



# GETTING ON BOARD

WHY PHILANTHROPY MUST SUPPORT  
CROWDFUNDING IN INDIA



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# FOREWORD

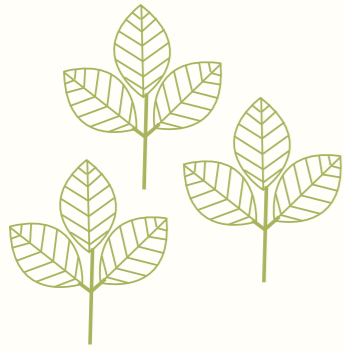
Since the beginning of this decade, crowdfunding has enabled an ever-growing number of projects, from films to products to charitable work, to be successfully funded through online platforms. The proliferation of crowdfunding platforms in India that enable individuals and groups to seek funds for non-profit and charitable causes, is an indication that the public is open to new ways of engaging and participating in positive social change. The idea of crowdfunding is taking shape; these platforms are gaining visibility and access, as our technology and payment systems are becoming more robust, and online transactions more commonplace. We are also beginning to see an opportunity for non-profit organisations to look beyond traditional approaches of fundraising by capturing the imagination of India's online public. The question is how best can non-profits leverage funding through these models, and what is philanthropy's role in all of this?

While philanthropy appears to be in a different sort of giving business - supporting institutions, projects and programmes to do work that sets goals and measures impact in systematic ways - crowdfunding changes and expands the way we imagine non-profit funding. It facilitates deeper engagements with the public and creates new pathways to sustainability. Crowdfunding offers organisations new ways of bringing people in, to engage society in their work, and build networks and communities that will walk alongside them and be a part of India's 'social project'. There are clear opportunities for philanthropy to support and incubate this new way of thinking.

Earlier this year, we commissioned a series of interviews and consultations with people in the crowdfunding world seeking to understand how non-profits can better access funding through these platforms and models and what philanthropy could do to support and facilitate greater impact. This report brings together the most forward-thinking views on the crowdfunding and non-profit sectors, and presents new avenues for growth and opportunities for partnership between philanthropy, organisations and the public to work together.

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# EXECUTIVE SUMMARY

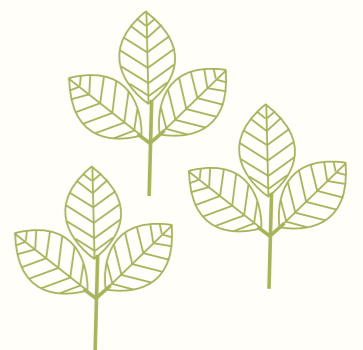
Crowdfunding platforms help channel small individual donations made through digital payments to projects that seek funding. The idea works because it enables project owners to leverage social networks to attract funding from the public. Crowdfunded projects typically operate through a campaign amplified by social networks – a project profile created on a platform that uses a strong visual and written narrative to communicate the impact of funding. This approach helps match donors directly with their recipients and offers a degree of transparency and direct access to the project they have chosen to fund. The explosion of crowdfunding platforms in the West and across the world in the past decade, spurred in part by the recession, signals a huge potential to engage the public and raise funds especially for non-profit and charitable causes.

Crowdfunding models usually have fixed or flexible funding, either allowing campaigns to keep the funding they raise if they match their goal, or allowing them to keep whatever they raise. Platforms also follow subscriber-based models for content creators who regularly release their work. These models rely on membership fees. In addition, crowdfunding models can be categorised based on the relationship between donor and recipient – as equity based, peer-to-peer lending, or donation and rewards-based platforms.

Crowdfunding platforms are thriving across the world, and not just in developed countries. In India however, they are just taking off, and the potential and opportunities for non-profits and philanthropies to get on board are significant. While non-profits tend to still rely on classic grant funding models to support their initiatives, there exists a huge untapped potential for retail fundraising in India. Retail funding has the potential to contribute \$5.1bn per annum to supplement the present \$8bn that comprises funding from Indian philanthropy<sup>1</sup>. Until now, organisations have struggled to reach small donors but with the deepening of digital networks, the demand for social and development organisations to have an online presence is growing. It spurs them to make their work more visible and is quickly becoming integral to any legitimate organisation's identity. The potential also extends when considering the rate at which digital newcomers are being initiated into online transactions and social networks. Crowdfunding platforms in India have been charged with levelling high fees on projects which impact non-profit uptake, however growth in the sector is likely to cause models and strategies to evolve, especially in ways that are targeting non-profits. For philanthropy, these new manifestations balance the archetypical philanthropic model, where individual donors and major donors are sought with equal measure.

There are an increasing number of crowdfunding success stories in India that have saved animal shelters, funded experimental movies, channelled relief after natural disasters, to even funding a lunar rover. Yet, these are early days for crowdfunding platforms and they need to be supported through the incubation phase. For philanthropy, this poses a clear opportunity to nurture platforms as they find their niche, figure out pricing models and settle on sustainable pathways of growth. For organisations, crowdfunding offers a new and perhaps more impactful or sustainable way of doing things: by building communities and going beyond traditional networks of support, organisations can make their work more sustainable, offset risks, and build networks that bring in a range of support from financial, to skills, and knowledge. It also makes organisations imagine ways of communicating their impact; better storytelling that involves not just the donors, but society at large in their social efforts. Platforms can help shift communication away from reporting to more interesting, personalised stories and can bring in the beneficiary's voice, as well as educate individual donors and build consumer understanding.

Philanthropy needs to seize this opportunity and herald the change that can make the sector more inclusive and sustainable. Of course, philanthropy can support technology and make it more robust, but the real challenge for crowdfunding platforms will be to build a successful outreach plan that reaches donors and beneficiaries alike. Philanthropic capital, which is far more patient than risk capital, can help bridge this gap by developing capacities, skills and the human resources that truly understand the potential of fundraising, engagement and sustainability. In doing so, philanthropy can truly be a bellwether of social change: foreseeing the opportunities, and creating spaces where everyone - from the small donor to the organisation and society - has the opportunity to get on board.







## INTRODUCTION

Crowdfunding harnesses the potential of many small individual donors by channelling funds through a platform to a spectrum of projects. Crowdfunding is an extremely popular method to raise funds for causes in the West, and in India non-profits are beginning to recognise the power and potential of leveraging streams of funding through digital platforms that harness social networks of supporters. These platforms have made it faster and more convenient to mobilise money for causes and campaigns and often also support those raising money with tips, tools, and training to leverage resources from their networks and beyond. Given its potential, the use of crowdfunding by non-profits incentivises non-profits to improve organisational capacities and grow community support. Funding strategies that effectively incorporate crowdfunding can de-risk grant funding reliance, and bring greater exposure to the important issues that non-profits are engaged with. While executing successful crowdfunding strategies and campaigns can be challenging, requiring skills in communication, planning, and strategising, its potential needs more attention and support from Indian philanthropies. This paper addresses why and how the wider philanthropic and donor communities in India should encourage and enable non-profit and crowdfunding ecosystems more effectively.



