

Prospects of Crowd funding Education: A Conceptual Framework

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Abstract:

Let us think of education as the means of developing our greatest abilities, because in each of us there is a private hope and dream which, fulfilled, can be translated into benefit for everyone and greater strength for our nation. –John F. Kennedy.

John F. Kennedy's quote about the goal of education could very well be applied to the social and economic progress of a country. Crowd funding has emerged in education as a means to make private dreams a reality through collective micro financing. The flip side of the story is that, while a segment of the population receives quality education, most underprivileged kids are deprived of this basic need. College tuition costs have rocketed up over the past decade and experts expect education costs to continue their upward trajectory over the coming years. Crowd funding is the practice of funding a project or venture by raising funds from a large number of people, often performed via internet-mediated registries. The cycle is viscous—you educate one generations follow. By ensuring quality education, one is assured of their right for a better life. In the face of increased competition and diminishing federal funding, some academicians and students are turning to crowd funding platforms to raise money. This paper is intended to study the challenges facing crowd funding and understanding the level of awareness about this emerging source of finance among the masses for the advancement of education.

Keywords: Crowd funding, education, development

1. Introduction:

Crowd funding is an internet-based method to raise capital which involves pooling small amounts of money from individuals. Soliciting money from the crowd stands in contrast to traditional fundraising efforts in the past, which involved securing funds from banks, venture capitalists, or financial institutions. Creators develop a profile on a crowd funding platform and explain their monetary goals, planned use of the funds, and timeline for reaching their goals. Individuals enjoy the possibility to contribute to the ideas they believe in, even if they can invest only small amounts. (Loreta Valanciene¹, Sima Jegeleviciute). Crowd funding has been gaining importance these days. A variety of projects are funded through the crowd funded

platforms. One of the projects that can be sourced from the public could be education. Education plays a very important role in the lives of mankind; it is the key to innovation and prosperity. At the same time, higher education faces an unprecedentedly challenging landscape as it seeks to fulfill its public purposes and responsibilities. Its transformative potential for our nation is at risk. The risk is most evident in the ever-increasing tuition our colleges and universities charge. Regardless of the reasons, higher prices mean fewer families can gain the education and training. Traditionally-underserved students, as well as families from deeper into the middle class, find it difficult to afford a college education. State and federal financial aid is not meeting the growing need, and more students face higher debt levels. While enrollment in higher education is leveling off, if not declining, demand for completers of post secondary credentials has never been higher. We ignore these divergences at our peril. Crowd funding could be used as one of the tools for tackling this issue. Crowd funding platforms are now being used for a variety of projects such as Technology, Health, Art, Theatre, and Music, literary, Gaming, Sports and the like. Despite its outbreak, it is difficult to predict, which projects are successfully funded and the projects that are instantly liked and become popular among the backers. Hence this paper aims at studying the prospects of crowd funding education and the awareness levels and the attitude of the people towards crowd funding education.

2. An Overview:

Crowd funding is defined as an open call essentially provided through the internet, for the provision of financial resources either in form of donation or exchange for some form of reward and ‘ or voting rights in order to support initiatives for specific purposes” Lambert and Schwienbacher (2010) . Crowd funding has emerged as an alternative source of funds for an entity. Although it appears that this mode of raising funds is of a recent phenomenon, crowd funding actually has a long history in America and can be traced as far back as the 1700’s. In fact, the construction of the Statue of Liberty was partially crowd funded by thousands of small donations from around the world, a campaign organized by Joseph Pulitzer using his newspaper, *The New York World*. Crowd funding gained traction in the United States when Brian Camelio, a Boston musician and computer programmer, launched ArtistShare in 2003. It started as a website where musicians could seek donations from their fans to produce digital recordings, and has evolved into a fundraising platform for film/video and photography projects as well as music.(David M. Freedman and Matthew R. Nutting , 2015)

The participation through contribution of individuals in the crowd triggers the crowd funding process and determines the success of the offerings or outcomes of the process. The individual subscribes the project based on their intuitive ability and their assumption of success on the performance of a project. At times, individuals may facilitate spreading the word and dissemination of information about projects in their online communities and social networks, generating further support .Motivation for consumer participation stems from the feeling of being at least partly responsible for the success of others’ initiatives (desire for patronage), striving to be a part of a communal social initiative (desire for social participation), and seeking a payoff from monetary contributions (desire for investment). Crowd funding websites helped companies and individuals worldwide raise US\$89 million from members of the public in 2010, US\$1.47 billion in 2011 and US\$2.66 billion in 2012—US\$1.6 billion of the 2012 amount was raised in North America. In 2012 more than one million individual campaigns were established globally and the industry was projected to grow to US\$5.1 billion in 2013 and to reach US\$1 trillion in 2025.

