Crowd Funding for the Campaigns of NGOs – An Empirical Study

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ABSTRACT

Crowd funding, the collection of finances from contributors, usually online, to fund an initiative can be a powerful tool across the social sector. Organizations have used it to fight malaria in Africa, build a sloth sanctuary in Costa Rica, and open schools in Afghanistan. Crowd funding enables nonprofits to leverage support from a wide variety of stakeholders, including beneficiaries, donors, board members and staff; it also provides space for testing what motivates different groups to give. In addition, it creates an opportunity to communicate with donors directly and describe the positive impact of their support. Increasingly, we've also seen nonprofits use successful campaigns as proof of demand when pitching foundations and philanthropists for larger donations. Used strategically, crowd funding helps nonprofits build meaningful engagement, inform their work, spread their messages and expand their donor base to increase their overall funding and impact.

Running a campaign is difficult and time intensive. Doing it well requires buy-in from the full organization if it is going to generate the momentum it needs for success. Nonprofits should only run campaigns that both forward the organization's goals and get significant organizational buy-in before launch. Since donors are more likely to give to projects that look successful, it's also helpful to build in early wins for your campaign. That means securing early support for your campaign from existing donors by various methods. Existing donors can do more than participate in early, direct funding of a campaign. Crowd funding amplifies the value of your current donors' diligence and uses their connections to mobilize a larger crowd of support. Donations by existing donors serve as proof points of an organization's value, helping to more quickly recruit new contributors from those who trust one's donors' decisions. While all campaigns and donors are unique, people generally contribute to campaigns for four main reasons participation, people, purpose, and perk. This is an empirical paper that seeks to prioritize the reasons according to the most attractive, moderately attractive and the least attractive ones for donors to contribute. Further it also attempts to put these factors in a matrix for effective decision making.

Key Words: *Crowd funding, Campaigns, Decision making, Donors, Donor Decision Matrix*

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Introduction

Crowd funding is the practice of funding a project or venture by raising monetary contributions from a large number of people. Crowd funding is a form of crowd sourcing and of alternative finance. Although the concept can also be executed through mail-order subscriptions, benefit events and other methods, it is now often performed via Internet-mediated registries. This modern crowd funding model is generally based on three types of actors: the project initiator who proposes the idea and/or project to be funded, individuals or groups who support the idea and a moderating organization (the "platform") that brings the parties together to launch the idea. Crowd funding has exploded as a new way to raise funds for startups, inventions, nonprofits and even real estate investments. The idea of crowd funding has been adopted in India even before the coining of the term. For example, donations collected to build a temple. But online crowd funding space in India is in its nascent stage. However, the emergence of online platforms that promote crowd-funding is fairly recent to India.

Benefits for the creator

Crowd funding campaigns provide producers with a number of benefits, beyond the strict financial gains. The following are non-financial benefits of crowd funding.

- Profile – a compelling project can raise a producer's profile and provide a boost to their reputation.

- Marketing – project initiators can show there is an audience and market for their project. In the case of an unsuccessful campaign, it provides good market feedback.

- Audience engagement – crowd funding creates a forum where project initiators can engage with their audiences. Audience can engage in the production process by following progress through updates from the creators and sharing feedback via comment features on the project's crowd funding page.

- Feedback – offering pre-release access to content or the opportunity to beta-test content to project backers as a part of the funding incentives provides the project initiators with instant access to good market testing feedback.

Online fundraising is an increasingly competitive business and many charities and nonprofits can find themselves squeezed out in the search for

support. This is especially true in the event of capital campaigns, where the model is to approach donors with big pockets in the hopes that they would extend support.

Challenges

Developing one's community is probably the most frequent crowd funding challenge It's tough because everyone assumes that some 'crowd' is waiting to fund their project. Building a community around your campaign is one of the most difficult and most important steps in crowd funding. A lot of the processes revolve around using social media to engage and interact with others. It can be tough, especially for people that aren't used to reaching out through social media and building a following. While all campaigns and donors are unique, people generally contribute to campaigns based on few factors that will make the campaign look better off than the others. The question that arises here is as to what does a donor look in a campaign to motivate him/her or them to contribute their share.

Data Collection

Around 14 different campaigns of 14 NGOs using online crowd funding were subjected to observation and understanding in terms of the campaigns that they are launching and the response they are getting for these campaigns. Nearly 312 donors were studied for their donation habits and 53 donors responded upon personal contact. The NGOs, donors and donor respondents were selected across the nation based on their availability for the study.

Data was collected from the NGOs and the respondent donors through mobile data collection app called Fulcrum. Fulcrum is a data collection platform for the next generation of data collection. It makes it simple for field service organizations to get the best data possible from their mobile teams. It replaces paper forms with a customizable digital version on Android and iOS devices. From construction and engineering, to utilities, transportation, and disaster relief, it works on efficiency and enables better information and reporting from the field. Data was collected till November 30, 2016.

