

Survey on Decentralized Crowd funding Platform

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Abstract: The demand for funds required by companies has been on a rise more than ever before. New-age companies burn cash to not only fulfill their fund demand but to market their products and implement newer technologies. On the other hand, crowdfunding portals turn that funnel on-give up. It is a method of elevating capital through the collective effort of individual investors and no longer via Venture Capitalists. Fundraisers search for traders directly or through a selected virtual platform, referred to as intermediaries. The current crowdfunding is a Web 2.0-based phenomenon that was revolutionary in its own way but history has proven time and again that it comes with its own challenges. The hassle with the modern approach is that it requires belief and genuinely from all of the parties worried. This is where Web 3.0 and decentralization involve to rescue. With the use of blockchain, we can create a decentralized trustless platform to meet the fund demands of projects and companies.

Keywords - Blockchain, Crowdfunding, Decentralized, Trustless, Venture Capitalist, Web 3.0

I. Introduction

Crowdfunding is a means of obtaining funds by enlisting the help of friends, family, customers, and individuals investors i.e. collective efforts of an out-sized number of individuals— By and large online through social platforms and crowdfunding structures— for bigger reach and publicity. Crowdfunding is the polar opposite of traditional commercial finance operations. Historically, if you wanted to get funds, you'd have to be forced to clean up your business plan, market research, the prototypes, and pitch your idea to wealthy individuals or institutions. These funding options included banks, angel investors, and venture capital firms. Blockchain has given us a revolutionary decentralized method of storing data. The way financial transactions and ownership data are recorded could be transformed by blockchain technology. The most important aspect of digital record- keeping is that agents agree on the true timeline of events. Consensus, in turn, implies that a ledger's record-keepers have an incentive to report truthfully, i.e., the ledger should be devoid of fraud. Enhanced security, increased transparency, increased efficiency, and reduced fraud risks are all advantages of the Blockchain integrated network. In this paper, we discuss the differences between traditional crowdfunding platforms and blockchain network-based crowdfunding platforms, as well as the advantages of using blockchain networks in other industries. As previously said, this paper illustrates the obstacles and challenges that the sectors experience by employing traditional techniques, as well as the answers to those problems supplied by blockchain network-based technologies to those businesses. This work assists people in comprehending the advantages of blockchain network-based systems in their particular industries, as well as implementing them to improve the system's overall transparency, efficiency, and security.

II. Different Techniques of Crowd funding

Reward Crowdfunding

People can invest in your company in exchange for non-financial rewards is called reward crowdfunding. This type of funding is commonly used to support artistic projects, the more money an investor invest, the more return they'll receive. The fact that the incentive is usually low-cost is an advantage for the business. Reward-based crowdfunding is like crowdsourcing in which you, as the producers of a new product, service, or business, ask investors to put money to your "campaign" in exchange for a reward. In exchange for their support, investors are offered a prize. Reward-based crowdfunding gives the creators the opportunity to pre-sell their product or creative work when the rewards are centered on the product or service that the campaign was intended to aid.

Reward Crowdfunding raises startup funds while also allowing them to gain exposure, build awareness, validate their ideas and pre-sell their products, services, or creative works.

Debt Crowdfunding

It allows investors to back a business in return for a financial or monetary returns as interest This option allows you to loan less money than you would if you applied for a bank loan. Backers are driven by promise of an interest on their investment, this method may make it easier to gather support for a campaign. This may be suited to companies that have a track record of success. Debt crowdfunding is becoming more popular, according to proponents, since it provides better conditions, cheaper interest , faster approval timeframes, than other forms of debt financing.

Equity Crowdfunding

In exchange for shares or a small interest, equity crowdfunding will invest money in your company, project, or attempt. This type of crowdsourcing may be particularly useful for businesses that want to expand in places where they can make money.

Equity crowdfunding is a novel approach to obtaining funds for your company without incurring new debt. It's a type of fundraising in which you try to find investors who are prepared to donate money toward your company's aims in exchange for a financial stake in it.

In general, equity crowdfunding is a kind of business financing that involves a large number of individual investors contributing small sums of money. Interested investors may be able to contribute as little as \$100. This technique varies from attempting to secure large investments from venture capital firms or angel investors, which is out of reach for many startups and established small enterprises.

Donation Crowd funding

Donation crowdfunding is for those seeking funds for social, charitable purposes that want to create an online campaign and allow others to donate to a project.

Crowdfunding portals can assist smaller organizations and individuals in raising donations for personal or humanitarian causes.

This type of crowdfunding raises money for a project by asking a large group of individuals to donate a little amount. Donators may be eligible for awards that rise in value as the donation amount increases.

Token Based Crowdfunding

Crypto-tokens have become a convenience for businesses to fund projects early in the development cycle, as well as for enthusiasts to invest in initiatives with potential value and influence over their future. Projects start an ICO by issuing tokens on a blockchain, allowing investors to purchase tokens in return for cryptocurrency. The amount of money raised in an ICO is limited by time or a limitation of the money raised. The value or the number of tokens issued might be fixed or dependent on the money raised.