# CHAPTER 1

## Crowdfunding and Giving

The term crowdfunding comes from ‘crowdsourcing’, a way to draw ideas, perspectives and labour from a large number of participants, and commonly refers to an open call for donations through internet-based platforms. Crowdfunding is seen as a new form of fundraising especially significant for individuals developing their own ventures, subject matter experts (SMEs), artists and creators, and, increasingly for charities, non-profit causes, projects, and organisations. Crowdfunding platforms aim to close the gap between donors and recipients, by playing a different role from traditional financial intermediaries, where they help to match donors directly with projects. They also play an additional supporting role by helping projects reach more potential donors while providing information, transparency and advice to donors on the projects.<sup>2</sup>

Described as “customizable, democratized, and instantaneous philanthropy”,<sup>3</sup> philanthropic crowdfunding relies **on a combination of leveraged social networks and shared norms to help raise funds for social causes.**

Crowdfunding has its roots in raising funds for artists and musicians (a frequently cited example is when the UK band Marillion raised \$60,000 for their North America tour), and came to attention in the early 2000s when ArtistShare,<sup>4</sup> a website dedicated to raising funds for artists was established. An early example of crowdfunding for India that also dates back to this time-period is of GlobalGiving, set up in 2002. One of its first projects was in Coimbatore.<sup>5</sup> Some of the most well-known American crowdfunding platforms are Kickstarter and Indiegogo. At a global level, GoFundMe is the largest player reaching a total of \$3 billion in contributions.<sup>6</sup>

In the latter half of the 2000s, crowdfunding gained traction when it became a potential way to raise funds for enterprises, particularly after the financial crunch. Since then the idea has gone mainstream, evolving in scope, innovating platforms, as well as influencing fundraising strategies by which charitable donations are being sought and made. In the United States for example, crowdfunding is an established avenue for fundraising, with a 2016 study reporting that 22% of Americans have contributed to a project that crowdsourced funding,<sup>7</sup> and concluded that “crowdfunding donors value their personal connection to the projects they support and the ability to highlight causes that might not get much attention from established charities”. Although it has grown largely in the developed world, it has immense potential in the developing world, and in India in particular.

## HOW DOES IT WORK

### CROWDFUNDING TERMS

**CROWDFUNDING PLATFORM:** A website that acts as a facilitator for fundraising by showcasing projects that are seeking funding, and processing payments from those supporting the project.

**PROJECT OWNER:** Initiator of a crowdfunding project.

**CAMPAIGN:** Crowdfunding projects are sometimes referred to as “campaigns”.

**GIVERS, BACKERS OR DONORS:** These terms are used interchangeably to describe people funding a project.

**INSTITUTIONAL AND INDIVIDUAL GIVING:** Institutional funders include organisations such as banks, venture capitalists or foundations. Individual giving refers to funders that are members of the public or the “crowd”.

**GIFTS OR REWARDS:** Something that is given to donors in exchange for their funding. It could range from a simple “thank you” to a product, a small gift such as a t shirt or mug, or even access to an organisation’s decision-making process.

**PLEDGE:** The amount of funds promised as donation.

**ALL OR NOTHING:** A crowdfunding model where campaigns are only allowed to keep the funds they raise if they meet their funding goal.

**FLEXIBLE FUNDING:** A crowdfunding model where campaigns are allowed to keep the all the funds they raise.

**MATCHED FUNDING:** A crowdfunding model facilitated through a platform where institutional funding is matched with crowdfunding.

**FEES:** Most crowdfunding platforms will take a fee from the total funds raised by a campaign.



Most crowdfunding platforms operate by allowing project owners to create a campaign. Project owners, or those desirous of soliciting funds, create a profile on the site, which includes key information on the campaign or project: the **ask** (or the funding goal), a **why** (often accompanied by a funding pitch video) and the **what** (kinds of rewards funders will receive). Once completed, the platform allows the project owner to create **pledge categories**, along with **gifts** (or rewards tiers) that donors/backers will receive. Once approved by the platform, the project goes live, with a public tracker that tracks the money raised versus the target.

There are a number of models that platforms use to encourage project owners to work towards their targets. Some platforms allow users to earn what they raise (also known as ‘flexible funding’) or follow a model where owners get the lump sum only if their entire target is met (the ‘all or nothing model’). Although the idea of getting the money only if the target is met may sound daunting, it has shown to incentivise users to strategise and target their campaigns more effectively. Most platforms charge a fee (typically a percentage of an amount raised plus applicable taxes), although some charge nothing and rely on donations or ad revenue.

A further refinement of the crowdfunding model is where platforms aim to try and match a portion of the funding through their audiences, popularity and reach, however no set percentage is ensured. The visibility of the project on the front page of the platform’s website or through their social media is also an important aspect that determines views and has a bearing on success,<sup>8</sup> which is an incentive for project owners to ensure that their campaigns are clear, persuasive, and attractive.

Many crowdfunding platforms are designed to help raise funds for a single cause and are set for a limited time period. Subscriber-based crowdfunding platforms such as Patreon,<sup>9</sup> were set up to enable a more sustainable, regular stream of funding to creators where givers become ‘patrons’ of the artistic work they consume. The main difference between the projects that are hosted on these platforms versus those on platforms like Kickstarter or Indiegogo, is that the creators are seeking support for work that is on-going and for content that will be continually produced. Projects hosted on Patreon ask donors to sign on to monthly subscription-based memberships set at different levels of value for the projects they support.

“ Some of the most well-known funded campaigns are the *Pebble Time watch* which raised over \$20m from 78000+ backers and is the most funded campaign on Kickstarter. Another well-known philanthropic project is the ‘*An hour of code for every student*’ where Code.org sought to give every child the opportunity to learn coding and computer science and raised which raised \$5m on Indiegogo, or the *Feeding America program*, which received \$1.3bn in retail donations in 2016. ”

## A QUICK TOUR OF CROWDFUNDING PLATFORMS

What are the most common models that crowdfunding platforms use? For the most part, crowdfunding platforms follow B2C models, although B2B crowdfunding is an emerging market. For the non-profit and philanthropic sector, B2C models are the most relevant, and the focus of this paper.

### CROWDFUNDING PLATFORMS CAN BE BROADLY GROUPED INTO THREE OPERATIONAL MODELS:<sup>10</sup>

#### EQUITY INVESTMENT



Where donors are given shares in return for their contributions towards a venture. This category covers platforms that allow start-ups and entrepreneurs seek equity based funding and is good for entrepreneurs, start-ups and business owners. Equity crowdfunding was legalised in the United States when President Obama passed the Jobs Act (2012), which legally allowed business to publicly solicit funds and raise capital from non-accredited investors.<sup>11</sup> In India it has raised between 350 and 450 crore rupees in two years but the model was shut down in India in 2016 by SEBI.<sup>12</sup> At a broader level, SEBI is in the midst of finalising crowdfunding norms for India.<sup>13</sup> Equity crowdfunding platforms in India today function more as matchmakers or raise funds to link investors and start-ups. A good example is LetsVenture,<sup>14</sup> which recently partnered with the Israeli platform OurCrowd<sup>15</sup> to collaborate and invest together.<sup>16</sup>

#### PEER TO PEER (P2P) LENDING



Where the platform becomes a key space to match lenders with borrowers for loans that are paid back with interest at a set rate. The majority of P2P platforms support microfinance and access of credit to small entrepreneurs; the advantage of these platforms being the lower interest rates charged vis-à-vis traditional microfinance lenders. Think of platforms like Kiva, or Watsi, or Milaap, or Rang De in India. The latter two are particularly focused on rural and underserved sector entrepreneurship (93% of Rang De’s borrowers are women, for example<sup>17</sup>). Internationally, global cumulative lending through P2P platforms in the first quarter of 2017 was estimated at over 8.4bn GBP (or \$10bn+).<sup>18</sup> In India, there isn’t enough aggregate data, but suffice to say the sector is growing.

