

Chapter 16

Resurgence of Crowdfunding During the Corona Pandemic: An Overview

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ABSTRACT

COVID-19 led to catastrophic impacts on almost all aspects of human lives, national economies, and international trade. However, the crisis is also known for giving rise to innovations. The emergent trends indicate growing importance for crowdfunding initiatives as traditional financial institutions are increasingly encountering economic hurdles. Crowdfunding is a popular model to raise small-sized investments or donations from a larger set of contributors to support for-profit or non-profit ventures, social causes, or medical needs. This chapter argues and confirms that crowdfunding has been a resilient tool to generate financial resources during the COVID-19 pandemic crisis. It offers convenience, speed, accessibility, and support for local needs and local businesses thereby making it more attractive. To understand the finer nuances of the role of crowdfunding in the COVID-19 era, this chapter analyses one of the largest crowdfunding platforms in India, Milaap, the first Indian crowdfunding platform to initiate pandemic-support fundraising campaigns.

INTRODUCTION

Crowdfunding is considered a measurable and flexible method of raising funds and eliminates the need for banks, venture capitalists, and other financial institutions. During the Covid-19 pandemic, which started in March 2020 in India, social media has been highly influenced by the strengthening of the crowdfunding market. An impressive upsurge in donations during the Covid-19 crisis evidenced that

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crowdfunding could be an alternative financial safety net during any crisis. Hundreds of campaigns were launched by a wide range of initiators like individuals, NGOs, business organizations, and foundations.

Crowdfunding platforms support, especially, philanthropic, and social causes are getting popular in India in the last decade. These platforms such as *Ketto* and *Milaap* allow individuals and organisations to create campaigns and create funds for different causes with nominal fees. In India, donation-based crowdfunding was already there and have been used by religious organisations in an informal setup. Modern-day crowdfunding is a modified version of the same old concept. The Internet made it easy and faster.

The budding start-ups are the ones significantly affected by the pandemic. The early-seed organisations were abruptly affected by the crisis. The global financial crisis, debt markets, the equity investments became more vulnerable to the major turmoil caused by the Covid-19 pandemic crisis. Massive challenges turned into innovative ideas, as entrepreneurs, business owners, and individuals are converting the crisis into reinventions and diversions by capturing accelerated digitalization.

Crowdfunding became a ray of hope for many people and survivors during the crisis. Many of the crowdfunding platforms made medical emergency fundraising the prime focus, to encourage bringing together generosity with need. Crowdfunding platforms provide 24x7 support to raise funds with minimum or no costs. In India, Govt has organised the Prime Minister (PM) Cares Fund, to channel philanthropic contributions towards the fight against corona, which can be regarded as a crowdfunding mechanism. Large number of individuals, NGOs, and firms are supporting causes through crowdfunding, as the internet became a prominent zone of communication and sharing. The media played an important role to promote individuals and organisations who contributed, through crowdfunding, to the country's fight against corona. The donations were applauded for the generous contributions of the people, as this was the reflection of the social pressure the philanthropy regardless of country or time.

The development and well-being of the local community is the main goal when people support crowdfunding projects (Martin & Herrero, 2021). This behaviour can be marked as a “socially responsible investment” (SRI). The term SRI is outlined as investment behaviors of individuals or organisations where environmental, ethical, and social issues are combined with financial criteria (Berry and Junkus 2013; Sparkes 2002). The search for collective well-being and social change may be the key motivation of the crowd to develop SRI.

The immediate effects of the coronavirus pandemic were related to health; however, the consequences include, fiscal, unemployment, loss of business, and revenue. The small and medium-sized businesses faced permanent and temporary layoffs that affected the overall economy (eg, hospitality, airline, real estate industries). Due to the limited availability of resources, price inflation had formed medical, financial, and social pressure on the people. With the unavailability of oxygen cylinders and lack of medical facilities, the country witnessed an increased number of death cases in the last 18 months and subsequent effects are unavailability of space for funerals and increased funeral costs have added more stress to the population.

To ensure financial support for medical emergencies during pandemics, donation-based crowdfunding has gradually become a prevalent tool to react to financial adversities. An in-depth study of the roots of crowdfunding and other previous studies (Saleh, Ajufo, Lehmann, & Medford, 2020) have evidenced that crowdfunding has always been used to tackle the needs of individuals and communities during or after natural calamities. The success rate of the donation-based crowdfunding platforms relied on emotional delivery to captivate the contributors and also on the impact of social media. The study evaluated the

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