, a dog lover who sold his house and cars to build a sanctuary for abandoned and stray dogs on the outskirts of Bangalore. His crowdfunding campaign was shared over 1,100 times on social media, allowing him to raise Rs 1.7 crore (17 million) with the help of 10,000+ supporters.²⁴

In another instance, Dr. Uday Modi, who wanted to raise funds to build an old-age home for over 200 abandoned elderly in Mumbai, raised 1.9 crore (19 million) for his project after 6,800 people on social media shared his campaign. Over 40 campaigns were started on the crowdfunding platform Milaap for Dr. Modi's project by people with whom the project's cause resonated. Since social media creates echo chambers where people with common interests connect, it allows campaigners and supporters to invite like-minded people to support a crowdfunding cause that appeals to the ingroup. Ingroup members can then share the relevant campaign with their networks to amplify the campaign's reach.

For most crowdfunding platforms, social media is one of the primary drivers of web traffic. Different platforms evolve to prefer certain social media channels to reach out to potential donors. Let's look at the preferences of India's top three crowdfunding platforms: Milaap, Ketto, and ImpactGuru. In August 2020, Milaap received 30.81% of its web

traffic from social media platforms, with Facebook driving a massive share of the traffic to the website at 52.7%.

Milaap (Web Traffic)

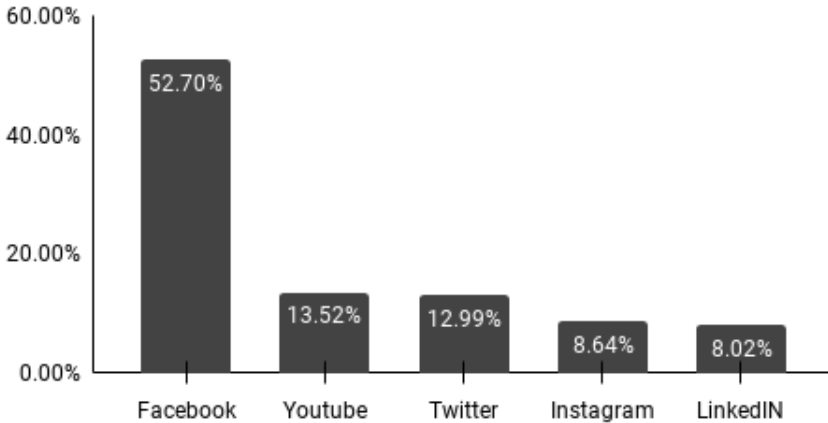


Fig 6- Percentage of traffic sent to Milaap by different social media platforms.²⁵

On the other hand, Ketto's share of traffic from social media was primarily driven by Youtube. In August 2020, the platform received 31.12% of its web traffic from social media, out of which 56.84% was from Youtube. The number reflects Ketto's video-centric strategy to appeal to potential donors. With curated donation appeals ranging between 30 seconds to 4 minutes, Ketto has successfully leveraged Youtube as a platform to engage with potential donors. While the written content allows for nuance and elaboration, video content drives the greatest engagement and sales, given its tendency to appeal to people's short attention spans.

Ketto (Web Traffic)

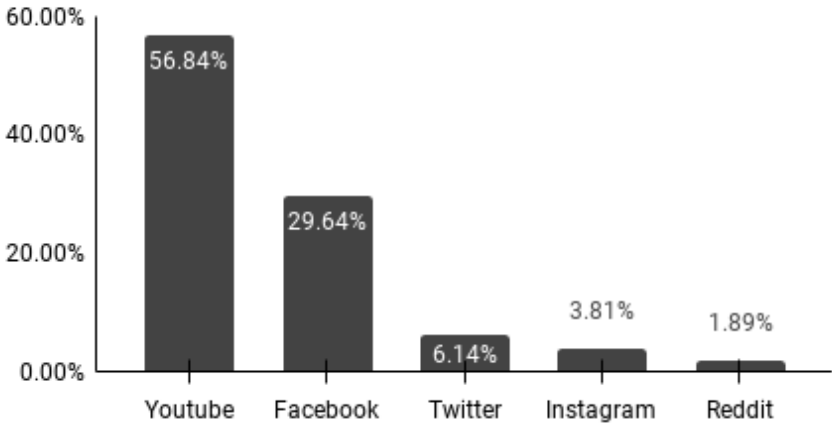


Fig 7- Percentage of traffic sent to Ketto by different social media platforms.²⁶

ImpactGuru.com (Web Traffic)

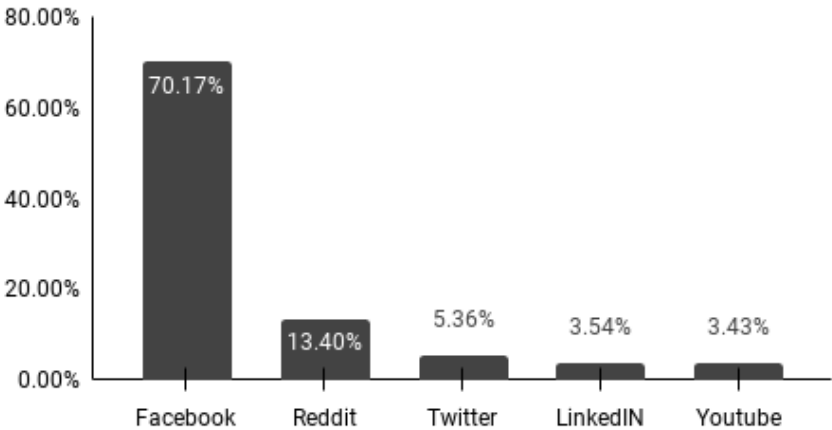


Fig 8- Percentage of traffic sent to ImpactGuru by different social media platforms.²⁷

Compared to Ketto and Milaap, ImpactGuru's dependence on social media is relatively lower, with the platform driving 24.27% of its

traffic from social media in August 2020. Interestingly, ImpactGuru also gets a fair share of web traffic (13.4%) from Reddit forums. This implies the platform has been able to stir enough discussions regarding its campaigns on the social news aggregation platform, a slightly different strategy from the rest of its competing firms.

All in all, different crowdfunding platforms have devised various strategies to target potential donors across multiple social media websites. In almost all cases, Facebook occupies the first or second place. The amount of traffic that crowdfunding platforms receive from social media is not always directly through their own handles. Most of the time, the traffic comes from third-party handles (campaigners, influencers, celebrities, donors). Influencers, especially cause-driven influencers play a significant role in the success of a crowdfunding campaign. If a crowdfunding campaign is initiated or supported by a social media influencer, the chances of success become much higher. Influencers become a central point of convergence for crowdfunding campaigns, mobilizing supporters by tapping into their vast social media networks. Thus, allowing them to make a crowdfunding campaign go viral in a matter of minutes or hours. For example, if a tech influencer backs a Kickstarter tech project and asks his followers to do the same, his followers will follow suit because of his authority or knowledge in the domain.

One crowdfunding platform that has cracked the code of collaborating with micro-influencers and creating thriving communities is LaunchGood, a crowdfunding platform that mostly crowdfunds for Muslims and humanitarian causes. The platform has successfully raised over \$160 million for 18,000+ crowdfunding campaigns since its inception in 2013. With an average pledge amount of \$110 and its campaigns raising \$10,000 on average, LaunchGood's performance is better than most existing identity-based crowdfunding platforms.²⁸ Despite a small

social media following of just over 80,000 people, the platform raises millions of dollars every year by allowing NGOs to create communities on its website.²⁹ With a community-driven approach, the platform has created a donor network of over 940,000 people spread across 144 countries.

One of the most successful collaborations of LaunchGood has been with International Human Care and Relief Organization (IHCRO), a nonprofit organization with a presence in 9 countries. IHCRO has launched 63 campaigns on LaunchGood, raising over \$18.3 million with an average campaign success rate of 104%. The primary driver of IHCRO's success is a man named Abdullateef Khaled.³⁰ Khaled is a humanitarian worker with an Instagram following of 93,000 people.³¹ Compared to other prominent influencers and social media celebrities, Khaled's following is not enormous. But his ability to engage with his followers sets him apart from the rest.

Khaled is actively engaged with his Instagram community and posts relevant content that his audience wants to see, helping him raise funds for various humanitarian projects. He has fundraised to build eight villages comprising 150+ houses with a capacity to house more than 1200 people.³² The villages are communities where orphans, refugees, and underprivileged people can restart their lives. Besides raising funds for the villages, Khaled has also fundraised to set up over 1000 wells in remote villages facing dire water shortages across countries like Niger, Benin, India, Bangladesh, Syria, Indonesia, and Yemen. Furthermore, he has raised funds for the medical treatment of refugee children, distributing relief packages in war zones, and providing cash relief to needy families.

Khaled's social media strategy is simple: he makes a donation appeal and follows it up with updates on the project's development in the form

of short videos, testimonials, pictures, and written posts. His followers trust him because they see a project that they have backed evolve with the help of these regular updates, prompting them to make recurring donations to his campaigns.

Much like how social media influencers sell fitness merchandise and tech products, the emergence of online crowdfunding has prompted many people to become social media influencers who sell crowdfunding campaigns to their followers. This is especially true for reward-based crowdfunding, where influencers can play a significant role in a project's success.

Today, crowdfunding is no longer limited to just dedicated crowdfunding platforms. Some social media platforms like Facebook and Weibo give their users the option to start a crowdfunding campaign on their website to raise money for personal causes or nonprofit organizations. Currently, Facebook allows its users to fundraise or donate money to over 1 million nonprofits.³³ People have raised over \$3 billion for personal fundraisers and nonprofit causes on Facebook with the help of a donor network comprising over 45 million people.

Facebook has raised over \$1 billion from Birthday Fundraisers alone. Usually, two weeks before their birthday, people will see a message from Facebook in their News Feeds giving them the option of creating a fundraiser for a nonprofit organization on their birthday.³⁴ By dedicating their special day to a nonprofit organization, people rally their friends and family to support causes that they care about most.³⁵ Some nonprofits have raised millions of dollars through Facebook Fundraisers, most notable being the St. Jude Children's Research Hospital that has successfully crowdfunded over \$100 million on Facebook.

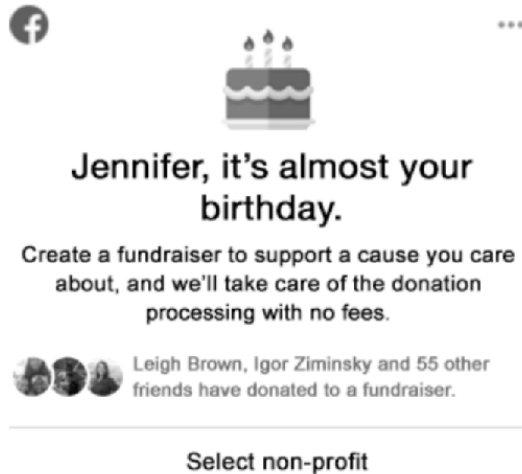


Fig 9- Facebook's Birthday Fundraiser notification.³⁶

On Giving Tuesday 2019 (the Tuesday after the Thanksgiving holiday in the US), over \$120 million was raised on Facebook for more than 97,000 charitable organizations. An additional \$20 million was raised in GivingTuesday-related fundraisers in the week leading up to December 3, 2019.³⁷ Currently, Facebook allows users from over 40 countries to donate to its fundraisers, while users from 20 countries are allowed to start their own fundraisers.³⁸ In April 2020, during the COVID-19 pandemic, Facebook even expanded its Fundraiser initiative to India, allowing around 70 Indian charities to raise funds on its platform.

Social media has the potential to increase a post's visibility, encourage user interaction, and allow a larger audience to engage with it. If a cause resonates with enough people, it can trigger herd behavior in the users, who tend to follow their acquaintances, friends, and family's footsteps. Take the example of the ALS Ice Bucket Challenge that saw 1.2 million ice bucket challenge videos uploaded to Facebook to raise awareness and funds for ALS, a neurodegenerative disease, also known as Lou Gehrig's Disease.³⁹ The challenge required participants to pour ice

water over their bodies within 24 hours of being “nominated” or else donate \$100 to the ALS Association. Around \$115 million were raised for the cause across multiple platforms.⁴⁰ More than 15 million joined in on the conversation about the ice bucket challenge on Facebook, including posting, commenting, or liking a challenge post.⁴¹

At the core of social media movements are shared interests that motivate people to form communities to get behind a common cause. Some causes are inherent to people’s identities and therefore drive their altruistic behavior. For example, a dog lover is more likely to start a fundraiser for dogs or support one. Our patterns of giving are driven—either consciously or subconsciously— by our identities, and that’s what we will explore in the next chapter.

Psychological Patterns of Giving

On May 19th, 2020, a 12-hour gunfight raged between the Indian security forces and two militants in the NawaKadal area of Srinagar in Kashmir. Two militants were killed while three CRPF personnel and a policeman were injured during the encounter. Within a few hours, twenty-one houses were destroyed in the blaze that erupted after a series of blasts, reducing a vibrant locality to rubble. Among those rendered homeless was Musaib Nazir, a sixth standard student, whose heartbreaking image with tears rolling down his cheeks summed up the traumatizing repercussions of the encounter.¹

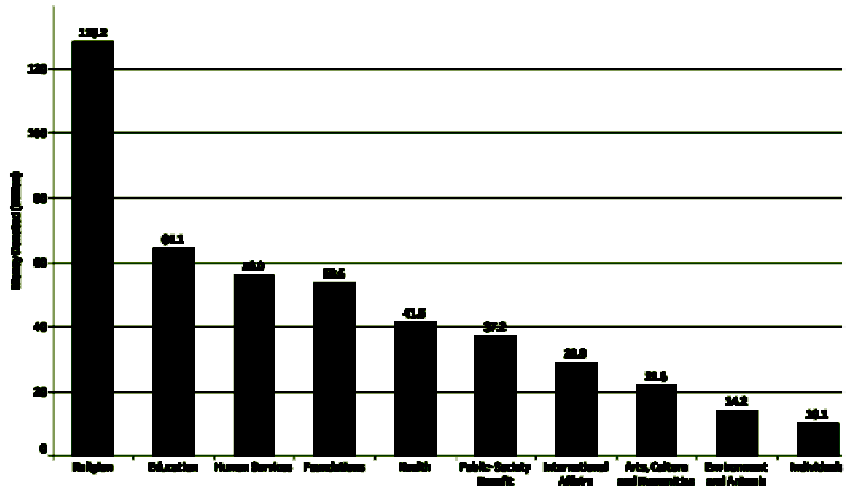
The local Mosque committee opened an account in a bank and appealed to the Kashmiri people to contribute generously to rehabilitate the people whose houses were damaged. After the account details were shared on social media, netizens— comprising mostly the locals— started online crowdfunding campaigns to raise funds for the reconstruction process of the destroyed houses. Rising to the occasion, the Kashmiri people donated approximately Rs 3 crores (30 million) in 12 days to help the victims rebuild their houses. The local Mosque committee distributed Rs 33 lakhs (3.3 million) among three families whose family members were killed when the house collapsed after the encounter.² The rest of the money was either distributed to provide monetary relief to mitigate the victims' sufferings or help the families rebuild or repair their houses.³

In Kashmir, local mosques have often tapped into the crowd's potential to help those in need. Every Friday, before the congregational prayers take place, the Imam uses a loudspeaker to make donation

appeals on behalf of those in dire need of funds. Often people who require money approach the Imam a few days before the Friday prayers and request him to appeal to the public on their behalf. Money is usually raised for older people, orphans, charities, disaster relief efforts, and personal emergencies. The Imam thus leverages his position and platform to crowdfund money for the needy.

The practice of crowdfunding is prevalent in Islam and all the other major religions of the world. Across India, temples have raised funds to help people during their time of distress. Churches and Synagogues across the world have done the same. For several reasons, people tend to be more generous when it comes to donating to those who belong to the same religion or community as them. For example, if we look at the charitable giving data for 2019 in the US, we find that the American people donated a total of \$449.64 billion for charitable purposes. Of the \$449.64 billion donated, \$128.17 billion (29%) was donated to religious organizations or purposes. Religion has consistently been the top category for charitable giving in the United States, receiving \$119.3 billion (32% of overall donations) in 2015, \$122.94 billion (out of \$390 billion) in 2016, \$127.37 billion (31% of total contributions) in 2017, \$124.52 billion (29%) in 2018, and \$128.17 billion in 2019.⁴ Religion has consistently outperformed other categories like education, human services, the environment, and health in the United States. The reason for this disproportionate share of charitable giving can be attributed to our sense of identity. Since peoples' religion forms the core component of their identity, they are more likely to donate to religious causes.

USA Giving in 2019 (In USD Billion)

Fig-1 Giving USA: Categories that fetched the highest donations in 2019.⁵

From the dawn of civilization, humans have coexisted in groups. These groups have extended across multiple levels of socio-cultural hierarchies ranging from family-based ties to groups bound by shared socio-cultural identities such as nationality, religion, favorite sports teams, political leanings, caste, and language. As individuals who tend to have a reflected sense of self, we see ourselves often through the eyes of others. Therefore, there seems to be an inherent tendency in us to be a part of a group and connect with groups. Research shows that across many different contexts, people act more prosocially towards members of their own group relative to those outside their group.⁶ For example, in a study published by researchers Matthew R. Sisco and Elke U. Weber in *Nature* (the world's leading multidisciplinary science journal), a dataset of more than \$44 million in online donations on GoFundMe was analyzed to evaluate the extent to which kin altruism is at play in real charitable contributions.⁷ The study aimed to do so by quantifying the extent to which donation amounts increase when the recipient is likely to be related to the donor (i.e., when the donor and recipient share the same last name). The researchers found that when

the recipient had the same last name as the donor, the average donation size increased by \$29.27.⁸

Ingroup favoritism or bias in favor of one's social circles has also been confirmed in multiple surveys. For example, a study conducted by Pew Research⁹ reported that 68% of American crowdfunding users contributed to a project to help an individual facing some sort of hardship or financial challenge. Among those who contributed, 63% said they donated to help a friend of a friend or an acquaintance, while 62% said they contributed to help a close friend or family member. In contrast, only 28% donated to help someone who was not a public figure and whom they did not know personally.

From a broader perspective, one may ask what drives our altruistic behavior towards others? Why are some people generous and some people stingy? Better still, why are people generous towards some people and stingy towards others? Why do people donate, and what drives their donation preferences? Answering these questions requires that we review the concepts of individual identity and social identity. Before we can understand altruistic behavior, we must as a prerequisite understand the idea of individual identity and social identity.

So, what is identity?

Identity is what creates our sense of self, a steady and often continuous sense of who we are over time. It's an amalgamation that encompasses our memories, experiences, relationships, and values.¹⁰ Identity includes the myriad roles people play—such as the role of a mother, a wife, a teacher, a friend, a man, a citizen, a Christian— and each part is central to who we are as a person, and therefore, internalized into our identity. Some characteristics of our identity are well within our control and are

socially constructed. We are free to choose our religion, our favorite sports team, and our other in-group memberships. But some characteristics such as our height or race are beyond our control. Identity also encompasses political opinions, moral attitudes, and religious beliefs, all of which guide one's daily choices.¹¹ Throughout our life, our identity continues to evolve, undergoing subtle and sometimes dramatic changes.