#### DONATIONS & REWARDS BASED PLATFORM



These are perhaps the most critical for non-profit causes and projects. In the donations model, donors give to a campaign but do not receive any reward or gift in return. They may be eligible for a tax deduction. In a rewards model, donors give to a campaign and receive gifts based on the size of their contribution. These models suit creative projects, social causes, and experimental projects. Internationally, Kickstarter, Indiegogo, GlobalGiving are some examples, and in India, some of the top platforms are Ketto, Milaap, Bitgiving, Impact Guru, Wishberry etc. Please refer to the Appendix for a more complete list.

## CROWDFUNDING PLATFORMS ACROSS THE WORLD

Kickstarter and Indiegogo are two prominent crowdfunding platforms. Both were started in 2008, and while Kickstarter is reported to have raised \$2.81bn from 13.3m supporters,<sup>19</sup> Indiegogo comes in second but a way behind, having raised over \$800m as of 2016.<sup>20</sup> What's interesting here is that Kickstarter follows the all-or-nothing model, while Indiegogo offers flexible funding models to its users. GlobalGiving, which began operations in 2002, has harnessed \$268m in donations via 600,000+ donors to fund 15,288 non-profit projects in 166 countries.<sup>21</sup>

In the European Union, there is a proliferation of crowdfunding platforms. The United Kingdom has the largest number of platforms, contributing to nearly 30% of all EU platforms (and over 90 % of the €2.0 billion raised in the EU). France comes next, with 77 platforms (and the sharpest increase in platforms), followed by Germany (65 platforms), the Netherlands (58 platforms) and Italy (42 platforms).<sup>22</sup>

Crowdfunding isn't restricted to the developed world. In Africa, HomeStrings and InvestAfrica help channel investments, Thundafund and Startme are other cause or project driven platforms. In South America, Brazilian Catarse, and Latin American IdeaMe, or Zoomaal from the Middle East and North Africa. One cannot forget China, with platforms like Coufenzi and Tencent, and which the World Bank called the country with the 'greatest potential' and forecast to account for \$50bn out of the \$96bn crowdfunding investments in 2025.<sup>23</sup>

Going beyond platforms that offer opportunities to projects, we also find examples of platforms that run campaigns around a single cause: Giving Tuesday (the first Tuesday after Thanksgiving in America), Red Nose Day in the United Kingdom, or Tencent's campaign after the Chinese earthquake in 2010.<sup>24</sup>



## CHAPTER 2

### All Board: *The Case For Crowdfunding In India*

In India, non-profits tend to largely rely on major donor grants or institutional/project grants to support their initiatives.<sup>25</sup> Unlike the USA, where individual giving accounts for 65% (\$242bn)<sup>26</sup> of total philanthropic funds, in India it accounts for around 21%.<sup>27</sup> A 2016 Intelicap and MacArthur Foundation report estimates Indian philanthropy to be in the range of \$8bn (and estimates that 'private formal giving in India could potentially reach as much as INR 1.5tn (\$22.4bn) per annum), retail or individual giving has a potential giving contribution of \$5.1bn, and the Indian diaspora \$1.9bn<sup>28</sup>.

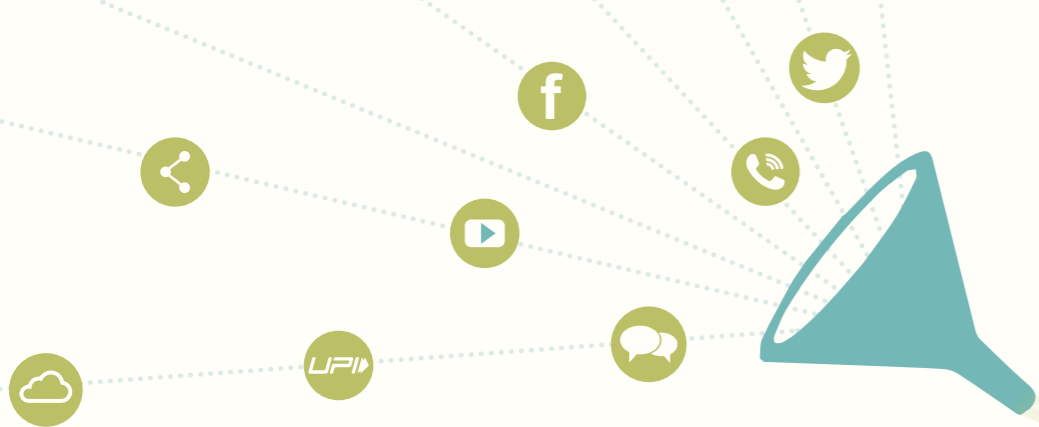
However, where the American retail fundraising market has more or less plateaued (with a 3.5% growth rate<sup>29</sup>), individual giving has grown by 36% in the last 3 years itself<sup>30</sup> and for most organisations committed to individual fundraising, the growth is estimated at 20-30% year-on-year.<sup>31</sup> There are also more people getting involved; according to the CAF World Global Giving Index 2017, India is ranked first as the country with the highest number of people who donate money (265m people), and the largest volunteering population (256m). Moreover, volunteering is up 2x between 2009 and 2016.<sup>32</sup> Between 2015 and 2016 volunteering grew by 6 percentage points.<sup>33</sup>

This indicates a very high and untapped potential for retail fundraising in India. What has hindered it so far has been the limited capability of organisations to reach individual small donors effectively; but this is fast changing. Globally, individual fundraising is increasingly seen as intrusive and resource intensive (think "chuggers" or charity-muggers on the streets of London, or complaints of unsolicited telephone calls for donations in India). More and more organisations are turning to technology – indeed, more organisations are also visible thanks to technology - and the digital space to streamline their fundraising. In these times, it is near essential for organisations to have a digital footprint.

Online giving in India has piggybacked on customer payments (such as a rupee added to your movie or flight ticket), or through targeted retail campaigns that use existing loyalty programs, or through direct giving on dedicated platforms. It is unclear how much these platforms have raised so far, as crowdfunding is still nascent in India. Although early platforms date back to the 2000s, most took off in the early 2010s and since then there has been a sharp rise in the number of platforms offering crowdfunding services. Successful platforms can offer a certain level of screening (some like GiveIndia do a level of due diligence) and monitoring that can attract even completely new donors and even mechanisms for donors to interact with the non-profit and retain donors.

This idea has immense potential: it turns the archetypal philanthropic donor model - that values one or two key major donors over smaller individual contributions - on its head. For philanthropy and large non-profits or donor organisations, this means a clear mandate to crack online fundraising – and crowdfunding in particular - if they are to stay relevant, while also providing opportunities to build global networks.





## TAPPING INTO THE DIGITAL AND YOUTH DIVIDEND

In India, the unregulated crowdfunding space has very little perceived risk since it is largely rewards or donation-based, and this has allowed for the sector to grow, adapt and innovate to suit the Indian context. The advent of digitisation has in turn provided a real fillip to the crowdfunding cause.