A May 2014 report, released by the United Kingdom-based The Crowd funding Centre and titled "The State of the Crowd funding Nation", presented data showing that during the month of March 2014, more than US\$60,000 dollars were raised on an hourly basis via global crowd funding initiatives. Crowd funding

organizations fund everything; right from startups, to movies, flood relief, music albums, theatre, publishing, dance, comic, fashion art and journalism.

In addition to encompassing a wide range of potential projects, and founding goals, crowd funding also differs from other methods of start-up funding because the relationship between funders and founders varies by context and the nature of the funding effort (Belleflamme et al., 2012). There are basically four different types of crowd funding. In donation-based crowd funding, the crowd donates money or resources because they wholeheartedly wish to support the cause. The crowd donates money and expects nothing in return other than carrying home the satisfaction of having done its bit towards a social cause. In reward-based crowd funding, individuals forming the crowd makes a contribution for a business proposal in exchange for a "reward," typically the product or service that that particular company produces or provides. With equity-based crowd funding, members of the crowd become part-owners of the company which is raising funds. In other words, the company sells some or all of its shares to the members of the crowd. Debt crowd funding is another type of crowd funding, where the company raising money does not sell shares, however the collection of money is treated as a debt to the crowd. The individuals lending the money receive the company's legally binding commitment to repay the loan at certain time intervals and at a certain interest rate.

Also, important in explaining crowd sourcing is the Diversity Trumps Ability Theorem proved by professor at University of Michigan, Scott E. Page, who proved his Diversity Trumps Ability in 2007 and his book titled *The Difference: How the Power of Diversity Creates Better Groups, Firms, Schools and Societies*. The author uses mathematical modeling and case studies to show how variety in staffing produces organizational strength and more efficient solutions. Since virtual relationships are now possible and have become a commonplace, this platform can now be used to crowd fund education. One of the main reasons for dropouts and students discontinuing education would be the inability to bear the costs of education and fees. Crowd funding is playing an important role in funding and is taking shape as an important mode of finance these days. With crowd funding, individuals and organizations raise money for projects by collecting relatively small amounts of money from a large number of people, usually with the help of a Web site. As budgets tighten and programs get cut, schools are increasingly turning to this 21st-century method of fundraising. Traditionally many students rather many of them belonging to the deeper middle class, find it difficult to afford a college education due to the fee structure of a decent educational institution. State and federal financial aid is not meeting the growing need, and more students face higher debt levels. While enrollment in higher education is leveling off, if not declining, demand for completers of postsecondary credentials has never been higher.

Literacy levels have been a growing concern in our nation. Illiteracy can be a deterrent to progress of a nation. It is imperative to understand and appreciate the relevance of literacy in matters like infant mortality, immunization, children's participation in primary schools, population growth, family planning, women's emancipation, social evils like child marriage, dowry deaths etc. We all agree on the "education premium" -- the earnings boost associated with more education. This resilient and recurring word that dominated our nation was Intolerance. The country has been rocked by the war of words that gets aroused due to religious sentiments and intolerance in our nation. Through education, transformational, attitudinal and behavioral changes could build our society to peaceful and united living. Education brings in discipline and trims the mindsets to constructive thinking.