Since human beings exist as part of communities, how we view ourselves is not just confined to our points of view, we are also capable of seeing ourselves from a societal perspective. This is the central belief of the 'Social Identity Theory'. According to this theory, individuals define their identities along social and personal dimensions. The social dimension constitutes our memberships in groups and the personal dimension relates to the attributes of our individuality that distinguish us from other people.

Our social identity refers to our identification in relation to the collective 'we'. When we refer to ourselves as a group, we do so as a 'member' of a certain group. Our individual identity, on the other hand, refers to the unique attributes through which we define ourselves— the components that form personal 'I'. Depending on the social context, either one's individual or social identity may be more dominant. For example, when a person is alone, her individual identity will more likely be dominant, i.e., she will behave in accordance with how she sees herself from an individual point of view. However, when sitting with a group of friends, it's more likely that she will behave more in line with her social image, i.e., her social identity will be dominant. We can also say that her reflected sense of self will be dominant when she is engaging with a group. Within different group contexts, we tend to behave differently. Moreover, how we behave in front of our family may be drastically different in comparison to how we behave in front of

our romantic partner may differ from how we behave when alone. We contain a multitude of behavioral tendencies that manifest in different situations, under different social contexts.

Social identity theory was proposed by the social psychologist Henri Tajfel and his colleagues.¹² Social identity refers to how people's sense of self is based on their membership in social groups. The social groups can be a person's favorite sports team, the religion they follow, their nationality, sexual orientation, ethnicity, gender, collective humanity, etc. The more attached a person is to their membership in a particular group, the more influence it will exercise over the person's sense of self. Affiliation with a group also confers self-esteem, security, and a sense of belonging, which in turn helps to sustain the social identity. Often, we tend to be biased by favoring the social group with which we identify ourselves since the group confers us with a positive reflected sense of self. Thus we also conform to the group's norms since we see the group as part of our social identity. Our innate tendency to identify with a group can also influence our altruistic choices, including our donation preferences.

Even assignment to random groups can be sufficient to engender a relevant intergroup context in which positive bias towards the intergroup is observed.¹³ Tajfel conducted pioneering research on ingroup favoritism revealing that people favor those in their groups, even when the designation of groups happens randomly.¹⁴ Such a paradigm can also be witnessed in everyday life. Membership in a randomly assigned group is enough to induce a bias in favor of the group. This can be witnessed in sports, board games, or even something as trivial as brand preference. Once a 'common ground' is established, even if based on randomness, it is enough for social bonding to take place and for in-group bias to develop. In other words, when individuals categorize themselves as group members, the ingroup

becomes integrated with their sense of ‘social-self’.

Our social and individual identity is deeply tied to how we exercise our altruistic choices. Behavior is typically described as altruistic when it benefits someone other than oneself, even if it results in a disadvantage for oneself. The behavior to do good to someone is preceded by the desire to do the same. As humans, we can be altruistic, but our altruistic choices, rather than being blind and impartial, are often tethered to our sentiments. Our altruism is appended to our ability to empathize with people or the objects in our environment. Our ability to empathize with a particular crowdfunding campaign is one of the primary motivators that stimulates us to donate. In this context, empathy pertains to the compassion that a person feels for the particular recipient or beneficiary of the campaign.

Whom we empathize with is dependent on our individual and social identity. Since we derive our reflected sense of self from the people who are a part of our ingroups, we also tend to empathize with them the most. Similarly, we also tend to sympathize with causes that are tied to our sentiments, ideologies, and values. Consider the example of a son who donates to a cancer society because he lost his mother to cancer. In this case, his sentiments, which are part of his identity, influence the altruistic choices he makes. Another example would be a woman who donates to an animal welfare organization because she is an animal lover. In her case, being an animal lover is part of her identity and therefore drives her altruistic choices. Even though people can show universal empathy, their altruistic decisions are often unconsciously rooted in their sense of identity and, thus, susceptible to bias. Regrettably, attachment to the ingroup also hinders the extension of our empathy as we tend to develop biases in favor of the ingroup, making it difficult to extend our empathy to members of the outgroup. That is to say, our donation preferences are firmly ingrained in our

ideological leanings, including political, socio-cultural, religious, and moral values.

Even so, our social encounters are infinitely complex and involve multiple layers of interactions between us and other people. In everyday life, our multiple individual and social identities are triggered in response to both imaginary and physical cues. A memory of our grandmother from childhood can alter our emotional state for the rest of the day. An unexpected encounter with a friend can put us in a good mood for hours. All these factors are capable of modulating our emotional responses— sensitizing or desensitizing our empathetic response, and therefore, our altruistic choices. Put another way, our empathetic abilities are complex, and human beings tend to extend their empathy to both ingroups and outgroups. Nonetheless, we do remain biased in favor of our ingroup.

Altruism is also appended to emotions such as guilt and moral outrage. Partaking in altruistic activities evokes feelings of satisfaction, pride, peace, or even elation. Failing to do so, especially within an ingroup context, is often a source of shame or guilt. Here again, empathy serves as a precursor in triggering the guilt process. Too often NGOs use images of children with their crowdfunding campaign to induce sympathy in the potential donor. A statement that highlights the condition of the child in need is enough to provoke a guilt response in the potential donor. That's why in the majority of the NGO campaigns, the picture is usually emotionally charged, often conveying the sufferings in developing countries. Images portraying the suffering of children are a call to our basic instincts to protect children because of their innate innocence and vulnerability. In September 2015, the infamous photo of a 3-year-old Syrian boy, Alan Kurdi had surfaced on the internet. The child, along with his mother and brother, was trying to reach Canada due to the refugee crisis but drowned before they could

reach their destination. The photo showed Alan’s body washed ashore on a Turkish beach, wearing a red T-shirt and blue shorts, with his face only partially visible. As soon as the photo was published, it went viral- leading to a worldwide debate on the international refugee crisis. The heartbreaking photo of the toddler’s body washed ashore in Turkey made global headlines, prompting international responses and sparking a flurry of donations for asylum seekers.¹⁵

Paul Slovic, a University of Oregon psychology professor, who researched the impact of Alan’s photo on charitable donations for refugees worldwide, said in an interview with NPR, *“In my opinion, there are a number of things going on. One is that the child is very young, nicely dressed and looks like he could have been one of our own kids. Another is the situation: He is coming with his family seeking a new life, and they were so close yet not quite making it. That adds to the special story. Another element is that we don’t quite see his face, you see the side of his face, so you can project onto him the face of someone you know. You cannot distance yourself as easily.”*¹⁶

Google Trends: Refugees

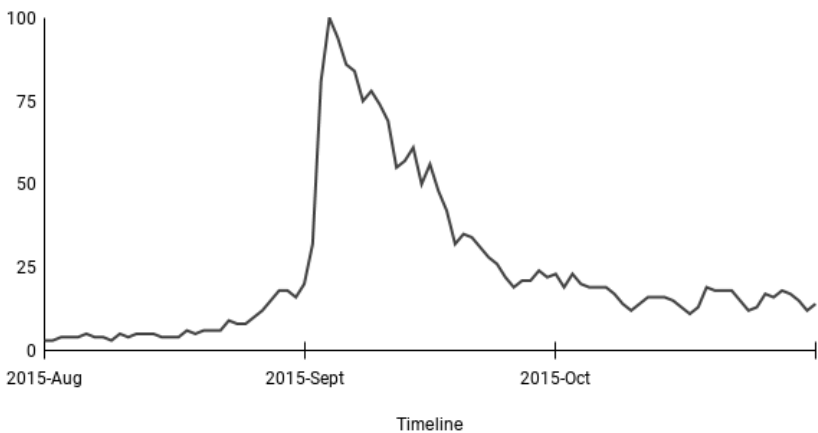


Fig-2 Google search trends for the term ‘refugees’ between Aug 01, 2015 to November 01, 2015.¹⁷

After the photo surfaced, there was a spike in the interest for the term 'refugees' worldwide, as can be seen from google search trends from the above graph. Alan's photo and the guilt inducing news coverage that followed, demonstrates the importance of empathy in attempts to induce guilt in charity appeals. Since society stresses great value to the social norm of helping the underprivileged and needy, failing to do so can make one feel guilty as a result. The reason is our tendency to see our self through the eyes of society. Our empathetic tendencies thus are capable of being stimulated through guilt.

When it comes to donating to charitable causes, people also don't value lives consistently. Charitable contributions are often concentrated to a particular campaign or a single victim even though more people would be helped if donations were spent evenly than be concentrated to a select few campaigns. Nonprofits struggle to raise money to help thousands of needy people. They are sometimes unable to get even a few donations for certain campaigns that would benefit many. Yet, we come across campaigns where people donate disproportionately to identifiable victims. When deciding to donate money toward a cause, most people don't calculate the tangible benefits of their donations. Instead, their altruistic choices are made impulsively depending on the tendency of a particular campaign to invoke emotions in them. This bias in donation preferences is known as the 'identifiable victim effect' wherein individuals tend to give more to help an identifiable victim than to statistical victims, who are anonymous and are hard to empathize with.¹⁸ This is also the reason why crowdfunding platforms ask campaigners to provide as many pictures and details as possible, especially in the case of medical campaigns.

Evidence for the identifiable victim effect can be found across multiple online crowdfunding domains. More often than not, people use emotions rather than rationality to exercise their generosity. A

donation appeal that reduces people to numbers does not invoke sympathy in donors since they cannot empathize with statistical victims.

On the other hand, when the donation appeal consists of an image or a vivid description, donors are better able to identify with the victims. As mother Teresa once said, “*If I look at the mass, I will never act. If I look at the one, I will.*” Knowingly or unknowingly, people are inconsistent and non-utilitarian when exercising their generosity.

From an economic point of view, altruism yields communal benefits wherein exercising it may be costly for the individual, but it provides benefits to the social group outweighing individual costs. Since there is a desire in us to be consistent with our sense of identity, our altruistic choices must also be in coherence with our identity— of which the ingroups are an integral part. Our social identity is an important psychological construct for us, and we tend to favor that identity even at personal costs.

Sometimes, expectations of reciprocity in one form or another (reciprocal altruism) can also motivate a person to be altruistic.¹⁹ Other times, what may seem as altruistic behavior may well be motivated by a desire to win prestige, respect, group membership, friendship, and other social objectives.²⁰ People may also experience a sense of joy and satisfaction for ‘doing their part’ to help others. This satisfaction or ‘warm glow’ represents the selfish pleasure derived from ‘doing good’ or something along the lines of ‘having done their thing’, regardless of the actual impact of one’s generosity.²¹ Within the warm-glow framework, people may be ‘impurely altruistic’, meaning they simultaneously maintain both altruistic and selfish motivations when it comes to giving.²² So, even if our donations don’t maximize utility and seem inconsistent, we derive sentimental value from them.

Altruism, it would seem, has deep roots in the humanities, theology, and the social sciences. But it's also a tendency towards which we are genetically inclined. Evolutionary theories suggest that altruism is a biological impulse that exists to ensure genetic survival of the collective species.²³ Furthermore, theories of sexual selection suggest that people, especially men, may act altruistically to signal their fitness as a mate to the other gender.²⁴ Biological altruism proposes that acting altruistically can increase an individual's reproductive prospects by increasing their attractiveness to potential mates. This is because altruism requires expendable resources and can therefore serve as a signal of (financial) fitness to potential mates.²⁵ The GoFundMe research by Cisco and Weber found evidence for the same. They found that men gave more when the visible presence of past female contributors was greater at the time of men's donation decisions. Women similarly gave more on average when the visible presence of past male donors was greater on the crowdfunding platform. Sisco and Weber expect these donation patterns to be subconscious inclinations rather than conscious decisions to strategically attract mates by donating more when more members of the opposite sex were visible.²⁶

Furthermore, our altruism may also be influenced by proximity since it is often confined within the sphere of our influence, i.e., the echo chambers that we inhabit. Our awareness of others' needs is usually limited to our country, state, city, neighborhood, church, family, or close friends. Therefore, our altruistic actions are limited to the domains that we are aware of. For example, an Indian citizen is more likely to donate to an Indian crowdfunding campaign, an Indian NGO, or an Indian household. The proximity can be virtual too. Our friends on social media, even though geographically distant, are always virtually accessible and a click away. As discussed in the previous chapter, social media has played a significant role in transcending geographical boundaries. But even though we are more interconnected than ever, we still inhabit eco-chambers that influence our crowdfunding choices.

Altruism is also deeply connected with trust. Trust enables donors to overcome perceptions of risk, fraud, and uncertainty, thus influencing their decision to support a campaign financially. In this regard, crowdfunding platforms serve as the central trust-building actors. Not only do they affect donors' trust in the campaigner, but also their confidence in the campaign itself. Those who partake in charitable crowdfunding are concerned about whether their donation will be abused for another purpose. Thus, before donating money, individuals will evaluate whether the project and the platform are credible. However, it is pertinent to note that with the rise in popularity of crowdfunding platforms, it is much earlier for platforms to build trust with potential donors than it was during the nascent stages of online crowdfunding.

Research has shown that donors are more likely to return if they had a positive interaction with the receiver of the donation in the form of appropriate and timely recognition of their support and thorough communication of their impact.²⁷ Since trust is also an individual trait, altruistic people are expected to be more trustworthy. Altruism, therefore, has a positive effect on an individual's trust in crowdfunding.²⁸

In conclusion, giving seems to be a central need and desire in human beings; it is something we must do to survive and thrive.²⁹ It's a part of being human, a way for us to touch someone's life and inspire others to do the same. Our reflected sense of self, which allows us to see ourselves from someone else's eyes, acts as a core motivator that drives us to practice altruism. We may not be consistent, utilitarian, or even unbiased when it comes to giving, but it doesn't take away from the fact that giving does make a difference. Giving helps us make incremental contributions in creating a better tomorrow and sometimes, by helping others, we unknowingly help ourselves. As Eric Fromm, a renowned psychologist said in his book, 'The Art of Loving', "*Giving is more*

*joyous than receiving, not because it is a deprivation, but because in the act of giving lies the expression of my aliveness.*³⁰

Crowdfunding for Nonprofits

On April 19, 1897, the Boston Athletic Association (BAA), inspired by the success of the first marathon competition in the 1896 Summer Olympics, held a 24.5 mile (39.4 km) marathon in Boston, Massachusetts. Fifteen runners started the marathon, but only ten made it to the finish line.¹ The event had been scheduled for the recently established holiday of Patriots' Day, with the race linking the Athenian and American struggles for liberty. The race came to be known as the Boston Marathon and has been held every year since 1897— even during the World Wars— making it the world's oldest annually contested marathon.²

What originally started as a local event with just fifteen participants has today become a global phenomenon, attracting around 30,000 amateur and professional runners annually from all over the world. The marathon spans across eight Massachusetts cities and towns, drawing approximately 500,000 spectators who line the 26.2-mile course every year in the spirit of camaraderie and community. But the Boston Marathon is not just a running competition, it also has a charity component to it.³

Each year, the Boston Athletic Association and the John Hancock Company— the official sponsors of the marathon— offer charitable organizations and nonprofits a limited number of participatory slots in the marathon so they can fundraise for their charity. It began in 1989 when the American Liver Foundation became the first charity to receive an official entry into the Boston Marathon. Dana-Farber Cancer Institute came onboard in 1990. Since then, the program has grown to support hundreds of local and national charities every year.⁴

The BAA allows thousands of charity runners who have not qualified for the marathon to raise money for their representative charities. Each athlete who participates in the Boston Marathon on behalf of the selected charities must fundraise a minimum of \$5,000.⁵

It was in 2012 that CrowdRise, a crowdfunding platform dedicated to nonprofits (later acquired by GoFundMe in 2017), was used as a centralized fundraising platform for the Boston Marathon and the nonprofit organizations participating in the marathon. A microsite was started on CrowdRise, allowing nonprofits and charity runners to start their campaigns on the platform to raise money for various causes. The initiative was successful as over \$6.8 million was raised. Thenceforth, the Boston Marathon taps into the power of online crowdfunding every year to raise funds for hundreds of charities. Thousands of crowdfunding campaigns are started by charity runners, NGOs, and ordinary people— some are motivated by the cause, and some are motivated by the rewards. For example, in 2018, any campaigner who received at least fifteen online donations between March 26 to April 6 was entered to win a pair of finish line grandstand passes from the John Hancock company. Other rewards included a 2-night stay at a local Boston Hotel during the marathon, a chance to win Adidas Boston Marathon gear, a \$500 donation by CrowdRise to the campaign, and a chance to meet the winners of the marathon.⁶

Money raised for Boston Marathon Race

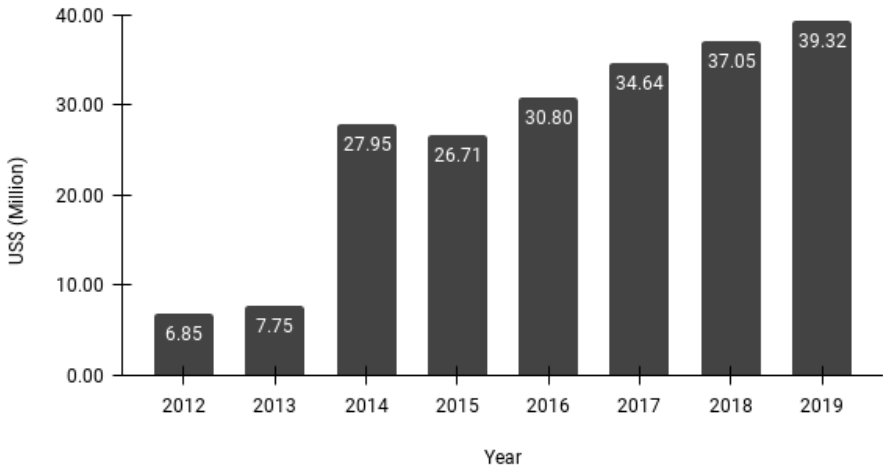


Fig 1- Money raised from crowdfunding for the Boston Marathon.⁷

Online crowdfunding proved to be a massive success for the Boston Marathon charity program, helping it raise a record amount of funds since its inception in 2012. If we look at the numbers, the Boston Athletic Association and John Hancock Nonprofit programs raised more than \$372 million for nonprofits between 1985 to 2019 (34 years).⁸ Of these, \$211 million was raised via online crowdfunding in just eight years between 2012 to 2019. Besides other factors, it was the expertise provided by CrowdRise that helped the Boston Marathon's online crowdfunding drive become a huge success. For example, in 2017, CrowdRise provided an online toolkit to help the Boston Marathon campaigners raise more funds. That year, the program fundraised a record \$34.6 million. The toolkit provided campaigners a reference guide full of fundraising tips, email drafts, and sample calendars. The platform also offered campaigners social media support, access to donation reports and insights, a webinar deck, and options to customize their campaign.⁹

Even in 2020, when the Boston Marathon was canceled because of the COVID-19 pandemic, the online crowdfunding drive for the marathon's charity program still succeeded in raising over \$32 million on GoFundMe.¹⁰

For NGOs, online crowdfunding has emerged as an effective mechanism to raise funds for their operations. It has allowed them to raise funds through the social networks of both the platform and its donors. Often, the people who contribute to a campaign make their contributions known to their social networks, informing their friends, acquaintances, and family members about the projects they are supporting.¹¹ This encourages participation from their social networks and further compounds the networking effect.¹² Combined with social media, online crowdfunding allows nonprofits to reach a much wider audience and establish deeper connections with their donors.

