# UNLOCKING THE POTENTIAL OF CROWDFUNDING FOR YOUNG ENTREPRENEURS: INSIGHTS FROM THRISSUR DISTRICT

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## ABSTRACT

Entrepreneurship plays a crucial role in economic development by transforming ideas into innovative ventures through resource mobilisation and risk-bearing. However, young entrepreneurs, particularly those aged 18 to 25, continue to face significant barriers in accessing traditional financing due to limited experience, lack of collateral, and strict lending criteria imposed by banks and financial institutions. As a result, many young entrepreneurs struggle to secure adequate funding to launch or sustain their businesses. In recent years, crowdfunding has emerged as a viable alternative financing mechanism that enables entrepreneurs to raise capital from large groups of individuals via online platforms. By leveraging social networks and community support, crowdfunding not only provides financial resources but also validates market demand and enhances investor confidence. This study examines the popularity of crowdfunding among youth entrepreneurs and explores how this innovative funding model addresses the financial constraints historically associated with early-stage ventures. The findings aim to contribute to entrepreneurial finance literature by highlighting the growing relevance of crowdfunding as an accessible, democratic, and flexible funding option for young entrepreneurs.

***Keywords:*** *Youth Entrepreneurs, Entrepreneurial Finance, Equity Crowdfunding, Startup Funding, Alternative Finance, Peer to Peer Lending, Due Diligence, Online Platforms.*

## INTRODUCTION

Entrepreneurship is a vital driver of economic development in India, contributing significantly to employment, innovation, and GDP growth. According to the National Sample Survey (NSS), India had over 58 million micro, small, and medium enterprises (MSMEs) in 2020, with a large proportion of them being driven by young entrepreneurs. However, despite their potential, young entrepreneurs in India—especially those between the ages of 18 and 25—face major barriers in accessing traditional financing. A report by the Indian government's Ministry of Micro, Small, and Medium Enterprises (MSME) found that over 75% of MSMEs in India struggle with inadequate access to finance, primarily due to challenges such as lack of collateral, limited credit history, and the stringent requirements of banks and other financial institutions.

To address these challenges, crowdfunding has gained traction as an alternative source of financing for young entrepreneurs in India. The India Crowdfunding Report 2021 by Ketto, a leading crowdfunding platform in India, revealed that crowdfunding in India raised over  1,000 crores in 2020 alone, with startups and young businesses accounting for a significant portion of this amount. Crowdfunding provides an opportunity for Indian entrepreneurs to raise capital through small contributions from a large number of people, typically via online platforms like Ketto, Milaap, and Wishberry, which are gaining popularity. This study explores the role of crowdfunding in facilitating the growth of youth-led ventures in India, examining its popularity, effectiveness, and how it is


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transforming the funding landscape for young entrepreneurs.

## SIGNIFICANCE OF THE STUDY

Crowdfunding (CF) has become a popular alternative funding mechanism, especially with the rise of internet technologies that allow individuals to fund entrepreneurial projects. In India, young entrepreneurs—particularly those with strong educational backgrounds—are increasingly turning to crowdfunding to overcome financial barriers. This study focuses on the Thrissur district of Kerala, aiming to explore young entrepreneurs' awareness, perceptions, and attitudes toward crowdfunding as a source of funding for new ventures.

The research will assess the potential benefits and challenges that crowdfunding presents to entrepreneurs, who often struggle with traditional financing due to a lack of collateral, credit history, and the stringent requirements of banks. By analyzing the factors that influence the use of crowdfunding, this study seeks to better understand its role in helping youth entrepreneurs turn business ideas into reality, offering valuable insights into the future of entrepreneurial finance in the region.