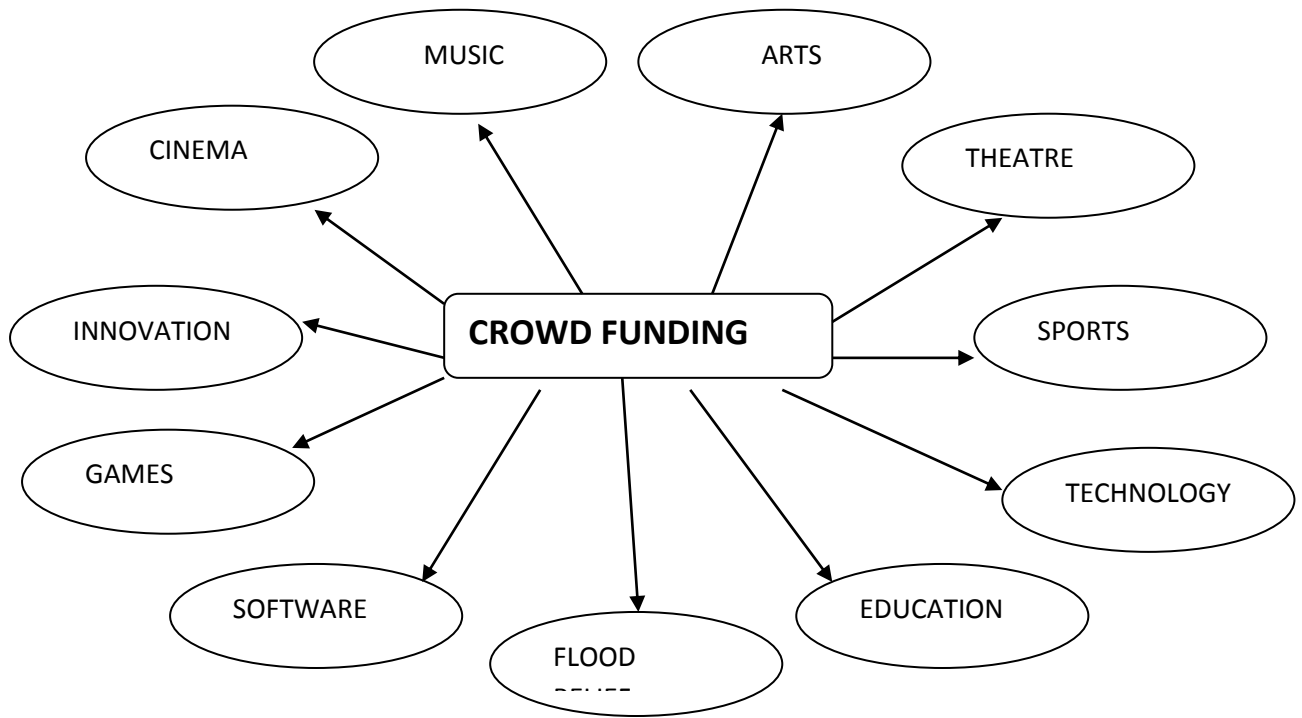
The other aspect is the facility of educational loans provided by banks and other financial institutions. On one hand, educational loans have made it possible to undergo expensive specialized courses and even international courses, but on the other, it means that even before the student has started earning, he/she is under debt. The high levels of student debt are also serving to perpetuate and even worsen economic

inequality, undercutting the opportunity and social mobility that higher education has long promised. Americans almost universally believe that a college degree is the key to success and getting ahead—and the data shows that, generally speaking, college graduates still fare far better financially than those with just a high school diploma. As a result of increased competition and diminishing federal funds, it is becoming more difficult for students and researchers to bring their scholarly endeavors to life. Crowd funding platforms bridge this gap and help learners to bring their dreams into reality. Education not only helps individuals escape poverty by developing the skills they need to improve their livelihoods, but also generates productivity gains that fuel economic growth. While growth does not automatically reduce poverty, without it sustained poverty reduction is not possible. Improving access to education alone is not enough; however, education and learning is a key to prosperity. As much efforts are diverted towards infrastructural development, investments and wealth creation, a nation should give due thought to the diffusion of education among the unprivileged. As education plays its role in helping eradicate poverty, progress in fighting poverty is inextricably linked with progress in achieving education for all. Crowd funding can be an apt platform for generating funds for this good cause.

However, obtaining funds from the crowd can reduce the stress caused by Federal Debt. High government debt has a negative effect on long-term economic growth. When government debt grows, private investment shrinks, lowering future growth and future wages. Policymakers should take the long-term, gradual, effects of debt into account when calculating the costs and benefits of government spending. Crowd funding comes to the rescue again, against debt distress, on account of borrowings for education. One of the primary benefits of crowd funding is that lower-level donors can have outsized impact. Low-level fundraising goals and clearly defined projects help donors see the difference that their gifts can make. This transparency is increasingly important to the Gen X, who value involvement and impact more than proceeding generations. Another benefit of crowd funding is that it provides a mechanism to acquire young donors now. Young alumni who donate consistently after graduation go on to give larger gifts and provide long-term institutional support. And finally, crowd funding campaigns provide data about donor interests and preferences, information that can be used to shape future solicitations.

Some famous personalities in India like Sachin Tendulkar , Aishwariya Rai Bachchan and Smriti Irani prove that success is not only achieved through academic degrees. They have all made their mark by following their dreams and almost all of them have unanimously agreed that sticking to your beliefs is the best way to make it. However this method cannot be labeled as the mantra of success. Not everyone with a dream makes it to the top. One of the options that could be seen as an alternative for tackling financial pressures would be generating funds from the crowd. However, crowd funding is also experiencing considerable hiccups as it fights to gain legitimacy, comply with international law, and attract a burgeoning audience of supporters, composed of both financial backers and inventors alike. Destined to be subject to significant swings in consumer expectation, competition, and demand, tomorrow's crowd funding industry may look little like what we see today. It provides the perfect link between people who would like to raise funds for a cause and for people who feel equally excited by it. Platforms like Facebook, Twitter are further escalating the reach of these websites.