Until recently, the limited reach of digital technologies has affected the growth of digital fundraising. Most of India is still offline – in particular rural India, and many Indian non-profits, Civil Society Organisation (CSOs) and other development organisations work in analog worlds. There has also traditionally been little faith in the digital transactions, a suspicion around using digital platforms for payments, and questions around ease of access. Some important trends have changed these perceptions: Firstly, the sharp rise in smartphone and internet penetration (34.8% of our population in 2016 has access to the internet<sup>34</sup>); India is set to have 1.4 billion mobile subscriptions by 2020,<sup>35</sup> with over 230 million LTE subscribers (17% of total users). Affordability and increasing quality of user experiences are driving uptake, with a three-fold growth of subscribers aged 30-40 and quadrupling of users over 50 between 2013 and 2015.<sup>36</sup>

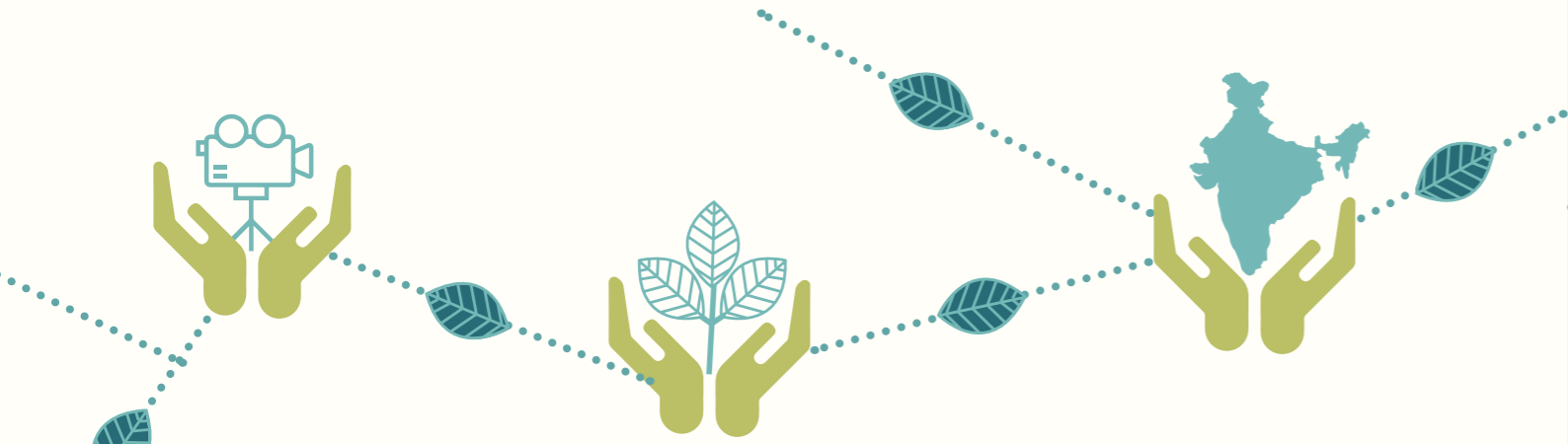
Secondly, the drive towards digitisation and push for digital payments has improved the robustness of platforms and user confidence in the same. Unified Payment Interface (UPI), digital money and the proliferation of payment banks have transformed daily, offline transactions into digital ones, forcing more and more people to get online. Thanks to the thriving payment markets, people are getting more comfortable making online payments and with it charitable giving will also grow online. Research shows that between March 2016 and March 2017, debit card usage increased by 158 million transactions and there was an increase of 34 million credit card transactions in the same period while there was an increase of 79% in amount transacted using prepaid instrument.<sup>37</sup> This represents a key untapped market.

Thirdly, the sheer number of platforms that have emerged in the last 3 years has led to non-profits being approached to participate. And lastly, the tremendous growth in mobile data, smartphone and social media usage, coupled with competitive data charges, handset price points and time spent on devices, offers an incredible opportunity to tap into a new and younger audience base, across multiple languages of support.<sup>38</sup> Research suggests that, by 2019, there will be around 258 million social network users in India; up from close to 168 million in 2016 and that Facebook is projected to reach close to 319 million users in India by 2021.<sup>39</sup>

## SUSTAINABILITY, COSTS AND PRICING

What makes these platforms sustainable? To cover costs, some platforms offer differential prices and services for non-profit and for profit causes, with the later subsidising the former. Some platforms also have different rates for individual or organisation driven campaigns (Impact Guru, BitGiving). Platforms also offer a range of pricing models and add-on services to boost their revenues. Almost all platforms charge a base fee for using the platform, which is typically a percentage of the funds raised (between 5-10% of funds raised). Many offer additional fee-based fundraising support, that ranges from a dedicated campaign manager (Impact Guru, Ketto, Milaap), fundraising analytics to know the community better, support with marketing, social media and PR, all at an additional cost. To push users to reach their targets, some platforms insist on an 'all-or-nothing' model, which forces users to sharpen their fundraising strategies. Wishberry, for example, has a 60-day window for every campaign. Fueladream has the highest one-time fee (at 25% of the funds raised and a one-time fee of \$44.89,) and Impact Guru has the lowest (4.5% for the individual basic package). Crowdera only charges payment gateway fees and LetzChange doesn't charge any payment gateway or platform fees (i.e. transfers Rs 100 for every Rs 100 raised).

It is therefore evident that crowdfunding offers multiple ways of engaging contributors to organisations and development work as well as to raising funds. Given that these platforms are still evolving, and have high fixed costs, platforms have to balance charging for platform use so as to stay viable, with growth. In the past, platforms like Catapoolt have tried ways to drive uptake through retail partnerships (e.g. with Coffee Day, Flipkart) that offered offline awards. It is expected that as the market grows and the number of players expands to provide non-profits with a range of options, costs will come down.



# CHAPTER 3

## Crowdfunding Models In India: *Something For Everyone*

India offers a range of platforms that help connect a wide range of people – start-ups to investors, to fund university projects, to creative entrepreneurship, to social causes.

### SOME CASE STUDIES OF CROWDFUNDING IN INDIA

Most success stories are of campaigns for particular causes: medical issues, raising funds to send athletes to the Olympics, humanitarian support following the floods in Chennai or the earthquake in Nepal. These campaigns are built around asks that elicit an emotional response rather than institutional funding. In all crowdfunded projects, the donor has to feel connected to the recipient, and building a connection with the potential donor community is integral to the success of the campaign. Some of the better-known cases in the social sector are those of Goonj, and Friendicoes in Delhi (see below). Crowdfunding has also been used for events like the Goa Project<sup>40</sup> (an annual idea conference running since 2013, it is completely crowdfunded), for a TATA-WWF campaign to save the snow leopard<sup>41</sup> (although this campaign has only reached 7% of its goal) and for events like Oxfam Trailwalker.<sup>42</sup>

### NOTABLE EXAMPLES FROM THE SOCIAL SECTOR

#### GOONJ

Goonj, founded by Magsaysay laureate Anshu Gupta, has used crowdfunding extensively. After a fire devastated their primary warehouse in Delhi during the Chennai floods, Goonj has used platforms like Ketto<sup>43</sup> (23 lakh rupees raised), Milaap,<sup>44</sup> Bitgiving (raised just under 2 lakh rupees<sup>45</sup>), Fueladream (3 lakh rupees<sup>46</sup>). The Ketto campaign was the largest, raising 23,63,920 rupees from 1493 supporters in less than two months (December 2015 - January 2016).

#### AGHANASHINI- DOCUMENTARY ON A RIVER IN INDIA

Aghanashini is a 30-minute documentary film about a river that has followed the same course through the Western Ghats for thousands of years and is threatened by development activities in the region. The campaign was led by Landscape Wizards, a group of photographers and videographers specialising in landscape photography and documentary and raised Rs. 3,53,001 rupees.