One of the options online crowdfunding platforms provide their donors is the ability to comment on a campaign and express their views about it. It allows creators to post-campaign updates in the form of videos, pictures, and messages to keep their donors informed about their progress. Even after the campaign has ended, campaigners tend to post updates and success videos to increase the trust factor between them and the donors. This has a positive effect on how the donors see the nonprofit organization. For example, when a donor donates to a nonprofit campaign that aims to build a school in a remote village of Rwanda, and after six months they receive a notification showing them how their donations are being used, the donor will feel good about their contribution to the campaign. Such interactions not only develop trust between the nonprofit and the donor but also makes the donor feel that their contribution to the nonprofit has had a tangible effect that will positively transform people's lives. They are more likely to form a positive mental association with the nonprofit and make a repeat

donation. Sometimes, when the campaigner doesn't post any updates, it is not rare for donors to demand one via the platform's campaign page, thus introducing accountability.

Donor retention is an issue that many nonprofits struggle with on an ongoing basis. It hurts nonprofits' revenues, affects their ability to keep their programs funded, and leads to wasteful spending in an attempt to find new donors. It usually costs less to retain and motivate an existing donor than to build new donor relations.¹³ The 2018 AFP Fundraising Effectiveness survey report that summarized data from 13,601 nonprofit organizations found that the most significant losses for NGOs in terms of donors came from lapsed new donors. The report found that the average donor retention rate in 2017 was 45.5 percent, and over a span of 10 years (between 2007 to 2017), dollar retention rates remained consistently weak, averaging below 50 percent.¹⁴ Part of the reason for low retention rates is the poor quality of service and poor relationship between the NGO and its donors. For instance, the NGO may be bad with customer relations and fail to respond to queries or they may wrongly identify donor interests and target them with wrong communication. They may fail to build a meaningful and sustainable relationship with the donors, communicate too much or too little, or simply fail to keep the donor interested.

Many nonprofits don't compartmentalize their donors based on their interests and other parameters like age, nationality, sex, location, or language. They end up sending irrelevant communication to their donors as they fail to leverage the power of data analytics. Mostly, this happens due to a lack of resources. It often leads to donor disenchantment, wherein donors decide to divert their funds elsewhere. For most NGOs, taking positive steps to reduce donor losses is the least expensive strategy for increasing net fundraising gains.¹⁵ Crowdfunding platforms can help solve some of these problems.

With their dynamic and interactive user-campaign interface, online crowdfunding platforms allow nonprofits to build trust with their donors. Platforms regularly update their users on WhatsApp, Facebook, Instagram, Snapchat, Twitter, texts, and even email. Platforms also provide expert toolkits (resources most small to medium NGOs don't possess) to help NGOs better connect with and understand their existing and potential donors, hence improving overall relationship quality.

Crowdfunding platforms offer donors the ability to browse for a nonprofit cause that best matches their interests. They collect a lot of data to study user behavior on their website and understand which campaigns tend to do well. This, in turn, helps them better match campaigns with potential donors. With thousands of campaigns to analyze user preferences, online crowdfunding platforms have a tacit knowledge about content and strategy that allows them to develop nonprofit crowdfunding expertise. The Big Data reveals patterns, trends, and associations that platforms can use to help nonprofits identify and connect with groups of people who share the organization's interests.

The donors also play a significant role in screening campaigns to establish campaign quality control. The 'hive mind' of the crowd— its collective intelligence— screens campaigns for the value and quality they provide. Trending campaigns that have a large number of supporters appear more commonly to potential donors on crowdfunding platforms. Moreover, the trending mechanism on most platforms operates by identifying the number of backers as opposed to the amount the project has already raised. Such a mechanism ensures that projects that have been favored by the crowd continue to trend instead of projects favored by just a few large donors. Thus the 'hive mind' of the crowd regulates the quality of campaigns and, in the long run, acts as a signal to the NGOs regarding what type of projects they should be working on.

Research suggests that nonprofit status on online crowdfunding campaigns provides a much higher success rate than for-profit campaigns on similar crowdfunding platforms. A study of 50,000 crowdfunding campaigns found that nonprofits receive higher average pledges and are more likely to reach their funding goals.¹⁶ A combination of altruism, warm-glow giving, and other factors explain this bias in favor of nonprofit campaigns. It's no surprise then that online crowdfunding has become the new avenue of fundraising for nonprofits. Online crowdfunding helps nonprofits build meaningful relations with their donors, publicize their work, reach out to potential volunteers, raise awareness about their cause, and expand their donor base. Through its grassroots approach to fundraising, volunteers and donors can prompt their social networks to join them in contributing towards a specific cause.

Often, it is the small and newly arrived NGOs who lack the necessary resources to reach wider audiences who benefit from the power of online crowdfunding. The Boston Marathon, in which individuals raise thousands of dollars for small and medium NGOs, is a good case in point. On April 15, 2013 – Marathon Monday in Boston – 38-year-old Heather Abbott set out on an annual tradition with her friends, having no idea that the day would change her life forever.¹⁷ During the marathon, two homemade pressure-cooker bombs detonated near the race's finish line, killing three people and injuring several hundred others, including 17 people who lost their limbs.¹⁸ Like many other victims of the bombing, Abbott was cheering on the runners when one of the bombs exploded. She was blown into the entrance of a nearby restaurant from the impact. After three surgeries in four days, Heather's leg had to be amputated. Heather learned the hard way about the tremendous cost of prosthetic devices, which can cost over \$30,000 every couple of years and are usually not covered by health insurance. It was only with the help of some nonprofits that she could pay for her expensive prosthetic limb. usually not covered by health insurance. It

was only with the help of some nonprofits that she could pay for her expensive prosthetic limb.

Heather realized that there were many people out there who couldn't perform basic activities because they couldn't afford prosthetics. With sheer determination, she decided to start the Heather Abbott Foundation, a nonprofit that helps provide customized prostheses to those who have suffered limb loss through traumatic circumstances.¹⁹ Her organization raised \$69,000 in 2016, \$78,000 in 2017, \$110,000 in 2018 and over \$120,000 in 2019 through GoFundMe's Boston Marathon online crowdfunding drive. With the money, Heather's organization has helped 23 Individuals get customized prostheses, enabling them to live a near-normal life.²⁰

One of the greater challenges for small scale and regional nonprofits is to reach a wide audience and target relevant donors who agree with their cause. The problem arises due to a lack of social media strategies and networking options. Small/regional NGOs are not well connected to CSR opportunities in comparison to more influential national/international level NGOs; they are also less likely to land government grants and foreign donations due to their young age and lack of visibility. Moreover, they are less likely to be connected to media and PR channels due to budgetary constraints. Lack of feedback and social support because of limited social reach also deters their growth prospects since they cannot identify how to best tailor their projects according to the public's wishes.

The introduction of crowdfunding platforms has created new approaches for small-scale and regional nonprofits to increase their visibility, strengthen their reputations, and establish a trustworthy relationship with their donors. Smaller NGOs can tap into the vast donor network of the platforms to expand their networks. Association

with a big crowdfunding platform can also increase their chance of being covered by the media and hence increase their visibility. To help NGOs create better campaigns, most crowdfunding platforms have dedicated videographers, editors, photographers, and content writers, who help the NGOs shoot donation appeals, write proper campaign descriptions and create success videos to thank the donors after the project's completion.

With the help of tools and expertise provided by online crowdfunding platforms, smaller NGOs can create dynamic marketing plans to increase their campaign's chances of success. For example, GoFundMe, the online crowdfunding mammoth, provides its partner NGOs a myriad of tools to improve their campaign success rate. NGOs get unrestricted access to their data with robust reporting and integrations to unlock valuable insights about their donors, enabling them to make informed, data-driven decisions. The NGOs can customize the user experience from start to finish. They can create branded campaign pages for any need or audience and tailor their email appeals as per their requirements. The platform provides everything from registration and ticketing solutions to webinar decks, 3rd party integration tools, UTM codes to track donations, video tutorials, and other management tools.²¹ While large scale NGOs often have their tools, smaller ones can't afford them. Access to the platform's expertise, resources, donor network, PR support, and campaign tools can significantly improve small NGOs' chances of success.

Today, crowdfunding, in the form of online peer to peer fundraising, provides NGOs another alternative for door-to-door fundraising. Gone are the days when NGOs relied on traditional fundraising practices such as direct mail, phone calls, or door-to-door fundraising drives. Greater internet penetration and proliferation of social media platforms have opened new doors for nonprofits to raise money through online

crowdfunding.

Some NGOs after making the switch from door-to-door fundraising to online crowdfunding have been able to increase their revenues and cut back on operational costs. Bhumi, one of India's largest independent youth volunteer nonprofit organizations, which has over 30,000 volunteers in more than 12 cities, states that switching from door-to-door fundraising to online crowdfunding has helped them trim their operational costs by 10% and increase their donation share by as much as 30%.

“At Bhumi, in our initial years of fundraising for events, we had a system called Smile tickets for in-person fundraising. This was a booklet of tickets in denominations of Rs 50,100 & 500 to solicit donations. The tedious process involved the printing of the tickets, monitoring its use amongst volunteers and tracking all the donations via these tickets which took a toll on our operations team. To top it all, the donor data had to be manually entered in a system and digitized, which had ~30% data inaccuracies. Shifting to online platforms has ensured that those mistakes don't happen. It has also allowed us to access both national and international donors. The online donation system also ensures that every donor receives a timely 80 G receipt without manual intervention.

Crowdfunding platforms are democratic, if an NGO has engaged and communicated sufficiently to build a base of fundraisers and donors, their size doesn't matter,” says Dr. Prahalathan KK, the Co-Founder of Bhumi.

While in the past, NGOs used to mobilize their volunteers to organize face-to-face fundraising drives, today, volunteers are encouraged to use online crowdfunding platforms instead. Consider

the case of U&I, a nonprofit in India committed to social change through education. The organization teaches 2000 children every week through their after-school Learning Centers and ‘In School’ programs across 20 cities in India. Through free, personalized tutoring and individualized mentorship, they help underprivileged kids— some of them being school drop-outs — perform better academically and stay in school. The NGO started a centralized online crowdfunding drive by creating a microsite on Ketto, asking thousands of volunteers to create their campaigns and raise funds for the drive. All the volunteers used the hashtag #HeroUp for their campaigns and tapped into their social networks to raise funds. The online peer to peer fundraising drive was a phenomenal success as 2,700 volunteers started their crowdfunding campaigns, raising Rs 1.9 crores (19 million) with the help of 24,000+ donors.²²

Peer-to-peer fundraising, also known as social fundraising, is a crowdfunding technique mostly used by nonprofits.²³ Organizations enlist the help of loyal supporters and volunteers who fundraise on the nonprofit’s behalf. A peer-to-peer fundraiser is usually tied to an event, like a walkathon or marathon. The volunteers create their campaigns on the nonprofit’s microsite on a particular crowdfunding platform and then solicit donations from their friends and family members, who donate via the volunteer’s individual campaign page. The funds collected by each supporter/volunteer are transferred to the nonprofit’s main fundraising page, where the collective total is displayed in real-time.²⁴

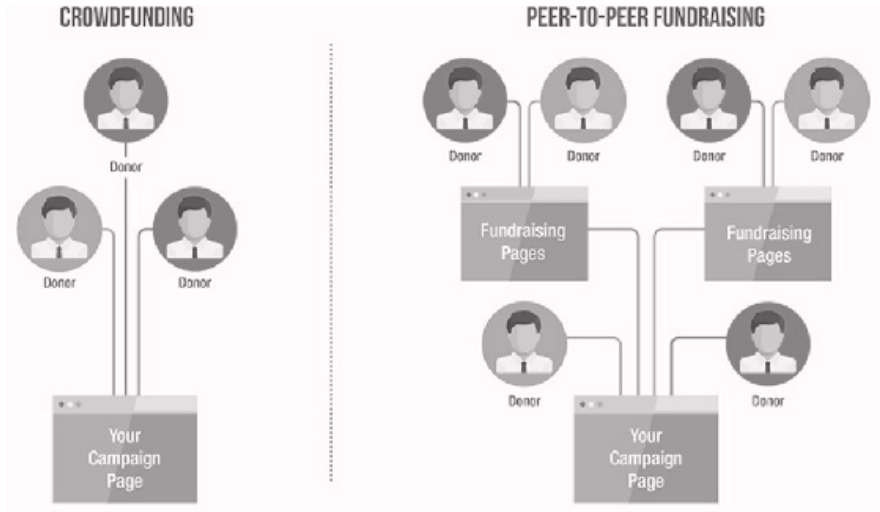


Fig 2- Difference between regular crowdfunding campaigns and Peer to Peer Fundraising by NGOs.²⁵

Today, countless NGOs raise funds for various events and initiatives through online peer to peer fundraising. The lack of funding and volunteers is a persistent problem for many nonprofits. Under such circumstances, NGOs must dedicate their human resources wisely. Unlike door to door fundraising, which is a time-consuming affair for volunteers, online peer to peer fundraising allows volunteers to set in place an automatic fundraising mechanism through which they can share their campaign with their target audience without having to frequent physical locations, saving them valuable time that can be divested to other volunteering efforts. Furthermore, volunteers can transcend geographical limitations through peer to peer fundraising, allowing regional NGOs to solicit funds at a national and even international level.

Just like U&I, education is a primary mission for many NGOs worldwide. Most NGOs tend to partially or entirely focus on education. Education impacts the labor market, prepares people to participate in civic and political life, enables social participation that shapes political institutions, and contributes towards the overall development of a nation²⁶. Education not only develops the vast domain of human potential but also advances humanity's storehouse of knowledge and cultural achievement.²⁷ It is no surprise that the education sector receives one of the largest shares of charitable contributions globally. For example, in the US, the education sector has constantly been the second biggest receiver of charitable donations in the last five years, topped only by religion. It has consistently received between 14-15% of the overall charitable contributions.²⁸

At 18, Eunice had dreams of going to college, but being a woman, she was expected to earn a living for her family by selling donuts on the side of the road.²⁹ One day she decided to challenge the societal norms and pursue her education dreams. Unfortunately, while traveling from her home to the universities in Nairobi, she was raped and consequently, became pregnant. She was accused of being promiscuous, was kicked out of her parent's house, and forced to raise her baby in the slums. She earned a living by doing people's laundry and cleaning their homes, somehow managing to save enough to enroll at a university in Kenya. However, the mounting cost of education still stood in Eunice's way. She needed \$500 to take the final exams of her first semester— money she didn't have.

Compelled by Eunice's story, Freely in Hope, a nonprofit that works in Kenya to help fight against the issues oppressing women, sent Eunice \$500 for her exams. Five years later, Eunice was on track to graduate with her BA in Counseling Psychology from a prestigious university in Nairobi.³⁰ Freely in Hope has impacted the lives of thousands of other

underprivileged people, helping them get access to education by often tapping into the power of the crowd.

Globally, lack of access to education affects millions of people who, as a result, are unable to escape the trap of poverty. Today, there are still 773 million illiterate adults around the world, most of whom are women.³¹

Of these, 115 million are young people aged between 15 to 24, with young women accounting for 59 percent of the total illiterate youth population.³² NGOs have been spearheading the movement to help these children access quality education. With programs in the most remote and marginalized areas of the world, they can reach even the most deprived children. Working closely with local communities, public schools, and governments, NGOs have positively impacted the literacy rate in many developing countries. Crowdfunding adds to this grassroots network by involving the digital communities with the fundraising process.

One such organization to leverage the power of crowdfunding for education is Bharat Learn, a nonprofit dedicated to solving the problem of low-quality primary school education in rural/ tribal India through Film Based Teaching Methodology. The NGO crowdfunded over Rs 1 crore (10 million) to start a 'Smart Classes' pilot program in Singrauli District, Madhya Pradesh. The funds raised were used to install LCD TVs, Wi-Fi enabled computers, and solar power panels in ten government schools in the district. With the help of approximately 100 modules containing training videos for teachers and educational content for students, Bharat Learn created an integrated operational teaching model that helped 800 students achieve a 2x improvement in learning outcomes within the first year of the initiative.³³

Across India, thousands of NGOs have used online crowdfunding in addition to CSR funding to fund educational initiatives in the rural and remote parts of India. For example, 200+ NGOs have crowdfunded over Rs 16 crore (160 million) with the help of 25,000+ donors for educational projects on GiveIndia, a hybrid online donation-based platform.³⁴ The numbers are enormous, considering the average cost of education for a student in India is just Rs 8,331 per annum.³⁵ Similarly, GoFundMe raises over \$70 million per year for educational campaigns in the US— most of them started by nonprofits.³⁶

NGOs also play a significant role in tackling humanitarian disasters by mobilizing communities at the grassroots level to provide relief materials, help in rescue operations, arrange camps and shelters, organize health camps, and provide access to other necessities. Not only do they offer short-term rehabilitation, but they also facilitate long-term sustainable recovery and development of the disaster-struck areas. During unforeseen disasters, online crowdfunding helps NGOs raise funds quickly and mobilize support where it is needed the most. Under such circumstances, online crowdfunding acts as a quick source of money, assisting nonprofits in saving thousands of lives.