2.2 Types of crowd funded projects:



2.3 Most popular crowd funded platforms:

We notice that crowd funding platforms are galloping at an unprecedented rate, impacting government policy and changing the face of financial operations. Crowd funding connects investors with small business startups and projects through an online transaction portal that removes barriers to entry. Interestingly, it can be said that India has seen a many success stories. Even before the term came into existence, Reliance Industries founder Dhirubhai Ambani, small yet growing textile business was crowd funded by communities across the Indian state of Gujarat. India is emerging as a popular destination for crowd funding. Few of the platforms for crowd funding are as follows:



2.4 Forms of crowd funding:

Since the advent of crowd funding in 1997, four distinct **types of crowd funding** have emerged within the industry. With very different terms and requirements, it's necessary to understand the nuances involved with each branch of crowd funding so as to choose the path most relevant to your goals and needs.

Reward based Crowd funding

Rewards-based crowd funding is the most common type of crowd funding option available. This type of crowd funding involves setting varying levels of rewards that correspond to pledge amounts. A standard rewards campaign offers at least three levels of pledges/rewards. Rewards campaigns tend to work well for client-facing, tangible products who require relatively lesser sums of money to be raised and may typically last for 1-3 months.

Equity based Crowd funding

Equity crowd funding is on the rise after the signing of the Jumpstart Our Business Startups (JOBS) Act in April of 2012. Equity crowd funding is the exchange of actual shares in a private company for capital. In this form of crowd funding, entrepreneurs can set investor caps, minimum pledge amounts, etc. as well as approve or deny investors who wish to view their business documents.

Equity campaigns are typically several months or longer in length and fit well with startups seeking \$100,000 or more in funding.

Donation Crowd funding

Donation crowd funding is exactly what it sounds like - the campaigns amass donations without being required to provide anything of value in return. This type of campaign serves social causes and charities best. The chief motivation of funding these projects would be the desire to associate with something meaningful and the giving back to the society

Lending Crowd funding

Lending based crowd funding allows entrepreneurs to raise funds in the form of loans that they will pay back to the lenders over a pre-determined timeline with a pre determined interest rate.

Lending campaigns tend to take place over a shorter time span of around five weeks and works well for entrepreneurs who don't want to give up equity in their startup immediately.

3. Research Focus:

The research carried out for this paper is part of a larger doctoral study and is an ongoing process, though the construction is in its initial stages. The objectives of the study are as follows:

- To have a basic understanding of the crowd funding platform
- To study the prospects of crowd funding education
- To analyses the attitude of people towards crowd funding education

4. Methodology:

Crowd funding is taking the entrepreneurial financing and other projects by storm, changing the very protocol of traditional systems of funding for startups to art projects. The study included the use of secondary data as well as primary data gathered from 100 respondents in Bangalore. The respondents were

served questionnaires and open ended questions too formed the crux of the study. A concise interview schedule was prepared for the purpose of interviews. The interviews were conducted both telephonically, face to face and also through e-mails. The success of the crowd funding platforms was analyzed based on secondary data gathered from the internet.

A thorough study of the literature pertaining to crowd funding and crowd sourcing and related areas were studied from which inputs were gathered. There was specific emphasis on literature pertaining to crowd funding education and their approach to development. The literature available in this context was limited and thus few aspects were studied based on primary data collected.

5. Significance of the study:

According to the World Bank, by 2025, the crowd funding industry will have between \$90 to \$96 billion dollars invested in it. In 2013, there was \$5.1 billion, with \$2.7 billion invested in 2012. What these numbers show is very clear. The industry of crowd funding is expanding at an incredible rate. Based on the model that the contributors or the so called backers of a project can provide just a little capital towards ideas, products, and business models that they believe in, crowd funding is becoming popular and is successfully tapping social media to get the desired outcomes. The future of this platform looks bright and this creates a compulsive need to study the attitudes of the people towards crowd funding education. Education is one of the important tools for development. Amidst a congestion of projects and causes that Crowd funding platforms operate in; it becomes essential to study the impact of funding education and bridge the literacy gaps and the willingness and attitude of the backers to contribute to education and learning.