## RESEARCH PROBLEM

The market is flooded with innovative ideas, ground-breaking breakthroughs, and remarkable business concepts provided by young entrepreneurs, but they suffer a lack of funding and resources to get their enterprises off the ground. Bank loans, venture capitalists, and other traditional sources of funding have shown to be damaging to these smaller, freshly growing, and growing firms. The notion of crowd funding caters to such enterprises and catalyses the process of gathering funds from the general public via an internet platform with no practical challenges. As a result, it's critical to research the potential of crowd funding as a novel source of capital—a study among young entrepreneurs in the Thrissur district is crucial. The goal of this study is to learn about young entrepreneurs' attitudes and perceptions of crowd fundraising as a source of capital.

## OBJECTIVES

- To determine the comparability of crowdfunding with other fund-raising methods among young entrepreneurs of Thrissur district.
- To identify whether there is any association between gender and willingness to use crowdfunding.

## SCOPE OF THE STUDY

The current study focuses on young entrepreneurs' attitudes and awareness of crowd financing, as well as their perceived benefits and challenges to using crowd fundraising as an innovative source of money. The feasibility of crowd fundraising in comparison to traditional forms of financing is investigated. The study's focus is on young entrepreneurs in Kerala's Thrissur district. The study will focus on young entrepreneurs between the ages of twenty and thirty-five.

## MATERIALS AND METHODOLOGY

This study employs a quantitative research approach to explore the awareness and perceptions of young entrepreneurs (aged 20 to 35) in Thrissur district regarding crowdfunding as an alternative funding source. Primary data was collected through a self-administered questionnaire distributed to 100 respondents, with a final sample of 60 valid responses from entrepreneurs who are familiar with crowdfunding. Secondary data was gathered from relevant literature, including journals, articles, and online sources. The study uses random sampling to ensure unbiased selection of participants, with data sourced from the District Industries Centre (DIC) in Thrissur. Analytical tools such as percentage analysis, weighted mean, and Chi-square tests were employed to evaluate the data and draw meaningful conclusions. The research aims to shed light on the benefits, barriers, and awareness of crowdfunding, providing valuable insights for young entrepreneurs seeking alternative financing options.

## HYPOTHESIS

H1: Assuming that the majority of respondents under study are not aware of crowdfunding.

H2: Assuming that there is association between gender and willingness to use crowdfunding.

## RESEARCH GAP

An overall review of the previous studies conducted in relation to this topic had done an indepth sight to the crowdfunding basics and its scope in various countries. The popularity of crowdfunding is comparatively high in other countries when comparing with India. But it is relatively less in kerala. Studies related with scope of crowdfunding in our state as an alternative source of finance is less. So it is important to study how far crowdfunding is popular among the young entrepreneurs and their willings to employ the same in their new ventures. The study is confined to Thrissur district only and attempts to get a view of the attitude and awareness of young entrepreneurs in Thrissur district and the related perceived benefits and barriers.

### Why crowd funding?

Crowdfunding offers numerous strategic advantages that extend far beyond merely raising capital. It provides an excellent opportunity to reach a younger, digitally engaged audience (ages 18-34) who are not only comfortable with online payments but are also highly active on social media platforms, making them ideal supporters for crowdfunding campaigns. This demographic is often eager to back innovative projects and causes they believe in, creating an audience ready for engagement. Beyond fundraising, crowdfunding acts as a powerful marketing and brand-building tool, allowing entrepreneurs to raise awareness for their causes or businesses while creating a buzz that increases visibility. The campaign itself becomes a form of promotion, spreading the word to a wider audience and generating interest. Moreover, crowdfunding provides valuable market validation by letting the public vote with their wallets, proving the demand for a product or idea before committing to larger investments or expansion. It also serves as a testing ground for marketing channels and target audiences, allowing entrepreneurs to fine-tune their messaging based on backer feedback and interaction. The crowd's engagement offers valuable insights into the level of support from various demographics, helping entrepreneurs understand which elements resonate most with their audience. Furthermore, crowdfunding can help build new relationships with backers, investors, collaborators, and even customers, offering future networking opportunities. It also provides entrepreneurs with direct feedback on their ideas, offering an early opportunity to pivot or improve based on audience responses. In sum, crowdfunding not only helps entrepreneurs raise funds but also facilitates market entry, brand exposure, audience engagement, and valuable relationship-building—all of which are crucial for the long-term growth and success of a business or cause.