The collected data was analyzed using MS Excel in the form of table. The following table shows the list of campaigns and their goal for fund raising. It also shows the actual amount raised through crowd funding and total number of donors or crowd funders who have contributed. The donors are catagorised as highest aid donors and lowest aid donors based on their contribution. The names of respondent donors have also been mentioned in the table.

Table 1.1: Table showing the NGO campaigns in terms of number of donations and amount of fund raised through crowd financing

S.No	Name of the NGO	Objective	Campaign	Fundraising Goal (Rs.)	Actual Fund Raised (Rs.)	Total Donors	
						Highest Donors	Lowest Donors
1.	Help A Child	Building a nation where all young bright minds have the opportunity to continue their higher education and excel, regardless of their economic background.	Help Educate the underprivileged children of INDIA	2,00,000	1,08,652	3	32
2.	Teach for India	Teaching the underprivileged children and creating bright spots. A platform for shared learning and deep engagement	To provide an Excellent Education to the students at Channasandra government school, Bangalore in a conducive learning environment.	2,00,000	59,125	7	20
3.	Patang	Patang is a registered nonprofit trust started in 2003 with a vision to create a platform for young people and to actively engage them with Social justice issues in Western Odisha.	Supplementary Education Program	15,00,000	41,600	5	9

4.	S p a n d a n a Society	Spandana Society is a home of love, care, education and total support for abandoned children and disadvantaged youth.	Learning Photography and Self-Expression	1,20,000	23799	4	8
5.	Karka Kasadara Foundation	Objective of Karka Kasadara Foundation is to provide educational support & Motivation for socially deprived, destitute and deserving students from government run schools.	Raising money for Dreamathon	5,00,000	23101	7	8
6.	Isha Education	Isha Vidhya is committed to raising the level of education and literacy in rural India and to helping disadvantaged children realize their full potential.	Build Classrooms, Build Lives	9,00,000	2,77,266	8	31
7.	VSO India	Harness programmatic impact in-country in the areas of secure livelihoods, inclusive education, youth engagement and social accountability. Work or marginalized communities, dalits, tribals, women and disable people.	Bring children with disability back to school	3,00,000	39557	7	10

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8.	Pragatee Foundation	Pragatee Foundation is an active NGO in Social, Medical and Education especially in IT (Information Technology) field. By way of free medical Checkup camp, Free medicine distribution camp, Free Eye testing camp, Free optic distribution camp and Blood donation camp.	Saath : Patient Help Program.	1,50,000	16,300	2	15
9.	Muskurahat Foundation	Muskurahat is an initiative to touch every sphere of society from underprivileged children looked down by poverty to women to disregard for the environment.	A Period of Sharing- Spread Awareness, Help Women	20,000	6500	---	23
10.	Amba Angels center for Specially Abled	Is a Parents Association for Special Children that spreads awareness for special needs of these kids?	**Help us build a center for Special Children**	5,00,000	8,100	---	13

| No.	NGO	Description	Campaign				
11.	Shalom Care Home	Provides medical care for people living with HIV/AIDS and terminal cancer in Delhi especially to the patients who are desperately poor.	**Caring For The Hurting**	10,00,000	20,950	2	18
12.	Parkinson's Disease Patients Welfare Society	PDPWSK is working as a support system for the patients with Parkinson's and their caregivers. Sessions on multidisciplinary group therapies are organized regularly.	**Create awareness about Parkinson's Disease**	1,00,000	21,600	4	14
13.	Kamalini Project	Kamalini'ss Mission is to empower underprivileged women to attain holistic development through encouragement, basic education and vocational skills.	**Running for Women**	5,00,000	1,23,000	5	22
14.	Shrimad Rajchandra Love and Care	Shrimad Rajchandra Hospital provides quality medical care at highly subsidized rates or completely free through a variety of institutions and initiatives.	**Support affordable Healthcare for the masses**	2,00,000	98403	10	22

Number of NGOs taken for the study: 14

Number of Campaigns subjected for the study: 14

Number of Donors studied for donation habits: 312

Number of Donor Respondents: 53

Donor Matrix

It is a flat (two-dimensional) table in which the elements or entries appear at the intersections of rows and columns, governed by certain rules. Matrices condense different types of information on the donors and are used in studying problems where the relationships between their elements are amenable to tabulation. In this matrix the number of donors are taken on the OX axis and total donation collected through crowd funding is plotted on OY axis. On OX axis if the donors for a particular campaign till November 2016 are more than 30 then they would fall on the high zone of number of donors. If they are less than 30 then they would be plotted in the low zone. Similarly on OY axis if the aggregate donation collected from crowd funding till November 2016 is more than Rs. 1,00,000 then they fall into the high zone, whereas if the aggregate donation collected is lesser than Rs. 1,00,000 then they are plotted in the low zone. The spots on the matrix are the campaigns which belong to one of the four cells in the matrix.