During the coronavirus pandemic, there was an incredible surge in NGO crowdfunding. With social distancing measures in place, people who wanted to help took to online crowdfunding and raised millions of dollars for thousands of NGOs who were working to mitigate the crisis. For example, Leetchi, a french online crowdfunding platform, cataloged 10,000 campaigns that reached a total of 6 million euros within just nine days from March 9 to March 17, when the pandemic picked up pace in France.³⁷

In the US, GoFundMe's #GivingTuesdayNow crowdfunding drive to support NGOs across the world during COVID-19 raised over \$8.6

million with the help of 50,000+ donations for almost 4,000 different nonprofit campaigns.³⁸ Another mega campaign on GoFundMe, #HelpTheHelpers, raised over \$5.8 million for 160 nonprofits, enabling them to provide food packages to underprivileged children, offer virtual counseling sessions, distribute phones with unlimited data to allow young people to stream classes from home, and host online financial literacy classes to those at risk of poverty.³⁹

Other nonprofit campaigns on GoFundMe raised money to provide financial assistance to undocumented workers in the US during the pandemic. A coalition of eight NGOs raised nearly \$3.5 million to provide relief to more than 3,000 families of undocumented workers left out of Government relief efforts.⁴⁰ The pandemic also saw celebrities start crowdfunding campaigns to help those at risk of starvation. Hollywood actor Leonardo DiCaprio's GoFundMe campaign raised over \$44.5 million for five NGOs to help feed the poor.⁴¹ Along similar lines, \$336,871 were raised for the LOS Angeles Regional Food Bank by the actor and producer Michael Schur to feed 4,000 families.⁴²

In India, thousands of NGOs collaborated with online crowdfunding platforms to raise funds during the pandemic. Milaap, one of India's oldest crowdfunding platforms, raised over Rs 100 crores (1 billion) with the help of 250,000+ donors for over 10,000 campaigns.⁴³ Ketto's microsite dedicated to COVID-19 relief also raised over Rs 100 crores (1 billion) for 4,200 campaigns with the support of 120,000+ donors.⁴⁴ GiveIndia, raised 120 crores (1.2 billion) with the help of 350,000+ donors and 60+ CSR partners to help over 200 NGOs fight the pandemic.⁴⁵

When the ruling Indian government initiated a nationwide lockdown in response to the COVID-19 pandemic, without informing the public in advance, millions of people stared at the possibility of starvation. During those months, it was the grassroots network of

NGOs that ensured food to millions of poor Indians. Youth for Unity and Voluntary Action (YUVA), a nonprofit, raised Rs 3 crore (32 million) from 1,197 donors through crowdfunding. The organization distributed 21,341 ration kits to more than 100,000 people and offered 780,000+ meals to frontline workers and vulnerable people across the Mumbai Metropolitan Region. They also provided 10,000+ essential kits to migrant workers on their way home, many of whom had to walk hundreds of kilometers because of the lockdown.⁴⁶ Another nonprofit in India distributed over 14 lakh (1.4 million) meals and close to 8,000 ration kits across multiple cities after raising Rs 82 lakh (8.2 million) through online crowdfunding.⁴⁷

There was also a dire shortage of Personal Protective Equipment (PPE) kits in hospitals in India during the pandemic. One of the most successful initiatives to combat the shortage was started by Milaap and The Pravin Agarwal Foundation (TPAF), which addressed the huge demand and supply gap of PPEs across the country by identifying the need at the individual hospital level. They raised funds to source PPE kits, onboarded suppliers certified by the government, and then dispatched the kits directly to the hospitals. TPAF crowdfunded more than Rs 2 crore (20 million) through its platform to distribute 20,000 PPE kits across 63 hospitals in India.⁴⁸

Perhaps the most impressive crowdfunding strategy during the COVID-19 pandemic was executed by Fuel A Dream, a crowdfunding platform specializing in reward-based crowdfunding, with a primary focus on product innovation and social impact through NGOs. The platform collaborated with the Chirec International School in Hyderabad to support one of India's largest NGOs, the Akshaya Patra Foundation, with their COVID-19 relief efforts. The massive crowdfunding drive raised over Rs 1 crore (10 million) in just two weeks.⁴⁹ The drive was part of a unique school crowdfunding vertical initiated by Fuel A

Dream aiming to teach crowdfunding across India's schools as a life skill. One hundred and ninety students from the Chirec International School in the 13-17 age group across Grades 9 and 12 came forward to fundraise for Akshaya Patra's COVID-19 feeding program. Their campaign page featured personalized donation appeals and extensive information about Akshaya Patra's efforts during the pandemic and general information about the NGO's history and achievements.

“The COVID-19 pandemic has affected all of us in different ways. Perhaps the most disastrous effect has been on the daily wage earners, migrant laborers, and the financially poor. Even after the lockdown is lifted, their plight remains the same as jobs will be scarce. They fear starvation more than the virus itself. Try to imagine yourself in their shoes. No roof over your head, no income coming in, and a constant worry of when the next meal will come. Wouldn't one be absolutely desperate for any kind of aid?”

We are the privileged ones, and it is our duty to step up to help them through these difficult times. I request all of you to support my campaign so that we can also ease their hardship in our own small way. This campaign aims to provide meals and bottled water to them across Hyderabad and is done by Akshaya Patra(through their kitchens) in close coordination with the local administration. The least we can do for our nation is to help those who are less privileged than us.” Divija's campaign appeal read. Her crowdfunding campaign on Fuel A Dream raised Rs 2,51,047 with the help of 28 donors.⁵⁰

“I took part in the campaign because I know I had to do something for those who weren't as lucky as I was. When my campaign hit almost Rs 2 lakh on the first day, it felt surreal. I was not even expecting Rs 10,000 on the first day,” 13-year-old Divija commented about her campaign's success.⁵¹

Fuel A Dream has a long history of working with schools and students to raise funds for social projects. The platform works closely with students to teach them the art of crowdfunding and has backed some phenomenal student-led nonprofit projects over the last few years. In one of their crowdfunding drives, five 8th graders from Bangalore's Vidyashilp Academy raised Rs 8 lakh to revive a lake spread over 4.5-acres in Bangalore. The students were later invited to present their project at the UN headquarters in New York in February 2020.⁵²

Globally, the fight against Coronavirus was led by the UN, but its efforts were financed mostly by the crowd. During the pandemic, the UN raised an unprecedented \$237 million through the combined contributions of more than 650,000 individuals, companies, and philanthropies to tackle the COVID-19 crisis.⁵³ Of the \$237 million raised for the COVID-19 Solidarity Response Fund, \$165 million went to the WHO to procure and distribute essential commodities and coordinate the response to fight the Coronavirus. \$10 million went to UNHCR, \$10 million to UNICEF, \$20 million to the World Food Programme, \$5 million to UNRWA, and \$10 million to CEPI. UN's fundraising efforts, which were backed by over half a million people, were crucial in mitigating the COVID-19 crisis, especially in places with high refugee populations like Gaza, Jordan, Lebanon, Syria, and the West Bank.

Over the years, the UN has increased its crowdfunding efforts in an attempt to build a grassroots fundraising network. For instance, ShareTheMeal, the World Food Programme's crowdfunding smartphone app to fight global hunger, has been an enormous success.⁵⁴ The crowdfunding charity app that allows people to feed a child with a meager contribution of \$0.80 has been downloaded over two million times on Google Play Store. Over three million people have donated to sponsor 84+ million meals across 30+ countries. The app won the

‘Android Excellence App’ award in July 2018 and the Google Play Award for ‘Best Social Impact’ in 2017.⁵⁵ In 2020, the World Food Programme was awarded the Nobel Peace Prize for its contribution to bettering conditions for peace in conflict-affected areas and for acting as a driving force in efforts to prevent the use of hunger as a weapon of war and conflict.⁵⁶

Shortage of funds remains one of the biggest hurdles that most nonprofits have to face almost in continuity, especially the nonprofits that are comparatively smaller and recently established. During unforeseen disasters, the situation gets worse as the cash shortage directly affects a nonprofit organization’s ability to function optimally. Online crowdfunding can serve as an initial source of funding and a potential PR tool for such nonprofits to sustain their operations and improve their visibility and brand image, hence increasing their chance of networking with corporations and securing CSR funds.

In other cases, crowdfunding can help nonprofits maintain independence and stay unbiased. Due to their nature, nonprofits, such as watchdogs, may have to be skeptical of corporate practices and even maintain a high level of financial independence from large donor institutions to preserve credibility and unbiasedness. As such, these nonprofits may find online crowdfunding a better alternative for staying consistent with their brand image. Over-dependence on CSR and other forms of institutional funding may also induce the risk of ‘NGO capture’ by businesses and governments, resulting in a loss of trust in the nonprofit sector and a loss of identity for NGOs.⁵⁷ To limit such risks, nonprofits can look at crowdfunding as a means to both raise funds and improve their brand image.

From micro-events to yearlong fundraising drives, crowdfunding provides additional options for nonprofits to address funding problems

and human resource allocation. It saves time, is scalable, and helps nonprofits connect better with their donors through an open feedback mechanism. For many NGOs, online crowdfunding has become a default choice for revenue generation.

Crowdfunding Stories from Around the World

When Youtubers came together to plant over 20 million trees on May 24, 2019, when YouTuber MrBeast (Jimmy Donaldson) hit 20 million subscribers, a fan suggested on Reddit that he should celebrate this milestone by planting 20 million trees.¹ Fans also suggested he collaborate with other online influencers to drive awareness, including Mark Rober – a fellow YouTuber and former NASA scientist with over 8 million subscribers on Youtube. The idea gained traction quickly as it spread across YouTube, Reddit, and Twitter, mostly in the form of memes. What started as a joke soon became the most prominent crowdfunding effort in Youtube’s history.

On October 25, the #TeamTrees social media campaign was started by Jimmy Donaldson and Mark Rober with the help of over 600 Youtubers, who came together and used their influence to appeal to their one billion+ subscribers for donations. The list of influencers included prominent Youtubers Rhett & Link (4.5M+ subscribers), Marshmello (40.2M+ subscribers), iJustine (6.1M+ subscribers), Marques Brownlee (9.5M+ subscribers), The Slow Mo Guys (13M+ subscribers), Ninja (22.4M+ subscribers), Simone Giertz (1.9M+ subscribers), Jacksepticeye (22.9M+ subscribers), Smarter Every Day (7.3M+ subscribers), and PewDiePie (100M+subscribers).² #TeamTrees announced itself by flooding Youtube with videos about trees. The campaign spread quickly across the internet, receiving over half-a-billion views on TikTok alone. Redditors made memes to spread the word, gamers held benefit live-streams on Twitch, and supporters created Twitter storms to grab the whole world’s attention.

The global awareness of the initiative was boosted significantly by generous donations from celebrities like Elon Musk, Marc Benioff (CEO Salesforce), Alan Walker, Susan Wojcicki (YouTube CEO), Jack Dorsey (CEO Twitter), and Tobias Lütke (CEO Shopify). Elon Musk donated a million dollars to the campaign and even changed his Twitter name to Treelon. Within just 56 days, the campaign managed to cross its initial target of \$20 million.³

To plant the trees, the team of YouTubers collaborated with the Arbor Day Foundation—a tree-planting organization— which pledged to plant one tree for every US dollar donated to the campaign. The plantation drive began in January 2020 and will end in December 2022, covering countries like the United States, India, Australia, Brazil, Canada, China, France, Haiti, Indonesia, Ireland, Madagascar, Mozambique, Nepal, and the United Kingdom. Some of the areas that are identified for the plantation have suffered from wildfires and environmental disasters in the past. To give an example, the Hanceville Fire of 2017 that raged through British Columbia burned 240,000 hectares of land. The #TeamTrees project plans to plant 100,000 trees in the area to regenerate the forest.

Similarly, California's 2018 wildfire season saw an estimated 8,000 fires burning through more than 1.8 million acres of forestland between July and December.⁴ The effort aims to plant 100,000 trees to restore the natural state of the land. Nearly 450,000 trees will also be planted in Kenya's Kijabe Forest, which has historically been one of Kenya's five nationally prominent water towers, providing an estimated 75 percent of its water resources. The plantation drive aims to reverse the damage that has happened to the forest over the last 15 years due to massive deforestation. The drive will help reestablish a sustainable water supply, restore habitat for wildlife, stabilize steep slopes prone to landslides, and secure livelihoods. The plantation drives will help develop buffer

zones around National Parks to protect wildlife, provide a new habitat for endangered species, promote food security by assisting local people in planting agroforestry trees, improve soil conditions, create job opportunities, stabilize steep slopes prone to landslides, sequester carbon, and stabilize rivers.⁵

Overall, it is estimated that 20 million trees would take up 180 sq km (69 sq mi) of land, absorb around 1.6 million tons of carbon and remove 116 thousand tons of chemical air pollution from the atmosphere.⁶

The #TeamTrees initiative has also used technology to develop new innovative ways to plant trees. Mark Rober, one of the spearheads of the #TeamTrees project, collaborated with DroneSeed, a company that uses large flying drones to disperse seeds, contained in nutrition pods, over large areas from the sky.⁷ First, the drones and satellite images identify replantation areas. Then specialized planting drones take to the skies loaded with seedpods containing a germinated seed and nutrients.⁸ Once in position, the drones use a nitrogen cannon that fires the seedpods into the soil; the seeds start to grow once activated by water. Planting trees through drones is 150 times faster than traditional methods, with the drones being capable of firing 120 pods per minute.

As of November 2020, more than 800,000 people had donated to the #TeamTrees campaign, contributing more than \$22 million to plant 22 million trees around the world. Since the evolution of human civilization, nearly half of the world's trees have been destroyed.⁹ According to the World Bank, in the last 25 years, the world's forests have shrunk by 1.3 million square kilometers— an area larger than South Africa.¹⁰ The #TeamTrees campaign was a rare case that managed to converge the power of Youtube influencers, CEOs from the tech industry, and the digital community to support a cause that aimed to plant trees globally.

Honey On A Tap

Harvesting honey is a tedious and time-consuming affair. Traditionally, the beekeeper must split the artificial hive boxes, smoke the bees, remove the frames manually, cut the honeycomb's wax caps, and then extract and clean the honey.¹¹ The process is not only chaotic and physically demanding but is also invasive for the bees as harvesting honey requires physically removing the bees from each frame. People use brushes, leaf blowers, strong smells, and smoke to drive bees off the honey.¹² Scores of bees die in the process, an unfortunate consequence of harvesting honey.¹³

For Cedar Anderson, seeing the bees get crushed during the honey harvest was a painful experience. He was also sick of being stung and having to spend a whole week with the harvesting process. The Anderson family had been in the beekeeping business for three generations. Both Cedar and his father were tired of using an outdated method of harvesting honey that hadn't received a significant upgrade in over a century. In 2005, Cedar had an idea of building an artificial hive from which honey could be extracted without opening it and disturbing the bees. For almost a decade, Cedar and his father, Stuart Andersson tinkered away in their shed, developing prototypes of what would eventually be known as the most revolutionary beekeeping invention since the Langstroth hive was designed in 1852. Stuart and Cedar would draw sketches and discuss ideas; then, the latter would use his engineering skills to develop working prototypes. First, the father-son duo tried turning the combs on their side and letting the honey drop out, but it didn't work. Then they tried hexagonal pistons to break apart the side of each cell; the method worked but wasn't efficient. After several trials, the breakthrough came when they started splitting the cells vertically from the top, so one side of the cells dropped down halfway through the next layer. The honey would flow through

S-shaped streams to a collector at the bottom, then out through pipes.¹⁴

Months of experimentation led to several prototypes, which were tried out by friendly beekeepers. They soon came up with a perfectly working model in which the frames that fit into a standard hive box split each row of cells in half.¹⁵ The Flow Hive was born, a beehive made from a brood box— where the queen bee lays eggs— and a beehive box with Flow Frames in the honey storage part. Flow Frames are partially built honeycombs, which the bees cover in wax, fill with honey, and cap with their wax. By merely turning the Flow Key, the cells split vertically inside the comb forming channels, allowing the honey to flow down to a sealed trough at the base of the frame and out of the hive through a tap. Throughout the process, the bees stay practically undisturbed on the comb surface.¹⁶ When the honey has finished draining and the tap is closed, the upper slot resets, returning the comb into its original position and allowing the bees to chew the wax caps away, repair the cells and fill them with honey again.¹⁷

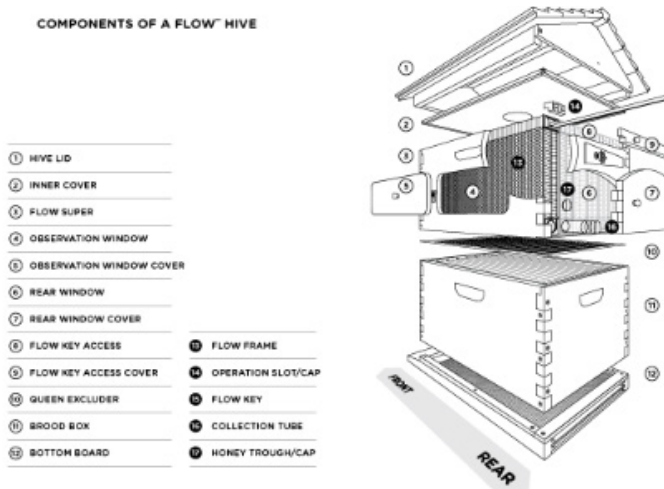


Fig 1- Components of a Flow Hive.¹⁸

After the Andersons filed for a patent, all they needed was capital to fund the production and take Flow Hive to the world, but the estimated production cost stood at \$100,000. So, they turned to social media and crowdfunding.

The Andersons began their social media efforts almost a month before kicking off their crowdfunding campaign, to gain support from their networks and a handful of beekeepers.¹⁹ They created a five-minute-long engaging video, explaining and showing off their product right from the beginning. They went on to compare the traditional methods of harvesting honey with how Flow Hive worked, showing each method step-by-step. Through their video, they demonstrated how simple and efficient Flow Hive was compared to other products. This was followed by testimonials from beekeepers worldwide who had tried the Flow Hive. The video concluded with the creators asking for pledges. Their campaign page was embedded with graphics and GIFs depicting how Flow Hive worked. They also added a section describing risks and challenges and even dedicated a section for answering FAQs. The creators made the product available in three sizes: Flow Light, designed for beekeepers who wanted to use Flow Frames with their existing frames; Flow Full, for beekeepers who wished to have more frames or wanted to replace their existing frames; and the complete Flow Hive.²⁰

The Andersons launched a campaign on the crowdfunding platform Indiegogo in February 2015, hoping to raise \$70,000 for a custom injection mold. Instead, they raised over \$13.2 million and received over 25,000 orders from over 130 countries.²¹ By March 2018, 51,000 orders had been shipped. The campaign's success prompted the Andersons to launch another campaign for Flow Hive 2 in early 2018, which included several small improvements over its predecessor. They succeeded in raising \$14.9 million with the help of 40,000+ supporters.²²

The Flow Hive campaign remains one of Indiegogo's most successful crowdfunding campaigns to date.

Fast-forward to 2020, and the Andersons have shipped over 75,000 Flow Hives to more than 130 countries. They have created a wealth of educational resources for new beekeepers for free, including a blog, a series of videos, and a forum.²³ Flow Hive has also won multiple awards for innovation, design, marketing, and business, including Good Design Australia (Australia's most prestigious prize for design), D&AD White Pencil, Fast Company World Changing Ideas, two medals at Apimondia International Beekeeping Congress, and NSW Business Chamber's Business of the Year (2017).²⁴

Crowdfunding A Death Star?

In November 2014, a petition was sent to the Obama Administration, urging the United States government to secure funding and resources, and begin construction on a Death Star by 2016.²⁵ For the uninitiated, a Death Star is a gargantuan spherical space station armed with a planet-destroying superlaser featured in multiple Star Wars movies. The first version, which appeared in the original 1977 Star Wars movie, was more than 120 kilometers (75 miles) in diameter and was armed with nearly 400,000 droids.²⁶

“By focusing our defense resources into a space-superiority platform and weapon system such as a Death Star, the government can spur job creation in the fields of construction, engineering, space exploration, and more, and strengthen our national defense,” the petition read. Given the cult following of Star Wars movies, the petition received over 34,000 signatures, exceeding the prerequisite of 25,000 signatures needed to get an official response from the White House.