## Forms of crowd funding

### *Donation-Based Crowdfunding*

Donation-based crowdfunding is a method where a large number of people contribute small amounts of money to support a cause, typically for charitable, social, or environmental initiatives. The main motivation behind this model is philanthropic support, rather than expecting financial returns. Donors may receive token rewards, but their primary goal is to contribute to a cause they believe in. This form of crowdfunding is particularly popular in India, where it is frequently used for charity and social causes. Well-known platforms such as Kickstarter, Indiegogo, and Give forward typically charge a fee ranging from 5% to 10% on the total donations raised.

### *Debt-Based Crowdfunding (Peer-to-Peer Lending)*

Debt-based crowdfunding, also known as Peer-to-Peer (P2P) Lending or Marketplace Lending, allows individuals to lend money to businesses or individuals in exchange for repayment with interest. This model became prominent with the founding of Zopa in the UK in 2005. Investors lend money to borrowers who then repay the loan with interest, typically through online platforms. This model offers an alternative to traditional bank loans and is often used for personal or small business financing. Popular platforms in this space include Zopa and Rate setter, where investors can choose the loans they wish to fund, and earn interest on their investments.

### *Reward-Based Crowdfunding*

Reward-based crowdfunding enables individuals to fund projects in exchange for non-monetary incentives, such as products, services, or exclusive experiences. This model is commonly used for creative projects like film production, album recordings, or the development of innovative products. Platforms like Kickstarter and Indiegogo are leading examples in this space, where backers receive rewards based on the amount they contribute. The reward system provides an added incentive for people to support projects they are passionate about, while also helping entrepreneurs raise capital. These platforms usually charge fees ranging from 5% to 13% of the funds raised.

### *Equity-Based Crowdfunding*

Equity-based crowdfunding allows individuals to invest in early-stage companies in exchange for equity shares in the business. This form of crowdfunding allows small investors to participate in the potential growth and profits of startups, often providing a high-risk, high-reward opportunity. The 2012 JOBS Act in the U.S. opened the door for more accessible equity crowdfunding by relaxing regulations on small investors. However, in India, equity crowdfunding faces significant regulatory hurdles, with the Securities and Exchange Board of India (SEBI) raising concerns about the lack of investment knowledge among the public. As of now, India's regulatory framework for equity crowdfunding is still under development, limiting the growth of this funding method in the country.g children and adolescents. In response, manufacturers and government bodies have uhe

*Table 1: Crowdfunding V/S Traditional Fundraising*

| BASIS FOR COMPARISON | CROWDFUNDING | TRADITIONAL FUNDRAISING |
|---|---|---|
| Meaning | Crowdfunding is a method of arranging funds for a project or business, in many small amounts from a large group of people using an online platform. | Traditional fundraising is when promoters use typical sources to fund their business ideas. |
| Amount | Large amounts from one or two sources. | Many small amounts from hundreds of individuals. |
| Investors | Easy to find investors | Difficult to find investors. |
| Validation | It gives a validation that the idea is quite exciting and innovative. | No such validation is available. |
| Idea | Disclosed to the crowd, to get funding. | Remains confidential with the funding individuals and |
| Control and Management | Remains in the hands of the promoters. | Shared with the investors, due to their stake in the business. |
| Network | It facilitates to connect with a large number of people. | The promoters will contact with a few High net worth individuals or banks only |
| Investors focus | Innovative and thought provoking ideas, with work ability. | Idea that has profit potential. |