Crowdfunding could be used by charities to raise funds for relief efforts or topics they are passionate about. Disaster relief organizations, for example, may seek funding to assist in the search, rescue, recovery, and treatment of those who have been harmed by terrible hurricanes or earthquakes. Crowdfunding might potentially be used to pay for infrastructure and utility reconstruction that would normally be covered by government disaster relief monies.

Both an Initial Coin Offering (ICO) and a Security Token Offering (STO) are significantly preferable possibilities for investors. Take, for example, a \$10,000 investment in traditional crowdfunding. There is no guarantee of liquidity, and you will be locked up for a period of time. Because transactions must be completed outside of the platform, the Bulletin Board option provided to crowdfunding platforms is worthless and exposes counter party risk. As a result, liquid shares resemble a wager rather than an investment.

The ICO and STO markets, on the other hand, provide more liquidity and are more volatile on a daily basis. A company's valuation rises as its liquidity rises. As the value of the cryptocurrency rises due to increased liquidity, so does the value of the business and projects. But, in any case, if your project isn't blockchain-based, you had no choice but to use traditional crowdfunding platforms until lately! Now, STO platforms are beginning to accept applications from a wide range of businesses. Equity crowdfunding, on the other hand, accounts for only a small portion of the overall crowdsourcing market. This is due to the possibility of an exit after 3-5 years, and only if the company is IPO'd or bought.

III. Comparison Between Different Crowdfunding Techniques

TYPE OF CROWDFUNDING	FEATURES	ADVANTAGES	DISADVANTAGES
REWARD CROWDFUNDING	<ul style="list-style-type: none"> -Offers non-monetary benefits -It's most commonly employed in artistic endeavors. -A higher donation equals a higher reward. 	<ul style="list-style-type: none"> -It doesn't cost the company a lot of money -Attracts Contributors through Reward -Companies are not required to give out equity. 	<ul style="list-style-type: none"> -There are no financial rewards for contributors. -There is no plan in place for contributors to exit. -Lack of confidence in the system
DEBT CROWDFUNDING	<ul style="list-style-type: none"> -Financial interest exchange for funding -Interest rate may be cheaper than a bank loan. 	<ul style="list-style-type: none"> -It's a lot easier to enlist the help of others. -Favorable conditions, reduced interest rates, and a shorter approval process -Entrepreneurs are not required to give up equity. 	<ul style="list-style-type: none"> -Enterprises may fail to return funds. -It's only good for businesses that make money.
EQUITY CROWDFUNDING	<ul style="list-style-type: none"> -Investment in a corporation in exchange for stock or a stake. -A well-known fundraising method 	<ul style="list-style-type: none"> -Businesses do not need to go into debt to raise funds. -It's great for businesses that want to expand. 	<ul style="list-style-type: none"> -It is not ideal for small businesses and start-ups. -There is no assurance of monetary gain.

	<ul style="list-style-type: none"> -The increase in share price has an impact on R.O.I. (return on investment). 	<ul style="list-style-type: none"> -The most effective way to attract significant funding 	<ul style="list-style-type: none"> -A stake or shares in the company must be distributed.
DONATION CROWDFUNDING	<ul style="list-style-type: none"> - Intended for use in charitable or social projects - Forms an online community and donates to a good cause. - Ideal for small businesses and non-profits raising funds for personal or altruistic causes - Best for NGOs 	<ul style="list-style-type: none"> - The fundraiser is not obligated to compensate the contributor financially. - A large number of people can donate There is no return on investment. 	<ul style="list-style-type: none"> - There is no way to guarantee authenticity. - It is not appropriate for corporate businesses.
TOKENBASED CROWDFUNDING	<ul style="list-style-type: none"> -This is handled by blockchain-based projects. 	<ul style="list-style-type: none"> -Companies are not required to give out equity. 	<ul style="list-style-type: none"> -The government's lack of legal rules

	<p>-In exchange for your investment, you will receive a token.</p> <p>-The projects launch an I.C.O. (initial coin offering) to distribute tokens.</p>	<p>-A straightforward method for blockchain businesses to raise funds for their ventures.</p> <p>-Even in the early stages, users and enthusiasts can invest in initiatives.</p> <p>-Can be carried out by any size company or organization</p> <p>-There is no lock-in period, so exiting is simple.</p>	<p>-There is a scarcity of liquidity when it comes to purchasing and selling tokens.</p> <p>-The market is prone to fast changes.</p>
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IV. Conclusion

A plethora of crowdfunding options have emerged as a result of the internet. Due to its "generational appeal," some organizations choose the old and centralized model, despite its lack of transparency, hefty fees, and other downsides. Although centralized platforms are more widely used than their decentralized alternatives, this trend may shift in the next years. The benefits of decentralized crowdfunding systems that is token based crowdfunding are obvious to anybody. Companies and potential investors will benefit from increased transparency, worldwide availability, and lower fees. Project managers will need to boost the overall appeal of blockchain-based crowdfunding solutions to make these advantages stand out. Getting some huge projects or targeting well-known industries like renewable energy are two possibilities for achieving that goal. In our study we conclude that decentralized crowdfunding using token based approach is the best fit.

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