6. Findings and Suggestions:

Crowd funding has already proven itself to be a successful alternative in acquiring or investing money. We find that crowd funding platforms have been used for a variety of projects. Beginning from funding technology to cinema, music, art, health, poverty, sports, education and pet care etc. these platforms cater to all. However this platform has also been used to fund some of the weirdest of purposes. To quote examples would be that of Tom Packer desperate in his plea to fund 13 dates for £1,300 so that he could find his one true love. We read of the funding of Roy Stanton who asked for money to fund their 'farts in a jar' idea and the amount funded was \$134 (£88). More amazing is the fact that if you die penniless, your family could and should consider going the **crowd funding** route on online spaces like Giveforward, Donationto, or Graceful Goodbye.

6.1 Awareness levels:

In recent times, individual contribution has evolved to unified individual donors supporting a common cause, thus creating a wave of support. Moreover, social media, with its reach and popularity, has provided

an unparalleled platform to garner support for causes, for anybody, anywhere in the world. The unprecedented rise of crowd funding platforms is a testament to this belief. What seemed to be a new fad within the gamut of social media initiatives has turned out to be one of the most important platforms to create awareness and mobilize people to come together to contribute to a cause. Despite rising number of cases of funding through massive use of social media, the majority of the respondents seemed to be not too familiar with the term and the rising popularity and projects that were funded. They commonly believed that the funds were mainly gathered for startups and for entrepreneurial projects and little did they know of its diverse and varied success stories. When asked to name a few of the commonest platforms for crowd funding, a very small percentage of the respondents (roughly 13%) identified them.

6.2 Willingness to contribute:

It came as a revelation on being questioned about their willingness to contribute to crowd funding for projects involving their interests and those that matched their preferences. Majority of the respondents expressed their willingness to contribute funds for social causes especially those that involved helping the poor and the needy. Crowd funding remains a financial instrument in transition. It's impossible to say what it will look like in five years, but it is equally difficult to envision a future without crowd funding. The respondents showed willingness to contribute to charitable projects however there were few respondents who felt that the uncertainty attached to the funds being put for the purposes it was raised several unanswered questions.

6.3 Crowd funding education:

Today, there could be various reasons to consider crowd funding ; it could be entrepreneurial ventures, social cause, higher studies, music albums or videos, gigs and festivals, publishing books, mega events or college projects. There are different forms of crowd funding available . It could be reward based, loan based or equity based. However, in India, the most popular way of securing funds, is the rewards or returns based funding. On being questioned as to their willingness to support educational cause, the respondents were of the view point that they would surely contribute to the cause of furtherance of education. On being asked about the factors influencing their decision for contributing towards education, the respondents felt that they would prefer financing students who are from weak financial backgrounds and performing well academically.

6.4 Crowd sourcing education

And learning doesn't stop at the boundaries of campus any more. Information on all sorts of subjects and disciplines is now available online. This wealth of knowledge comes from the crowd and can be transplanted into the classroom or even beyond. Virtual classrooms have gained significance these days. Online courses are picking up pace. Many universities in the US also have their own platforms to encourage students and academics to appeal for financial help for their projects, and it is becoming more commonplace in the UK.

6.5 Preferred form of crowd funding

A lot of funders who participate in crowd funding do so out of a compelling feeling to support projects with values they share. Many of them wish to fund persons or projects with social causes as it gives them the satisfaction of having given back to the society.

Some backers like the rewards systems creative entrepreneurs set up on websites . In donations people might want to help out on the project if they see value and consideration. On the rewards they can be driven in part for the reward and or the project story behind the campaign. They could share many of the same values. Also in some cases the backers may just feel good and decide to make the donation. However most of them feel that they would prefer contributing to social causes. The way this model works is that people generally feel like they are involved or engaged in the project that they maybe otherwise wouldn't have the opportunity to be involved in, so just to be a part of something is what really motivates people.

6.6 Motivational causes

Painting a picture of a "typical" high school dropout is not an easy task. We hear of students not being able to take up their studies due to varied reasons. It could be due to financial constraints, poor health, lack of motivation, single parent, debts or due to physical disability etc. Majority of the respondents feel that they would prefer funding persons who have been doing well academically and strongly desire to learn but have financial difficulties. In such cases the backers feel that the person deserves to be educated and determine to offer help. No matter the cause of discontinuance, people would not hesitate contributing to projects especially for the ones who are academically good.

6.7 Most crowd funded events/projects

Also include the most popular crowd funding platforms

Most funded projects

Comparison of funds generated

through interviews with the common people, likely not going anywhere anytime soon. It will most likely continue to rapidly grow. In fact, crowdfunding is poised to become the next big investment trend. And here's five reasons why. undertaken to know the level of awareness of crowd

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