## RESEARCH GAP

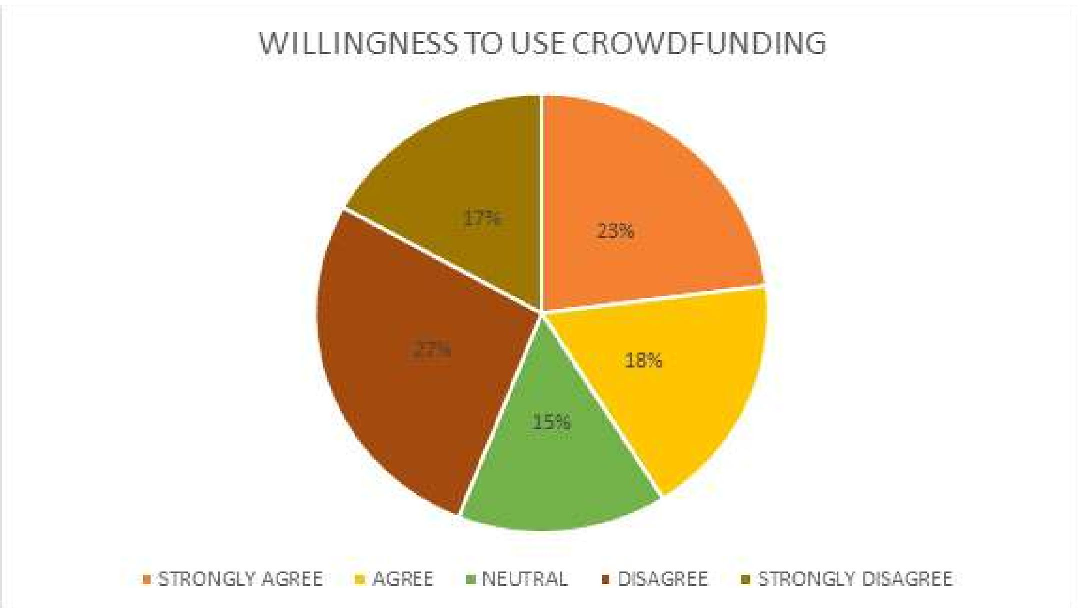


Fig. 1: Willingness to use crowdfunding

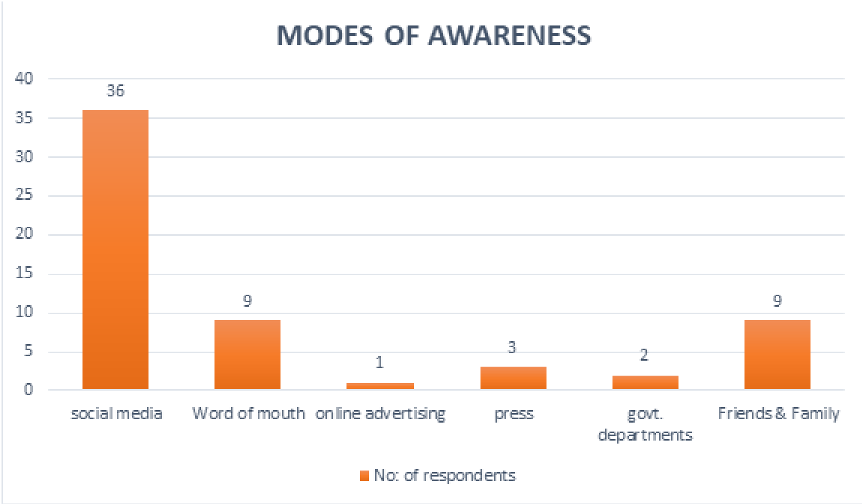


Fig. 2: modes of awareness.