After a flood of media attention cast a spotlight on the Obama administration's delayed response to the petition, the White House finally submitted an equally humorous official response titled 'This Isn't the Petition Response You're Looking For'.²⁷ The administration rejected the petition saying the construction of the Death Star would cost more than \$850,000,000,000,000,000 and that the administration did not support blowing up planets. The response ended with a classical Star Wars reference of the Force saying, "*Remember, the Death Star's power to destroy a planet or even a whole star system is insignificant next to the power of the Force.*" Everyone was amused, and people thought the joke would end there, but it was just the beginning.

Following the rejection of the White House petition, a Kickstarter campaign was launched to crowdfund an open-source Death Star. The project had a £20,000,000 funding goal, which the campaigner said would be used to create 'more detailed plans' of the Death Star. Surprising everyone, the campaign received £328,000 in pledges.²⁸

Four days later, another crowdfunding campaign was launched on Kickstarter to fund a Rebel Alliance X-Wing Squadron (a one-person starship capable of destroying the Death Star). "*At first, we laughed. When we stopped laughing (because it kind of hurt, how hard we were laughing), we realized that it was an ingenious plot by the Empire to use the power of the people against us! We can't let this new Death Star go unchallenged, so we're raising funds to form a new Rebel Alliance and construct a fleet of proton torpedo armed X-Wing fighters to take down this new Death Star,*" the campaign appeal read.²⁹ The Rebel alliance campaign sought \$11 million to build the spaceship and received over \$720,000 in pledges.

Both the projects were joke campaigns, and since the campaigns didn't reach their goal amounts, no transaction of money took place (given Kickstarter works with an all or nothing funding model). The Kickstarter campaigns also received a massive amount of media attention, covered by news portals like TechCrunch, The Inquisitr, CNet News, Techradar, Huffington Post, Yahoo, MTV, and BBC.³⁰ While crowdfunding projects are known to put smiles on people's faces, these campaigns went a notch higher and made everyone laugh.

How Crowdfunding helped a rural woman from Zimbabwe operate three businesses

Lindiwe, the daughter of a widow, grew up in a poor household and often went to school on an empty stomach and without shoes to protect her feet. There were days when she didn't even have a single pen or pencil to write with. At the age of 22, she was sustaining herself and her children with a small poultry business and selling soda to the thirsty laborers working at the mine near her village. Life was difficult, but then things changed when she came in contact with Camfed (Campaign for Female Education), an international nonprofit organization operating in five countries in Africa with a focus on eradicating poverty. Camfed, a Kiva field partner, started a campaign for Lindiwe on the platform to help her raise \$500 to construct a large fowl run to house her chickens and expand her poultry business. The loan was successfully crowdfunded with the help of 11 lenders at a 0% interest rate. In return, Lindiwe committed to offering a minimum of 2.5 hours per week as a volunteer at the local high school as a Camfed Learner Guide, teaching students about active citizenship and personal confidence.³¹

Lindiwe received entrepreneurial training from Camfed, and with the help of the loan secured on Kiva, she managed to grow her poultry business and scale her juice business from 20 liters per week in sales to

200 liters. She successfully managed to pay back her loan within 14 months. Today, Lindiwe operates a poultry business, a small shop, and Lee Juice, all under an umbrella company named Lee Investments.³² The loan also motivated Lindiwe to create her first savings account, a mobile banking account she operates through her cell phone. She saves \$10 from profits every month for her future and invests the rest of the money in expanding her business. She has big plans to make her juice business a household name. Lindiwe has placed a hand-glued label that reads 'Lee Juice' on each of her juice bottles. Her goal is to hire more employees and be a role model to show girls that anything is possible if they persevere.³³

Kiva has a proven track record of helping underprivileged women achieve financial independence. It does this through crowdfunding loans and teaming up with field partners who train women entrepreneurs. Since its inception, Kiva has deployed more than \$1 billion in microloans to 2.7 million female entrepreneurs in 94 countries. Almost 83% of loans that Kiva crowdfunds go to women. The loans often provide a pipeline of capital for women to start/grow their businesses or invest in their education or that of their children. Kiva claims that women reinvest 80 percent of their income in their families' wellbeing and education, hence giving back to the community.³⁴

Contrary to traditional financial avenues, women have a better record of reaching their funding goals via online crowdfunding. A PWC analysis of 450,000 seed crowdfunding campaigns found that women-led campaigns reached their funding target more often than male-led campaigns.³⁵ The report found that while 17% percent of male-led campaigns reach their finance target, the number was 22% of female-led campaigns. Overall, campaigns led by women were 32% more successful at reaching their venture funding targets than those led by men across a wide range of sectors, geography, and cultures. It

was also found that women-led crowdfunding campaigns achieved a more generous average pledge amount (\$87) than male-led projects (\$83). This is in sharp contrast to traditional venture funding trends. For example, in 2018, out of \$85 billion in venture capital funding in the US, only 2.2 percent went to female founders, with women of color securing less than 1% funding.³⁶

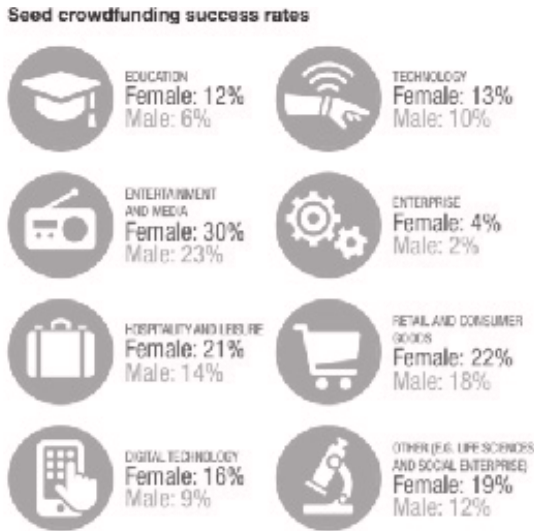


Fig 2- Seed crowdfunding success rate of Males vs. Females.³⁷

Today over 980 million women worldwide are unbanked with no access to a savings account or necessary credit, forcing them to make financial transactions primarily through informal markets.^{38,39} Crowdfunding provides these women access to an alternate stream of finance— a pathway to financial independence.

How a crowdfunding campaign influenced China's Public Policy

In February 2011, the China Development Research Foundation published a survey report concerning students' nutrition conditions in

the under-developed areas of China. The report found that 12% of children in the poor areas of central and western China showed signs of developmental problems, and 72% felt hungry during classes. The report that gained widespread media attention pointed out that child poverty would result in a substantial human capital loss in the future and lead to inherited poverty in China.⁴⁰

Two months later, a journalist named Deng Fei, together with 500 other journalists, mainstream media outlets, and the China Social Welfare Foundation, launched the 'Free Lunch for Children (FLFC)' crowdfunding campaign on Weibo, a Chinese microblogging website (that allows users to start their own crowdfunding projects) with over 445 million monthly active users. The campaign solicited donations of three yuan (less than 50 cents) to pay for a lunch for one poverty-stricken rural child. The amount was later changed to four yuan in 2015 due to rising prices. The campaign was started after Deng Fei met a rural teacher who told him that there was no canteen in her school, and as a result, many of her pupils had to go hungry throughout the day. The teacher said she felt guilty when she took out her lunchbox every day. A few weeks later, Deng Fei visited the village schools in Yunnan and Guizhou Province together with a group of journalists and found the children going without lunch during their stay at the school.⁴¹ That's when he decided he needed to start the FLFC campaign for the rural children of China.

The initial success of Deng Fei's campaign was huge, as he managed to raise \$4 millions in just eight months with the support of 900,000 donors. Deng Fei was able to help 162 schools provide free lunches for 25,000 children.⁴²

The transparency and feedback built into the FLFC program relied on a mix of online and offline actions designed to build trust with the donors so they could clearly understand how their money was being spent. Deng Fei crowdsourced both the fundraising and the monitoring of the FLFC program, a breakthrough innovation that helped restore people's trust in charities in China.⁴³ To monitor the funds and check that schools were spending the money on food for students, the FLFC program relied on Weibo, requiring each participating school to post its weekly expense reports online.⁴⁴ Following is how the schools on Weibo drafted a typical message: *"December 22, 2011; Thursday. Hunan Xinhua Dapingpo Primary School Free Lunch. Today 41 people ate a meal. The menu: meat and radish, boiled eggs, stewed potatoes. Rice 10*2.2=¥22, meat 3.2*¥13=¥41.6, eggs 41*¥0.7=¥28.7, radish 6*¥1=¥6, potatoes 6*¥1=¥6. Oil 1.3*¥7.5=¥9.75 and firewood 40*0.2=¥8. In total ¥122.05, ¥2.98 per person. We do not have classes on Friday. Happy new year!"*⁴⁵

The program also recruited local retired officials to oversee the accounts and pay surprise visits to the schools to ensure the children were adequately fed. The charity's millions of followers on Weibo were also encouraged to monitor the schools' online accounting. If any irregularities came to light, the school would lose access to its funds.⁴⁶

Deng Fei's campaign intended to work closely with local governments from the very beginning but was met with skepticism initially, with a local Finance Department criticizing the feasibility of the program. *"Who will take responsibility for food safety and transparency of information? If anything goes wrong with this project, who should be blamed? Most schools are located in such remote and poor areas that donating merely three yuan to every student will not comprehensively solve the whole problem. Also, while three yuan per person may not be a large amount, if you triple the number of eligible students, then*

that would become a huge burden for government expenditures.” the department had remarked.⁴⁷ However, due to strong public support and Deng Fei’s reputation, county governments soon began to support his initiative. Eventually, the program culminated in a national level initiative to alleviate malnutrition among rural school children.⁴⁸

On October 26, 2011, the People’s Republic of China State Council announced a plan to provide lunch to 2.6 million students by committing 16 billion yuan in national funds annually.⁴⁹ The Ministry of Education (MOE) implemented a plan to improve the nutrition of rural students by providing them with a subsidy of three yuan (\$0.42) per person per day.⁵⁰ In May 2012, 15 central departments jointly issued detailed provisions for implementing the Rural Compulsory Education Nutrition Improvement Program announced by the State Council.⁵¹ Within a very short period, Deng Fei’s FLFC program had achieved national policy impact. By 2016, the government program had allocated 159.1 billion yuan across 699 poverty-stricken rural counties, benefiting over 21.3 million students every day.⁵²

By the end of May 2019, Deng Fei’s Free Lunch for Children campaign had raised over 540 million yuan with a presence in 1220 schools in provinces, municipalities, and autonomous regions, benefiting more than 315,000 children.⁵³

The Free Lunch Program isn’t the only crowdfunding initiative to have influenced public policy in China. There are many similar cases in China where crowdfunding campaigns influenced public policy. In a way, individual donations on crowdfunding campaigns can act as votes towards a particular cause, signaling the will of the people to the government.

Crowdfunding Against Arms Trade

Since 2015, a brutal Saudi air campaign in Yemen has killed tens of thousands of people and displaced millions, creating one of the world's worst recent humanitarian crises. The regime, supported by Britain and the US, has targeted civilians in a widespread and systematic manner by dropping bombs on hospitals, schools, weddings, funerals, and even camps for displaced people, as per reports from the United Nations.⁵⁴

A UN report published in September 2019 identified the UK among one of the arms-supplying states that may be legally responsible if standards for complicity are met.⁵⁵ "The legality of arms transfers by France, the United Kingdom, the United States, and other States remains questionable, and is the subject of various domestic court proceedings," the UN report read.⁵⁶ The role of Britain in the Yemen war extends beyond that of a weapons supplier to the Saudi regime. The British government has deployed RAF personnel to work as engineers and to train Saudi pilots. An even larger role has been played by BAE Systems, Britain's biggest arms company, which the government has subcontracted to provide weapons, maintenance, and engineers inside Saudi Arabia.⁵⁷

Peace campaigners Sam Walton and Daniel Woodhouse decided to prevent the British sale of arms to the Saudi regime. On January 21, 2017, both the men broke into a BAE Systems airbase in Lancashire to try and disarm warplanes being sold to Saudi Arabia. On the same day in 1996, three women had entered the same site to disarm a plane being sent to Indonesia to be used in the genocide in East Timor.⁵⁸ It was a symbolic gesture to send a powerful message against the UK government's support of war crimes.

“Even if we do not manage to disarm a plane bound for Saudi Arabia, we hope that by openly trying to do so, we will endanger future arms deals. The Saudi rulers are notoriously touchy about criticism – they don’t tolerate it at all in their country. Furthermore, they are not just buying arms – they are also buying legitimacy,” the statement the two men carried with them read.

“We need to do everything we can to show these sales are illegitimate and stop the government pushing for more sales. We hope that by shining a light on British complicity in Saudi war-crimes, we will contribute to ending arms deals with this regime. Therefore even if we do not manage our primary aim of stopping or delaying a plane being used in war crimes through physically rendering it incapable of doing so, this action will still less directly in the future prevent war-crimes by stopping weapons being sold to those that perpetrate them... We probably won’t even make it to a plane bound for Saudi; we will probably get caught and either thrown off the base or arrested, but we have to try. We will carry out this action in the safest way possible and, if we are spotted, we will comply with reasonable requests from BAE personnel and not resist arrest. We intend this action to be accountable, just as we believe selling weapons to be used in war-crimes must be. Therefore, if we are not spotted, we will alert the authorities rather than attempt to ‘get away with it.’ We fully expect to be arrested and are prepared to spend time in prison if need be. It is for the sake of accountability that we have written this statement in advance and will carry it with us on the action,” the statement further read.⁵⁹

As they had anticipated, both the men were arrested before they could reach the planes. They were charged with criminal damage, but they pleaded not guilty, stating that they were acting to prevent crimes against humanity and the destruction of homes in Yemen. Going up against the big guns, Sam Walton and Daniel Woodhouse started a

a crowdfunding campaign on CrowdJustice to fund their legal expenses. *“Our fantastic legal team of Mike Schwarz of Bindmans & Blinne Ní Ghrálaigh of Matrix Chambers have worked pro-bono so far. But we need your help now to make sure they can dedicate the time necessary to this case. We’ve also set an ambitious stretch target as any money left over will go to funding the Campaign Against Arms Trade’s ongoing court battle against the government’s decision to allow arms sales to Saudi,”* their campaign appeal read. ⁶⁰

With the help of 374 contributors, they managed to raise over £12,000 to fight criminal damage charges— and were acquitted. *“This vindication from the Courts is further evidence of the hypocrisy and moral bankruptcy that underpins so much of UK foreign policy. It is time for the government to stop putting arms company profits ahead of human rights. We do not regret taking action and would do it again in a heartbeat. The only thing we regret is that we were not able to finish the job,”* they said post their acquittal.⁶¹ Inspired by their actions, a Kickstarter campaign was later launched to fund the idea for a ‘cooperative board game about disarming warplanes’. The campaign raised £9,182 with the help of 242 backers.⁶²

In the past, the success of crowdfunding for legal justice campaigns has remained confined to David vs. Goliath type and other high profile cases capable of generating media attention. However, the trend has started to change, especially in the western countries where crowdfunding is used to fight small cases in lower courts, for issues regarding immigration, domestic disputes, and workplace harassment. Crowdfunding also allows lawyers to mount cases for smaller nonprofit organizations that would not otherwise be able to bear the financial costs of a legal battle against corporates, thus helping expand the scope of justice.

Crowdfunding To Help Thirsty Koalas

Wildfires are a common occurrence in Australia, but the bushfire season of 2019-2020, fueled by tinder-dry conditions, wreaked unimaginable havoc. 19,000 fires engulfed over 45 million acres of land across Australia. Australia's wildlife endured the brunt of the fires, as nearly 1 billion animals were estimated to be dead.⁶³ The fires incinerated the habitats of up to 100 threatened species and pushed at least 20 threatened species closer to extinction. Data collected from over 23 scientists suggested that within the forests and woodlands that burned, there would have been almost 3 billion native vertebrates, comprising 143 million mammals, 2.46 billion reptiles, 180 million birds, and 51 million frogs.⁶⁴

One of the worst-hit species was the native Koalas, with estimates suggesting that at least 30,000 died in the fires. The fires destroyed 80% of the Koala habitat, forcing the Koalas into functional extinction, with experts predicting that without intervention, Koalas would go extinct by the year 2050.⁶⁵

In New South Wales, the fires killed at least 6,382 Koalas— as much as a third of the state's population.⁶⁶ The situation was further aggravated by drought conditions, with ash, soot, and charred vegetation clogging up streams and threatening water quality. This led to severe dehydration in Koalas, many of whom had to be admitted to the Port Macquarie Koala Hospital to receive emergency care. After realizing the gravity of the situation, the hospital started a crowdfunding campaign on GoFundMe to raise money to purchase and distribute automatic drinking stations, which would be installed in the burnt areas to help the Koalas and other distressed animals.

The campaign received an overwhelming response from donors all over the world. It raised over \$7.9 million from 157,000 donors across 95 countries— eclipsing its stated target of \$25,000. *“We are overwhelmed and humbled with gratitude for the support and care shown by people from all over the world for our efforts to care for koalas now and to try to ensure that we still have koalas for generations to come”*, the organization said following the success of the campaign.⁶⁷

Initially, the Port Macquarie Koala Hospital aimed to raise money to build and distribute a small number of automatic drinking stations. However, following the success of their GoFundMe campaign, they were able to install over 150 Wildlife Water Drinking Stations, some of which they shared with other wildlife organizations in fire-affected regions throughout the state of New South Wales. They were also able to purchase a water-carrying vehicle with firefighting capabilities to replenish the drinking stations with water at regular intervals. The money also helped them establish a long term breeding program that included researching areas devastated by recent or progressive losses in Koala numbers to pinpoint source populations in dire need of recruitment of genetically suitable Koalas. Some of the funds were also directed towards building a Wild Koala breeding facility (a Koala Ark) to ensure the repopulation of forested regions to which the Koalas were genetically adapted.⁶⁸

The ‘Help Thirsty Koalas Campaign’ became the largest Australian GoFundMe campaign, bringing together people from across the globe to help mitigate one of the biggest environmental disasters in Australia’s recent history. More than 650 campaigns were created throughout 2019 to help drought-stricken Australian families, farmers, and communities, raising millions of dollars with the help of both small and large donations from over 700,000 individuals. Australia was ranked as the third most generous country on GoFundMe in 2019, with

one in ten Australians having donated to a campaign.⁶⁹ On Facebook, a fundraiser started by Australian comedian Celeste Barber raised over AUD 51 million for The Trustee For NSW Rural Fire Service & Brigades Donations Fund. Over a million people donated to the campaign, making it the largest fundraiser ever on the platform.⁷⁰

The global outpouring of generosity during Australia's bushfire crisis established charitable giving as an act of community in Australia. Celebrities, influencers, politicians, companies, journalists, and individual donors all came together and donated over \$500 million to help rebuild Australia's devastated ecosystems.⁷¹

The Mother of all Innovations

India has a diverse collection of silk sarees; that are sought after in both the domestic and the international market. The intricate patterns and designs on the fabric makes each saree a piece of exquisite art. From the Telangana region of India comes the Pochampally saree that is extremely taxing for the weaver to create as the pattern (called ASU) takes hours of work.