#### FRIENDICOES

In late 2015, Friendicoes - a non-profit in Delhi that began as an animal shelter in 1979 - had a fund crunch and was faced with closure. Friendicoes had more than 2000 animals in its care, and had become a Delhi's best-known organisation to protect stray animals through their shelter and birth control centres in the NCR region. Friendicoes faced outstanding bills of over 84 lakh rupees. A crowdfunding campaign was launched on Bitgiving<sup>47</sup> to raise 20 lakh rupees. The campaign was rewards-based (donors over 5000 rupees were given T-shirts and mugs). Smaller associated events based campaigns were run as well. The main campaign received overwhelming support, and the target was tripled to 60 lakh. At its close, the Friendicoes crowdfunding campaign raised 61, 52, 923 rupees from 2224 supporters, and 8,23,900 rupees through three other campaigns.

#### LUCIA

In 2013, Pawan Kumar, a Kannada film maker successfully crowdfunded for an independent film, *Lucia*. An ex-IT engineer, Pawan found it difficult to pitch for funding for his project, and decided to turn to the internet to raise funds. 'Project Lucia' was crowdfunded and supported by 110 funders through a dedicated Facebook page and blog. Lucia raised over 51 lakh rupees in 31 days, and 600 funders invested 8.5 lakh rupees for publicity.<sup>48</sup> The total budget of the film was 78 lakh rupees. Pawan followed a donation-reward model, where donors were credited as producers (the film has 600 odd producers!). Donations between 50000 and 2.5 lakh rupees (around 45 donors) were considered as investors and entitled to profits.<sup>49</sup> Similarly, Cutthroart, a Hindi film directed by Sarthak Dasgupta raised its entire budget (10.2 lakh rupees), from Catapoolt.

#### TEAM INDUS TO THE MOON

Team Indus, the Indian team competing for the Google Lunar Xprize is crowdfunding to support their project costs, through their 'HarIndiankaMoonShot' campaign. With a target of \$10m from 1.4m Indian citizens, Team Indus offers donors the chance to have their name micro-engraved onto the lander, at a cost of 500 rupees per donation. In February 2017 it was reported that over 10000 people had contributed. To be eligible, Team Indus needs to be 90% privately funded (it is a for profit company). Currently, the design component is funded through investments, the building of the lander will be funded through institutional partnerships and a third portion is crowdfunded.<sup>50</sup>



# CHAPTER 4

## The Opportunity: Investing In Social Change By Building Sustainability

Crowdfunding offers a number of opportunities to build funding resilience within non-profits. At the heart of it is building communities that implicate society in the quest to address development challenges, and demanding a shift in the way organisations understand how they can be supported. From being the means to an end, these communities of support become integral to the development process, and walk alongside the organisations before, during, and after programs and interventions.

### BUILDING COMMUNITIES AND NETWORKS

For many organisations, their engagement with society is by nature transactional: *you give me money for this cause, and I will share stories from the field.* Here, the relationship becomes limited to a one-way broadcast, but if a non-profit can build capacities to *engage* with society (to maintain the conversation beyond the first donation), it will make the individual donor see their engagement differently as well, not as an outlier, but as a social norm. Stepping up can offer clear advantages for the organisation as well. Crowdfunding also allows non-profits to think of their funding differently: moving away from a grant model where the focus tends to be on effort and activities instead of outcomes, not the best way to think of funding, particularly in areas that are new and require experimentation.<sup>51</sup>

If development work is aimed at bringing about social change, crowdfunding has tremendous potential to involve society in the work itself. Crowdfunding offers an incentive for non-profit organisations to build a community of supporters and thereby resilience into their funding strategies. It builds upon the idea of society participating in the development story: by creating a community of small donors, new relationships and new forms of accountability can be formed, where ticket sizes may be smaller but the size of the community is considerable. In creating a compelling narrative about their impact, organisations also end up building networks with diverse participants – other non-profits, donors, individuals and media, who might have common shared values. These partners can enable greater access to knowledge, skills, and support for the grantee organisations.



### COMMUNICATING IMPACT

Crowdfunding models require organisations to communicate potential and impact with a degree of transparency. It pushes non-profits to improve their storytelling and to support it with data in a way that is persuasive and engaging to a donor base. This has tremendous value beyond just the organisation as it creates new conversations and narratives for the sector as a whole. And it can be particularly advantageous for non-profits working in high-risk spaces by offering room for experimentation and innovation. Platforms can potentially be mediums that make reporting more interesting, personalised and can bring in the beneficiary's voice, not to mention educating individual donors and building consumer understanding.

### OFFSETTING RISK

By diversifying a proportion of their fundraising portfolio to include crowdfunding, organisations also build resilience into their fund flows by spreading the risk to a wider set of donors and protecting the organisation from shifting philanthropic priorities. Secondly, by bringing in new donors, organisations can increase their support base and thereby build resilience to operational and domain risks.



## CHAPTER 5

### Bellwethers Of Crowdfunding: *Possible Roles For Philanthropy*

So where do philanthropists come in? As major donors, the mandate for philanthropists is clear – to support recipient organisations in their efforts to become resilient, to build sustainable and diversified fundraising portfolios while also enabling experimental and cutting-edge work.

Philanthropy needs to signal confidence in crowdfunding models and drive its uptake. This can be fostered by getting involved in matched funding campaigns, investing in and shaping platforms, or even by supporting events that champion crowdfunding. By taking a position that enables better crowdfunding models to emerge, philanthropies can demonstrate to the community that crowdfunding is a valid model for the future. As standard bearers, philanthropists also have the ability to build networks that support organisations to think of fundraising differently. Can philanthropy help build consumer understanding, a critical and oft missing part to truly catalysing individual giving? For example, the philanthropy sector needs to examine and understand what the underlying motivations for people to give are, recognise which causes are more amenable to individual giving, know if there are ‘price points’ that have lower barriers than others and so on.

Put simply, philanthropy should invest in non-profits to make them better at fundraising, and help them develop plans for broadening their scope, developing consumer understanding and building support communities and expanding their channels of communication. This investment is important, as many non-profits may see the cost of getting on board too high, and confusing without any coaching or support. Philanthropy can support and encourage these organisations to engage their donors before, during and after campaign, to build community and communicate more effectively.

### RISKY CAPITAL VS. PHILANTHROPIC CAPITAL

Where should philanthropy put its money? Crowdfunding is a business that ‘risky’ capital has shown an appetite for. The platforms exist and are proliferating. The space for philanthropic capital lies in investing where other sources of money find it hard to. The real challenge lies not with the platforms, but in developing effective outreach capacities in organisations that are successful at raising funds; and there is a clear window here for philanthropic capital to invest and build capabilities in the sector. Philanthropy should support capacity building within organisations, encourage and develop human resources that understand fundraising, engagement and sustainability. These are all areas that other forms of capital cannot invest in. Philanthropy needs to invest in educating and building both the donor and non-profit communities which could entail high marketing spends. All-in-all these costs will depend on the number of projects hosted on the site, the trust perception, and the nature of investments (e.g. lending, donations, rewards etc). This is also a space where philanthropic capital could play a role.