*Table 2: Knowledge about crowdfunding.*

| Definition | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Weighted Mean | % |
|---|---|---|---|---|---|---|---|
| CF consists of financial entities or their activities and projects through electronic platforms accessible through the internet. | 45 | 3 | 9 | 3 | | 4.5 | 90% |
| CF raises investment tranches from several individual investors. | 15 | 27 | 12 | 6 | | 3.85 | 77% |
| CF is a form of financing for profit entities. | 9 | 12 | 6 | 15 | 18 | 2.65 | 53% |
| CF is a form of financing for non-Profit entities | 12 | 9 | 3 | 15 | 21 | 2.6 | 52% |
| In CF the financed entities offers some products / services, discounts or other bonuses to investors or some of the members that support the project. | 8 | 10 | 23 | 11 | 8 | 2.98 | 60% |
| In CF, the financed entity pays the financing through participation (share) in the capital, distribution of dividends or profit sharing. | 6 | 9 | 16 | 20 | 9 | 2.71 | 54% |
| In CF, the financed entity does not remunerate the funds attained, since the financing is assigned as a donation. | 11 | 15 | 18 | 8 | 8 | 3.21 | 64% |
| In CF, the financed entity pays the financing through the payment of the interest rate that is agreed at the time of fundraising. | 11 | 5 | 14 | 10 | 20 | 2.61 | 52% |

*Table 3: Understanding on crowdfunding terminologies*

| TERMINOLOGIES | COMPLETELY AWARE | PARTIALLY AWARE | NOT AWARE | WEIGHTED MEAN | PERCENTAGE |
|---|---|---|---|---|---|
| Angel investors | 42 | 12 | 6 | 2.6 | 87% |
| Seed Capital | 46 | 6 | 8 | 2.63 | 88% |
| Venture Capital | 50 | 4 | 6 | 2.73 | 91% |
| Backer | 12 | 27 | 21 | 1.85 | 62% |
| Funder | 28 | 8 | 24 | 2.06 | 68% |
| Creator | 15 | 14 | 31 | 1.73 | 58% |
| Pitch | 10 | 2 | 48 | 1.36 | 45% |
| Peer to Peer Lending | 32 | 18 | 10 | 2.36 | 79% |
| Due Diligence | 30 | 9 | 21 | 2.15 | 72% |
| Start up Business | 50 | 10 | | 2.83 | 94% |
| Rewards | 48 | 5 | 7 | 2.68 | 89% |
| Crowdfunding platforms | 21 | 24 | 15 | 2.1 | 70% |
| Crowdfunding campaign | 30 | 15 | 12 | 2.2 | 73% |
| Average | | | | 2.23 | |

*Table 4: Perceives benefits of using crowdfunding*

| TERMINOLOGIES | COMPLETELY AWARE | PARTIALLY AWARE | NOT AWARE | WEIGHTED MEAN | PERCENTAGE |
|---|---|---|---|---|---|
| Angel investors | 42 | 12 | 6 | 2.6 | 87% |
| Seed Capital | 46 | 6 | 8 | 2.63 | 88% |
| Venture Capital | 50 | 4 | 6 | 2.73 | 91% |
| Backer | 12 | 27 | 21 | 1.85 | 62% |
| Funder | 28 | 8 | 24 | 2.06 | 68% |
| Creator | 15 | 14 | 31 | 1.73 | 58% |
| Pitch | 10 | 2 | 48 | 1.36 | 45% |
| Peer to Peer Lending | 32 | 18 | 10 | 2.36 | 79% |
| Due Diligence | 30 | 9 | 21 | 2.15 | 72% |
| Start up Business | 50 | 10 | | 2.83 | 94% |
| Rewards | 48 | 5 | 7 | 2.68 | 89% |
| Crowdfunding platforms | 21 | 24 | 15 | 2.1 | 70% |
| Crowdfunding campaign | 30 | 15 | 12 | 2.2 | 73% |
| Average | | | | 2.23 | |