Lakshmi was one of those who toiled daily to create the ASU pattern that goes into making these famous Pochampally sarees. She used to move her hand 18,000 times to get about 15 km of silk thread to set the two ASU patterns a day for two sarees. Due to the challenging work, she would continuously complain of shoulder pain. Seeing her hardship, her son, Chintakindi Mallesham, a 6th-grade school drop-out, decided to make his mother's life easier. The self-trained engineer worked for years and finally succeeded in creating a machine that automated the process — a machine he called the Lakshmi ASU machine.

The machine revolutionized the process and helped reduce the pain of many who, like Mallesham's mother, used to undertake manual ASU for Pochampally sarees. It reduced the time taken to weave one saree from six hours to just one and a half hours. The machine was energy efficient and didn't require any attendant to keep a watch on it. The innovation won Mallesham awards and accolades. He also made it to the Forbes List of the seven most powerful rural Indian entrepreneurs whose inventions were changing people's lives. In 2016, he received the 'Amazing Indians Award 2016' by the Indian Prime Minister Narendra Modi.

However, while the economically well-off weavers bought his machine that cost Rs 25000 (\$330), Mallesham was pained to see that the low-income weavers were unable to afford his machine. He tried extremely hard to get a subsidy or financial support from the government to make it more affordable but nothing materialized. Mallesham had realised that there were close to a thousand weavers who required this machine. In an attempt to make his machine accessible to those who needed it, he turned towards crowdfunding. He approached the crowdfunding platform FuelADream.com with the help of the NGO Palle Srujana, and they started a campaign to raise funds for machines for small weavers in Dec 2016.

The first campaign was an outstanding success as it raised funds to support the distribution of 28 machines.⁷² The campaign also raised massive awareness regarding the plight of the small weavers. Fueladream.com did a PR campaign to promote the campaign, sending a press note to various national and local newspapers. The story was picked up by the Times of India (India's leading newspaper) in early Jan 2017. They published an insightful article on Mallesham's plight and the apathy of the government towards this rural innovator.

The story made a positive impact, and a few weeks after, on Jan 26th 2017, he was conferred with the Padma Shri Award, India's fourth-highest civilian award. Soon after, funding started to pour in from all quarters. Things only got better when his story was turned into a short feature film and is currently featured on NETFLIX under the title of 'Malesham'.

Following the success of his first campaign, he started another campaign that helped him fund 20 machines for small weavers.⁷³ His innovation continues to transform the lives of weavers who make the famed Pochampally Saree. In Mallesham's case, crowdfunding helped make his invention accessible to low-income weavers. With the support of FuelADream's PR team, he was able to raise awareness about his invention, highlighting the plight of weavers.

Sheroes Hangout: A Crowdfunded Endeavour operated by Acid Attack Survivors

For many years, Rupa was physically and mentally abused by her stepmother. One fateful night, her stepmother entered her bedroom and poured acid over her face while she was sleeping. She was left without any first aid for 6 hours until her uncle reached and took her to a nearby hospital for treatment. Her father threatened to not pay for her medical expenses if she talked to anyone about what her stepmother had done. She went to the police and registered an FIR against her stepmother, who was later convicted and sentenced to only 18 months in jail and was soon released on parole. For nearly six years, Rupa faced social stigma and exclusion and underwent over ten facial reconstruction surgeries.⁷⁴ Fast forward to 2020, and Rupa runs Sheroes Hangout, a cafe in Agra, jointly with other acid attack survivors. The word Sheroes stands for She Heroes and symbolizes the unwavering resolve of the survivors.

Sheroes Hangout was established in December 2014 in Agra, a city home to the world-famous Taj Mahal. The cafe started as a crowdfunding project under the Stop Acid Attacks campaign with a mission to stand for acid attack survivors and create a bridge between them and society. Sheroes Hangout adheres to a 'pay as you wish' model, and any contributions made go towards the rehabilitation of survivors of acid attacks in India. Over the years, the number of beneficiaries at the Sheroes café in Agra has grown from five to ten acid attack survivors—including Rupa, Ritu, Dolly, Neetu, and Geeta, who have been running the cafe since its inception. The Hangout is visited by thousands of guests from several parts of India and the rest of the world. Over the years, it has attracted the Chief Minister of the state, the Prime Minister of Italy, the First Lady of France, and many eminent celebrities worldwide. Initially, Sheroes Hangout began as a rehabilitation program for the acid attack survivors, but today it has evolved into a reader's cafe, a space for activism and social workshops, a community radio hub, and an exhibit space for boutiques and handicrafts—designed and created by the members of Sheroes.⁷⁵ For the survivors, Sheroes Hangout is not just a haven where they earn a livelihood but also a platform to connect with people who can learn from their stories and understand the stigmas they have to face.

Over the years, Sheroes Hangout has received multiple awards, including the Shakti Puraskar 2016 by the President of India and the BOBS award for best online activism by Deutsche Welle, Germany. Besides operating in the city of Agra, Sheroes Hangout also opened branches in Lucknow (Uttar Pradesh) and Udaipur (Rajasthan), benefiting a community of over 40 acid attack survivors. The cafes make a profit almost throughout the year, but there are months when the business doesn't do as well, and that's when they use crowdfunding to keep the cafe running. During the COVID-19 lockdown, their 'Stand With Sheroes' campaign raised over Rs 30 lakh (3 million) with the help of 900+ donors to help the acid attack survivors.⁷⁶

Raised for Sheroes	Year	CF Platform	Number of Donors
Rs 137,402	2014	FundDreamsIndia	363
Rs 166,703	2014	Indiegogo	40
Rs 3,071,847	2020	Milaap	920
Rs 5,854,233	2019	Milaap	1786
Rs 1,834,775	2014	Indiegogo	366

Table 1-Crowdfunding projects by Sheroes⁷⁷

Several members of the Sheroes Hangout cafes have also used online crowdfunding to fund their creative projects.

Rupa, who always aspired to be a fashion designer, raised Rs 18 lakh (exceeding her goal by 250%) to set up her own boutique.⁷⁸ “Earlier, I used to cover my face with a scarf but not anymore. Though I never gave up on my dream, I did not think that it would be possible one day,” Rupa said after she launched her collection.⁷⁹ Following her boutique’s success, she started another crowdfunding campaign to start an online store for her designs, managing to raise over Rs 4.98 lakh (498,000) on Indiegogo.⁸⁰

Unfortunately, the first café that was located in Agra was demolished in July 2018, after the ruling government initiated a road-widening project in which several shops were demolished. Yet again, it was crowdfunding that came to their rescue. The ‘Rebuild Sheroes’ campaign raised over Rs 58 lakh (5.8 million) with the help of 1,786 donors, allowing the cafe to relocate and start over.⁸¹ The campaign posted 21 updates to keep the donors in the loop regarding the rebuilding process, helping them establish a stronger connection with their donor base.

According to the India Today Data Intelligence Unit (DIU), there were 1,483 victims of acid attacks between 2014 and 2018 in India.

While 596 acid attack cases were reported in 2017 and 2018, only 149 people were charge-sheeted each year. In 2018, out of 523 cases that went for trial, only 19 ended in conviction.⁸² Often, the people convicted by the courts get away with short imprisonments and sometimes even manage to get out on parole. While the perpetrators get away after committing heinous crimes, the survivors have to face social stigma and ostracization, especially in rural and underdeveloped areas. Following the advent of online crowdfunding, acid attack survivors have been able to connect with people who can support them in their pursuit of financial independence.

Challenges Online Crowdfunding Faces

During the Covid-19 pandemic, millions of people came forward to donate money to various nonprofits to help disadvantaged groups survive one of the biggest humanitarian disasters of the 21st century. Crowdfunding platforms witnessed an exponential increase in the number of new donors, and many saw a 4x increase in donation volumes. Humanitarian disasters tend to bring out the best in people as they become more generous and more willing to support those in need. Lamentably, these disasters also put people at risk of being taken advantage of by companies trying to evade their responsibilities.

When the COVID-19 lockdown was announced, one of society's worst-hit sections were the cab drivers and delivery partners of firms like Swiggy, Zomato, and Dunzo. As countries decided to go under lockdown, these app-based workers lost their source of livelihood overnight. Even though food/grocery delivery platforms came under the umbrella of essential services, workers were faced with a diminished volume of orders that severely dented their incomes. On social media platforms, these workers were hailed as heroes by their employers, but no financial support was provided to them in reality. Instead, some of the mega conglomerates decided to shift the burden of taking care of their workers to the public. Food delivery firms and taxi services in India like Zomato, Swiggy, Dunzo, Uber, and Ola were quick to evade their responsibilities and start crowdfunding campaigns to provide welfare services to their workers during the pandemic.

Uber crowdfunded over Rs 30 crore (300 million) with the help of 28,000+ supporters while its competitor, Ola, raised Rs 25+ crore (250 million).¹ Among food delivery apps, Swiggy raised over Rs 5 crore (50 million), Dunzo raised Rs 60 lakh (6 million), and Zomato started a 'Rider Relief Fund' to raise Rs 10 crore (100 million) for its 250,000 delivery partners.² All these campaigns made promises to the donors that the contributions would be used to provide their workers with income support, medical assistance, and even food supplies. Basically, they crowdfunded to provide essential employment benefits and services to their workers. With multi-million dollar valuations, these companies could have easily afforded support and security for their workers during the pandemic, but instead, they chose to transfer the burden of their responsibilities to the gullible crowd— whom they swayed easily with emotionally charged donation appeals. It is pertinent to mention that during the pandemic, Swiggy's market valuation stood at \$3.6 billion, Zomato's was close to \$3.2 billion, while Dunzo's valuation stood a little under \$200 million.³ As for ride-hailing services, Ola was valued at \$5.7 billion during the pandemic, while Uber's market capitalization stood at \$46 billion-\$48 billion in mid-April 2020.⁴ Despite billion-dollar valuations, these companies failed to provide a safety net to their workers in the middle of a humanitarian crisis. Instead, they crowdsourced the funds that they were supposed to pay as part of their responsibility towards their workers.

The situation was perfectly summarized by Kaveri Medappa & Pradyumna Taduri in their article for Scroll.in, "*The charity campaigns and the discourse around the heroism of the workers shows how platforms are effectively using altruism as a smokescreen to evade their own obligations towards those who labor for them. On the one hand, workers are projected as agents of sacrifice and selflessness who put customers before themselves. On the other, customers are presented with the opportunity to be charitable to their 'hunger saviors', as Swiggy*

*calls its workers, by way of tipping or by donating to the crowdfunding campaigns.*⁵

Throughout the book, we have mostly talked about crowdfunding's potential to positively influence people's lives and contribute to society's betterment. However, the crowdfunding industry is far from perfect. It's plagued by fraud, moral misuse, privacy concerns, industry malpractices, lack of accountability, and a lack of regulatory reforms. This book will be incomplete and inaccurate if we don't talk about the underlying issues threatening the credibility and the very existence of the crowdfunding industry. An exhaustive discussion about the problems that plague the crowdfunding industry can be a separate book on its own, but nonetheless, this chapter will attempt to highlight some of those problems.

Regulation

Total Alternate Finance Volume

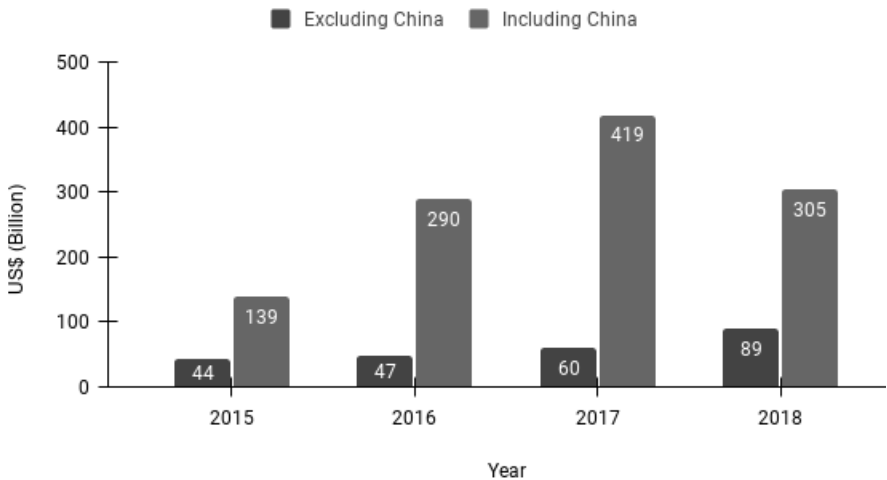


Fig 1- Drop in total Alternative Finance volume from 2017 to 2018.⁶

The above graph depicts the volume of the global Alternative Finance industry from 2015 to 2018. As you can see, the industry's total volume dropped from \$419 billion in 2017 to \$305 billion in 2018. But if we exclude China from the market, the volume for the rest of the world increases from \$60 billion in 2017 to \$89 billion in 2018. So, what happened in China that led an industry growing by over \$100 billion annually to take a sudden plunge and shed 27% of its market volume? Let's start from the beginning.

From being almost non-existent in 2012, the Chinese crowdfunding industry witnessed a massive surge in the number of platforms operating in the country. Within just a few years, China developed into the world's largest market for Debt-based crowdfunding (the market for peer to peer marketplace consumer lending), witnessing a herculean growth. However, this growth was primarily due to the lack of regulatory oversight by the government. It was later disclosed that many microlending platforms were nothing more than a Ponzi scheme to dupe investors.

The initial signs of fracture in the Chinese crowdlending market were observed in late 2015 when investors on the peer to peer lending platform Ezubao were suddenly unable to withdraw their funds.⁷ This raised some red flags, prompting authorities to investigate the company's finances, only to find that Ezubao was running a Ponzi scheme. The company offered guaranteed high returns on investment products, some of which offered a return worth 700% of typical investment rates offered by banks.⁸ With little to no regulatory oversight, the peer to peer lending platform continued to fool investors through its bogus advertising claims and false success stories. Company representatives were even provided money to dress in luxury clothing to present the appearance of a profitable company.⁹ As the company could not keep up with investor payouts, they created bogus investment products using

the funds raised in order to pay back older investors— a typical way of running a Ponzi Scheme.¹⁰

Over 900,000 Investors on the platform faced a loss of approximately 59.8 billion yuan (\$9.14 billion) because 95% of the loans listed on Ezubao's platform were utterly bogus. In August 2016, as an effort to mitigate financial risk in the P2P market, the Chinese authorities began introducing strict regulatory measures to serve as a deterrent to future fraud cases like Ezubao. Twenty-six executives of Ezubao faced trial in April 2017 after it was found that the embezzled funds were spent on luxury gifts, high salaries, and other lavish expenditures by the executives. In September 2017, the architect of the Ezubao scam was sentenced to life imprisonment and fined \$15.29 million for crimes including illegal fundraising, illegal gun possession, and smuggling of precious metals; twenty-six other executives were handed down jail time between 3 to 15 years.¹¹ The incident became the biggest P2P lending scandal in the history of China. But it wasn't the only one.

In the following years, regulatory reforms combined with the government crackdown on peer to peer lending platforms caused hundreds of crowdlending platforms to go bankrupt as they were unable to meet the new regulatory requirements. While investors demanded a government bailout, panic in the market led to a liquidity crisis for many peer to peer lending platforms, exposing hundreds of fraud cases.¹²

In 2018, China's alternative finance market volume totaled \$215.4 billion, representing a significant 40% decrease from 2017's \$358 billion mark and a break in the previously continuous growth trend.¹³ The number of operating platforms shrank by 50% (to 1021 platforms) in 2018, and 2019 wasn't any better as the police ended up freezing \$1.5 billion worth of assets from over 380 platforms while investigating

illegal activities.¹⁴ By the end of 2019, only 343 existing debt-based crowdfunding firms were still operational in China.

While the lack of regulatory oversight in the peer to peer lending market allowed for extraordinary growth, it also caused P2P loans to balloon from almost nothing in 2012 to 1.22 trillion yuan in December 2017.¹⁵ The Chinese peer-to-peer lending industry emerged as a valuable credit source for people at the bottom of the income pyramid who couldn't access loans through the traditional banking system, but unfortunately, it suffered a mission-drift from nonprofit motivations to for-profit motivations. From serving the people to serving selfish executive interests, it became a market where platforms made money off the poor by trying to capitalize on unsustainable high-interest rate returns.

The existing regulatory framework of crowdfunding across many countries— especially in poorer countries— is ill-defined with little or no government oversight. In many countries, there are no elaborate policies or laws that regulate the different sub-domains of crowdfunding. Even in countries where regulation exists, regulators are facing the problem of inexperience, as online crowdfunding is a relatively new arrival. As such, there is a risk that they may either over-regulate or under regulate existing subdomains of crowdfunding. Another problem is that of over-generalized regulatory frameworks. For instance, the regulatory frameworks that may work for debt-based crowdfunding may fail with donation-based crowdfunding.

Equity-based crowdfunding, in particular, has been challenging for regulators, given the risks involved with it. Unlike other forms of crowdfunding, equity crowdfunding is more complex and, therefore, prone to loopholes that can be misused by scammers to dupe people. On the other hand, equity crowdfunding also has the potential to open up new funding opportunities for underrepresented entrepreneurs

up new funding opportunities for underrepresented entrepreneurs who otherwise would be shut out of the traditional finance market. For example, female entrepreneurs have a far better success rate in raising funds via crowdfunding than conventional venture channels. Given its potential for economic impact, equity crowdfunding can be an empowering tool, especially in developing countries. Sadly, many countries have imposed extremely strict regulatory measures on equity crowdfunding due to the potential risks associated with it. India, for instance, has completely banned equity-based crowdfunding but allows donation- and reward-based crowdfunding.

Lack of regulatory involvement and consumer protection also allows crowdfunding platforms to operate in regulatory grey zones. Platforms, in the absence of regulatory oversight, can get away with false success rates, high platform fees, a lack of transparency and due diligence, and bogus claims about the volume of funds raised. It also creates other spiraling problems that threaten the credibility of the crowdfunding industry. Therefore, proper regulatory measures must be established to safeguard the donors' interests and to monitor the platforms. At the same time, regulatory standards have to be sensible enough to provide a conducive environment for the crowdfunding industry's growth.