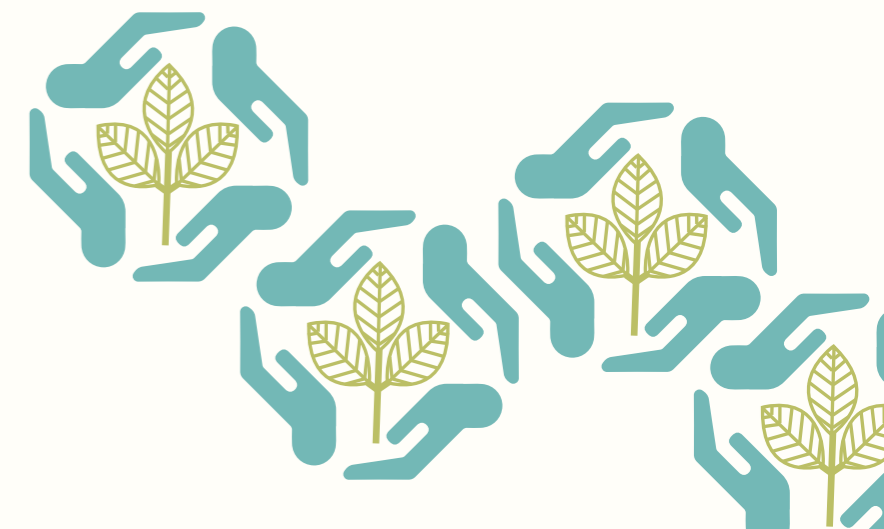
### MAKING THE SYSTEM MORE ROBUST

There is also a need to invest in making the technology more robust. In India, the wave of digitisation needs to be matched with systems that are secure, simple and easy to adopt. Philanthropy can inject much needed capital into improving technologies and platforms, building the transparency and accountability value chain from donors to beneficiaries, and capacities for better governance.

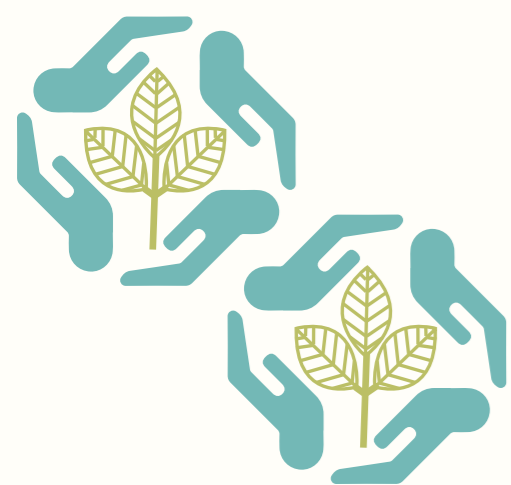
### SEEDING INNOVATION THROUGH EXPERIMENTATION AND INCUBATION

Most Indian non-profits are risk averse and most development funding is linked to pre-defined programmes. Unlike the start-up world, very little money in the development sector is untied, and in many cases there is limited scope for experimentation. This forces organisations to restrict their resources when it comes to incubating, prototyping, and experimenting with new models of change and impact.

Crowdfunding can potentially expand the scope of untied grants; by seeking funds from a multitude of sources to channel into more learning, experimentation and incubation efforts that are otherwise seen as ‘riskier’. It also offers an opportunity for philanthropies to gather knowledge and support innovative forms of grant-making while building organisational skills (especially in social media outreach, processing online transactions and marketing<sup>52</sup>). These skills are essential, because while crowdfunding can contribute untied monies, individual donors will still want to know the broader story of change and impact. The onus, therefore, falls on the organisation to elicit funds in such a way that donors are willing to invest – and this is where identifying campaigns, storytelling, and community engagement becomes critical.







## BUILDING SUPPORT THROUGH STRONG NARRATIVES AND ENGAGEMENT STRATEGIES

Perhaps the biggest challenge to running a successful crowdfunding campaign lies in building and engaging with a community that can be activated for support. Organisations tend to focus on convincing a single philanthropist for a big ask whereas building a community of supporters requires looking at development impact from multiple perspectives. Fundraising is also seen as an end-goal – the last step in a series of actions that will bring the money in – and this is widely reflected in the form of external communication.

While there is no dearth of commitment or emotion in the non-profit/development sector, communication is typically limited to reporting – annual reports, impact stories, and audited financials etc. that are end-products of a donor-recipient relationship. This is also because many NGOs are primarily supported by institutional donors, who use metric-driven impact markers towards ‘solving problems’, whereas communicating impact to an individual donor requires an additional emotional layer.

However, crowdfunding demands that this relationship be reversed, that communication becomes a means to build a community of supporters that will then support in kind and financially. This is a big challenge for many organisations as the ability to communicate their impact in simple, effective, ways to a wide range of audiences including the general public, requires skills as well as commitment from all levels of the organisation. It requires not just a communications or PR team to compile a list of success stories, but a strategic effort from all parts of the organisation to continually introspect and interact with the public through stories as well as data on impact, that offers a degree of transparency and persuasion. In practical terms, to successfully incorporate crowdfunding as part of a larger fundraising strategy requires identification of projects/campaigns that are most suited for crowdfunded models, strong social media and outreach capacities, and networking through donor lists, partners and sponsors to leverage interest, audience and rewards. Philanthropies can play a role in supporting the building of these capacities either by incentivising the improvement of organisational capacity, or by building new platforms for special causes that will extend more support and help non-profits learn and develop new skills.



## CONCLUSION

Crowdfunding offers a powerful tool for non-profits seeking to diversify their funding streams and build a strong base of community funders. For this reason, non-profits should be supported by philanthropic groups and done so in a way that incentivises the building of their communities of support, networks, impact, and organisational capacities.

Crowdfunding platforms capitalise on the hyper-connectivity of the digital space. Ideally, they enable an ecosystem of contribution and collaboration to emerge around causes, and their main strength lies in the fact that there is potential for support from millions of people organised virtually through communities, networks and platforms. By requiring formats that have to speak through stories and data, crowdfunding campaigns naturally are oriented towards communicating to the general public in a way that implicates them in the process of giving and the impact of their donation. The process levels the playing field by balancing out big donors with individual small donations, and between donor and beneficiary. It also allows for the emergence of a contribution economy, which is essential for the sustainability of non-profits in India.

Today, more than ever before, it has become possible for us to remain ensconced in our own worlds, disconnected from the lives and experience of others. The same technologies that allow us to build bridges to strangers also allow us to withdraw into groups of people just like us, sometimes depriving us of the empathy, the vibrancy and the new ideas that flow from the diversity of communities beyond our own. Crowdfunding platforms give people the opportunity to change that; to get involved; to acknowledge our interdependencies and our mutual vulnerabilities. Making it easy for large numbers of people to participate in supporting good causes allows people to reach beyond themselves, deep into their hearts, minds and pockets. When we give forward, in however small a way, we ourselves get some joy from that giving, too, as neuroscientists are now confirming with new research.

Crowdfunding is an even more powerful force than the philanthropy of the super rich. It helps build the core; the foundation that makes for successful societies and nations. We hope this report will help many more to join this exciting new space of crowdfunding.