Chart 1.1: Donor Matrix
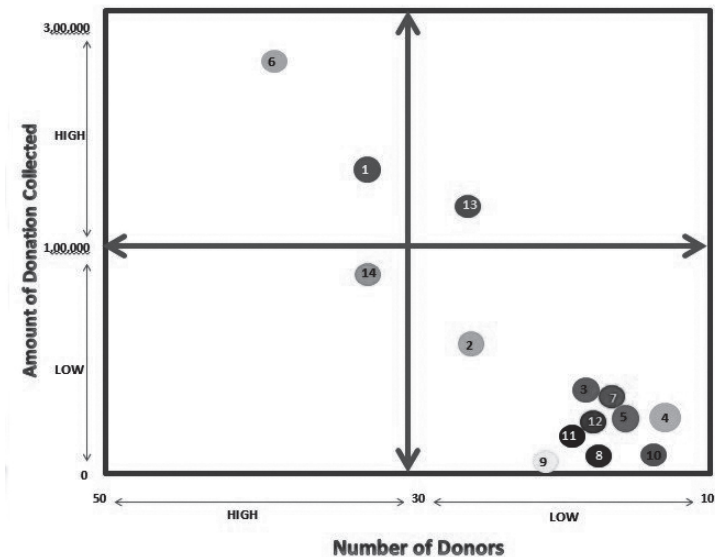
List of the campaigns plotted in the above matrix:

1. Help Educate the underprivileged children of INDIA
2. To provide an Excellent Education to the students at Channasandra government school, Bangalore in a conducive learning environment.
3. Supplementary Education Program.
4. Learning Photography and Self-Expression
5. Raising money for Dreamathon. s
6. Build Classrooms, Build Lives
7. Bring children with disability back to school
8. Saath : Patient Help Program.
9. A Period of Sharing- Spread Awareness, Help Women
10. Help us build a center for Special Children
11. Caring For The Hurting
12. Create awareness about Parkinson's Disease
13. Running for Women
14. Support affordable Healthcare for the masses

Findings:

Cell # I: *Features High amount of aggregate donation collected through crowd funding and the donation is contributed by High number of donors. There are two campaigns plotted in this cell i.e **Campaign # 1, "Help Educate the underprivileged children of India" by Help A Child** NGO **and Campain # 6, "Build Classrooms, Build Lives" by Isha Education** NGO. Upon enquiring the donors, who have donated to these campaigns, it was observed that they have contributed because of the popularity of these NGOs and their close association with them. Also because these NGOs had a good pitch. Therefore we can find that there are both high number of donors and at the same time most of these donors are contributing huge amounts for the campaign.*

Cell # II: *Features High amount of aggregate donation collected through crowd funding but the collected donation is contributed by Low number of donors. There is only one campaign plotted in this cell i.e **Campaign # 13, "Running for Women" by Kamalini Project.** Upon enquiring the donors who have donated to this campaign, it was observed that they have contributed because they were aligned with the cause and the NGO had a good*

networked team, but since the pitching was not strong enough the number of donors are less, but the amount donated by these donors is huge.

Cell # III: *Features Low amount of aggregate donation collected through crowd funding. There is only one campaign plotted in this cell i.e* ***Campaign # 14, "Support affordable healthcare for masses" by Shrimad Rajachandra Love and Care NGO****. Upon enquiring the donors who have donated to this campaign, it was observed that they have contributed based on the references and requests made by the donor's family or friends. Some of them have contributed because of an appealing pitch but since the NGO is not very popular the donation amounts are less. Therefore it can be seen that there are many donors but most of them have donated less amount.*

Cell # IV: *Features Low amount of aggregate donation collected through crowd funding and the donation so collected is contributed by low number of donors. There are almost 10 campaigns plotted in this cell i.e* ***Campaign # 2, 3, 4, 5, 7, 8, 9, 10, 11 and 12****. Upon enquiring the donors, who have donated to these campaigns, it was observed that very less donors have contributed for the cause because of lack of appeal and weak pitch. And the few donors who have contributed have done so in small amounts because they were not clear about the usage of the resources by the NGOs. Further these NGOs are not very popular. Therefore we can find that there are both less number of donors and at the same time the donors who have contribute have done so with small donations.*

Conclusion:

Crowd funding also comes with a number of potential risks or barriers.

- Reputation – failure to meet campaign goals or to generate interest results in a public failure. Reaching financial goals and successfully gathering substantial public support but being unable to deliver on a project for some reason can severely negatively impact one's reputation.

- IP protection – many Interactive Digital Media developers and content producers are reluctant to publicly announce the details of a project before production due to concerns about idea theft and protecting their IP from plagiarism.

- Donor exhaustion – there is a risk that if the same network of supporters is reached out to multiple times, that network will eventually cease to supply necessary support.

- Public fear of abuse – concern among supporters that without a regulatory framework, the likelihood of a scam or an abuse of funds is high. The concern may become a barrier to public engagement.

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