Fraud

Weak regulatory measures also allow platforms to escape accountability by shifting the burden of detecting fraudulent campaigns on potential donors. Following are a few examples of platform policies regarding due diligence processes: Weak regulatory measures also allow platforms to escape accountability by shifting the burden of detecting fraudulent campaigns on potential donors. Following are a few examples of platform policies regarding due diligence processes:

Kickstarter: *“Kickstarter does not investigate a creator’s ability to complete their project. Backers ultimately decide the validity and worthiness of a project by whether they decide to fund it”*.¹⁶

Zoomal: *“The materials on Zoomaal’s website are provided ‘as is’. Zoomaal makes no warranties, expressed or implied, and hereby disclaims and negates all other warranties, including without limitation, implied warranties or conditions of merchantability, fitness for a particular purpose, or non-infringement of intellectual property or other violation of rights. Further, Zoomaal does not warrant or make any representations concerning the accuracy, likely results, or reliability of the use of the materials on its Internet web site or otherwise relating to such materials or on any sites linked to this site”*.¹⁷

SimplyGiving: *“You will not hold the Company responsible for others’ content, actions or inactions. You acknowledge and understand that although the Company will endeavour to the best of its ability to conduct background checks and due diligence on Fundraisers/Beneficiaries, the Company have no control over and do not guarantee the quality, safety or legality of Fundraising Pages/Campaigns promoted, the truth or accuracy of content, listings, or ability to perform the stated objective”*¹⁸

By maintaining that the detection of fraudulent campaigns is the donor’s responsibility, crowdfunding platforms risk jeopardizing their credibility. A lack of trust on the part of the donor will negatively impact their participation as backers may doubt the campaign’s authenticity. This, in turn, has severe repercussions on the growth of the platform. If crowdfunding platforms can assume the greater part of the burden of screening campaigns, this will improve their trust ratings and will therefore lead to an improvement in their overall performance. It is also crucial to consider the responsibilities that crowdfunding platforms should assume for fraudulent campaigns. Duties of the platforms should

include identifying bogus campaigns and ensuring they do not receive donations. They should also guarantee that funds raised for campaigns will aptly be transferred to the beneficiaries for the purposes mentioned in the campaign; maximum transparency should be maintained while doing so. Besides these primary responsibilities, platforms should also insure the backers by returning the donations made by the donors to a fraud campaign. This would signal the platforms' dedication to safeguard the backers' interests and reduce the risk associated with investing in a campaign.

Another reason why platforms need to assume greater responsibility in performing due diligence is that donors, in most cases, make small contributions to campaigns and are therefore relatively less invested in a particular campaign. Thus, the incentive to perform due diligence at the donor level is likely to be low.

Typical examples of crowdfunding fraud involve faking or exaggerating one's (or another person's) illness, impersonating another person, or misusing funds. Medical crowdfunding is especially vulnerable as campaigns tend to be emotionally charged. People tend to donate impulsively due to the sense of personal urgency created by the campaign clock and the campaign's content. Some platforms have come up with innovative solutions to overcome these problems. For example, in India, most medical crowdfunding platforms ask the campaigners to provide evidence (including but not limited to pictures of the prescriptions, test reports, hospital videos, hospital receipts, and an official letter from the hospital administration confirming the illness). Regrettably, this also jeopardizes the campaigners' privacy, as their information becomes accessible on a public website, where it can easily be reused by third parties.

While it is difficult to quantify the percentage of fraud cases in the crowdfunding industry, crowdfunding platforms usually peg the number at less than 5% of all cases; some have even estimated it to be as low as 0.1%. Furthermore, with a surge in the use of online crowdfunding, several mechanisms have evolved to track fraudulent campaigns. GoFraudMe, a website that maps crowdfunding fraud, investigates potential fraudulent campaigns by allowing people to report them on its website.

Combined efforts by both the platforms and the backers can monitor and identify fraud cases, allowing the industry to overcome trust deficit problems. This is important because the market for online crowdfunding can grow much larger than its current size, but increasing the number of participants would require platforms to improve due diligence processes and take greater accountability. In the long run, fraud cases can hurt the reputation of the entire crowdfunding industry, and it's up to the crowdfunding platforms to ensure this problem doesn't spiral out of control like it did in China's case. If we are concerned with public perception, it only takes a few fraudulent crowdfunding disasters to blow up the reputation of the entire space, especially given the negativity bias that exists in present-day media coverage of events. For these reasons, the threat posed by fraud cases needs serious considerations on the part of the platforms.

Data and Privacy

Data has often been termed as the 'new oil' and rightfully so, given its value. Today, Big Data companies have eclipsed Big Oil companies and other major industries to become the most valuable publicly-traded companies in the world. In January 2020, the five most valuable US tech companies were worth more than \$5 trillion.¹⁹ In comparison, the world's 85 smallest countries had a combined GDP of just \$814 billion (lower than Google's market cap of \$1 trillion) during the same period.²⁰

It is no secret that all tech companies collect and process large volumes of data from their users in both a structured and unstructured form. Tech companies collect a variety of user information, including but not limited to: information about devices used, browser information, IP addresses, websites users have visited in the past, ads clicked or interacted with, date and time of use, and user interactions with apps, browsers, and devices.²¹ Besides basic information that is directly accumulated like a user's name, date of birth, age, gender, phone number, email address, physical address, location data, language data, and payment information, tech companies also collect sensitive data on religious beliefs, political views, psychological traits, biometrics, income level, relationship status, and personal interests.

Online crowdfunding platforms are no outliers. Being fintech companies, crowdfunding platforms also collect user data, including sensitive medical information of campaigners. But it's not just the amount of data that is collected that is concerning, it is also what the platforms do with the mined data. It is obvious that platforms would analyze the data to get insights into user behavior and target potential donors/contributors based on their religious views, race, gender, political views, and other interests and traits. What we do not know is how they use this data to modify their existing crowdfunding practices. To give an idea, crowdfunding platforms often feature specific campaigns on their social media handles and run advertisements for select medical emergency campaigns. The problem is that there is no way for people to know how platforms arrive at their decisions or what metrics make a campaign eligible to receive assistance from the crowdfunding platform.

This, in turn, has long term consequences that can lead to embedded discrimination in the platform's crowdfunding policies. Platform's algorithms which are crucial determinants of inequity in crowdfunding are also heavily guarded against public or government scrutiny as

companies work to ensure that extensive protections of their source code are written into new trade agreements so that even governments can't scrutinize their algorithms.²² Right now, many crowdfunding platforms can accept or reject requests to start campaigns at their own discretion. As profit-centric entities, they are biased to favor or choose crowdfunding projects that would boost their success rate. There is no sure way of knowing how it could lead to discriminatory policies against the underrepresented and underprivileged sections of society.

Algorithms can be biased based on who codes them, how they're built, and what purpose they serve. The bias can be hard to figure out, predominantly since the technology often operates in a corporate black box.²³ For example, studies have found AI tools to produce prejudices against black people and women.²⁴ As crowdfunding platforms embrace machine learning-based systems to make campaign selection choices, it might become increasingly difficult for them to detect the biases in their practices. The metric to choose which campaigns to select, boost, or reject can be based on data that is blind to implicit biases.

Researchers are now realizing that companies that are blindly mining data by feeding it into machine learning-based systems also tend to pick up the societal biases that the AI-based systems were supposed to mitigate. It's not unusual for large crowdfunding platforms, which get thousands of campaign requests every day, to use an AI model to rank the relevancy of the campaigns by predicting their success probability. Even more unfortunate is how difficult it is to document the effects of such a practice. In the case of online crowdfunding, platforms often draft their terms of use in a way that not just allows them complete access to use and sell user data but also prevents researchers from investigating the effects of their data practices.

For instance, consider GoFundMe's terms and conditions regarding

data use: *“In connection with your use of the Services you will not engage in or use any data mining, spiders, robots, scraping or similar data gathering or extraction methods. If you are blocked by GoFundMe from accessing the Services (including by blocking your IP address), you agree not to implement any measures to circumvent such blocking (e.g., by masking your IP address or using a proxy IP address). Any use of the Services or the Services Content other than as specifically authorized herein is strictly prohibited. The technology and software underlying the Services or distributed in connection therewith are the property of GoFundMe, our affiliates and our partners (the “Software”). You agree not to copy, modify, create a derivative work of, reverse engineer, reverse assemble or otherwise attempt to discover any source code, sell, assign, sublicense, or otherwise transfer any right in the Software. Any rights not expressly granted herein are reserved by GoFundMe.”*²⁵ While certain terms and conditions imposed by GoFundMe are necessary to protect the interests of the company and its users, some of these terms also prevent researchers from documenting the broader social effects of online crowdfunding, including how platforms are influencing donor preferences and how platforms may produce inequitable outcomes.²⁶

On the other hand, campaigners who start a crowdfunding platform for personal emergencies often have to post sensitive personal information (like their medical records) to appeal to the public for donations. All this information is available in public and can be used by third parties to monetize or misuse it for their benefit. It creates a catch 22 situation wherein if campaigners are not posting enough information, the chances of fraud can increase, and alternatively, if they reveal personal information, their privacy is jeopardized. To make things worse, campaigners and donors also have no idea to whom the platforms are selling their data and for what purposes.

To tackle these challenges, platforms need to implement significant privacy protocols. Platforms indeed need to collect personal information from campaigners to reduce fraud cases, but there also need to be checks and balances put in place to prevent them from mining sensitive user data. Proper regulatory oversight and significant privacy protocols would go a long way in ensuring that platforms abide by ethical codes of conduct. This would ensure they don't violate the privacy of their users and that online crowdfunding doesn't reproduce offline inequalities.

Barriers To Crowdfunding

Despite its growing popularity, online crowdfunding is still inaccessible to most people in the world. Only a fragment of the global population engages in online crowdfunding activities, at least on a regular basis. In a rich country like the US, a survey conducted by Pew Research in 2016 found that only 22% of American adults have ever contributed to a crowdsourced online fundraising project.²⁷ One can only imagine how the numbers look like in poorer countries where internet penetration and access to e-banking facilities are much lower.

In the African continent, the internet penetration rate is much lower at 42.2% than North America, which has an internet penetration rate of 90.3%.²⁸ It is pertinent to mention here that even though the African continent has a low internet penetration, its internet usage growth rate has been phenomenal between 2000-2020, standing at a staggering 12,441%— far better than the rest of the world.²⁹ Nonetheless, it will still take the continent a few years before internet access becomes more widespread.

However, the continent has also seen some brilliant innovations to steer around the challenges posed by low internet penetration and lack of e-banking facilities. Consider the case of M-Changa, a mobile SMS

based platform that allows people to start and manage fundraisers in an efficient manner through SMS. M-Changa provides a cheap method of collecting funds through mobile money. The contributors can easily remit money to specific causes, with transparency at all stages of the fundraiser. In fact, starting and managing a fundraiser on M-Changa closely matches the processes of running online crowdfunding campaigns.³⁰

Its innovative strategy has made M-Changa Kenya's most successful Mobile Money Crowdfunding Platform. While online crowdfunding is accessible only to those with internet and banking access, M-Changa's SMS crowdfunding model provides quick, easy, and affordable crowdfunding options to people with no access to the internet.

The process is fairly simple. All people require is a phone with SMS facilities and a Mobile Money account (Mpesa, Telkom Money, MobiKash, and Tangaza). By simply sending a text to the number 22231 with the fundraiser's name as the subject, the user can initiate the fundraising procedure. After entering their personal and fundraiser details, the campaigners can invite their potential supporters to contribute to their campaign by sending money to their number via their mobile money accounts.³¹ Moreover, M-Changa also allows campaigners to start their crowdfunding campaigns online through their website. By December 2018, M Changa had already crossed 400,000 users and supported more than 20,000 campaigns, processing several million dollars annually.³²

The digital revolution in Kenya was ushered with the introduction of M-Pesa, a mobile phone-based money transfer service by telecom operator Safaricom in Kenya, a subsidiary of the British group Vodafone. Since its introduction in 2007, M-Pesa has helped transform Kenya's economy by generating over 860,000 jobs and contributing \$1 billion

in economic activity.³³ Over the years, it has also expanded to the African countries, including Tanzania, Mozambique, DRC, Lesotho, Ghana, Egypt, Afghanistan, and South Africa.

Online crowdfunding has many challenges to deal with; some are well beyond the scope of this book, and some are hard to quantify: Social stigma, internal biases, donor fatigue, the impact of medical crowdfunding on healthcare policies, lack of data and research, crowdfunding bubbles, hidden platform fees, copycats trying to steal ideas from campaigns, manipulation of donor behavior by platforms to encourage impulsive donations, industry malpractices, lack of transparency and due diligence—the list goes on and on.³⁴ Over time, one can only hope that the solutions to these problems emerge with the help of innovation, collaborative measures, regulatory oversight, and other checks and balances.

However, none of these concerns take away from the fact that the industry holds a lot of promise and, in many cases, can act as an alternative safety net when the government cannot provide essential services. Additionally, it can spur economic growth and fund innovative projects and ideas. The potential for social good is limitless. But without understanding its limitations and potential adverse effects, there is a risk that we may amplify the very inequalities that we are trying to mitigate through online crowdfunding. An alarming sign is the gradual disappearance of nonprofit crowdfunding platforms as most of them are being subsumed or out-competed by for-profit crowdfunding platforms. This is evident if we take a closer look at the source of the funding volumes in the alternative finance industry. Approximately \$162 billion of alternative finance funding volumes directly stem from institutional investors such as banks, pension funds, mutual funds, and family offices.³⁵ Increased institutionalized funding marks a deviation from the original mission of having an ‘alternate source of finance’.

And as traditional investors gain more stake in the alternative finance industry, policies and priorities are bound to change.

As people increasingly turn to crowdfunding platforms to patch over enormous gaps in their social safety nets, it is essential to examine how these platforms are creating new political realities and reshaping norms regarding who deserves assistance, under what terms, and how it will be provided.³⁶

Future of Crowdfunding

Currently, the world is on the verge of creating a trillion-dollar crowdfunding market. In the future, the major drivers of the crowdfunding market will be artificial intelligence (AI), blockchain technology, better internet access, and the proliferation of social media platforms. As technology allows for better access, efficiency, and transparency, platforms will benefit from strong network effects. The value of the platforms and the industry will be enhanced as the number of campaigns and contributors grow. Such a cycle would lead to a large number of consumers and investors participating in the crowdfunding market.

The mechanism is simple. The rise in the number of campaigns hosted on the platform will attract more potential supporters to the campaigns that resonate with them. The simple act of contributing to a campaign incentivizes supporters to leverage their social networks to help project creators meet their fundraising goals, thereby improving their chances of success. As more campaigns are funded, creators feel encouraged to start more campaigns, thus creating a cycle of growth on both sides of the marketplace. Social media and technological innovations have provided much-needed acceleration to the entire crowdfunding industry. For the time being, the global crowdfunding market enjoys a strong double-digit growth. With multibillion-dollar fundraising volumes, the industry has so far only experienced minor course adjustments rather than stagnation or peak thresholds in growth.¹

This exponential growth of the crowdfunding industry has not gone unnoticed. In its Future of Finance report, Goldman Sachs, one of the biggest multinational investment banks globally, remarked that crowdfunding was one of the most disruptive emerging finance models. The report estimated that crowdfunding could address a \$1.2 trillion opportunity over time.² Another report predicted that the market for debt-based crowdfunding would hit the \$1 trillion mark by as soon as 2025.³ Based on current industry trends, the number doesn't seem far fetched. The scope and impact of crowdfunding are bound to expand due to its evolving community and the dynamic technological innovations that have helped pave the way for greater transparency and efficiency.

In emerging markets, crowdfunding allows unbanked people to access capital, incentivizing them to get a bank account, and thereby introducing them to the formal financial system. Moreover, the digital investment market of crowdfunding offers a huge opportunity to a wide variety of constituents in getting loans and access to equity capital. Crowdfunding, being inherently the most social category of the alternative finance industry, is of particular interest to Millennials and newer generations. Studies have shown that millennials have a particular interest in producing a positive impact on society through their investments due to their 'heightened awareness' of the social and environmental problems taking place in far corners of the world.⁴ Education, water, the environment, and gender equality form the top impact investment issues of interest for them.⁵ For millennials, crowdfunding represents a pathway towards a more inclusive financial tool that can be leveraged to mitigate societal inequities.

If major industry disasters like those that breach public trust can be averted, online crowdfunding will play a crucial role in major sectors like the entertainment industry, environment, education, NGOs,

travel, real estate, politics, research, and journalism. In these sectors, online crowdfunding can provide an alternative financial pathway and circumvention around mediators, leading to a more inclusive financial environment. For example, in times with increasing possibilities for self-production of artistic content, crowdfunding represents a pathway towards a more open and diverse sectoral structure, with the potential for realizing a broad spectrum of cultural productions.⁶ Similarly, sustainability-oriented projects that often struggle to access traditional funding find more takers in the crowdfunding marketplace. Studies have shown that sustainable projects have relatively high crowdfunding success rates and can appeal to a broad backer audience.⁷ The perceived sustainable mission increases the probability of success of a campaign due to the potential positive effect the project can have on society.

Today thousands of crowdfunding platforms operate in nearly 170 countries. But the industry is yet to grow to its fullest potential. Most national markets are still emerging from nascent stages, where public awareness is confined to urban spaces, and the market is populated with few crowdfunding platforms. As the network effect gains pace and awareness in markets increases, online crowdfunding will face new challenges and opportunities.

Online crowdfunding can help usher in a new era of crowd economy wherein access to funding is available to the underserved segments of society, social inequalities are mitigated, and old socio-economic and political discriminatory patterns are subdued with the help of financial affirmative action facilitated by the crowd. However, such a vision is likely to remain utopian as long as the industry doesn't address the challenges and biases that threaten its credibility and future. In the best-case scenario, online crowdfunding can offer an alternative social safety net to people, aid the establishment of new ventures, fund the development of new products, support upcoming artists, and contribute

positively towards the sustainable growth of societies by filling the social funding gaps that governments cannot. In the worst-case scenario, we can expect the crowdfunding industry to suffer from mission drift due to poor regulation, unhealthy competition, increased incidences of platform fraud, crowd manipulation, algorithmic bias, pyramid schemes, and privacy concerns. While there is little doubt that the online crowdfunding industry will hit the \$1 trillion mark, only time will tell whether it will be through the exploitation or the service of the crowd.

As such, e-learning support tools, educational programs, and academic research can create awareness about the benefits and risks associated with the various models of online crowdfunding. There is a growing need for dedicated, unbiased, and academically sound educational programs in crowdfunding for both campaign creators and donors.⁸ The University of Agder, Norway, is among the first universities to come up with a dedicated course on crowdfunding. The course is a part of their Master's program in Business Administration with a goal to acquaint students with the fundamentals of crowdfunding, maintaining a specific focus on understanding crowdfunding models, markets, as well as the development of skills for campaign planning.⁹ In the future, we can expect more universities to introduce courses on crowdfunding. The question remains whether such courses will also encourage discussions on the misuses and negative impacts of the online crowdfunding industry.

The use of technology by platforms is another factor that will play a huge role in determining the future course of online crowdfunding. The responsible adoption of artificial intelligence and blockchain technology by crowdfunding platforms can mitigate many concerns that currently loom over the industry. Let's look at two technologies that are most likely to play an essential role in the evolution of next-generation crowdfunding.

Artificial Intelligence

Artificial intelligence (AI) is a wide-ranging branch of computer science concerned with building smart machines capable of performing tasks normally requiring human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.¹⁰ Much of the new age innovations in AI are powered by breakthroughs in Machine Learning (ML), Artificial Neural Networks (ANN), Natural Language Processing (NLP), Automated Speech Recognition (ASR), Computer Vision, Cognitive Computing, and Deep Learning (DL). Today, AI technologies are embedded in every industry, from the manufacturing sector to the services sector.