*Table 5: Perceived barriers of using crowdfunding*

| | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | Weighted Mean | % |
|---|---|---|---|---|---|---|---|
| There are difficulties related with the preparation of campaign | 3 | 43 | 3 | 11 | 0 | 3.63 | 73% |
| It has costs associated with raising capital. | 12 | 30 | 9 | 6 | 3 | 3.7 | 74% |
| Creates uncertainty about ability to pay financing costs and repay capital | 27 | 24 | 3 | 3 | 3 | 4.15 | 83% |
| There is a need to provide information about the business | 15 | 27 | 9 | 6 | 3 | 3.75 | 75% |
| There is a fear of not being able to obtain the necessary funding | 9 | 30 | 15 | 3 | 3 | 3.65 | 73% |
| There are fears related to regulatory issues | 36 | 15 | 6 | 3 | 0 | 4.4 | 88% |
| It is unknown who will be the campaigns financiers | 12 | 18 | 27 | 0 | 3 | 3.6 | 72% |
| There are fears related with administrative issues | 6 | 45 | 6 | 3 | 6 | 3.8 | 76% |
| There is a need to provide personal information | 15 | 3 | 15 | 24 | 3 | 3.05 | 61% |
| Average | | | | | | 3.75 | |

**Test 1**

The Chi-Square Test was used to assess if there is an association between gender and willingness to raise funds through crowdfunding. The null hypothesis ($H_0$) stated that there is no association, while the alternative hypothesis ($H_1$) suggested there is an association. The analysis of the observed and expected frequencies revealed a calculated chi-square value of 19.4, which is greater than the critical value of 9.488 at a 5% significance level. As a result, we reject the null hypothesis and conclude that there is a significant association between gender and willingness to use crowdfunding. The data suggests that women are less willing to engage in crowdfunding ventures than men, potentially due to factors such as risk aversion and perceived barriers, despite women's increasing empowerment and involvement in entrepreneurship.

**Test 2**

The Z-test was conducted to determine if there is a significant difference in the awareness of crowdfunding among respondents. The calculated Z-value was 1.7, which is less than the critical value of 1.96 at a 5% significance level. The p-value for the calculated Z-value (1.7) is 0.46, which is greater than 0.05, further supporting the acceptance of the null hypothesis. Therefore, we conclude that there is no significant difference between the two groups, and the majority of respondents (60%) are aware of crowdfunding.

## RESULTS AND DISCUSSION

The study reveals several key insights about young entrepreneurs' awareness and perceptions of crowdfunding. 60% of respondents were aware of crowdfunding, with a higher willingness to use it observed among male entrepreneurs compared to females. In terms of income, 45% of respondents reported earning less than 1 lakh rupees, while 35% earned between 2 to 3 lakh rupees annually. The majority of entrepreneurs showed strong internet usage, with 50% spending at least two hours daily online, essential for accessing crowdfunding platforms. Most respondents learned about crowdfunding through social media, and 90% correctly understood its basic concept, such as financing projects through online platforms. While entrepreneurs demonstrated familiarity with terms like seed capital and venture capital, their understanding of more technical crowdfunding language was less robust.

A positive attitude toward crowdfunding was prevalent, with 83% of respondents citing increased visibility for projects as the main benefit, although access to finance without bureaucracy was viewed as the least significant advantage. Regulatory concerns were the most significant barrier, with 88% of entrepreneurs expressing concerns about legal issues, while privacy concerns about sharing personal information were the least agreed-upon barrier. Additionally, 90% of respondents indicated they would be willing to use crowdfunding if offered training, and 87% expressed interest if a solid regulatory framework for the industry were in place.

## CONCLUSION

This study explores young entrepreneurs' awareness and perceptions of crowdfunding (CF) as an alternative funding mechanism. While the findings show that young entrepreneurs in Thrissur have a moderate understanding of crowdfunding, they recognize its potential benefits, such as increased visibility, customer feedback, and reduced financial costs. However, concerns around regulatory issues, uncertainty about repayment terms, and the need to share personal information were identified as significant barriers. Despite these challenges, most respondents expressed a positive attitude toward using crowdfunding, particularly donation and reward-based models, which they view as promising avenues for securing capital. The study suggests that crowdfunding could be a viable solution for young entrepreneurs facing difficulties in accessing traditional funding, provided there is a strong regulatory framework to boost confidence and support. This indicates a growing acceptance of crowdfunding as an innovative financing tool in India, with the potential to transform how young entrepreneurs fund and grow their businesses.

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