# APPENDIX I

PLATFORM	EST. YEAR	PLATFORM TYPE	FUNDING MODEL (ALL OR NOTHING, FLEXIBLE FUNDING)	SECTORS	AMT RAISED (RS CR)	SUCCESS RATE/ BACKERS	FUNDRAISING ASSISTANCE	TRANSACTION CHARGES AND FEES	FOUNDERS	SUPPORTERS
BITGIVING	2013	Donation/ Rewards	Flexible funding	Focus on social causes/art projects/ tech innovation/ startups. Notable support: Nepal Earthquake support, sending an Indian athlete to the Olympics, helped widows in Marathwada, funding hospital treatments.	N/A	Over 650 projects		6% for social causes/ 8% for entrepreneurial campaigns (10% if target is not met).	Ishita Anand, Fahad Moti Khan	Harminder Sahni, Krishna Mehra and Sanjay Bakshi
CATAPOOOLT / DESIRED WINGS	2013	Donation/ Rewards	Flexible funding	Sports, politics, social enterprises, startup support.	N/A	Has raised over 150\$k from 2000+ contributors	Dedicated campaign management, social media and PR, leveraging of Catapooolt networks.	N/A	Satish Kataria, Shabir Momin, Mohammed Sirajuddin	Ah! Ventures, Venture Nursery, Calcutta Angels
CROWDERA	2014 (USA), 2016 (India)	Donation/ Rewards	Flexible funding	Global platform with an Indian branch.	N/A	Has raised over 573k\$		2.75-3.75%	Chet Jain, Chaitanya Atreya Rich Mastuura	Chet Jain, Rajkumar Velgapudi, Thomas Kerns, Rich Mastuura
DREAM WALLETS		Donation / Rewards based	AON/ FF	Supports personal and social causes	N/A	Has run over 100 campaigns and has contributors from 200 cities		All or nothing / Flexible Funding if target met (5% to Dream Wallets, 3% payment gateway charges) / if target is not met (9% to Dream Wallets / 3% payment gateway charges)	Nikhil Agarwal, Manish Harodia	
FAIRCENT		Peer-to-Peer Lending	Peer-to-Peer Lending	Peer-to-Peer lending and virtual marketplace. It's USP is eliminating banks, high margins on loans and low charges.	N/A	6000 potential lenders, 26000 borrowers, disbursed nearly 1m\$ of loans in 24 months.		23\$ one time fee + administrative fee based on size of loan and interest amount	Rajat Gandhi, Vinay Matthews, Nitin Gupta	
FUELADREAM	2016	Donation/ Rewards	AON / FF	Supports social causes, creative arts, charities. Has funded a battery powered ebike and a canal to irrigate a village's farmland	4.5			7% platform charges + 2% gateway charges + one time nonrefundable fee of Rs 3,000	Ranganath Thota	\$250K from individual investors
FUNDDREAMSINDIA		Donation/ Rewards	Flexible funding	Supports personal causes, life events and social causes	N/A			5% plus 3.95% as processing fees	BlueBiz Ventures Pvt Ltd	
GIVE INDIA	1999	Donation	Flexible Funding	Has a crowdfunding tool iGive.	N/A	30000 supporters and counting		9.1% of funds raised retained as a fee.	Venkat Krishnan	

PLATFORM	EST. YEAR	PLATFORM TYPE	FUNDING MODEL (ALL OR NOTHING, FLEXIBLE FUNDING)	SECTORS	AMT RAISED (RS CR)	SUCCESS RATE/ BACKERS	FUNDRAISING ASSISTANCE	TRANSACTION CHARGES AND FEES	FOUNDERS	SUPPORTERS
IMPACT GURU	2014	Donation/ Rewards	Flexible funding	Supports projects for medical causes, NGOs, creative causes, or startups	329	329 Crores raised, 10,000+ organisations	Dedicated campaign manager, tax receipts to Indian,, US, UK donors	4.5% for individual causes / 5.5% for organisation causes + transaction fees (3% for Indian transactions/ 3% +\$0.30 for international transactions)	Piyush Jain, Khushboo Jain	RB Investments, Fundnel (\$500k) in 2016
KETTO	2012	Donation/Rewards	Flexible funding	Supports projects in personal development (health, education, travel); creative arts (film, music, theatre, fashion, tech); community/social projects (NGOs, non profits, charities)	100	200000 backers, 10000 projects	Dedicated campaign manager, dedicated NGO pages,	+ 6% of total funds raised towards fundraising support + 3% payment gateway fees	Kunal Kapoor, Varun Sheth, Zaheer Adenwala	Calcutta Angels, Anupam Mittal,
LETZCHANGE	2013	Donation	Flexible Funding	Supports NGO projects only	4		Tax receipts to Indian donors	0% fees	Vikrant Bhargava	Vikrant Bhargava
MILAAP	2010	Lending and Donations	Flexible funding	Lending and crowdfunding for the rural poor	197	50K+ projects	Dedicated campaign manager, tax receipts for Indian donors	5-8% platform fee + payment gateway fees of 2.9% + \$0.3 for international transactions, 2% for Indian transactions	Mayukh Choudhury and Anoj Vishwanathan	Unitus Seed Fund, Jungle Ventures, Khosla Impact
RANG DE	2008	Peer-to-Peer Lending	Peer-to-Peer Lending	Micro loans for underserved communities in India - 93% of borrowers are women	7	12708 social investors, 59234 loans disbursed, 93.95% repayment rate	Yes	Total APR ranges from 8-18%, Rang De charges 2%.	Smita Ram and Ram NK	Tata Trusts
START51		Donation/Rewards	All or Nothing	Platform for creative entrepreneurs	N/A	40 projects launched, 21 lakh INR raised	No	5% if the project is successfully funded + project fees of 1.25-2.5%	Ateet Bajaj	
UNITED WAY MUMBAI	2002	Donation/ Rewards	Flexible funding	Bringing together NGOs, companies, individuals and organisations to improve community conditions. Primarily focus on fundraising through marathons.	N/A	Supports 281 NGOs		4% of funds received + one time fee of \$29.67		
WISHBERRY	2010	Donation/ Rewards	All or Nothing	Only Creative Arts Projects: Film, Music, Dance, Theatre, Art, Design, Photography, Comics and Publishing, achievable within 60 days	11.6	400+ projects, 70% success rate	Personalised consultation, social media and marketing, payment gateway	10% as commission, charged only if the fundraising goal is met. Other charges are 10000 INR for social media, marketing and PR, and 3500 INR (non refundable) for a campaign consultation.	Priyanka Agarwal and Anshulika Dubey	Alok Mittal, Amit Ranjan, Rajan Anandan, Sharad Sharma, Venkat S Raju



## APPENDIX II

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**INTERVIEWS BY CEDRIC JOHN DSOUZA | India Philanthropy Initiative**  
 .....

- Dhaval Udani**, Danamojo | 10th February 2017
- Ishita Anand**, Bitgiving | 8th February 2017
- Kavita Mathew**, Global Giving | 13th February 2017
- Kshitiz Anand**, Happy Horizons | 20th February 2017
- Maya H**, Pratham Books | 10th February 2017
- Meena Dave**, India Cares Foundation | 15th February 2017
- Rohit Manohar**, U&I | 16th March 2017
- Shafkat Alam**, Tiljala Shed | 8th February 2017
- Varun Seth**, Ketto | 8th February 2017
- Vasumathi Sriganesh**, Qmed | 27th February 2017
- Venkat Ramakrishnan**, Isha Vidhya | 24th February 2017

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**INPUTS AND COMMENTS FROM**  
 .....