More and more online crowdfunding platforms have started using AI tools to help people start their campaigns, predict donor behavior, show targeted ads, create content, detect fraud, and verify campaigners' identities.

AI tools can process large amounts of user data to predict donor preferences, allowing crowdfunding platforms to showcase causes aligned with a donor's past contributions and online behavior. Insights from user engagement data also help platforms curate content that appeals to their donor base. Some platforms have also started experimenting with AI-driven chatbots to assist campaigners in producing fundraising appeals. This allows campaigners to launch their crowdfunding campaigns within five to fifteen minutes.

In India, Milaap and ImpactGuru use an AI-based story-builder to help people start their campaigns within a few minutes. It is especially helpful in cases of medical emergencies and for people with lack the necessary literacy to write a campaign appeal. In an interview with

YourStory, ImpactGuru's founder Piyush Jain said, "One of the biggest problems people face is their inability to articulate their story properly. Through data analysis and an AI-based bot, we have created a platform that automatically and dynamically creates a compelling, emotional fundraising story for each patient by asking them a few objective questions. As a result, we have seen an increase in donations by 50 percent."¹¹

As the number of fraud cases increase, crowdfunding platforms will face increased pressure to perform due diligence processes. For instance, in 2018, Kickstarter's team suspended 354 projects and 509,487 accounts and banned 5,397 users for violating the company's rules and guidelines — 8 times as many as it suspended in 2017.¹² More and more platforms are using AI to verify the identities of campaigners and detect cases of fraud. In 2018, Indiegogo partnered up with an identity verification company Onfido to help confirm the identity of its campaigners. Onfido's technology leverages artificial intelligence and machine learning to verify new users when they sign up, thus allowing Indiegogo to fast track verification of campaign appeals and reduce the number of fraud cases.¹³

Researchers at the University College London, Telefonica Research Barcelona, and London School of Economics have proposed an automatic method that they claim can be useful in training machine learning ensemble classifiers to detect fraud campaigns. Their method can take visual and textual cues from any crowdfunding campaign and predict if a campaign is fraudulent or not.¹⁴ To build their method, the researchers sourced fraud campaigns from GoFraudMe, computed various textual and image-based features, and studied their distributions to understand how specific campaign characteristics were associated with campaign fraud. Armed with this knowledge, they built machine learning classifiers and annotated over 700 crowdfunding campaigns

on different health-related topics, including medical emergency appeals, and annotated them as fraudulent or non-fraudulent using Natural Language Processing techniques. The results were promising as their model distinguished between fraudulent and legitimate crowdfunding behavior with an accuracy of 90.14%.¹⁵

While research has shown that AI-based tools can be efficient at detecting fraudulent activities, they are also susceptible to bias, especially against minorities and the marginalized communities. For example, the same researchers acknowledged that poorly written campaigns by legitimate requestors who were illiterate or non-native English speakers could be potentially mislabeled as fraud by their classifier. Sadly, such algorithmic bias is common against people who come from low-income backgrounds. As long as such biases exist, crowdfunding can never completely become the tool that democratizes finance for everyone.

Blockchain Technology

According to EuroMoney, *“Blockchain is a system of recording information in a way that makes it difficult or impossible to change, hack, or cheat the system. A blockchain is essentially a digital ledger of transactions that is duplicated and distributed across the entire network of computer systems on the blockchain. Each block in the chain contains a number of transactions, and every time a new transaction occurs on the blockchain, a record of that transaction is added to every participant’s ledger. The decentralized database managed by multiple participants is known as Distributed Ledger Technology (DLT). Blockchain is a type of DLT in which transactions are recorded with an immutable cryptographic signature called a hash. This means if one block in one chain were changed, it would be immediately apparent it had been tampered with. If hackers wanted to corrupt a blockchain system, they would have to change every block in the chain, across all*

of the distributed versions of the chain.”¹⁶

Blockchain essentially does the same thing any banking ledger or any centralized entity does. But it does so while making sure that everyone participating in the network (all stakeholders) is fully aware of what is happening. It is a decentralized digital ledger with no core authority that records transactions across many computers so that every participant can access the history of transactions. One of the most famous examples of blockchain technology at work is Bitcoin. It is a decentralized digital currency or peer-to-peer electronic payment system. Users can anonymously transfer bitcoins without the interference of a third-party authority (like a bank or government).¹⁷

In the case of crowdfunding, blockchain technology and the use of cryptocurrencies can make funding processes safer and more transparent. The blockchain technology links all the three involved parties (platforms, backers, and campaigners) together by providing timely information that can be tracked simultaneously by them. By design, it can handle all issues concerning trust and transparency without human interference.

However, the intersection of online crowdfunding and blockchain technology could be disruptive. Currently, a crowdfunding platform acts as a third party that sits in between backers and campaigners. This entails that both parties need to trust the third-party platform to handle their money correctly and provide transparency regarding the campaigner’s use of funds.¹⁸ Since blockchain can provide immutable records of all transactions on a campaign, crowdfunding platforms can operate more transparently, assume greater accountability, and improve due diligence.

Over the last few years, multiple dedicated blockchain-based crowdfunding platforms have emerged intending to improve the existing mechanisms involved with crowdfunding. Take the case of GiveTrack, a donation-based crowdfunding platform that leverages Bitcoin and blockchain technology to benefit charitable organizations worldwide by helping them provide transparency and accountability to donors by sharing financial information and direct project results in real-time.¹⁹ Other examples of platforms embracing blockchain technology include charity crowdfunding platforms like BitGive, Whirl, and Utopi.

In India, Varun Sheth, the CEO of Ketto, is also placing his bets on blockchain as the future of crowdfunding. He believes it will bring the cost optics down for platforms by removing the need for intermediaries. In an interview with YourStory, he explained, *“Currently, donating is a two-step process: you support an NGO, and the NGO supports a cause. But there are a lot of steps between you and the beneficiary. Blockchain will eliminate the middleman and will help you provide benefits directly to the person you intend to help.”*²⁰

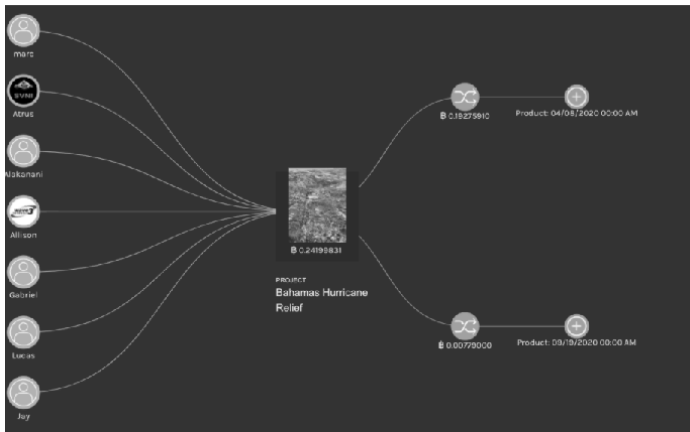


Fig 1- A visual representation of how blockchain can track transactions for a crowdfunding campaign.²¹

With smart contracts, blockchain technology can also ensure that money is precisely used the way campaigners promise to use it.

As per IBM, “Smart contracts are lines of code that are stored on a blockchain and automatically execute when predetermined terms and conditions are met. At the most basic level, they are programs that run as they’ve been set up to run by the people who developed them. The benefits of smart contracts are most apparent in business collaborations, in which they are typically used to enforce some type of agreement so that all participants can be certain of the outcome without an intermediary’s involvement.”²²

Smart contracts can be best used in crowdfunding by requiring campaigners to provide provable milestones as contingencies for giving. Under such an agreement, the smart contracts would release funds only once campaigners can achieve a particular milestone that they promised.²³ A smart contract can be programmed to keep on hold all or part of the received funds to a campaign until it fulfills certain milestones programmed into the contract.

Let’s consider a simple example. Suppose an NGO wants to raise money for flood relief on a crowdfunding platform. They promise donors that they would use the funds to distribute 10,000 packets of food to the people most affected by the flood. This is where a smart contract can be coded into the cryptocurrency that, in turn, enforces certain milestones on the NGO before it can receive all the funding. For example, the smart contract could enforce a conditionality wherein only 10% of funding is available to the NGO in the beginning. If the NGO uses the available bitcoins to buy 1,000 food packets, then a further 40% of the funds would be released. If they fail to fulfill this milestone, the funds would be automatically refunded to the donors.

Currently, there are many blockchains that support smart contracts, but the most prominent one is Ethereum. The contracts can be programmed through a special programming language called Solidity, which uses a syntax similar to that of Javascript.

Due to its scalability, processing power, contract-enforcing potential, and indelible record-keeping qualities, blockchain-powered crowdfunding can transform how online crowdfunding works by solving problems of information asymmetry and helping donors make informed decisions regarding their investment in a campaign.²⁴ Several start-ups have emerged to dabble in decentralized, distributed ledger-based crowdfunding such as WHIRL and AidCoin to make the process of crowdfunding more secure and transparent by formalizing digital relationships between the contributor and campaigner.²⁵ However, it remains to be seen whether the more established and larger crowdfunding platforms begin to look at blockchain to solve the problems that the industry currently faces.

Conclusion

We started this book delving into the history of crowdfunding and its growing significance in a world full of inequality. We discussed how online crowdfunding has branched into various models, each tapping into the crowd's limitless power. We focussed predominantly on the potential of donation-based crowdfunding, whether it be for providing an alternate safety net for people during emergencies or to create grassroots socio-political movements funded by the citizens. With data-driven stories, we explored the many dimensions of crowdfunding, including the challenges it faces. Now, as we approach the end of our book, we must think about the role that crowdfunding can play in our own lives and that of the society. What does the future of crowdfunding hold?

In the future, maybe we can expect to see a crowd economy wherein we have crowdfunded cities, schools, and even space missions. Maybe crowdfunding can create a world in which the crowd rather than the top 1% are the decision makers. We can't know for sure. The future, as always, remains uncertain.

In late October 2019, I was assigned a project to cover the story of Dr. Uday Modi, an ayurvedic doctor who fed 300 abandoned senior citizens in the Bhayandar area of Mumbai every day. Dr. Modi wanted to start a crowdfunding campaign to sustain his current efforts and build a nursing home for abandoned elderly. Most of his beneficiaries lived in miserable conditions, some being confined to rooms that were infested with rats and cockroaches. Dr. Modi recalled that most of these people had been abandoned by their children and barely had any money to afford even two meals a day.

For 13 years, Dr. Modi has been running a free tiffin service for these people so they can meet their nutritional requirements. "They are in their twilight years; I only hope that I can improve their quality of life. Some of these people don't have a source of stable income; the tiffins ensure they don't starve. But it's not enough. I often wonder what will happen to them once I'm gone. That's why I want to build a home for them, a place where they have access to medical facilities and can live with dignity and comfort." Dr. Uday told me during the video shoot.

When I interviewed some of the beneficiaries of Dr. Modi's tiffin service, I was moved to tears after hearing their plight. Yet, my heart was filled with hope. Dr. Modi has already raised over Rs 1 crore (10 million) on Milaap for his project, and I knew his campaign on Ketto would also be a success.²⁶ And it was. The last I checked, his campaign had already raised over Rs 50 lakh (5 million) on Ketto.²⁷ He has

purchased 25,000 sq. ft of land in Uttan, near Bhayandar, and the construction of the nursing home has already begun. Once completed, the building will be a haven for those abandoned parents who have lived most of their lives under leaky roofs. Dr. Modi's project will have a positive impact on the lives of hundreds of people. It may not fix the underlying causes that have led to such sad circumstances wherein the senior citizens find themselves helpless at such a vulnerable age, but I think it's a viable and meaningful solution that will positively impact many lives for years to come.

The world of crowdfunding is full of stories where people have chipped in with small contributions to create large-scale sustainable change. But the power of crowdfunding lies not in its financial potential but in the crowd's collective will. It is through this collective will that crowdfunding can shape the future and democratize finance. When I think of the future of crowdfunding, I think of hope— as many people do, who, when they contribute to a campaign, don't know if it will leave a lasting impact. Amid concerns of growing income inequality due and the failure of the free market system to create equal opportunities, online crowdfunding in its essence has emerged as a tool that can address the many challenges that arise when opportunities and wealth is concentrated at the top of the socio-economic pyramid. It can act like a funnel that connects all the levels of the social pyramid. However, that can only be achieved when the desire for positive and sustainable social impact takes precedence over for-profit motivations. Here Ravina and I profess our hope, for the social success of crowdfunding is not just dependent on the platforms or the forces of the free market, but also on the generosity of the crowd. We believe that organized collective giving, social collaboration and financial inclusion can create a scalable, sustainable and meaningful impact in the world. And crowdfunding can help us achieve that.

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Notes

Introduction:

The table of definition comprises 3 definitions from the following sources: Belleflamme, Paul and Lambert, Thomas and Schwienbacher, Armin, Crowdfunding: Tapping the Right Crowd (July 9, 2013). Journal of Business Venturing, 2014, 29(5), 585-609, CORE Discussion Paper No. 2011/32, Available at SSRN: <https://ssrn.com/abstract=1578175> or <http://dx.doi.org/10.2139/ssrn.1578175> Merriam-Webster. (n.d.). Crowdfunding. In Merriam-Webster.com dictionary. Retrieved November 26, 2020, from <https://www.merriam-webster.com/dictionary/crowdfunding>

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Chapter 1: World Governed by Inequality:

For Fig 2, data was taken from 2 Sources: World Development Indicators, The World Bank 2019 Human Development Index Ranking | Human Development Reports. (2019). UNDP. <http://hdr.undp.org/en/content/2019-human-development-index-ranking> For Figures 23 and 24, we have evaluated the approximate wealth owned by the Indian and American people. We have scaled down the numbers to simplify the insights. Sources used to construct the graphs are listed below:

Credit Suisse report 2019- Credit Suisse Research Institute. (2020). Global wealth report 2020. <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report.html>

Economic Times. (2020, January 20). India's richest 1% holds over 40% of national wealth: Oxfam Report. The Economic Times. <https://economictimes.indiatimes.com/news/economy/indicators/indias-richest-1-holds-over-40-of-national-wealth-oxfam-report/videoshow/73447727.cms>

Chapter 3: Evolution of Online Crowdfunding:

Data for Fig 8 has been taken from 3 sources: 2015CF THE CROWDFUNDING INDUSTRY REPORT. (2015). Massolution. Jordana Viotto da Cruz. The Economics of Crowdfunding : Entrepreneurs' and Platforms' Strategies. Sociology. Université

Chapter 4: Branches Of Crowdfunding I

The global value of online crowdfunding attributed to business was reported at \$257.3 billion in 2018, with donation-based crowdfunding amounting to \$0.6 billion of the total amount (attributed to business). This is as per the 'Global Alternative Finance Market Benchmarking Report'. The report does not include Subscription- and royalty- based crowdfunding due to lack of availability of data. Furthermore, the value is attributed to business; the value for non-business related crowdfunding volumes is bound to significantly increase the estimate. Unfortunately, due to lack of data availability, we can't get a reliable estimate for the same.

Source:

Cambridge Centre for Alternative Finance. (2020). The Global Alternative Finance Market Benchmarking Report. <https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/>

Data in Table 2 is from the following sources:

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Oculus Rift: Step Into the Game. (2016, January 30). Kickstarter. <https://www.kickstarter.com/projects/1523379957/oculus-rift-step-into-the-game>

Scribit - Turn your wall into an interactive canvas. (2020, September 29). Kickstarter. <https://www.kickstarter.com/projects/1864378255/scribit-turn-your-wall-into-an-interactive-canvas>

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Chapter 5: Branches of Crowdfunding II

Fig 5 has been compiled from the following sources:

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Chapter 6: Why We Need Crowdfunding

The Timeline of the Arab Spring has been derived from the following sources:

History.com Editors. (2020a, January 17). Arab Spring. History. <https://www.history.com/topics/middle-east/arab-spring>

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Chapter 10: Role Of Social Media In Crowdfunding

In order to find a correlation between the Facebook Likes and the money raised in the corresponding years for Kickstarter, Kiva and GoFundMe, we collated data from the following sources:

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Chapter 13: Crowdfunding Stories From Around The World

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Extra Notes

- ✦ To write this book, we analyzed hundreds of research papers, consulted with industry experts, scanned through countless newspaper articles, talked to NGOs and crowdfunding platforms, read dozens of books, and crunched a lot of data. We have done our best to cite everything from abstracts to data points. We have checked and double-checked our sources, and we hope we haven't made any mistakes in doing so. But we are human beings and bound to err. If you spot an error, a missed citation, or a fault in our methodology, we humbly request you to let us know so that we can rectify our mistakes. You can contact us at info@projectnile.in.
- ✦ This book would not have been possible without the hundreds of research papers made available by researchers and authors under a creative commons license, allowing us to build upon their knowledge and insights. At the same time, we came across many papers and reports that would have greatly benefited this book's cause but were not available due to stringent copyright conditions. Ravina and I have decided to allow researchers and other authors to abstract up to 2,000 words from this book, as long as the work is cited. At the same time, we are making all our graphs, tables, and data available to everyone for free. Please write to us at the above-mentioned email address if you need access to our data. We would be happy to share it with you for no cost. If, in case, someone wants to abstract more than 2,000 words from the book, we will oblige provided prior permission is sought.

- ✦ Ravina and I have also decided to make this book available for free to anyone who wants to read it but cannot buy it. We aim to share the knowledge we have learned, and we don't want the book's cost to be a barrier to knowledge. If you would like a free pdf version of the book, please write to us at info@projectnile.in, and we will send you a free copy within two weeks. No questions asked. No favors in return.

- ✦ We also plan to make the book available for free on Kindle and iBooks after it completes two years of publication.

- ✦ If you are a nonprofit organization working to improve the education sector and would like to have the book available in your library, please send us an email. We will try our best to send you a free paperback copy of the book, depending upon availability.

- ✦ Thank you so much for your time.

About Us

Ravina Banze

Ravina has completed her Masters in Data Analytics from the Mumbai School of Economics and Public Policy. A people's person, she likes to share ideas, explore diverse cultures, and interpret the world through numbers and stories. Ravina believes that the union of humanities and data science can lead to a better, more inclusive world.

Irfan Bashir

Irfan has a Bachelor's degree in Quantitative Economics and Econometric Analysis from the University of Rochester. A creative soul with an analytical mind, Irfan hopes to connect with people through stories that capture the essence of being human in a profoundly interconnected world. Through this book, he aims to highlight the social potential of crowdfunding as an alternative financial instrument.

Simran Varma

Simran Varma is currently a master's student at Ambedkar University Delhi where she is pursuing a degree in Education. A former Gandhi fellow and Ramjas alumni, Simran has been a part of multiple crowdfunding campaigns, raising money for playgrounds, relief supplies, and post-pandemic utilities. She is also a freelance writer and her opinion pieces are a regular fixture on the Livewire portal.