- Arnav Kapur**, Bill & Melinda Gates Foundation
- Deepa Iyer**, Draper Richards Kaplan Foundation
- Dhaval Udani**, Danamojo
- Ingrid Srinath**, Centre for Social Impact and Philanthropy, Ashoka University
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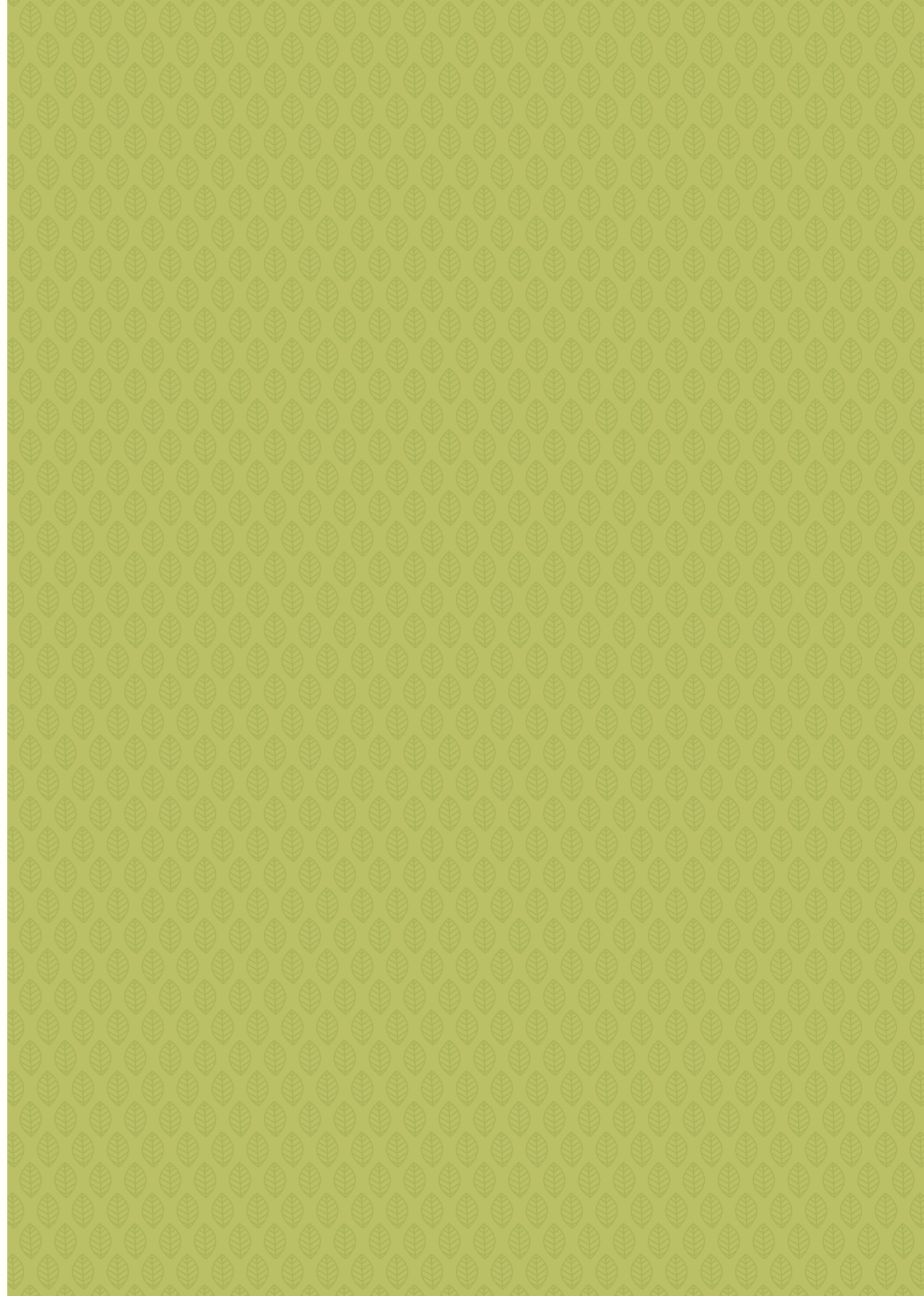
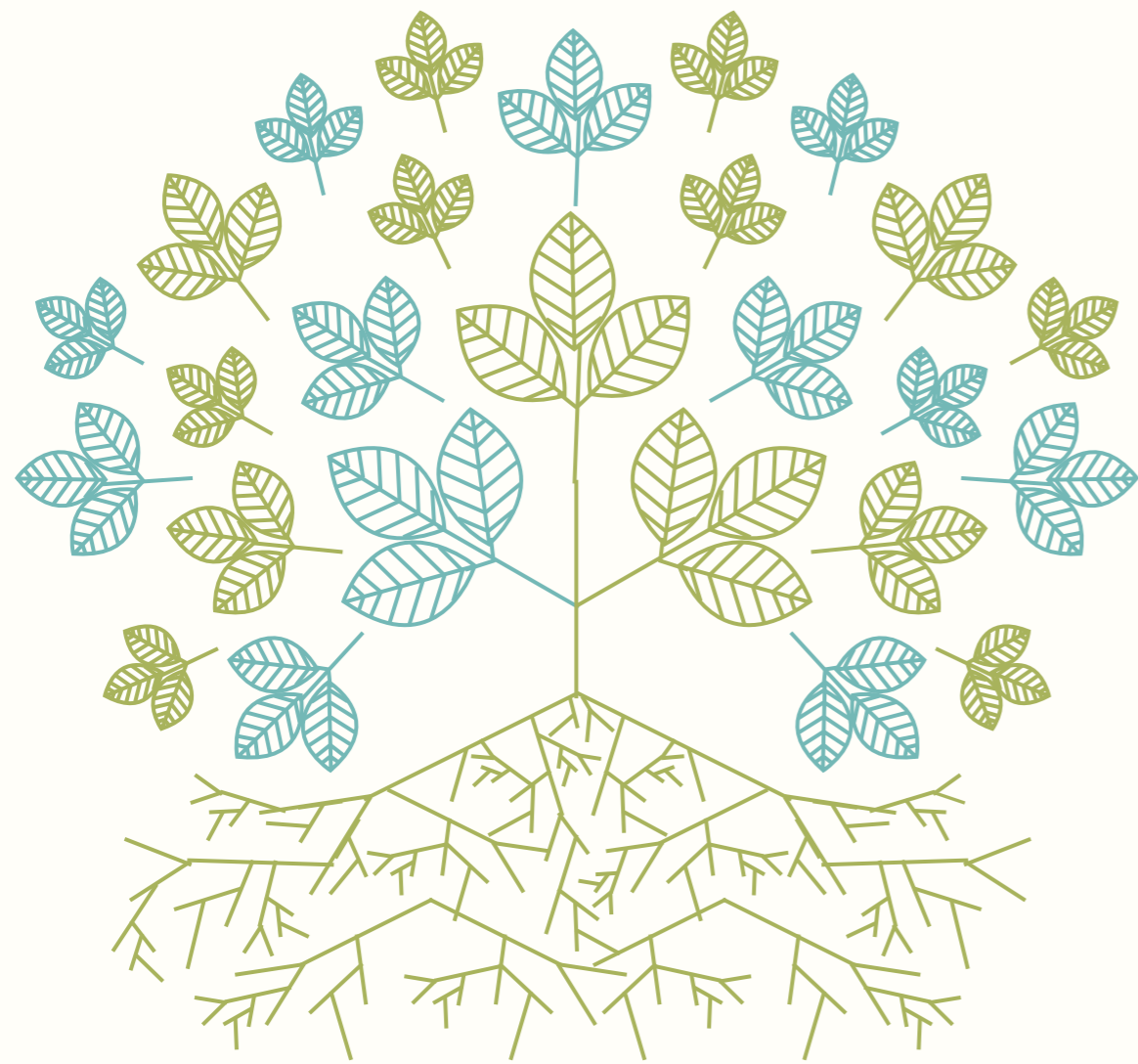
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